

TOWN OF KENNEBUNKPORT, MAINE

Annual Financial Report

For the Fiscal Year Ended June 30, 2012

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For the Year Ended June 30, 2012

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Independent Auditor's Report

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, 2012, 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 the 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, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 January 11, 2013, on our consideration of the Town of Kennebunkport, Maine's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive, flowing style.

January 11, 2013
South Portland, Maine

TOWN OF KENNEBUNKPORT, MAINE
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 \$165,939 to \$24,915,701 (Statement 2).
- Net capital assets increased by \$9,249 (pages 30 and 31).
- General revenues accounted for \$12,753,046 in revenue, or 84% of all revenues. Program specific revenues consisting of charges for services and grants and contributions accounted for \$2,442,975 in revenue, or 16% of \$15,196,021 in total revenues (statement 2).
- At the end of the current fiscal year, the fund balance for the general fund was \$4,026,085, of which \$10,753 was nonspendable, \$181,630 was committed and \$3,833,702 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

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. The increase or decrease in Net Assets may serve as a 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 reconciliations 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 \$24,915,701. 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).

	Governmental Activities		Business-type Activities		Primary Government Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 6,637	6,388	1,843	2,027	8,480	8,415
Capital assets:						
Land	2,324	2,324	950	950	3,274	3,274
Art works & historical treasures	-	45	-	-	-	45
Construction in progress	51	69	-	1,833	51	1,902
Buildings and improvements	2,500	2,414	8,161	6,830	10,661	9,244
Land improvements	229	219	29	29	258	248
Furniture & fixtures	47	47	-	-	47	47
Equipment & vehicles	4,227	4,530	3,156	2,725	7,383	7,255
Infrastructure	5,598	5,187	7,798	7,706	13,396	12,893
Less: accumulated depreciation	(6,015)	(6,063)	(9,601)	(9,401)	(15,616)	(15,464)
Total assets	\$ 15,598	15,160	12,336	12,699	27,934	27,859
Current liabilities	1,066	683	292	340	1,358	1,023
Long-term liabilities	1,076	1,325	585	761	1,661	2,086
Total liabilities	\$ 2,142	2,008	877	1,101	3,019	3,109
Net assets:						
Invested in capital assets, net of debt	7,636	7,202	9,735	9,739	17,371	16,941
Unrestricted	5,820	5,950	1,724	1,859	7,544	7,809
Total net assets	\$ 13,456	13,152	11,459	11,598	24,915	24,750

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, salt/sand shed and sewer upgrades. 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	
	2012	2011	2012	2011	2012	2011
Net assets, beginning	\$ 13,152	12,907	11,598	11,676	24,750	24,583
Revenues:						
Program revenues:						
Charges for services	637	582	1,700	1,584	2,337	2,166
Operating grants & cont.	91	84	-	-	91	84
Capital grants	14	16	-	-	14	16
General revenues:						
Property taxes	11,584	11,517	-	-	11,584	11,517
Excise taxes	804	779	-	-	804	779
Capital grants & cont.	190	195	-	-	190	195
Unrestricted investment earnings	61	80	12	37	73	117
Miscellaneous	82	69	19	11	101	80
Total revenues	13,463	13,322	1,731	1,632	15,194	14,954
Expenditures:						
Program expenditures:						
General government	1,483	1,444	-	-	1,483	1,444
Public safety	2,254	2,164	-	-	2,254	2,164
Health and welfare	193	203	-	-	193	203
Public works	1,035	1,038	-	-	1,035	1,038
Recreation	444	443	-	-	444	443
Cemeteries	-	13	-	-	-	13
Education	6,108	6,260	-	-	6,108	6,260
County tax	1,015	975	-	-	1,015	975
Solid waste	470	422	-	-	470	422
Unclassified	610	281	-	-	610	281
Special projects	(347)	(105)	-	-	(347)	(105)
Interest expense	53	63	-	-	53	63
Cape Porpoise Pier	-	-	396	324	396	324
Dock Square Parking Lot	-	-	74	61	74	61
Sewer	-	-	1,241	1,201	1,241	1,201
Total expenditures	13,318	13,201	1,711	1,586	15,029	14,787
Increase in net assets	145	121	20	46	165	167
Transfers	159	124	(159)	(124)	-	-
Net assets, end of year	\$ 13,456	13,152	11,459	11,598	24,915	24,750

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

The table below presents the total cost, for fiscal years 2012 and 2011, of each of the Town's largest programs: general government, public safety, public works, education and county tax, as well as each program's 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).

Governmental Activities (in thousands)									
2012					2011				
	Total		Net		Total		Net		
General govt.	\$ 1,483	12.5%	1,286	11.1%	1,444	12.2%	1,276	11.0%	
Public safety	2,254	18.9%	2,156	18.6%	2,164	18.2%	2,088	18.0%	
Public works	1,035	8.7%	1,009	8.7%	1,038	8.7%	1,020	8.7%	
Education	6,108	51.3%	6,107	52.8%	6,260	52.7%	6,260	53.9%	
County tax	1,015	8.5%	1,015	8.8%	975	8.2%	975	8.4%	
Totals	\$ 11,895	100.0%	11,573	100.0%	11,881	100.0%	11,619	100.0%	

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, 2012	Balance June 30, 2011	\$ Change	% Change
General Fund	\$ 4,026,085	4,434,958	(408,873)	-9.22%
	\$ 4,026,085	4,434,958	(408,873)	-9.22%

Expenditures

The table below shows the Town's original and adjusted budgets for various departments and functions for the year ended June 30, 2012. The table also shows actual expenditures 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	\$ 1,532,886	1,532,886	1,426,088	106,798	6.97%
Public Safety	2,154,934	2,154,934	2,071,128	83,806	3.89%
Public Works	953,041	953,041	891,669	61,372	6.44%
Health and Welfare	676,235	676,235	678,251	(2,016)	-0.30%
Recreation and Culture	424,545	424,545	422,446	2,099	0.49%
Grants	-	1,300	1,300	-	0.00%
Unclassified	7,222,679	7,222,679	7,163,766	58,913	0.82%
Debt service	296,374	296,374	299,769	(3,395)	-1.15%
Capital improvements and reserves	531,250	531,250	389,102	142,148	26.76%
Total expenditures	\$ 13,791,944	13,793,244	13,343,519	449,725	3.26%

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 Health and Welfare – Solid Waste, and Debt service - Interest. 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 37 of the financial statements.

The solid waste variance is costs that were greater than budgeted.

Debt service interest was slightly higher than anticipated due to a refinance of the MMBB bond.

Revenues

The table below shows the Town's final budget and actual revenues from various resources for the year ended June 30, 2012. 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	\$ 11,584,146	11,633,108	48,962	0.42%
Excise taxes	763,500	804,186	40,686	5.33%
Interest on taxes	30,000	28,572	(1,428)	-4.76%
Licenses, permits, and fees	125,300	151,761	26,461	21.12%
Charges for services	335,200	348,761	13,561	4.05%
Intergovernmental revenue	269,913	283,481	13,568	5.03%
Investment income	40,000	45,866	5,866	14.67%
Other revenues	185,050	183,489	(1,561)	-0.84%
Total revenues	\$ 13,333,109	13,479,224	146,115	1.10%

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

Capital Assets

As of June 30, 2012, the Town had approximately \$19,454,559 invested in capital assets, net of accumulated depreciation, 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 \$9,249, or 0.05% over last year.

This year's major additions/deletions included:

- Removal of previously disposed/obsolete assets
- Removal of Historical treasures, antique fire equipment that belongs to the Fire Company
- 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 2013 budget, as approved at the annual Town Meeting held on June 12th and 16th, includes approximately \$756,250 for various capital improvements, including two police vehicles, highway vehicle reserve funding, highway building improvements, road improvement/construction, S Brook drainage-part 1 and fire apparatus reserve funding.

Debt

The Town of Kennebunkport had \$2,072,136 in bonds outstanding at fiscal year-end, compared to \$2,487,774 last year. Additionally, the Town had \$11,335 in capital leases outstanding at fiscal year-end for the purchase of copy machines (page 34). 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, 2012 was within this statutory limit.

Economic Factors and Next Year's Budget

The fiscal 2013 budget has been prepared and already approved at the June 12th and 16th annual town meeting. The municipal portion of the budget increased by approximately \$640,581 from last year. This was due to increases in capital improvements, legal fees relating to the Goose Rocks Beach lawsuit, overall operating costs and personnel costs and increases to KEMS, Graves Library and County tax.

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 or Treasurer, PO Box 566, Kennebunkport, Maine 04046.

BASIC FINANCIAL STATEMENTS

TOWN OF KENNEBUNKPORT, MAINE

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 557,090	500	557,590
Investments	6,136,132	1,303,179	7,439,311
Receivables:			
Accounts	71,189	218,679	289,868
Taxes receivable - current year	131,006	-	131,006
Taxes receivable - prior year	2,254	-	2,254
Tax and sewer liens	34,200	8,678	42,878
Internal balances	(304,710)	304,710	-
Inventory	5,683	7,328	13,011
Prepaid expenditures	5,070	-	5,070
Nondepreciable capital assets	2,375,075	950,428	3,325,503
Depreciable capital assets, net	6,585,617	9,543,439	16,129,056
Total assets	15,598,606	12,336,941	27,935,547
LIABILITIES			
Accounts payable	327,671	25,343	353,014
Accrued wages	49,455	10,337	59,792
Accrued liabilities	274,958	2,500	277,458
Accrued interest	5,558	4,191	9,749
Accrued compensated absences	153,385	24,539	177,924
Taxes paid in advance	6,395	-	6,395
Deferred revenue	-	52,043	52,043
Noncurrent liabilities:			
Due within one year	248,995	173,304	422,299
Due in more than one year	1,075,946	585,226	1,661,172
Total liabilities	2,142,363	877,483	3,019,846
NET ASSETS			
Invested in capital assets, net of related debt	7,635,751	9,735,337	17,371,088
Restricted for:			
General capital projects	36,672	-	36,672
09 road project	42,344	-	42,344
Unrestricted	5,741,476	1,724,121	7,465,597
Total net assets	\$ 13,456,243	11,459,458	24,915,701

See accompanying notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE
Statement of Activities
For the year ended June 30, 2012

Functions/programs	Program revenues				Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		
					Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,472,065	197,129	-	-	(1,274,936)	-	(1,274,936)
Public safety	2,197,301	32,412	65,771	-	(2,099,118)	-	(2,099,118)
Highways, streets and bridges	451,582	-	11,245	14,421	(425,916)	-	(425,916)
Health & welfare	193,342	1,663	892	-	(190,787)	-	(190,787)
Recreation & culture	433,953	163,595	-	-	(270,358)	-	(270,358)
Grants	1,300	-	-	-	(1,300)	-	(1,300)
Education	6,107,804	-	-	-	(6,107,804)	-	(6,107,804)
County tax	1,015,041	-	-	-	(1,015,041)	-	(1,015,041)
Solid waste	470,152	22	-	-	(470,130)	-	(470,130)
Unclassified	447,213	242,612	12,725	-	(191,876)	-	(191,876)
Loss on disposal of assets	108,006	-	-	-	(108,006)	-	(108,006)
Interest on debt service	53,092	-	-	-	(53,092)	-	(53,092)
Capital maintenance expenses	367,945	-	-	-	(367,945)	-	(367,945)
Total governmental activities	13,318,796	637,433	90,633	14,421	(12,576,309)	-	(12,576,309)
Business-type activities:							
Sewer	1,241,477	1,010,152	-	-	-	(231,325)	(231,325)
Cape Porpoise Pier	395,556	364,236	-	-	-	(31,320)	(31,320)
Dock Square Parking Lot	74,254	326,100	-	-	-	251,846	251,846
Total business-type activities	1,711,287	1,700,488	-	-	-	(10,799)	(10,799)
Total primary government	\$ 15,030,083	2,337,921	90,633	14,421	(12,576,309)	(10,799)	(12,587,108)
General revenues:							
Property taxes, levied for general purposes					11,584,210	-	11,584,210
Interest and costs on taxes					28,572	-	28,572
Motor vehicle excise taxes					804,186	-	804,186
Grants and contributions not restricted to specific programs:							
Homestead exemption					29,282	-	29,282
State Revenue Sharing					104,511	-	104,511
State Road Assistance					52,356	-	52,356
Veterans reimbursement					2,300	-	2,300
General assistance					674	-	674
Snowmobile reimbursement					549	-	549
Unrestricted investment earnings					60,800	12,419	73,219
Miscellaneous revenues					53,763	19,425	73,188
Transfers					159,535	(159,535)	-
Total general revenues and transfers					12,880,738	(127,691)	12,753,047
Change in net assets					304,429	(138,490)	165,939
Net assets - beginning					13,151,814	11,597,948	24,749,762
Net assets - ending					\$ 13,456,243	11,459,458	24,915,701

See accompanying notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE
Balance Sheet
Governmental Funds
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 541,279	15,811	557,090
Investments	5,423,319	712,813	6,136,132
Receivables:			
Accounts receivable	71,189	-	71,189
Taxes receivable - current year	131,006	-	131,006
Taxes receivable - prior year	2,254	-	2,254
Tax liens receivable	34,200	-	34,200
Prepays	5,070	-	5,070
Inventory	5,683	-	5,683
Interfund loans receivable	-	1,161,385	1,161,385
Total assets	\$ 6,214,000	1,890,009	8,104,009
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and payroll withholdings	311,463	16,208	327,671
Accrued wages	49,455	-	49,455
Taxes paid in advance	6,395	-	6,395
Other liabilities	274,958	-	274,958
Deferred tax revenue	93,866	-	93,866
Interfund loans payable	1,451,778	14,317	1,466,095
Total liabilities	2,187,915	30,525	2,218,440
Fund balances:			
Nonspendable	10,753	688,206	698,959
Restricted	-	105,117	105,117
Committed	181,630	887,747	1,069,377
Assigned	-	178,414	178,414
Unassigned	3,833,702	-	3,833,702
Total fund balances	4,026,085	1,859,484	5,885,569
Total liabilities and fund balances	\$ 6,214,000	1,890,009	
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.			8,960,692
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			93,866
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
Bonds payable			(1,313,606)
Capital leases			(11,335)
Accrued interest			(5,558)
Accrued compensated absences			(153,385)
Net assets of governmental activities			\$ 13,456,243

See accompanying notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 12,465,866	-	12,465,866
Intergovernmental	283,481	11,245	294,726
Licenses and permits	151,761	-	151,761
Charges for services	348,761	-	348,761
Investment income	45,866	14,934	60,800
Other	183,489	7,185	190,674
Total revenues	13,479,224	33,364	13,512,588
Expenditures:			
Current:			
General government	1,426,088	-	1,426,088
Public safety	2,071,128	-	2,071,128
Public works	891,669	-	891,669
Health and welfare	208,099	-	208,099
Recreation and culture	422,446	15,197	437,643
Grants	1,300	-	1,300
Education	6,107,804	-	6,107,804
County tax	1,015,041	-	1,015,041
Solid waste	470,152	-	470,152
Unclassified	40,921	406,292	447,213
Debt service	299,769	-	299,769
Capital improvements and reserves	389,102	-	389,102
Total expenditures	13,343,519	421,489	13,765,008
Excess (deficiency) of revenues over (under) expenditures	135,705	(388,125)	(252,420)
Other financing sources (uses):			
Transfers from other funds	318,596	743,709	1,062,305
Transfers to other funds	(863,174)	(39,596)	(902,770)
Total other financing sources (uses)	(544,578)	704,113	159,535
Net change in fund balances	(408,873)	315,988	(92,885)
Fund balances, beginning of year	4,434,958	1,543,496	5,978,454
Fund balances, end of year	\$ 4,026,085	1,859,484	5,885,569

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, 2012

Net change in fund balances - total governmental funds (from Statement 4)	\$	(92,885)
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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 loss on disposal of assets (\$108,006) and depreciation expense (\$387,095) exceeded capital outlays (\$683,576). 188,475

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (48,898)

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 (\$11,060) and accrued interest (\$1,060). 12,120

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. 245,617

Change in net assets of governmental activities (see Statement 2)	\$	304,429
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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, 2012

	Budgeted amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 12,377,646	12,377,646	12,465,866	88,220
Intergovernmental	269,913	269,913	283,481	13,568
Licenses and permits	125,300	125,300	151,761	26,461
Charges for services	335,200	335,200	348,761	13,561
Interest earned	40,000	40,000	45,866	5,866
Other	185,050	185,050	183,489	(1,561)
Total revenues	13,333,109	13,333,109	13,479,224	146,115
Expenditures:				
Current:				
General government	1,532,886	1,532,886	1,426,088	106,798
Public safety	2,154,934	2,154,934	2,071,128	83,806
Public works	953,041	953,041	891,669	61,372
Health and welfare	676,235	676,235	678,251	(2,016)
Recreation and culture	424,545	424,545	422,446	2,099
Grants	-	1,300	1,300	-
Unclassified	7,222,679	7,222,679	7,163,766	58,913
Debt service	296,374	296,374	299,769	(3,395)
Capital improvements and reserves	531,250	531,250	389,102	142,148
Total expenditures	13,791,944	13,793,244	13,343,519	449,725
Excess (deficiency) of revenues over (under) expenditures	(458,835)	(460,135)	135,705	595,840
Other financing sources (uses):				
Transfers from other funds	279,800	279,800	318,596	38,796
Transfers to other funds	(344,465)	(669,465)	(863,174)	(193,709)
Utilization of unassigned fund balance	500,000	825,000	-	(825,000)
Utilization of assigned fund balance	23,500	24,800	-	(24,800)
Total other financing sources (uses)	458,835	460,135	(544,578)	(1,004,713)
Net change in fund balance	-	-	(408,873)	(408,873)
Fund balance, beginning of year			4,434,958	
Fund balance, end of year	\$		4,026,085	

See accompanying notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE

Statement of Net Assets

Proprietary Funds

June 30, 2012

Business-type Activities - Enterprise Funds				
	Sewer Department	Cape Porpoise Pier	Dock Square Parking Lot	Total
ASSETS				
Current assets:				
Cash	\$ 100	100	300	500
Investments	1,303,179	-	-	1,303,179
Accounts receivable	171,678	41,984	5,017	218,679
Liens	8,678	-	-	8,678
Inventory	-	7,328	-	7,328
Interfund loans receivable	109,348	40,673	154,689	304,710
Total current assets	1,592,983	90,085	160,006	1,843,074
Noncurrent assets:				
Property, plant, and equipment	18,506,628	1,422,494	165,750	20,094,872
Less accumulated depreciation	(9,045,548)	(508,224)	(47,233)	(9,601,005)
Total noncurrent assets	9,461,080	914,270	118,517	10,493,867
Total assets	11,054,063	1,004,355	278,523	12,336,941
LIABILITIES				
Current liabilities:				
Accounts payable	22,993	1,824	526	25,343
Accrued wages	7,444	1,352	1,541	10,337
Accrued liabilities	-	2,500	-	2,500
Accrued interest	4,191	-	-	4,191
Accrued compensated absences	24,375	164	-	24,539
Deferred revenue	52,043	-	-	52,043
Current portion of long-term bonds	173,304	-	-	173,304
Total current liabilities	284,350	5,840	2,067	292,257
Noncurrent liabilities:				
Long-term portion of bonds	585,226	-	-	585,226
Total liabilities	869,576	5,840	2,067	877,483
NET ASSETS				
Invested in capital assets, net of related debt	8,702,550	914,270	118,517	9,735,337
Unrestricted	1,481,937	84,245	157,939	1,724,121
Total net assets	\$ 10,184,487	998,515	276,456	11,459,458

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, 2012

Business-type Activities - Enterprise Funds				
	Sewer Department	Cape Porpoise Pier	Dock Square Parking Lot	Total
Operating revenues:				
Lease income	\$ -	40,000	-	40,000
Fuel sales	-	280,096	-	280,096
Dues	-	44,140	-	44,140
Fees	1,010,152	-	326,100	1,336,252
Other income	19,000	425	-	19,425
Total operating revenues	1,029,152	364,661	326,100	1,719,913
Operating expenses:				
Wages and benefits	551,652	64,973	41,562	658,187
Supplies	76,119	259,805	17,642	353,566
Repairs and maintenance	19,683	5,840	-	25,523
Insurance	26,142	2,705	-	28,847
Utilities	84,213	10,266	2,779	97,258
Contracted services	16,349	4,284	-	20,633
Equipment	34,776	7,700	-	42,476
Other operating expenses	-	9,761	-	9,761
Depreciation	404,175	29,802	5,583	439,560
Total operating expenses	1,213,109	395,136	67,566	1,675,811
Operating income (loss)	(183,957)	(30,475)	258,534	44,102
Nonoperating revenue (expenses):				
Interest income	12,419	-	-	12,419
Loss on disposal of equipment	(3,420)	(420)	(6,688)	(10,528)
Interest expense	(24,948)	-	-	(24,948)
Total nonoperating revenue (expenses)	(15,949)	(420)	(6,688)	(23,057)
Net income (loss) before transfers	(199,906)	(30,895)	251,846	21,045
Transfers:				
Transfer (to) from other funds	94,465	-	(254,000)	(159,535)
Total transfers	94,465	-	(254,000)	(159,535)
Income (loss)	(105,441)	(30,895)	(2,154)	(138,490)
Total net assets, beginning of year	10,289,928	1,029,410	278,610	11,597,948
Total net assets, end of year	\$ 10,184,487	998,515	276,456	11,459,458

See accompanying notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2012

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	\$ 1,332,134	352,556	323,195	2,007,885
Payments to suppliers	(299,749)	(301,870)	(20,219)	(621,838)
Payments to employees	(551,830)	(64,447)	(41,265)	(657,542)
Net cash provided by (used in) operating activities	480,555	(13,761)	261,711	728,505
Cash flows from non-capital financing activities:				
Transfers (to) from other funds	94,465	-	(254,000)	(159,535)
(Increase) decrease in interfund loans	(297,214)	13,762	7,414	(276,038)
Net cash provided by (used in) non-capital financing activities	(202,749)	13,762	(246,587)	(435,574)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(255,734)	-	(15,125)	(270,860)
Proceeds from sale of assets	3,420	-	6,688	10,107
Bond principal payments	(172,605)	-	-	(172,605)
Bond refinance principal reduction	(2,767)	-	-	(2,767)
Interest payments	(24,948)	-	-	(24,948)
Net cash provided by (used in) capital and related financing activities	(452,635)	-	(8,438)	(461,073)
Cash flows from investing activities:				
Sale of investments	180,052	-	-	180,052
Investment income	12,419	-	-	12,419
Net cash provided by investing activities	192,471	-	-	192,471
Increase in cash	-	1	-	1
Cash, beginning of year	100	100	300	500
Cash, end of year	\$ 100	101	300	501
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (183,957)	(30,475)	258,534	44,102
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	404,175	29,802	5,583	439,560
Change in operating assets and liabilities:				
(Increase) decrease in accounts receivable	293,816	(12,105)	(2,905)	278,806
(Increase) decrease in liens receivable	2,055	-	-	2,055
(Increase) decrease in inventory	-	(945)	-	(945)
Increase (decrease) in accounts payable	(40,912)	(564)	202	(41,274)
Increase (decrease) in accrued wages	531	586	297	1,414
Increase (decrease) in accrued compensated absences	(709)	(60)	-	(769)
Increase (decrease) in accrued interest	(1,555)	-	-	(1,555)
Increase (decrease) in deferred revenue	7,111	-	-	7,111
Net cash provided by (used in) operating activities	\$ 480,555	(13,761)	261,711	728,505

See accompanying notes to financial statements.

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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
Annual Financial Report
For the Year Ended June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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, 2012 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.

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 assigned for subsequent year expenditures 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 are needed.

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 charges 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.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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.

TOWN OF KENNEBUNKPORT, MAINE

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For the Year Ended June 30, 2012

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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>
2012 budget as originally adopted	\$ 13,333,109	(13,791,944)	458,835
Subsequent authorizations	-	(325,000)	325,000
Use of prior year surplus	-	325,000	(325,000)
<u>Designated carryforward balances</u>	-	(1,300)	1,300
Totals	\$ 13,333,109	(13,793,244)	460,135

C. Excess of Expenditures over Appropriations

The following expenditures were over there appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
Solid Waste	\$ 457,100	470,152	13,052
Debt Service - interest	56,108	59,503	3,395
Capital Outlay - police	60,000	61,557	1,557
Capital Outlay – highway vehicle	100,000	138,796	38,796

CASH AND INVESTMENTS

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, 2012, the Town reported deposits of \$557,590 with a bank balance of \$707,882. Of the Town's bank balances of \$707,882, 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	\$ 557,090
<u>Reported in business-type activities</u>	<u>500</u>
Total deposits	\$ 557,590

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

CASH AND INVESTMENTS, CONTINUED

B. Investments

At June 30, 2012 the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
Certificates of Deposits	\$ 7,439,311	-	7,439,311	-
Total investments	\$ 7,439,311	-	7,439,311	-

Investments have been reported as follows:

Reported in governmental funds	\$ 6,136,132
Reported in business-type activities	1,303,179
Total investments	\$ 7,439,311

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.

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 \$7,439,311 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.

TOWN OF KENNEBUNKPORT, MAINE
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PROPERTY TAX

Property taxes for the current period were committed on July 28, 2011, on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Payment of taxes was due in equal installments on September 12, 2011 and March 12, 2012. 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 2011 assessed value of \$1,827,152,440 (including Homestead valuation) was 100% of the estimated market value and 101.4% of the 2012 state valuation of \$1,801,850,000.

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 \$32,299 for the period ended June 30, 2012.

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, 2012 and 2011 levies:

	<u>2012</u>	<u>2011</u>
Assessed value	\$ 1,827,152,440	1,816,952,830
Tax rate (per \$1,000)	6.34	6.34
Commitment (includes Homestead)	11,584,146	11,519,481
Supplemental taxes assessed	-	5,217
	11,584,146	11,524,698
Less:		
Collections and abatements	11,453,140	11,373,154
Receivable at June 30	\$ 131,006	151,544
Collection rate	98.87%	98.69%

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 69,120	34,759	(53,285)	50,594
Art works & historical treasures	45,000	-	(45,000)	-
Land	2,324,481	-	-	2,324,481
<u>Total capital assets, not being depreciated</u>	<u>2,438,601</u>	<u>34,759</u>	<u>(98,285)</u>	<u>2,375,075</u>
Capital assets, being depreciated:				
Land improvements	218,692	10,204	-	228,896
Buildings	1,876,443	-	-	1,876,443
Buildings improvements	537,692	85,520	-	623,212
Machinery and equipment	1,958,113	-	(380,533)	1,577,580
Furniture and fixtures	47,258	-	-	47,258
Vehicles	2,571,686	195,838	(117,582)	2,649,942
Infrastructure	5,187,165	410,540	-	5,597,705
<u>Total capital assets, being depreciated</u>	<u>12,397,049</u>	<u>702,102</u>	<u>(498,115)</u>	<u>12,601,036</u>
Less accumulated depreciation for:				
Land improvements	112,462	7,096	-	119,558
Buildings	647,173	42,192	-	689,365
Building improvements	173,156	23,340	-	196,496
Machinery and equipment	1,275,659	99,687	(344,774)	1,030,572
Furniture and fixtures	44,792	2,250	-	47,042
Vehicles	1,515,917	117,989	(90,335)	1,543,571
Infrastructure	2,294,274	94,541	-	2,388,815
<u>Total accumulated depreciation</u>	<u>6,063,433</u>	<u>387,095</u>	<u>(435,109)</u>	<u>6,015,419</u>
<u>Total capital assets being depreciated, net</u>	<u>6,333,616</u>	<u>315,007</u>	<u>(63,006)</u>	<u>6,585,617</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 8,772,217</u>	<u>349,766</u>	<u>(161,291)</u>	<u>8,960,692</u>

TOWN OF KENNEBUNKPORT, MAINE

Annual Financial Report

For the Year Ended June 30, 2012

CAPITAL ASSETS, CONTINUED

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,833,069	-	(1,833,069)	-
Land	950,428	-	-	950,428
Total capital assets, not being depreciated	2,783,497	-	(1,833,069)	950,428
Capital assets, being depreciated:				
Land improvements	29,600	-	-	29,600
Buildings	4,751,200	185,000	-	4,936,200
Building improvements	2,078,895	1,145,281	-	3,224,176
Machinery and equipment	2,650,514	681,648	(250,570)	3,081,592
Infrastructure	7,706,239	92,000	-	7,798,239
Vehicles	74,637	-	-	74,637
Total capital assets, being depreciated	17,291,085	2,103,929	(250,570)	19,144,444
Less accumulated depreciation for:				
Land improvements	29,600	-	-	29,600
Buildings	2,515,498	95,536	-	2,611,034
Building improvements	635,802	89,457	-	725,259
Machinery and equipment	1,991,923	86,762	(240,044)	1,838,641
Infrastructure	4,155,465	167,518	-	4,322,983
Vehicles	73,201	287	-	73,488
Total accumulated depreciation	9,401,489	439,560	(240,044)	9,601,005
Total capital assets being depreciated, net	7,889,596	1,664,369	(10,526)	9,543,439
Business-type activities capital assets, net	\$ 10,673,093	1,664,369	(1,843,595)	10,493,867

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

Governmental activities:	
General government	\$ 59,555
Public safety	174,144
Public works	141,228
Health and welfare	597
Recreation and culture	11,571

Total depreciation expense - governmental activities **\$ 387,095**

Business-type activities:	
Sewer Department	\$ 404,175
Cape Porpoise Pier	29,802
Dock Square Parking Lot	5,583

Total depreciation expense - business-type activities **\$ 439,560**

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INTERFUND LOAN BALANCES

Individual interfund loan receivable and payable balances at the year ended June 30, 2012, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	\$ -	1,451,778
Proprietary funds:		
Sewer Department	109,348	-
Cape Porpoise Pier	40,673	-
Dock Square Parking Lot	154,689	-
<u>Total proprietary funds</u>	<u>304,710</u>	<u>-</u>
Nonmajor special revenue funds:		
Piers, Rivers & Harbors	164,361	-
350 th Anniversary	3,049	-
Revaluation	6,104	-
Maine DEA Drug Forfeiture	1,050	-
DEA Drug Forfeiture	496	-
<u>Total nonmajor special revenue funds</u>	<u>175,060</u>	<u>-</u>
Nonmajor capital projects funds:		
General Capital Projects	36,672	-
Road Project	55,946	-
30 North Street	115	-
Port Village Fire Station	3,072	-
Town Office	167	-
Fire Apparatus	290,000	-
Highway Vehicles	61,204	-
Garage Roof	349,645	-
S Brook Drainage	99,556	-
Road Improvement	89,948	-
<u>Total nonmajor capital projects funds</u>	<u>986,325</u>	<u>-</u>
Nonmajor permanent funds:		
Kittredge Family	-	11,500
Macomber Trust	-	2,817
<u>Total nonmajor permanent funds</u>	<u>-</u>	<u>14,317</u>
 <u>Total interfund loan receivables and payables</u>	 <u>\$ 1,466,095</u>	 <u>1,466,095</u>

The purpose of interfund loans is to charge revenues and expenditures/expenses 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
Annual Financial Report
For the Year Ended June 30, 2012

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2012 were as follows:

	Transfers in	Transfers out
General Fund	\$ 318,596	863,174
Proprietary funds:		
Sewer Department	94,465	-
Dock Square Parking Lot	-	254,000
Total proprietary funds	94,465	254,000
Nonmajor special revenue funds:		
Piers, Rivers & Harbors	40,000	-
Total nonmajor special revenue funds	40,000	-
Nonmajor capital projects funds:		
Fire Apparatus	130,000	-
Garage Roof	384,205	-
S Brook Drainage	99,556	-
Road Improvement	89,948	-
Highway Vehicles	-	38,796
Total nonmajor capital projects funds	703,709	38,796
Nonmajor permanent funds:		
Macomber Trust	-	800
Total nonmajor permanent funds	-	800
Totals	\$ 1,156,770	1,156,770

These transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 1,553,872	-	240,266	1,313,606	243,436
Capital leases	16,686	-	5,351	11,335	5,559
Compensated absences (1)	164,445	-	11,060	153,385	-
Governmental activity long-term liabilities	\$ 1,735,003	-	256,677	1,478,326	248,995
Business-type activities:					
Bonds payable	\$933,902	-	175,372	758,530	173,304
Compensated absences (1)	25,308	-	769	24,539	-
Business-type activity long-term liabilities	\$ 959,210	-	176,141	783,069	173,304

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

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

LONG-TERM DEBT

Bonds Payable

Bonds payable and capital leases at June 30, 2012, 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>
<u>Governmental activities:</u>					
Bonds payable:					
Road bond	\$ 1,600,000	8/1/08	2019	4.24%	\$ 960,000
Salt/Sand Shed bond	796,000	9/28/05	2016	3.7-3.9%	353,606
Total governmental activities bonds and payable					1,313,606
<u>Business-type activities:</u>					
Bonds payable:					
Sewer expansion bonds	1,000,000	11/13/03	2024	2.25%	633,530
Sewer construction bonds	2,500,000	5/6/92	2013	5.9-6.75%	125,000
Total business-type activities bonds payable					758,530
Total governmental activities and business-type activities					\$ 2,072,136

All governmental activities long-term debt service requirements are paid by the General Fund. Business-type debt is paid by the sewer enterprise fund. Maine Municipal Bond Bank had a reissue of the Sewer expansion bond which lowered the Town's outstanding debt as follows: principal (\$2,767) and interest (\$18,218).

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 and capital leases are as follows:

Governmental Activities

	<u>Bonds</u>			<u>Capital Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 243,436	49,570	293,006	5,559	442	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	160,000	10,459	170,459	-	-	-
2018-2019	160,000	3,675	163,675	-	-	-
Totals	\$ 1,313,606	151,391	1,464,997	11,335	667	12,002

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

LONG-TERM DEBT, CONTINUED

Business-type Activities

		<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 173,304	16,535	189,839
2014	49,036	11,036	60,072
2015	49,802	9,924	59,726
2016	50,603	9,105	59,708
2017	51,443	8,222	59,665
2018-2022	270,952	25,998	296,950
2023-2024	113,390	4,743	118,133
Totals	\$ 758,530	85,563	844,093

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, 2012, the Town's outstanding debt did not exceed these limits.

OVERLAPPING DEBT

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 December 31, 2011</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
York County	\$ 9,900,000	5.35%	529,650
RSU #21	19,915,650	38.05%	<u>7,577,905</u>
			8,107,555

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

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town either carries commercial insurance, 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, 2012.

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

FUND BALANCE AND NET ASSETS

The General Fund unassigned fund balance total of \$3,833,702 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, 2012 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	\$ 5,683	-	-	-
Prepaid expenditures	5,070	-	-	-
Subsequent year budget	-	-	-	-
Carry forward balances	-	-	181,630	-
Special Revenue Funds:				
Piers, Rivers & Harbors	-	-	-	164,361
350 th Anniversary	-	-	-	3,049
Revaluation	-	-	-	6,104
DEA Drug Forfeiture	-	-	-	496
Maine DEA Drug Forfeiture	-	-	-	1,050
Capital Projects Funds:				
General Capital Projects	-	36,672	-	-
Road Project	-	42,344	-	-
30 North Street	-	-	-	115
Port Village Fire	-	-	-	3,072
Town Office	-	-	-	167
Fire Apparatus	-	-	290,000	-
Highway Vehicle	-	-	61,204	-
Garage Roof	-	-	347,039	-
S Brook Drainage	-	-	99,556	-
Road Improvement	-	-	89,948	-
Permanent Funds:				
Principal	688,206	-	-	-
Unexpended income:				
Kittredge	-	13,528	-	-
Macomber	-	12,573	-	-
Totals	\$ 698,959	105,117	1,069,377	178,414

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

FUND BALANCE AND NET ASSETS, CONTINUED

At June 30, 2012 and 2011 fund balances were committed to future periods as follows:

	<u>2012</u>	<u>2011</u>
General Fund:		
Bridge repairs	\$ 49,542	49,542
Street lights	5,000	5,000
Silas Perkins Park	5,766	8,438
Salt shed	21,899	21,899
Pier Road	1,518	5,178
No. St. parking lot	750	750
Fire equipment	10,000	10,000
GA donations	11,810	15,649
Parks & Rec Improvements	3,653	5,890
Growth planning	-	3,500
Admin – Building	2,921	14,000
Employee separation	18,465	18,465
Downtown projects	2,611	2,611
Dock Square restrooms	-	378
Cemetery	300	300
Voting Equipment	6,500	6,500
Beachwood Park	(361)	2,316
Local Circuit Breaker Program	3,861	28,861
Recreation - capital	9,500	9,000
Parsons Way bench	1,536	-
Police donations	2,000	-
Sidewalk Improvement	3,324	-
Communications	8,988	-
Land acquisition	12,047	12,047
Total General Fund committed fund balance	\$ 181,630	220,324

TOWN OF KENNEBUNKPORT, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

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 10.2% of the special plan #2 members' covered payroll and 4.4% 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, 2012, 2011 and 2010 were \$125,409, \$96,532, and \$119,049, respectively.

457 RETIREMENT PLAN

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.

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 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, 2012:

	Governmental activities	Business-type activities
Capital assets	\$ 14,976,111	20,094,872
Accumulated depreciation	(6,015,419)	(9,601,005)
Bonds payable	(1,313,606)	(758,530)
Capital leases	(11,335)	-
Total invested in capital assets, net of related debt	\$ 7,635,751	9,735,337

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, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 541,279	313,117
Investments	5,423,319	5,108,851
Inventory	5,683	7,628
Receivables:		
Taxes receivable - current year	131,006	151,544
Taxes receivable - prior year	2,254	1,871
Tax liens receivable	34,200	46,244
Accounts receivable	71,189	69,232
Prepaid expenditures	5,070	60
Total assets	\$ 6,214,000	5,698,547
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and payroll withholdings	311,463	183,498
Accrued wages	49,455	36,605
Other liabilities	274,958	38,631
Taxes paid in advance	6,395	7,851
Interfund loans payable	1,451,778	854,240
Deferred tax revenue	93,866	142,764
Total liabilities	2,187,915	1,263,589
Fund balances:		
Nonspendable	10,753	7,628
Committed	181,630	220,324
Unassigned	3,833,702	4,207,006
Total fund balances	4,026,085	4,434,958
Total liabilities and fund balances	\$ 6,214,000	5,698,547

TOWN OF KENNEBUNKPORT, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the year ended June 30, 2012

			2012			
	2011					Variance
	Carryforward		Original	Total	Actual	positive
	balance		budget	available		(negative)
Revenues:						
Taxes:						
Property taxes	\$	-	11,584,146	11,584,146	11,584,210	64
Change in deferred property tax revenue		-	-	-	48,898	48,898
Excise taxes		-	763,500	763,500	804,186	40,686
Interest and costs on taxes		-	30,000	30,000	28,572	(1,428)
Total taxes		-	12,377,646	12,377,646	12,465,866	88,220
Intergovernmental:						
State Revenue Sharing		-	100,000	100,000	104,511	4,511
Homestead reimbursement		-	29,282	29,282	29,282	-
State road assistance		-	52,356	52,356	52,356	-
Tree Growth		-	-	-	7,403	7,403
Snowmobile reimbursement		-	-	-	549	549
Veterans reimbursement		-	2,000	2,000	2,300	300
General assistance		-	5,000	5,000	674	(4,326)
BETE reimbursement		-	410	410	367	(43)
FEMA grants		-	-	-	14,421	14,421
Wellness grant		-	1,360	1,360	892	(468)
Rachel Carson		-	5,000	5,000	3,620	(1,380)
COPS grant		-	74,505	74,505	65,404	(9,101)
Miscellaneous		-	-	-	1,702	1,702
Total intergovernmental		-	269,913	269,913	283,481	13,568
Licenses and permits:						
Town Clerk fees		-	7,000	7,000	7,473	473
Plumbing fees		-	8,000	8,000	13,759	5,759
Building permits		-	100,000	100,000	122,064	22,064
Liquor license		-	2,800	2,800	2,500	(300)
Victualers license		-	2,900	2,900	2,950	50
Shellfish license		-	4,600	4,600	3,015	(1,585)
Total licenses and permits		-	125,300	125,300	151,761	26,461

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

		2012				
		2011	Original	Total	Variance	
		Carryforward	Budget	available	positive	
		balance		Actual	(negative)	
Revenues, continued:						
Charges for services:						
Dogs fees	\$	-	3,100	3,100	4,030	930
Agent fees		-	11,500	11,500	11,464	(36)
Land use ordinance		-	300	300	50	(250)
Planning board/appeals board		-	10,800	10,800	11,084	284
Passport fees		-	2,250	2,250	2,400	150
Parking tickets		-	27,000	27,000	27,043	43
Police other		-	5,000	5,000	5,359	359
Goose Rocks		-	85,000	85,000	107,203	22,203
Nurses fees		-	5,000	5,000	1,663	(3,337)
Parks and recreation revenue		-	185,000	185,000	162,093	(22,907)
Dump/metal		-	-	-	22	22
Tree growth withdrawal penalty		-	-	-	16,340	16,340
Fire other		-	250	250	10	(240)
Total charges for services		-	335,200	335,200	348,761	13,561
Investment income		-	40,000	40,000	45,866	5,866
Total investment income		-	40,000	40,000	45,866	5,866
Other revenues:						
Donations		-	-	-	22,023	22,023
Maine pers credit		-	154,550	154,550	125,409	(29,141)
Recreation		-	3,000	3,000	1,502	(1,498)
Conservation		-	10,000	10,000	10,000	-
Miscellaneous		-	17,500	17,500	24,555	7,055
Total other revenues		-	185,050	185,050	183,489	(1,561)
Total revenues		-	13,333,109	13,333,109	13,479,224	146,115

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

		2012				
		2011				Variance
		Carryforward	Original	Total	Actual	positive
		balance	budget	available		(negative)
Expenditures:						
Current:						
General government:						
Administration	\$	-	712,920	712,920	687,054	25,866
Assessing		-	66,504	66,504	61,312	5,192
Code enforcement		-	144,672	144,672	137,849	6,823
Planning		-	58,566	58,566	57,801	765
Zoning Board		-	550	550	174	376
Conservation		-	700	700	655	45
Growth planning		-	6,950	6,950	4,277	2,673
Legal fees		-	385,000	385,000	330,872	54,128
Insurance		-	133,111	133,111	127,378	5,733
Community Development		-	23,913	23,913	18,716	5,197
Total general government		-	1,532,886	1,532,886	1,426,088	106,798
Public safety:						
Police department		-	1,279,420	1,279,420	1,226,980	52,440
Communications		-	371,028	371,028	364,261	6,767
Fire department		-	347,553	347,553	323,611	23,942
KEMS		-	125,000	125,000	125,000	-
EMA		-	750	750	428	322
Animal control		-	13,842	13,842	13,662	180
Harbor master		-	17,341	17,341	17,186	155
Total public safety		-	2,154,934	2,154,934	2,071,128	83,806
Public works:						
Highway department		-	648,600	648,600	611,106	37,494
Mechanic		-	102,969	102,969	93,463	9,506
Utilities		-	155,489	155,489	151,792	3,697
Conservation		-	32,538	32,538	23,056	9,482
Cemetery		-	13,445	13,445	12,252	1,193
Total public works		-	953,041	953,041	891,669	61,372

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

	2011 Carryforward balance	2012		Variance positive (negative)
		Original budget	Total available Actual	
Expenditures, continued				
Current, continued:				
Health and welfare:				
Solid waste	\$ -	457,100	457,100	470,152 (13,052)
Health	-	154,220	154,220	144,530 9,690
Welfare	-	10,200	10,200	981 9,219
Social services	-	20,500	20,500	20,500 -
Shellfish cons	-	2,715	2,715	2,714 1
HB-H2O Quality	-	2,000	2,000	265 1,735
Public restrooms	-	29,500	29,500	20,224 9,276
General assistance donation	-	-	-	18,885 (18,885)
Total health and welfare	-	676,235	676,235	678,251 (2,016)
Recreation and culture:				
Recreation	-	299,570	299,570	292,240 7,330
Graves library	-	111,000	111,000	111,000 -
Cape Porpoise	-	11,175	11,175	11,175 -
Parsons Way	-	2,800	2,800	2,785 15
Parks & Recreation donations	-	-	-	5,246 (5,246)
Total recreation and culture	-	424,545	424,545	422,446 2,099
Grants:				
Police	1,300	-	1,300	1,300 -
Total grants	1,300	-	1,300	1,300 -
Debt service:				
Principal	-	240,266	240,266	240,266 -
Interest	-	56,108	56,108	59,503 (3,395)
Total debt service	-	296,374	296,374	299,769 (3,395)
Unclassified:				
Circuit breaker	-	20,000	20,000	19,605 395
Contingency	-	40,000	40,000	7,745 32,255
Miscellaneous agencies	-	7,535	7,535	7,010 525
County tax	-	1,015,041	1,015,041	1,015,041 -
Education	-	6,107,804	6,107,804	6,107,804 -
Overlay/abatements	-	32,299	32,299	6,561 25,738
Total unclassified	-	7,222,679	7,222,679	7,163,766 58,913

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

	2011 Carryforward balance	2012			Variance positive (negative)
		Original budget	Total available	Actual	
Expenditures, continued:					
Capital improvements and reserves:					
Capital outlay:					
Administration	\$ -	5,000	5,000	4,956	44
Police	-	60,000	60,000	61,557	(1,557)
Communications	-	12,500	12,500	3,512	8,988
Fire	-	58,750	58,750	54,214	4,536
Road improvement	-	170,000	170,000	80,052	89,948
Highway vehicle	-	100,000	100,000	138,796	(38,796)
Sidewalk con	-	15,000	15,000	11,675	3,325
Recreation	-	10,000	10,000	10,000	-
Special project-S Brook	-	100,000	100,000	444	99,556
Assigned:					
Park improvement	-	-	-	2,609	(2,609)
Town building	-	-	-	11,078	(11,078)
Growth planning	-	-	-	3,500	(3,500)
Silas Perkins	-	-	-	2,671	(2,671)
Pier road	-	-	-	3,660	(3,660)
Dock Square restrooms	-	-	-	378	(378)
Total capital improvements and reserves	-	531,250	531,250	389,102	142,148
Total expenditures	1,300	13,791,944	13,793,244	13,343,519	449,725
Excess (deficiency) of revenues over (under) expenditures	(1,300)	(458,835)	(460,135)	135,705	595,840

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

		2012			
	2011	Original budget	Total available	Actual	Variance positive (negative)
	Carryforward balance				
Other financing sources (uses):	\$				
Transfers to other funds:					
Fire apparatus	-	(130,000)	(130,000)	(130,000)	-
Town garage roof	-	(55,000)	(380,000)	(384,205)	(4,205)
S Brook drainage	-	-	-	(99,556)	(99,556)
Piers	-	(40,000)	(40,000)	(40,000)	-
Road Improvement	-	-	-	(89,948)	(89,948)
Sewer debt (principal & interest)	-	(119,465)	(119,465)	(119,465)	-
Transfers from other funds:					
Dock Square Parking Lot	-	230,000	230,000	230,000	-
Dock Square Restrooms	-	24,000	24,000	24,000	-
Sewer	-	25,000	25,000	25,000	-
Macomber	-	800	800	800	-
Highway vehicle	-	-	-	38,796	38,796
Utilization of unassigned fund balance	-	500,000	825,000	-	(825,000)
Utilization of assigned fund balance	1,300	23,500	24,800	-	(24,800)
Total other financing sources (uses)	1,300	458,835	460,135	(544,578)	(1,004,713)
Net change in fund balance	-	-	-	(408,873)	(408,873)
Fund balance, beginning of year				4,434,958	
Fund balance, end of year	\$			4,026,085	

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF KENNEBUNKPORT, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	-	15,811	15,811
Investments	-	-	712,813	712,813
Interfund loans receivable	175,060	986,325	-	1,161,385
Total assets	\$ 175,060	986,325	728,624	1,890,009
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	16,208	-	16,208
Interfund loans payable	-	-	14,317	14,317
Total liabilities	-	16,208	14,317	30,525
Fund balances:				
Nonspendable	-	-	688,206	688,206
Restricted	-	79,016	26,101	105,117
Committed	-	887,747	-	887,747
Assigned	175,060	3,354	-	178,414
Total fund balances	175,060	970,117	714,307	1,859,484
Total liabilities and fund balances	\$ 175,060	986,325	728,624	1,890,009

TOWN OF KENNEBUNKPORT, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 11,245	-	-	11,245
Other	1,829	-	5,356	7,185
Investment income	-	2,212	12,722	14,934
Total revenues	13,074	2,212	18,078	33,364
Expenditures:				
Current:				
Services	15,197	-	-	15,197
Other	-	388,620	17,672	406,292
Total expenditures	15,197	388,620	17,672	421,489
Excess (deficiency) of revenues over (under) expenditures	(2,123)	(386,408)	406	(388,125)
Other financing sources (uses):				
Transfer from other funds	40,000	703,709	-	743,709
Transfer to other funds	-	(38,796)	(800)	(39,596)
Total other financing sources (uses)	40,000	664,913	(800)	704,113
Net change in fund balances	37,877	278,505	(394)	315,988
Fund balances, beginning of year	137,183	691,612	714,701	1,543,496
Fund balances, end of year	\$ 175,060	970,117	714,307	1,859,484

NONMAJOR SPECIAL REVENUE FUNDS

TOWN OF KENNEBUNKPORT, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2012

	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	Revaluation	DEA Drug Forefeiture	Maine Drug Forefeiture	Totals
ASSETS							
Interfund loans receivable	\$ 164,361	-	3,049	6,104	496	1,050	175,060
Total assets	\$ 164,361	-	3,049	6,104	496	1,050	175,060
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund loans payable	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Fund balances:							
Assigned	164,361	-	3,049	6,104	496	1,050	175,060
Total fund balances	164,361	-	3,049	6,104	496	1,050	175,060
Total liabilities and fund balances	\$ 164,361	-	3,049	6,104	496	1,050	175,060

TOWN OF KENNEBUNKPORT, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	DEA Drug Forefeiture	Maine Drug Forefeiture	Totals
Revenues:						
Intergovernmental	\$ 11,245	-	-	-	-	11,245
Other	-	-	614	-	1,215	1,829
Total revenues	11,245	-	614	-	1,215	13,074
Expenditures:						
Current:						
Services	14,993	39	-	-	165	15,197
Total expenditures	14,993	39	-	-	165	15,197
Excess (deficiency) of revenues over (under) expenditures	(3,748)	(39)	614	-	1,050	(2,123)
Other financing sources:						
Transfer from other funds	40,000	-	-	-	-	40,000
Total other financing sources	40,000	-	-	-	-	40,000
Net change in fund balances	36,252	(39)	614	-	1,050	37,877
Fund balances, beginning of year	128,109	39	2,435	6,104	496	137,183
Fund balances, end of year	\$ 164,361	-	3,049	6,104	1,050	175,060

NONMAJOR CAPITAL PROJECTS FUNDS

TOWN OF KENNEBUNKPORT, MAINE
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2012

	General Capital Projects	09 Road Project	30 North Street	Port Village Fire Station	Town Office	Fire Apparatus	Highway Vehicles	Garage Roof	S Brook Drainage	Road Improvement	Totals
ASSETS											
Interfund loans receivable	\$ 35,672	55,946	115	3,072	167	290,000	61,204	349,645	99,556	89,948	986,325
Total assets	\$ 35,672	55,946	115	3,072	167	290,000	61,204	349,645	99,556	89,948	986,325
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	13,602	-	-	-	-	-	2,606	-	-	16,208
Total liabilities	-	13,602	-	-	-	-	-	2,606	-	-	16,208
Fund balances:											
Restricted	35,672	42,344	-	-	-	-	-	-	-	-	79,016
Committed	-	-	-	-	-	290,000	61,204	347,039	99,556	89,948	887,747
Assigned	-	-	115	3,072	167	-	-	-	-	-	3,354
Total fund balances	35,672	42,344	115	3,072	167	290,000	61,204	347,039	99,556	89,948	970,117
Total liabilities and fund balances	\$ 35,672	55,946	115	3,072	167	290,000	61,204	349,645	99,556	89,948	986,325

TOWN OF KENNEBUNKPORT, MAINE
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

	General	09 Road	30 North	Port Village	Town	Fire	Highway	Garage	S Brook	Road	Totals
	Capital Projects	Project	Street	Fire Station	Office	Apparatus	Vehicle	Roof	Drainage	Improvement	
Revenues:											
Interest income	\$	2,012	-	-	-	-	-	200	-	-	2,212
Total revenues	-	2,012	-	-	-	-	-	200	-	-	2,212
Expenditures:											
Capital outlay	-	350,071	-	1,183	-	-	-	37,366	-	-	388,620
Total expenditures	-	350,071	-	1,183	-	-	-	37,366	-	-	388,620
Deficiency of revenues under expenditures	-	(348,059)	-	(1,183)	-	-	-	(37,166)	-	-	(386,408)
Other financing sources (uses):											
Transfer from other funds	-	-	-	-	-	130,000	-	384,205	99,556	89,948	703,709
Transfer to other funds	-	-	-	-	-	-	(38,796)	-	-	-	(38,796)
Total other financing sources (uses)	-	-	-	-	-	130,000	(38,796)	384,205	99,556	89,948	664,913
Net change in fund balances	-	(348,059)	-	(1,183)	-	130,000	(38,796)	347,039	99,556	89,948	278,505
Fund balances, beginning of year	36,672	390,403	115	4,255	167	160,000	100,000	-	-	-	691,612
Fund balances, end of year	\$ 36,672	42,344	115	3,072	167	290,000	61,204	347,039	99,556	89,948	970,117

NONMAJOR PERMANENT FUNDS

TOWN OF KENNEBUNKPORT, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2012

		Kittredge Family Fire Equip. Fund	Macomber Trust	Totals
ASSETS				
Cash and cash equivalents	\$	15,811	-	15,811
Investments		697,423	15,390	712,813
Total assets	\$	713,234	15,390	728,624
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable		11,500	2,817	14,317
Total liabilities		11,500	2,817	14,317
Fund balances:				
Nonspendable		688,206	-	688,206
Restricted		13,528	12,573	26,101
Total fund balances		701,734	12,573	714,307
Total liabilities and fund balances	\$	713,234	15,390	728,624

TOWN OF KENNEBUNKPORT, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2012

		Kittredge Family Fire Equip. Fund	Macomber Trust	Totals
Revenues:				
Investment income	\$	12,591	131	12,722
Other		-	5,356	5,356
Total revenues		12,591	5,487	18,078
Expenditures:				
Village Fire Company		4,141	-	4,141
Goose Rocks		2,760	-	2,760
Wildwood Fire		1,840	-	1,840
Cape Porpoise		2,760	-	2,760
Other		-	6,171	6,171
Total expenditures		11,501	6,171	17,672
Excess (deficiency) of revenues over (under) expenditures		1,090	(684)	406
Other financing uses:				
Transfer to other funds		-	(800)	(800)
Total other financing sources (uses)		-	(800)	(800)
Net change in fund balances		1,090	(1,484)	(394)
Fund balances, beginning of year		700,644	14,057	714,701
Fund balances, end of year	\$	701,734	12,573	714,307