

Audited Financial Statements
and Other Financial Information

Town of Kennebunk, Maine

June 30, 2019



Proven Expertise & Integrity

TOWN OF KENNEBUNK, MAINE

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Select Board
Town of Kennebunk
Kennebunk, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 through 12 and 69 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of the Town of Kennebunk, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kennebunk, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
June 17, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of Town of Kennebunk, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, recreation and culture, health and welfare, public works, education, employee benefits, agency request and unclassified.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Kennebunk include Pay-As-You-Throw (PAYT) trash program and electrical inspection program.

Fund Financial Statements

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

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

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

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

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

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

Proprietary Funds: The Town of Kennebunk maintains two proprietary funds, the Pay-As-You-Throw trash program and electrical inspection program. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Proportionate Share of the Net OPEB Liability - Group Life, a Schedule of Changes in Net OPEB Liability - Health Plan, a Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total governmental net position increased by \$1,167,507 from \$26,709,518 to \$27,877,025. The Town's total business-type net position increased by \$80,805 from a deficit balance of \$36,131 to a balance of \$44,674.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$13,556,238 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$43,806.

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

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Assets				
Current assets	\$ 20,524,932	\$ 21,427,816	\$ 44,674	\$ (36,131)
Noncurrent assets	23,944,064	23,243,629	-	-
Total assets	<u>44,468,996</u>	<u>44,671,445</u>	<u>44,674</u>	<u>(36,131)</u>
Deferred outflows of resources				
Deferred outflows related to OPEB	24,236	23,209	-	-
Deferred outflows related to pensions	459,617	1,005,936	-	-
Total deferred outflows of resources	<u>483,853</u>	<u>1,029,145</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities	4,331,464	3,933,702	-	-
Noncurrent liabilities	12,079,570	14,012,625	-	-
Total liabilities	<u>16,411,034</u>	<u>17,946,327</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Deferred revenue	273,774	250,587	-	-
Deferred inflows related to OPEB	57,004	29,159	-	-
Deferred inflows related to pensions	334,012	764,999	-	-
Total deferred inflows of resources	<u>664,790</u>	<u>1,044,745</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	11,954,064	9,498,629	-	-
Restricted	2,366,723	1,983,060	868	1,336
Unrestricted (deficit)	13,556,238	15,227,829	43,806	(37,467)
Total net position	<u>\$ 27,877,025</u>	<u>\$ 26,709,518</u>	<u>\$ 44,674</u>	<u>\$ (36,131)</u>

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 2,500,732	\$ 2,146,587	\$ 578,866	\$ 492,732
Operating grants and contributions	150,212	151,536	-	-
<i>General Revenues:</i>				
Taxes	39,226,810	36,854,619	-	-
Grants and contributions not restricted to specific programs	1,373,462	971,995	-	-
Miscellaneous	584,211	699,864	-	-
Bond premium	-	581,062	-	-
Total revenues	<u>43,835,427</u>	<u>41,405,663</u>	<u>578,866</u>	<u>492,732</u>
Expenses				
General government	1,808,694	2,489,860	-	-
Public safety	4,998,631	4,897,257	-	-
Recreation and culture	1,547,750	1,515,120	-	-
Health and welfare	355,096	351,220	568,061	553,254
Public works	2,129,203	2,826,963	-	-
Education	25,813,831	23,965,655	-	-
County tax	1,269,959	1,382,926	-	-
Employee benefits	1,878,546	2,105,329	-	-
Agency requests	41,600	33,100	-	-
Interest on long-term debt	356,937	299,040	-	-
Unclassified	1,968,712	230,623	-	-
Bond issuance costs	-	72,539	-	-
Unallocated depreciation (Note 4)	428,961	259,142	-	-
Total expenses	<u>42,597,920</u>	<u>40,428,774</u>	<u>568,061</u>	<u>553,254</u>
Transfers	<u>(70,000)</u>	<u>(80,000)</u>	<u>70,000</u>	<u>80,000</u>
Change in net position	1,167,507	896,889	80,805	19,478
Net position - July 1	<u>26,709,518</u>	<u>25,812,629</u>	<u>(36,131)</u>	<u>(55,609)</u>
Net position - June 30	<u>\$ 27,877,025</u>	<u>\$ 26,709,518</u>	<u>\$ 44,674</u>	<u>\$ (36,131)</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 5.87%, while total expenses increased by 5.37%. The main increase in revenues was in taxes, while the largest increases in expenses were in education and unclassified.

Proprietary fund revenues increased 17.48%, while total expenses increased 2.68%.

Financial Analysis of the Town's Fund Statements

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

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

	2019	2018
Major Fund:		
General fund:		
Nonspendable	\$ 402,639	\$ 373,453
Committed	1,456,106	1,184,516
Assigned	369,269	171,942
Unassigned	9,203,706	8,755,452
Roads and paving capital fund		
Committed	1,256,550	2,114,114
Total Major Funds	\$ 12,688,270	\$ 12,599,477
Nonmajor Funds:		
Special revenue funds:		
Restricted	\$ 1,939,038	\$ 1,592,805
Committed	-	1,375,000
Assigned	138,636	134,794
Unassigned	(20,721)	(57,044)
Capital projects funds:		
Restricted	376,227	335,851
Committed	2,227,523	4,667,850
Unassigned	(458,000)	(6,608)
Permanent funds:		
Restricted	51,458	54,404
Total Nonmajor Funds	\$ 4,254,161	\$ 8,097,052

The general fund total fund balance increased by \$946,357 from the prior fiscal year mainly due to revenues exceeding expenditures and transfers out. The roads and paving capital fund decreased from the prior year by \$857,564 primarily due to capital outlay. The nonmajor governmental funds total fund balance decreased by \$1,728,777 from the prior fiscal year primarily as a result of capital outlay and debt service.

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

The Pay-As-You-Throw (PAYT) trash program had operating income for the current year of \$11,273. The electrical inspection program had an operating loss for the current year of \$468.

At the June 2018 Annual Meeting, the Town committed \$70,000 to be transferred from the general fund unassigned fund balance to the PAYT trash program to reduce the deficit balance.

Budgetary Highlights

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

The general fund actual revenues exceeded the budget by \$1,390,275. This was a result of all revenue categories being receipted within or in excess of budgeted amounts with the exception of intergovernmental revenues - homestead reimbursement.

The general fund actual expenditures were over budget by \$443,918. All expenditure categories were within or under budget with the exception of public safety, health and welfare and transfers to other funds.

Please see Schedule 1 on page 69 for more detailed information.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the Town increased by \$700,435. This increase was the result of current year capital additions of \$3,122,644 less current year disposals of \$7,688 and depreciation expense of \$2,414,521. Refer to Note 4 of Notes to Financial Statements for more detailed information.

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

	2019	2018
Land and improvements	\$ 3,197,686	\$ 3,310,683
Buildings and building improvements	2,209,891	2,492,756
Furniture and fixtures	5,991	12,616
Machinery, equipment and vehicles	3,892,212	3,825,581
Art work and historical treasures	41,000	41,000
Infrastructure	14,597,284	13,500,034
Total	\$ 23,944,064	\$ 23,182,670

Long-Term Debt Activity

At June 30, 2019, the Town had \$11,990,000 in bonds outstanding versus \$13,745,000 last year. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The local economy and housing market continued to remain strong during fiscal year 2019. The Town's FY2020 net municipal budget increased by 6.03% due primarily to wage, salary and employee benefits increases as well as contractual increases. The Town's assessment for public education by Regional School Unit No. 21 (RSU 21), of which the Town is one of three member municipalities, increased by 5.14% for fiscal year 2020.

For fiscal year 2019, the Town's tax mil rate was \$17.50; for fiscal year 2020, the rate will be \$13.75, a 21.43% decrease. For the total taxable real estate value set on April 1, 2019 used to calculate the FY2020 mil rate, the Town Assessor implemented a town-wide increase which lowered the tax mil rate proportionally.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager or Finance Director at 1 Summer Street, Kennebunk, Maine 04043.

STATEMENT A

TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,386,993	\$ -	\$ 17,386,993
Investments	1,656,730	-	1,656,730
Accounts receivable (net of allowance for uncollectibles):			
Taxes	676,991	-	676,991
Liens	139,799	-	139,799
Other	263,030	43,424	306,454
Tax acquired property	402,639	-	402,639
Internal balances	(1,250)	1,250	-
Total current assets	<u>20,524,932</u>	<u>44,674</u>	<u>20,569,606</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	2,519,648	-	2,519,648
Depreciable assets, net of accumulated depreciation	21,424,416	-	21,424,416
Total noncurrent assets	<u>23,944,064</u>	<u>-</u>	<u>23,944,064</u>
TOTAL ASSETS	<u>44,468,996</u>	<u>44,674</u>	<u>44,513,670</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	24,236	-	24,236
Deferred outflows related to pensions	459,617	-	459,617
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>483,853</u>	<u>-</u>	<u>483,853</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 44,952,849</u>	<u>\$ 44,674</u>	<u>\$ 44,997,523</u>

STATEMENT A (CONTINUED)
TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,376,248	\$ -	\$ 1,376,248
Accrued payroll	589,775	-	589,775
Other liabilities	589,201	-	589,201
Current portion of long-term obligations	1,776,240	-	1,776,240
Total current liabilities	<u>4,331,464</u>	<u>-</u>	<u>4,331,464</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	10,235,000	-	10,235,000
Accrued compensated absences	403,568	-	403,568
Net OPEB liability	359,454	-	359,454
Net pension liability	1,081,548	-	1,081,548
Total noncurrent liabilities	<u>12,079,570</u>	<u>-</u>	<u>12,079,570</u>
TOTAL LIABILITIES	<u>16,411,034</u>	<u>-</u>	<u>16,411,034</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	273,774	-	273,774
Deferred inflows related to OPEB	57,004	-	57,004
Deferred inflows related to pensions	334,012	-	334,012
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>664,790</u>	<u>-</u>	<u>664,790</u>
NET POSITION			
Net investment in capital assets	11,954,064	-	11,954,064
Restricted	2,366,723	868	2,367,591
Unrestricted	13,556,238	43,806	13,600,044
TOTAL NET POSITION	<u>27,877,025</u>	<u>44,674</u>	<u>27,921,699</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 44,952,849</u>	<u>\$ 44,674</u>	<u>\$ 44,997,523</u>

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

TOWN OF KENNEBUNK, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,808,694	\$ 525,751	\$ -	\$ -	\$ (1,282,943)	\$ -	\$ (1,282,943)
Public safety	4,998,631	1,268,962	-	-	(3,729,669)	-	(3,729,669)
Recreation and culture	1,547,750	706,019	-	-	(841,731)	-	(841,731)
Health and welfare	355,096	-	-	-	(355,096)	-	(355,096)
Public works	2,129,203	-	150,212	-	(1,978,991)	-	(1,978,991)
Education	25,813,831	-	-	-	(25,813,831)	-	(25,813,831)
County tax	1,269,959	-	-	-	(1,269,959)	-	(1,269,959)
Employee benefits	1,878,546	-	-	-	(1,878,546)	-	(1,878,546)
Agency requests	41,600	-	-	-	(41,600)	-	(41,600)
Interest on long-term debt	356,937	-	-	-	(356,937)	-	(356,937)
Unclassified	1,968,712	-	-	-	(1,968,712)	-	(1,968,712)
Unallocated depreciation (Note 4)*	428,961	-	-	-	(428,961)	-	(428,961)
Total governmental activities	42,597,920	2,500,732	150,212	-	(39,946,976)	-	(39,946,976)
Business-type activities:							
Pay-As-You-Throw Trash Program	507,772	519,045	-	-	-	11,273	11,273
Electrical Inspection Program	60,289	59,821	-	-	-	(468)	(468)
Total business-type activities	568,061	578,866	-	-	-	10,805	10,805
Total government	\$ 43,165,981	\$ 3,079,598	\$ 150,212	\$ -	(39,946,976)	10,805	(39,936,171)

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

STATEMENT B (CONTINUED)
TOWN OF KENNEBUNK, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(39,946,976)	10,805	(39,936,171)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	36,613,967	-	36,613,967
Excise taxes	2,612,843	-	2,612,843
Grants and contributions not restricted to specific programs	1,373,462	-	1,373,462
Miscellaneous	584,211	-	584,211
Transfers	(70,000)	70,000	-
Total general revenues and transfers	41,114,483	70,000	41,184,483
Change in net position	1,167,507	80,805	1,248,312
NET POSITION - JULY 1	26,709,518	(36,131)	26,673,387
NET POSITION - JUNE 30	\$ 27,877,025	\$ 44,674	27,921,699

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

TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Roads and Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,374,691	\$ -	\$ 12,302	\$ 17,386,993
Investments	1,599,357	-	57,373	1,656,730
Accounts receivables (net of allowance for uncollectibles):				
Taxes	676,991	-	-	676,991
Liens	139,799	-	-	139,799
Other	263,030	-	-	263,030
Tax acquired property	402,639	-	-	402,639
Due from other funds	506,938	1,256,550	4,691,424	6,454,912
TOTAL ASSETS	\$ 20,963,445	\$ 1,256,550	\$ 4,761,099	\$ 26,981,094
LIABILITIES				
Accounts payable	\$ 1,376,248	\$ -	\$ -	\$ 1,376,248
Accrued payroll	589,775	-	-	589,775
Other liabilities	589,201	-	-	589,201
Due to other funds	5,949,224	-	506,938	6,456,162
TOTAL LIABILITIES	8,504,448	-	506,938	9,011,386
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	273,774	-	-	273,774
Deferred tax revenue	753,503	-	-	753,503
TOTAL DEFERRED INFLOWS OF RESOURCES	1,027,277	-	-	1,027,277
FUND BALANCES				
Nonspendable - tax acquired property	402,639	-	-	402,639
Restricted	-	-	2,366,723	2,366,723
Committed	1,456,106	1,256,550	2,227,523	4,940,179
Assigned	369,269	-	138,636	507,905
Unassigned	9,203,706	-	(478,721)	8,724,985
TOTAL FUND BALANCES	11,431,720	1,256,550	4,254,161	16,942,431
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 20,963,445	\$ 1,256,550	\$ 4,761,099	\$ 26,981,094

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

TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 16,942,431
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	23,944,064
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	753,503
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	24,236
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	459,617
Long-term obligations shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(11,990,000)
Accrued compensated absences	(424,808)
Net OPEB liability	(359,454)
Net pension liability	(1,081,548)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(57,004)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(334,012)</u>
Net position of governmental activities	<u><u>\$ 27,877,025</u></u>

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

STATEMENT E

TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Roads and Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 36,684,557	\$ -	\$ -	\$ 36,684,557
Excise taxes	2,612,843	-	-	2,612,843
Intergovernmental revenues	1,523,674	-	-	1,523,674
Charges for services	2,500,732	-	-	2,500,732
Miscellaneous revenues	460,166	15,000	109,045	584,211
TOTAL REVENUES	43,781,972	15,000	109,045	43,906,017
EXPENDITURES				
Current:				
General government	2,086,680	-	139,282	2,225,962
Public safety	4,610,855	-	22,576	4,633,431
Public works	1,410,214	26,991	64,787	1,501,992
Education	25,813,831	-	-	25,813,831
County tax	1,269,959	-	-	1,269,959
Recreation and culture	1,477,673	-	-	1,477,673
Health and welfare	355,096	-	-	355,096
Employee benefits	2,301,192	-	-	2,301,192
Agency request	41,600	-	-	41,600
Unclassified	199,852	-	1,768,860	1,968,712
Capital outlay	-	919,573	855,043	1,774,616
Debt service:				
Principal	-	-	1,755,000	1,755,000
Interest	-	-	356,937	356,937
TOTAL EXPENDITURES	39,566,952	946,564	4,962,485	45,476,001
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,215,020	(931,564)	(4,853,440)	(1,569,984)
OTHER FINANCING SOURCES (USES)				
Transfers in	56,500	74,000	3,181,178	3,311,678
Transfers (out)	(3,325,163)	-	(56,515)	(3,381,678)
TOTAL OTHER FINANCING SOURCES (USES)	(3,268,663)	74,000	3,124,663	(70,000)
NET CHANGE IN FUND BALANCES	946,357	(857,564)	(1,728,777)	(1,639,984)
FUND BALANCES - JULY 1	10,485,363	2,114,114	5,982,938	18,582,415
FUND BALANCES - JUNE 30	\$ 11,431,720	\$ 1,256,550	\$ 4,254,161	\$ 16,942,431

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

TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (1,639,984)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	3,114,956
Depreciation expense	<u>(2,414,521)</u>
	<u>700,435</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	<u>1,755,000</u>
Deferred outflows of resources related to OPEB are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>1,027</u>
Deferred outflows of resources related to pensions are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(546,319)</u>
Deferred inflows of resources related to OPEB are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(27,845)</u>
Deferred inflows of resources related to pensions are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>430,987</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(16,827)
Net OPEB liability	4,218
Net pension liability	<u>577,405</u>
	<u>564,796</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>(70,590)</u>
Change in net position of governmental activities (Statement B)	<u>\$ 1,167,507</u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
ASSETS			
Accounts receivable (net of allowance for uncollectibles)	\$ 43,424	\$ -	\$ 43,424
Due from other funds	382	868	1,250
TOTAL ASSETS	<u>\$ 43,806</u>	<u>\$ 868</u>	<u>\$ 44,674</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted	-	868	868
Unrestricted	43,806	-	43,806
TOTAL NET POSITION	<u>43,806</u>	<u>868</u>	<u>44,674</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 43,806</u>	<u>\$ 868</u>	<u>\$ 44,674</u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
OPERATING REVENUES			
Charges for services	\$ 519,045	\$ 59,821	\$ 578,866
TOTAL OPERATING REVENUES	<u>519,045</u>	<u>59,821</u>	<u>578,866</u>
OPERATING EXPENSES			
Program supplies	507,772	60,289	568,061
TOTAL OPERATING EXPENSES	<u>507,772</u>	<u>60,289</u>	<u>568,061</u>
OPERATING INCOME (LOSS)	<u>11,273</u>	<u>(468)</u>	<u>10,805</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers in	70,000	-	70,000
Transfers (out)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>70,000</u>	<u>-</u>	<u>70,000</u>
CHANGE IN NET POSITION	81,273	(468)	80,805
NET POSITION - JULY 1	<u>(37,467)</u>	<u>1,336</u>	<u>(36,131)</u>
NET POSITION - JUNE 30	<u>\$ 43,806</u>	<u>\$ 868</u>	<u>\$ 44,674</u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 526,867	\$ 59,821	\$ 586,688
Internal activity - receipts (payments) from/to other funds	(89,095)	468	(88,627)
Payments to suppliers	(507,772)	(60,289)	(568,061)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(70,000)	-	(70,000)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from general fund	70,000	-	70,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	70,000	-	70,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 11,273	\$ (468)	\$ 10,805
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	7,822	-	7,822
(Increase) decrease in due from other funds	(382)	468	86
Increase (decrease) in due to other funds	(88,713)	-	(88,713)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (70,000)	\$ -	\$ (70,000)

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Kennebunk, Maine was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government, public safety, recreation and culture, health and welfare, public works, education, employee benefits, agency requests and unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Pay-As-You-Throw (PAYT) trash program and electrical inspection program are categorized as business-type activities. All other activities of the Town are categorized as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

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

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major Fund

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

Nonmajor Funds

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Proprietary Funds:

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

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

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

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

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Town of Kennebunk, Maine has a formal investment policy and also follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies, ambulance and pay-as-you-throw trash program receivables. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$306,454 for the year ended June 30, 2019. The allowance for uncollectible accounts for ambulance receivables is estimated to be \$84,069 as of June 30, 2019.

Interfund Receivables and Payables

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

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

Capital Assets

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

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

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable, accrued compensated absences, net OPEB liability and net pension liability.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the Town's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System OPEB Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Pensions

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Select Board.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

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

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 24, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due on in two installments on October 5, 2018 and April 5, 2019.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest on unpaid taxes commenced on October 6, 2018 and April 6, 2019, at 8% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$425,338 for the year ended June 30, 2019.

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

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy specifically covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are members of the FDIC as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. As of June 30, 2019, the Town reported deposits of \$17,386,993 with a bank balance of \$17,400,506. Of the Town’s bank balances, \$530,075 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$6,217 was collateralized with securities held by the financial institution in the Town’s name and \$16,864,214 was collateralized with irrevocable stand-by letters of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 900,087
Savings accounts	36,292
Money market accounts	16,464,127
	\$ 17,400,506

Investments:

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

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Of the Town's investment in certificates of deposits totaling \$1,656,730, \$469,925 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$299,312 was collateralized with securities held by the financial institution in the Town's name and \$887,493 was collateralized with an irrevocable stand-by letter of credit.

At June 30, 2019, the Town had the following investments and maturities:

Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	Not Applicable
Certificates of deposit	<u>\$ 1,656,730</u>	<u>\$ 576,610</u>	<u>\$ 1,080,120</u>	<u>\$ -</u>

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

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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 506,938	\$ 5,949,224
Enterprise funds	1,250	-
Nonmajor special revenue funds	2,077,674	20,721
Nonmajor capital projects funds	2,613,750	468,000
Nonmajor permanent funds	-	18,217
Totals	<u>\$ 6,456,162</u>	<u>\$ 6,456,162</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 2,478,648	\$ -	\$ -	\$ 2,478,648
Art works and historical treasures	41,000	-	-	41,000
Construction in progress	7,688	-	(7,688)	-
	<u>2,527,336</u>	<u>-</u>	<u>(7,688)</u>	<u>2,519,648</u>
Depreciated assets:				
Land improvements	1,631,142	11,645	-	1,642,787
Buildings	1,465,055	-	-	1,465,055
Building improvements	7,153,796	-	-	7,153,796
Furniture and fixtures	255,248	-	-	255,248
Machinery and equipment	4,916,419	681,210	-	5,597,629
Vehicles	8,279,089	209,546	-	8,488,635
Infrastructure:				
Bridges	153,268	-	-	153,268
Drainage system	553,389	-	-	553,389
Roads	22,285,604	-	-	22,285,604
Sewer lines	392,587	-	-	392,587
Sidewalks	2,429,470	-	-	2,429,470
Other	448,592	2,220,243	-	2,668,835
	<u>49,963,659</u>	<u>3,122,644</u>	<u>-</u>	<u>53,086,303</u>
Less: accumulated depreciation	<u>(29,247,366)</u>	<u>(2,414,521)</u>	<u>-</u>	<u>(31,661,887)</u>
	<u>20,716,293</u>	<u>708,123</u>	<u>-</u>	<u>21,424,416</u>
Net capital assets	<u>\$ 23,243,629</u>	<u>\$ 708,123</u>	<u>\$ (7,688)</u>	<u>\$ 23,944,064</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

<u>Current year depreciation</u>	
Administration	\$ 92,061
Police	216,676
Fire	358,315
Public works	1,248,431
Recreation and culture	70,077
Town-wide	<u>428,961</u>
Total depreciation expense	<u><u>\$ 2,414,521</u></u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	<u>Balance, 07/01/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 6/30/19</u>	<u>Current Portion</u>
<u>Governmental activities</u>					
Bonds payable	<u>\$ 13,745,000</u>	<u>\$ -</u>	<u>\$ (1,755,000)</u>	<u>\$ 11,990,000</u>	<u>\$ 1,755,000</u>

The following is a summary of the outstanding bonds payable:

	<u>Governmental Activities</u>
\$6,252,000, 2010 General Obligation bond due in annual installments and semi-annual interest installments through October of 2029. The fixed interest rate ranges from 1.50% to 4.00% per annum. Annual principal installments vary from \$120,000 to \$382,000.	\$ 2,830,000
\$5,244,000, 2013 General Obligation bond due in annual installments and semi-annual interest installments through October of 2028. The fixed interest rate ranges from 2.00% to 4.00% per annum. Annual principal installments vary from \$170,000 to \$659,000.	2,545,000
\$3,049,000, 2016 General Obligation bond due in annual installments and semi-annual interest installments through October of 2030. The fixed interest rate ranges from 2.00% to 5.00% per annum. Annual principal installments vary from \$70,000 to \$330,000.	2,060,000

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - LONG-TERM DEBT (CONTINUED)

\$5,145,000, 2018 General Obligation Bond due in annual installments and semiannual interest installments through October 2022. Interest is charged at a fixed rate from 3.00% to 5.00% per annum. Annual principal installments vary from \$585,000 to \$590,000.

4,555,000

\$ 11,990,000

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

Year	Governmental Activities		
	Bonds Payable		
	Principal	Interest	Total Debt Service
2020	\$ 1,660,000	\$ 407,624	\$ 2,067,624
2021	1,650,000	349,774	1,999,774
2022	1,610,000	293,621	1,903,621
2023	1,485,000	238,481	1,723,481
2024	1,325,000	186,975	1,511,975
2025-2029	4,000,000	364,953	4,364,953
2030-2034	260,000	18,662	278,662
	\$ 11,990,000	\$ 1,860,090	\$ 13,850,090

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended June 30, 2019:

	Balance, 07/01/18	Additions	Deletions	Balance, 6/30/19	Current Portion
<u>Governmental activities</u>					
Accrued compensated absences	\$ 407,981	\$ 16,827	\$ -	\$ 424,808	\$ 21,240
Net OPEB liability	363,672	32,430	(36,648)	359,454	-
Net pension liability	1,658,953	430,987	(1,008,392)	1,081,548	-
	\$ 2,430,606	\$ 480,244	\$ (1,045,040)	\$ 1,865,810	\$ 21,240

Refer to Notes 7, 15, 19 and 20 for more detailed information regarding other long-term obligations.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the Town's liability for compensated absences is \$424,808.

NOTE 8 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2019, the Town had no overspent appropriations.

NOTE 9 - NONSPENDABLE FUND BALANCE

At June 30, 2019, the Town had the following nonspendable fund balance:

General fund:	
Tax acquired property	<u>\$ 402,639</u>

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2019, the Town had the following restricted fund balances:

Nonmajor special revenue funds (See Schedule D)	\$ 1,939,038
Nonmajor capital projects funds (See Schedule F)	376,227
Nonmajor permanent funds (See Schedule H)	<u>51,458</u>
	<u>\$ 2,366,723</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - COMMITTED FUND BALANCES

At June 30, 2019, the Town has the following committed fund balances:

General fund:	
Matching grant funds	\$ 41,200
Bicentennial celebration committee	5,069
Capital assets/projects	1,084,000
Debt service during 2019	100,000
2020 bicentennial celebration	50,000
FY20 fund balance	97,372
Emergency spending reserve	78,465
Nonmajor capital projects funds (See Schedule F)	2,227,523
	<u>\$ 4,940,179</u>

NOTE 12 - ASSIGNED FUND BALANCES

At June 30, 2019, the Town had the following assigned fund balances:

General fund:	
Heating assistance	32,806
Assessors office	3,159
Grants	175,210
Bicentennial committee	12,331
Conservation commission	6,668
Downtown committee	2,242
West Kennebunk Village committee	1,446
Bus revenues	27,880
Committee on aging	2,359
Tree committee	3,650
Community garden	12,506
General government training	8,535
Computer training	16,685
Community development training	12,120
Property tax assistance	20,702
Donations	17,507
Dog park	119
Operational contingency	13,344
Nonmajor special revenue funds (See Schedule D)	138,636
	<u>\$ 507,905</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - 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 carries commercial insurance.

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker’s compensation coverage. The Town’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies’ reinsurance contracts, coverage for claims in excess of \$1,000,000.

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

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

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2019. There were no reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 14 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2019, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 2,900,000	7.51%	\$ 217,790
RSU No. 21	55,924,402	50.99%	28,514,175
			\$ 28,731,965

NOTE 15 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2018, there were 304 employers in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.4%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police department employees are part of the PLD's special plan "2C" and are required to contribute 8.0% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute 8.0% of their annual salary. The Town was required to contribute at the actuarially determined rates of 10.5% for special plan "2C" members' covered payroll and 10.0% for plan "AC" members' covered payroll during the year. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2019 was \$255,104.

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

At June 30, 2019, the Town reported a liability of \$1,081,548 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the Town's proportion was 0.395192%, which was a decrease of 0.00999% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized total pension revenue of \$462,073. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,386	\$ 11,879
Changes of assumptions	172,623	-
Net difference between projected and actual earnings on pension plan investments	-	261,151
Changes in proportion and differences between contributions and proportionate share of contributions	28,504	60,982
Contributions subsequent to the measurement date	255,104	-
Total	\$ 459,617	\$ 334,012

\$255,104 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Plan year ended June 30:	
2019	\$ 122,930
2020	(7,274)
2021	(177,660)
2022	(67,496)
2023	-
Thereafter	-

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

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

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2018; the rate was 6.875% in 2017, compounded annually.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Cost of Living Benefit Increases – 1.91%; in 2017 the rate was 2.20%

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2018 are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability(asset) as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net pension liability	\$ 2,549,066	\$ 1,081,548	\$ (290,178)

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2018 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2018, this was three years; prior to 2018, this was four years for the PLD Consolidated Plan.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

Differences between Expected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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

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

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - DEFINED CONTRIBUTION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION -
RETIREMENT CORPORATION

Plan Description

The Town offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401. The plan, available to all full-time Town employees unless the employee is actively participating in the Maine Public Employees Retirement System defined benefit pension plan, permits them to defer a portion of their salary until retirement. The deferred amount and the vested portion of the employer match is not available to the employee until retirement or death, or in case of other life events as allowed by law. The plan is administered by the International City Management Association - Retirement Corporation.

Funding Policy

Plan provisions and contribution requirements are established and may be amended by the Select Board. Under the 401 plan, participating members are required to contribute 6.5% of their annual covered salary and the Town is required to match 100% of the employee's contribution. The employee's contribution is tax deferred for federal and state taxes until the withdrawal date. For the year ended June 30, 2019, employee contributions totaled \$94,439 and the Town recognized pension expense of \$92,846.

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

NOTE 17 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION -
RETIREMENT CORPORATION

Plan Description

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits the employee to defer a portion of salary until future years. There is no employer match by the Town. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - DEFERRED COMPENSATION PLAN (CONTINUED)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Funding Policy

Under the defined contribution plan, employees may elect to participate. Participating members may contribute up to federal statutory limits of their annual covered salary. The employee's contribution is tax deferred for federal and state taxes until the withdrawal date. The employee's contribution vests 100% with the employee when contributed. The employees' contributions for the plan for the years ended June 30, 2019 and 2018 were: \$107,892 and \$118,448, respectively.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$446,103, \$417,974 and \$410,870, for the years ended June 30, 2019, 2018 and 2017, respectively.

NOTE 18 - CONTINGENCIES

With regard to litigation, the Town is currently in discovery on a claim by the Plaintiff for injuries he allegedly suffered when he slipped and fell on an untreated walkway at the Town's Waterhouse Center. The Plaintiff is seeking an unspecified amount of damages for current and future medical expenses and current and future lost wages. This claim is being defended by the Town's insurer. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

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

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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan of the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. As of June 30, 2018, there were 138 employers participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount, or \$2,500.

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period. The Town's contribution to the Plan for the year ended June 30, 2019 was \$0.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Proportionate Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Town reported a liability of \$7,179 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liabilities were based on a projection of the Town's long-term share of contributions to the Plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the Town's proportion was 0.035536%, which was a decrease of 0.00384% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized net OPEB revenue of \$380. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>PLD Life Insurance</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 606	\$ -
Changes of assumptions	460	1,325
Net difference between projected and actual earnings on pension plan investments	-	376
Changes in proportion and differences between contributions and proportionate share of contributions	-	1,310
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 1,066</u>	<u>\$ 3,011</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

	<u>PLD Life Insurance</u>	
Plan year ended June 30:		
2019	\$	(522)
2020		(522)
2021		(522)
2022		(451)
2023		71
Thereafter		-

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

Investments are reported at fair value.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Amortization

The net OPEB liability of the Plan is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2018, there were 12 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2018 and June 30, 2017 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Investment Rate of Return - For the PLD Plan, 6.75% per annum, compounded annually; the rate for 2017 was 6.875%, compounded annually.

Inflation Rate - 2.75%

Annual Salary Increases including Inflation - For the PLD Plan, 2.75% to 9.00% per year.

Mortality Rates - For active members and non-disabled retirees of the Plan, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used. These tables are adjusted by percentages ranging from 104% to 120% based on actuarially determined demographic differences.

Participation Rate for Future Retirees - 100% of those currently enrolled.

Conversion Charges - Apply to the cost of active group life insurance, not retiree group life insurance.

Form of Benefit Payment - Lump sum

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.00%	6.00%
Real estate	5.00%	5.20%
Traditional credit	15.00%	3.00%
US Government securities	10.00%	2.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the collective total OPEB liability was 5.13% for 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

The following table shows how the collective net OPEB liability/(asset) as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 5.13% for the PLD Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance: Discount rate	4.13%	5.13%	6.13%
Town's proportionate share of the net OPEB benefits liability	\$ 9,484	\$ 7,179	\$ 5,361

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Changes in Net OPEB Liability

Each employer's share of the collective net OPEB liability is equal to the collective net OPEB liability multiplied by the employer's proportionate share as of June 30, 2018 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no differences between expected and actual experience as of June 30, 2018.

Differences between Projected and Actual Investment Earnings on OPEB Plan Investments

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2018 and June 30, 2017 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period for the PLD Plan was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the use of a blended discount rate for the PLD Plan. Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions Plans*, requires the use of a blended discount rate for determining

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

the total OPEB liability when it is projected that plan assets are not sufficient to meet benefit obligations in the future. In years where assets are projected to be sufficient to pay benefits, the Plan's assumed rate of return is used; in years where assets are not projected to be sufficient to pay benefits, the use of a municipal bond rate is required. The result is a single blended discount rate.

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

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2018.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2019, the following employees were covered by the benefit terms:

Active members	50
Retirees and spouses	<u>2</u>
Total	<u><u>52</u></u>

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
PPO 500	\$862.52	\$1,934.82
<u>Medicare</u>		
Medicare-Eligible Retirees	\$525.91	\$1,051.82

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Town reported a liability of \$352,275 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2019 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2019, the Town recognized OPEB expense of \$32,790. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>MMEHT</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 22,508
Changes of assumptions	19,893	31,485
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	<u>3,277</u>	<u>-</u>
Total	<u>\$ 23,170</u>	<u>\$ 53,993</u>

\$3,277 were reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 4.10% per annum for June 30, 2019 was based upon a measurement date of December 27, 2018. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Total OPEB liability	\$ 408,840	\$ 352,275	\$ 306,269
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 408,840</u>	<u>\$ 352,275</u>	<u>\$ 306,269</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 305,403	\$ 352,275	\$ 411,798
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 305,403</u>	<u>\$ 352,275</u>	<u>\$ 411,798</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Assumptions

The actuarial assumptions used in the January 1, 2018 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 4.10% per annum.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC _2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2019 was \$22,508.

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town office at 1 Summer Street, Kennebunk, ME 04043.

NOTE 21 - DEFICIT FUND BALANCES/NET POSITION

At June 30, 2019, the Town has the following funds with deficit fund balances or net position:

Deficit Fund Balance:	
Lower Village TIF	\$ 20,721
Public Works Equipment	444,488
Signs	2,810
Public Safety Facilities	-
Tree Projects	17,910
	<u>\$ 485,929</u>

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 22 - TAX INCREMENT FINANCING DISTRICTS

The Town of Kennebunk has established three tax increment financing districts (TIFs) in accordance with M.R.S.A. Title 30-A, §5221-§5235 for a variety of economic development purposes, including business retention and expansion and public infrastructure improvement. The TIF districts were formed locally, as the Town defined the districts and chose how much of the new taxes would go to what public and private projects over what period of time, subject to the approval of the Select Board, the voters at various Town Meetings and ultimately by the Commissioner of the Maine Department of Economic and Community Development.

Any portion of the new property taxes generated by a specific project or projects and a specific property or properties within the defined geographic districts can be “captured” and utilized to pay for the Town’s bonded indebtedness associated with a new public infrastructure investment as well operating expenses incurred for the benefit of economic development in the Town, or returned to the developer in the form of a credit enhancement agreement for defined periods of up to 30 years. The Town of Kennebunk accounts for all the activity of the TIF districts including captured taxes and expenditures for approved purposes in separate special revenue TIF funds. The Town has chosen to disclose information about its tax abatement (credit enhancement) agreements individually and negotiates property tax abatement agreements on an individual basis. For 2018, there was one agreement in place. The following is a brief description of and total amount of taxes abated for each tax increment financing district:

TIF District	Original Assessed Value	Current Assessed Value at 4/1/2018 for 6/30/2019	Total Captured Assessed Value at 4/1/2018 for 6/30/2019	Property Captured by TIF	New Taxes	Taxes Abated
Route 1 (expires 3/29/2036)	\$27,581,200	\$73,792,800	\$47,955,200	100% Real Property	\$839,216	\$0
West Kennebunk	\$4,978,400	\$17,911,300	\$14,674,500	100% Real Property	\$256,804	\$0
West Kennebunk - Utility Corridor	\$10,641,700	\$42,088,530	\$10,377,454	33% Real Property	\$181,605	\$0
Total West Kennebunk (expires 3/29/2036)	\$15,620,100	\$59,999,830	\$25,051,954		\$438,409	\$0
Lower Village (expires 3/30/2040)	\$4,599,600	\$11,859,772	\$7,542,572	100% Real Property	\$131,995	\$0

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 22 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

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

NOTE 23 - COLLATERALIZATION

At June 30, 2019, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at Camden National Bank. This letter of credit, which expires at the close of business on October 9, 2019, authorizes one draw only up to the amount of \$1,000,000. There were no draws for the year ended June 30, 2019.

At June 30, 2019, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People's United Bank. This letter of credit, which expires at the close of business on September 20, 2019 authorizes one draw only up to the amount of \$19,700,000. There were no draws for the year ended June 30, 2019.

At June 30, 2019, the Town has a third-party securities pledge issued by the Federal Reserve Bank of Boston serving as collateral for its deposits held at Kennebunk Savings Bank that exceed FDIC insurance limits. Securities pledged by the Kennebunk Savings Bank in the Town's name total \$300,000 at June 30, 2019. The third-party securities pledge expires at the close of business on July 1, 2021.

NOTE 24 - COMPARATIVE DATA/RECLASSIFICATIONS

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

Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the OPEB Liability - Group Life
- Schedule of Changes in Net OPEB Liability - Health Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF KENNEBUNK, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,485,363	\$ 10,485,363	\$ 10,485,363	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	36,639,199	36,639,199	36,684,557	45,358
Excise Taxes	2,212,500	2,212,500	2,612,843	400,343
Intergovernmental Revenues:				
State Revenue Sharing	417,229	417,229	434,454	17,225
Homestead Reimbursement	426,355	426,355	388,309	(38,046)
Local Road Assistance	145,000	145,000	150,212	5,212
Other	294,714	294,714	550,699	255,985
Interest Income	80,000	80,000	317,527	237,527
Interest on Taxes/Lien Costs	60,000	60,000	66,510	6,510
Charges for Services	2,081,700	2,081,700	2,500,732	419,032
Miscellaneous Revenues	35,000	35,000	76,129	41,129
Transfers from Other Funds	56,500	56,500	56,500	-
Amounts Available for Appropriation	<u>52,933,560</u>	<u>52,933,560</u>	<u>54,323,835</u>	<u>1,390,275</u>
Charges to Appropriations (Outflows):				
General Government	2,136,275	2,136,275	2,086,680	49,595
Public Safety	4,575,009	4,575,009	4,610,855	(35,846)
Public Works	1,410,450	1,410,450	1,410,214	236
Education	25,813,831	25,813,831	25,813,831	-
County Tax	1,269,959	1,269,959	1,269,959	-
Recreation and Culture	1,558,922	1,558,922	1,477,673	81,249
Health and Welfare	353,729	353,729	355,096	(1,367)
Employee Benefits	2,374,481	2,374,481	2,301,192	73,289
Agency Requests	41,600	41,600	41,600	-
Unclassified	508,878	508,878	199,852	309,026
Transfers to Other Funds	2,405,063	2,475,063	3,325,163	(850,100)
Total Charges to Appropriations	<u>42,448,197</u>	<u>42,518,197</u>	<u>42,892,115</u>	<u>(373,918)</u>
Budgetary Fund Balance, June 30	<u>\$ 10,485,363</u>	<u>\$ 10,415,363</u>	<u>\$ 11,431,720</u>	<u>\$ 1,016,357</u>

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

TOWN OF KENNEBUNK, MAINE

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

	2019	2018	2017	2016	2015	2014
<u>PLD Plan:</u>						
Proportion of the net pension liability	0.40%	0.41%	0.38%	0.42%	0.40%	0.40%
Proportionate share of the net pension liability	\$ 1,081,548	\$ 1,658,953	\$ 2,035,581	\$ 1,346,371	\$ 615,939	\$ 1,223,496
Covered payroll	\$ 2,226,462	\$ 2,221,570	\$ 2,033,359	\$ 2,161,447	\$ 1,869,664	\$ 1,768,346
Proportionate share of the net pension liability as a percentage of its covered payroll	48.58%	74.67%	100.11%	62.29%	32.94%	69.19%
Plan fiduciary net position as a percentage of the total pension liability	91.14%	86.43%	81.61%	88.27%	94.10%	87.50%

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

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>						
Contractually required contribution	\$ 255,104	\$ 219,851	\$ 207,672	\$ 179,773	\$ 172,498	\$ 138,759
Contributions in relation to the contractually required contribution	<u>(255,104)</u>	<u>(219,851)</u>	<u>(207,672)</u>	<u>(179,773)</u>	<u>(172,498)</u>	<u>(138,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 2,475,602	\$ 2,226,462	\$ 2,221,570	\$ 2,033,359	\$ 2,161,447	\$ 1,869,664
Contributions as a percentage of covered payroll	10.30%	9.87%	9.35%	8.84%	7.98%	7.42%

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

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB
LIABILITY - GROUP LIFE
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>PLD Life Insurance:</u>			
Proportion of the net OPEB liability	0.04%	0.04%	0.04%
Town's proportionate share of the net OPEB liability	\$ 7,179	\$ 6,584	\$ 9,804
Total	<u>\$ 7,179</u>	<u>\$ 6,584</u>	<u>\$ 9,804</u>
Covered payroll	\$ 2,226,462	\$ 2,221,570	\$ 2,033,359
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.32%	0.30%	0.48%
Plan fiduciary net position as a percentage of the total OPEB liability	43.92%	47.42%	0.00%

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

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2019

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/18 (Reporting June 30, 2018)	\$ 357,088	\$ -	\$ 357,088
Changes for the year:			
Service cost	24,701	-	24,701
Interest	13,022	-	13,022
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(35,983)	-	(35,983)
Contributions - employer	-	6,553	(6,553)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(6,553)	(6,553)	-
Administrative expense	-	-	-
Net changes	<u>(4,813)</u>	<u>-</u>	<u>(4,813)</u>
Balances at 1/1/19 (Reporting June 30, 2019)	<u>\$ 352,275</u>	<u>\$ -</u>	<u>\$ 352,275</u>

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS - HEALTH PLAN
LAST 10 FISCAL YEARS*

	2019	2018
<u>Total OPEB liability</u>		
Service cost (BOY)	24,701	20,575
Interest (includes interest on service cost)	13,022	13,283
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(30,010)
Changes of assumptions	(35,983)	26,525
Benefit payments, including refunds of member contributions	(6,553)	(8,150)
Net change in total OPEB liability	\$ (4,813)	\$ 22,223
Total OPEB liability - beginning	\$ 357,088	\$ 334,865
Total OPEB liability - ending	\$ 352,275	\$ 357,088
<u>Plan fiduciary net position</u>		
Contributions - employer	6,553	8,150
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(6,553)	(8,150)
Administrative expense	-	-
Net change in fiduciary net position	-	-
Plan fiduciary net position - beginning	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -
Net OPEB liability - ending	\$ 352,275	\$ 357,088
Plan fiduciary net position as a percentage of the total OPEB liability	-	-
Covered payroll	\$ 2,708,061	\$ 2,708,061
Net OPEB liability as a percentage of covered payroll	13.0%	13.2%

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB - GROUP LIFE AND HEALTH
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>PLD Life Insurance:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,475,602	\$ 2,226,462	\$ 2,221,570
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

	<u>2019</u>	<u>2018</u>
<u>MMEHT:</u>		
Employer contributions	\$ 6,553	\$ 8,150
Benefit payments	<u>(6,553)</u>	<u>(8,150)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,708,061	\$ 2,708,061
Contributions as a percentage of covered payroll	0.24%	0.30%

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

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

TOWN OF KENNEBUNK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

For the PLD Consolidated Plan, the discount rate was reduced from 6.875% to 6.75%. In addition, the cost of living benefit increases for the PLD Plan decreased from 2.20% to 1.91%.

The discount rate for the OPEB PLD Plan was reduced from 6.875% to 6.75%; a blended discount rate was used for the PLD Consolidated Plan.

There was a change in the discount rate from 3.44% to 4.10% per GASB 75 discount rate selection for the MMEHT Plan.

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

Other Supplementary Information

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

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General Government Expenses	\$ 626,550	\$ -	\$ 626,550	\$ 592,193	\$ 34,357
Selectboard	29,335	-	29,335	30,684	(1,349)
Town Manager	316,014	-	316,014	310,606	5,408
Town Clerk	109,840	-	109,840	108,727	1,113
Ballot Clerks	35,000	-	35,000	25,689	9,311
Assessors	198,547	-	198,547	192,348	6,199
Community Development	341,946	-	341,946	339,413	2,533
Town Hall	178,267	-	178,267	178,174	93
Computer Department	249,530	-	249,530	249,429	101
Conservation Commission	2,600	-	2,600	351	2,249
Site Plan Review Board	6,523	-	6,523	4,672	1,851
Zoning Board of Appeals	1,200	-	1,200	297	903
Board of Assessment Review	1,000	-	1,000	510	490
Dog Advisory Committee	200	-	200	135	65
Historic Preservation Committee	5,950	-	5,950	5,280	670
Lower Village Committee	2,500	-	2,500	564	1,936
West Kennebunk Village Committee	2,000	-	2,000	5,542	(3,542)
Energy Efficiency Committee	2,100	-	2,100	2,397	(297)
Tree Committee	2,000	-	2,000	-	2,000
Affordable Housing Committee	200	-	200	-	200
Dog Park Committee	-	-	-	9,126	(9,126)
Community Garden Committee	4,000	-	4,000	22,527	(18,527)
Committee on Aging	2,500	-	2,500	1,575	925
Planning Board	18,473	-	18,473	6,441	12,032
	<u>2,136,275</u>	<u>-</u>	<u>2,136,275</u>	<u>2,086,680</u>	<u>49,595</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public Works -					
Highway	1,410,450	-	1,410,450	1,410,214	236
	<u>1,410,450</u>	<u>-</u>	<u>1,410,450</u>	<u>1,410,214</u>	<u>236</u>
Education	<u>25,813,831</u>	<u>-</u>	<u>25,813,831</u>	<u>25,813,831</u>	<u>-</u>
County Tax	<u>1,269,959</u>	<u>-</u>	<u>1,269,959</u>	<u>1,269,959</u>	<u>-</u>
Recreation and Culture -					
Life Guards	71,901	-	71,901	76,450	(4,549)
Parks	45,000	-	45,000	49,377	(4,377)
Recreation	865,827	-	865,827	779,652	86,175
Kennebunk Free Library	576,194	-	576,194	572,194	4,000
	<u>1,558,922</u>	<u>-</u>	<u>1,558,922</u>	<u>1,477,673</u>	<u>81,249</u>
Health and Welfare -					
Recycling	303,973	-	303,973	302,126	1,847
Solid Waste	9,000	-	9,000	8,616	384
Social Services	40,756	-	40,756	44,354	(3,598)
	<u>353,729</u>	<u>-</u>	<u>353,729</u>	<u>355,096</u>	<u>(1,367)</u>
Employee Benefits -					
Health Benefits	1,332,855	-	1,332,855	1,261,383	71,472
FICA	448,752	-	448,752	446,103	2,649
Retirement	340,925	-	340,925	364,175	(23,250)
Workers Comp	231,596	-	231,596	222,062	9,534
Unemployment Comp	20,353	-	20,353	7,469	12,884
	<u>2,374,481</u>	<u>-</u>	<u>2,374,481</u>	<u>2,301,192</u>	<u>73,289</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Agency Requests -					
York County Child Abuse Council	2,000	-	2,000	2,000	-
York County Community Action	4,000	-	4,000	4,000	-
Caring Unlimited	3,000	-	3,000	3,000	-
So. Maine Area Agency on Aging	2,000	-	2,000	2,000	-
Senior Center at Lower Village	2,600	-	2,600	2,600	-
American Red Cross	500	-	500	500	-
Home Health Visiting Nurses	2,500	-	2,500	2,500	-
Community Outreach Services	11,750	-	11,750	11,750	-
Community Harvest	11,750	-	11,750	11,750	-
A Place to Start	1,500	-	1,500	1,500	-
	41,600	-	41,600	41,600	-
Public Safety -					
Police	2,024,208	-	2,024,208	2,078,660	(54,452)
Communications	305,870	-	305,870	301,267	4,603
Civil Emergency Preparedness	6,901	-	6,901	7,201	(300)
Hydrants and Street Lights	473,216	-	473,216	480,323	(7,107)
Fire Department	1,764,814	-	1,764,814	1,743,404	21,410
	4,575,009	-	4,575,009	4,610,855	(35,846)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Historian	500	-	500	-	500
Harbormaster	17,600	-	17,600	17,740	(140)
Tree Warden	5,000	-	5,000	5,627	(627)
Cemetery maintenance	-	-	-	101,449	(101,449)
Memorial Day	800	-	800	1,000	(200)
Facilities	59,640	-	59,640	53,936	5,704
Overlay	425,338	-	425,338	20,100	405,238
	<u>508,878</u>	<u>-</u>	<u>508,878</u>	<u>199,852</u>	<u>309,026</u>
Transfers to Other Funds -					
Special Revenue Funds	1,409,620	-	1,409,620	1,409,620	-
Capital Projects Funds	995,443	-	995,443	1,845,543	(850,100)
Proprietary Funds	-	70,000	70,000	70,000	-
	<u>2,405,063</u>	<u>70,000</u>	<u>2,475,063</u>	<u>3,325,163</u>	<u>(850,100)</u>
Total Departmental Operations	<u>\$ 42,448,197</u>	<u>\$ 70,000</u>	<u>\$ 42,518,197</u>	<u>\$ 42,892,115</u>	<u>\$ (373,918)</u>

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

SCHEDULE B

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 12,302	\$ 12,302
Investments	-	-	57,373	57,373
Due from other funds	2,077,674	2,613,750	-	4,691,424
TOTAL ASSETS	<u>\$ 2,077,674</u>	<u>\$ 2,613,750</u>	<u>\$ 69,675</u>	<u>\$ 4,761,099</u>
LIABILITIES				
Due to other funds	\$ 20,721	\$ 468,000	\$ 18,217	\$ 506,938
TOTAL LIABILITIES	<u>20,721</u>	<u>468,000</u>	<u>18,217</u>	<u>506,938</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	1,939,038	376,227	51,458	2,366,723
Committed	-	2,227,523	-	2,227,523
Assigned	138,636	-	-	138,636
Unassigned	(20,721)	(458,000)	-	(478,721)
TOTAL FUND BALANCES (DEFICITS)	<u>2,056,953</u>	<u>2,145,750</u>	<u>51,458</u>	<u>4,254,161</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 2,077,674</u>	<u>\$ 2,613,750</u>	<u>\$ 69,675</u>	<u>\$ 4,761,099</u>

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

SCHEDULE C

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Interest income	\$ -	\$ -	\$ 1,069	\$ 1,069
Other	18,814	89,162	-	107,976
TOTAL REVENUES	<u>18,814</u>	<u>89,162</u>	<u>1,069</u>	<u>109,045</u>
EXPENDITURES				
Administration	-	139,282	-	139,282
Public works	-	64,787	-	64,787
Debt service:				
Principal	523,267	1,231,733	-	1,755,000
Interest	72,409	284,528	-	356,937
Capital outlay	-	855,043	-	855,043
Unclassified	1,768,860	-	-	1,768,860
TOTAL EXPENDITURES	<u>2,364,536</u>	<u>2,597,949</u>	<u>-</u>	<u>4,962,485</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,345,722)</u>	<u>(2,508,787)</u>	<u>1,069</u>	<u>(4,853,440)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,409,620	1,771,558	-	3,181,178
Transfers (out)	(52,500)	-	(4,015)	(56,515)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,357,120</u>	<u>1,771,558</u>	<u>(4,015)</u>	<u>3,124,663</u>
NET CHANGE IN FUND BALANCES	(988,602)	(737,229)	(2,946)	(1,728,777)
FUND BALANCES, JULY 1	<u>3,045,555</u>	<u>2,882,979</u>	<u>54,404</u>	<u>5,982,938</u>
FUND BALANCES, JUNE 30	<u>\$ 2,056,953</u>	<u>\$ 2,145,750</u>	<u>\$ 51,458</u>	<u>\$ 4,254,161</u>

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

Special Revenue Funds

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
ASSETS							
Due from other funds	\$ 3,430	\$ 20,148	\$ 115,058	\$ 1,191,040	\$ 747,998	\$ -	\$ 2,077,674
TOTAL ASSETS	<u>\$ 3,430</u>	<u>\$ 20,148</u>	<u>\$ 115,058</u>	<u>\$ 1,191,040</u>	<u>\$ 747,998</u>	<u>\$ -</u>	<u>\$ 2,077,674</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,721	\$ 20,721
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,721</u>	<u>20,721</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	1,191,040	747,998	-	1,939,038
Committed	-	-	-	-	-	-	-
Assigned	3,430	20,148	115,058	-	-	-	138,636
Unassigned	-	-	-	-	-	(20,721)	(20,721)
TOTAL FUND BALANCES (DEFICITS)	<u>3,430</u>	<u>20,148</u>	<u>115,058</u>	<u>1,191,040</u>	<u>747,998</u>	<u>(20,721)</u>	<u>2,056,953</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 3,430</u>	<u>\$ 20,148</u>	<u>\$ 115,058</u>	<u>\$ 1,191,040</u>	<u>\$ 747,998</u>	<u>\$ -</u>	<u>\$ 2,077,674</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
REVENUES							
Other	\$ -	\$ -	\$ 11,245	\$ 7,569	\$ -	\$ -	\$ 18,814
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>11,245</u>	<u>7,569</u>	<u>-</u>	<u>-</u>	<u>18,814</u>
EXPENDITURES							
Debt service:							
Principal	-	-	-	369,592	114,952	38,723	523,267
Interest	-	-	-	62,618	3,979	5,812	72,409
Unclassified	-	-	7,403	1,627,561	82,759	51,137	1,768,860
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>7,403</u>	<u>2,059,771</u>	<u>201,690</u>	<u>95,672</u>	<u>2,364,536</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>3,842</u>	<u>(2,052,202)</u>	<u>(201,690)</u>	<u>(95,672)</u>	<u>(2,345,722)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	839,216	438,409	131,995	1,409,620
Transfers (out)	-	-	-	(26,250)	(26,250)	-	(52,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>812,966</u>	<u>412,159</u>	<u>131,995</u>	<u>1,357,120</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	<u>-</u>	<u>-</u>	<u>3,842</u>	<u>(1,239,236)</u>	<u>210,469</u>	<u>36,323</u>	<u>(988,602)</u>
FUND BALANCES (DEFICITS), JULY 1	<u>3,430</u>	<u>20,148</u>	<u>111,216</u>	<u>2,430,276</u>	<u>537,529</u>	<u>(57,044)</u>	<u>3,045,555</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 3,430</u>	<u>\$ 20,148</u>	<u>\$ 115,058</u>	<u>\$ 1,191,040</u>	<u>\$ 747,998</u>	<u>\$ (20,721)</u>	<u>\$ 2,056,953</u>

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

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds. The projects also include significant purchases of vehicles and equipment, as well as the servicing of leases and bonds associated with those purchases. Projects are generally segregated by the related Town department managing the project.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2019

	Fire/Ambulance Projects		Public Safety Facilities	Dorothy Stevens Center	Public Works Equipment	Police Vehicles and Equipment	Signs
	West Kennebunk Fire Station	Dry Hydrants					
ASSETS							
Due from other funds	\$ 37,006	\$ 9,969	\$ -	\$ 5,128	\$ -	\$ 10,000	\$ -
TOTAL ASSETS	<u>\$ 37,006</u>	<u>\$ 9,969</u>	<u>\$ -</u>	<u>\$ 5,128</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ 2,792	\$ -	\$ 444,488	\$ -	\$ 2,810
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,792</u>	<u>-</u>	<u>444,488</u>	<u>-</u>	<u>2,810</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	37,006	9,969	-	5,128	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	(2,792)	-	(444,488)	10,000	(2,810)
TOTAL FUND BALANCES (DEFICITS)	<u>37,006</u>	<u>9,969</u>	<u>(2,792)</u>	<u>5,128</u>	<u>(444,488)</u>	<u>10,000</u>	<u>(2,810)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 37,006</u>	<u>\$ 9,969</u>	<u>\$ -</u>	<u>\$ 5,128</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Town Hall Equipment	Debt Service and Lease/Purchase	Town Projects	Skateboard Park	Park St. and Cousens Sch. Purchase	Ordinance Rewrites and Codification, Comp Plan and Public Safety Building Study	Storage Area at Town Garage
ASSETS							
Due from other funds	\$ 52,982	\$ 969,137	\$ 69,499	\$ 86,778	\$ 384,932	\$ 42,068	\$ 15,231
TOTAL ASSETS	\$ 52,982	\$ 969,137	\$ 69,499	\$ 86,778	\$ 384,932	\$ 42,068	\$ 15,231
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	86,778	-	-	-
Committed	52,982	969,137	69,499	-	384,932	42,068	15,231
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	52,982	969,137	69,499	86,778	384,932	42,068	15,231
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 52,982	\$ 969,137	\$ 69,499	\$ 86,778	\$ 384,932	\$ 42,068	\$ 15,231

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Budget Board	Public Works Projects Bicycle Impact	Parking Lots	West Kennebunk Holand Road Field	Town Garage and Transfer Station	Fire Ambulance Equipment	HVAC Systems and Insulation
ASSETS							
Due from other funds	\$ 111,708	\$ 240,165	\$ 11,616	\$ 27,436	\$ 59,688	\$ 116,960	\$ 42,068
TOTAL ASSETS	<u>\$ 111,708</u>	<u>\$ 240,165</u>	<u>\$ 11,616</u>	<u>\$ 27,436</u>	<u>\$ 59,688</u>	<u>\$ 116,960</u>	<u>\$ 42,068</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	240,165	-	27,436	-	-	-
Committed	111,708	-	11,616	-	59,688	116,960	42,068
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>111,708</u>	<u>240,165</u>	<u>11,616</u>	<u>27,436</u>	<u>59,688</u>	<u>116,960</u>	<u>42,068</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 111,708</u>	<u>\$ 240,165</u>	<u>\$ 11,616</u>	<u>\$ 27,436</u>	<u>\$ 59,688</u>	<u>\$ 116,960</u>	<u>\$ 42,068</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Town Hall Computer Hardware and Software	Land - Municipal Employee Parking	Parks and Recreation Projects	Capital Reserve/Impr.	Tree Projects	Town Hall Repair	Total
ASSETS							
Due from other funds	\$ 81,717	\$ 100,000	\$ 13,111	\$ 104,703	\$ -	\$ 21,848	\$ 2,613,750
TOTAL ASSETS	<u>\$ 81,717</u>	<u>\$ 100,000</u>	<u>\$ 13,111</u>	<u>\$ 104,703</u>	<u>\$ -</u>	<u>\$ 21,848</u>	<u>\$ 2,613,750</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 17,910	\$ -	\$ 468,000
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,910</u>	<u>-</u>	<u>468,000</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	21,848	376,227
Committed	81,717	100,000	13,111	104,703	-	-	2,227,523
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(17,910)	-	(458,000)
TOTAL FUND BALANCES (DEFICITS)	<u>81,717</u>	<u>100,000</u>	<u>13,111</u>	<u>104,703</u>	<u>(17,910)</u>	<u>21,848</u>	<u>2,145,750</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 81,717</u>	<u>\$ 100,000</u>	<u>\$ 13,111</u>	<u>\$ 104,703</u>	<u>\$ -</u>	<u>\$ 21,848</u>	<u>\$ 2,613,750</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Fire/Ambulance Projects		Public Safety Facilities	Dorothy Stevens Center	Public Works Equipment	Police Vehicles and Equipment	Signs
	West Kennebunk Fire Station	Dry Hydrants					
REVENUES							
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-	-	-
EXPENDITURES							
Administration	-	-	-	10,130	-	-	-
Public works	-	-	-	-	16,383	-	-
Public safety	-	-	14,292	-	-	932	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	13,920	-	-	-	538,617	195,870	-
TOTAL EXPENDITURES	13,920	-	14,292	10,130	555,000	196,802	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,920)	-	(14,292)	(10,130)	(555,000)	(196,802)	-
OTHER FINANCING SOURCES (USES)							
Transfers in	19,000	-	11,500	15,000	33,000	210,600	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	19,000	-	11,500	15,000	33,000	210,600	-
NET CHANGE IN FUND BALANCES	5,080	-	(2,792)	4,870	(522,000)	13,798	-
FUND BALANCES (DEFICITS), JULY 1	31,926	9,969	-	258	77,512	(3,798)	(2,810)
FUND BALANCES (DEFICITS), JUNE 30	\$ 37,006	\$ 9,969	\$ (2,792)	\$ 5,128	\$ (444,488)	\$ 10,000	\$ (2,810)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Town Hall Equipment	Debt Service and Lease/Purchase	Town Projects	Skateboard Park	Park St. and Cousens Sch. Purchase	Ordinance Rewrites and Codification Comp Plan and Public Safety Building Study	Storage Area at Town Garage
REVENUES							
Other	\$ -	\$ 60,362	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>60,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Administration	1,822	-	-	-	-	30,137	-
Public works	-	-	-	10,272	-	-	-
Public safety	-	-	-	-	-	-	-
Debt service:							
Principal	-	1,231,733	-	-	-	-	-
Interest	-	284,528	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>1,822</u>	<u>1,516,261</u>	<u>-</u>	<u>10,272</u>	<u>-</u>	<u>30,137</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,822)</u>	<u>(1,455,899)</u>	<u>-</u>	<u>(10,272)</u>	<u>-</u>	<u>(30,137)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	34,000	1,095,458	10,000	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>34,000</u>	<u>1,095,458</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	32,178	(360,441)	10,000	(10,272)	-	(30,137)	-
FUND BALANCES (DEFICITS), JULY 1	<u>20,804</u>	<u>1,329,578</u>	<u>59,499</u>	<u>97,050</u>	<u>384,932</u>	<u>72,205</u>	<u>15,231</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 52,982</u>	<u>\$ 969,137</u>	<u>\$ 69,499</u>	<u>\$ 86,778</u>	<u>\$ 384,932</u>	<u>\$ 42,068</u>	<u>\$ 15,231</u>

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Board	Public Works Projects		West Kennebunk Holand Road Field	Town Garage and Transfer Station	Fire Ambulance Equipment	HVAC Systems and Insulation
		Bicycle Impact	Parking Lots				
REVENUES							
Other	\$ -	\$ 28,800	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>28,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Administration	6,740	-	-	-	11,645	31,103	-
Public works	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>6,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,645</u>	<u>31,103</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,740)</u>	<u>28,800</u>	<u>-</u>	<u>-</u>	<u>(11,645)</u>	<u>(31,103)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	52,000	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(6,740)	28,800	-	-	(11,645)	20,897	-
FUND BALANCES (DEFICITS), JULY 1	118,448	211,365	11,616	27,436	71,333	96,063	42,068
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 111,708</u>	<u>\$ 240,165</u>	<u>\$ 11,616</u>	<u>\$ 27,436</u>	<u>\$ 59,688</u>	<u>\$ 116,960</u>	<u>\$ 42,068</u>

SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Town Hall Computer Hardware and Software	Land - Municipal Employee Parking	Parks and Recreation Projects	Capital Reserve/Impr.	Tree Projects	Town Hall Repair	Total
REVENUES							
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,162
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,162</u>
EXPENDITURES							
Administration	41,905	-	-	-	-	5,800	139,282
Public works	-	-	17,889	2,333	17,910	-	64,787
Public safety	-	-	-	-	-	7,352	22,576
Debt service:							
Principal	-	-	-	-	-	-	1,231,733
Interest	-	-	-	-	-	-	284,528
Capital outlay	71,390	-	-	35,246	-	-	855,043
TOTAL EXPENDITURES	<u>113,295</u>	<u>-</u>	<u>17,889</u>	<u>37,579</u>	<u>17,910</u>	<u>13,152</u>	<u>2,597,949</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(113,295)</u>	<u>-</u>	<u>(17,889)</u>	<u>(37,579)</u>	<u>(17,910)</u>	<u>(13,152)</u>	<u>(2,508,787)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	181,000	-	-	75,000	-	35,000	1,771,558
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>181,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>35,000</u>	<u>1,771,558</u>
NET CHANGE IN FUND BALANCES	67,705	-	(17,889)	37,421	(17,910)	21,848	(737,229)
FUND BALANCES (DEFICITS), JULY 1	<u>14,012</u>	<u>100,000</u>	<u>31,000</u>	<u>67,282</u>	<u>-</u>	<u>-</u>	<u>2,882,979</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 81,717</u>	<u>\$ 100,000</u>	<u>\$ 13,111</u>	<u>\$ 104,703</u>	<u>\$ (17,910)</u>	<u>\$ 21,848</u>	<u>\$ 2,145,750</u>

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

Permanent Funds

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2019

	Littlefield Educational Trust	Cemetery Trust Monument Lot	Centennial Lot	Martha Bragdon Trust	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,553	\$ 3,532	\$ 6,217	\$ 12,302
Investments	57,373	-	-	-	57,373
TOTAL ASSETS	\$ 57,373	\$ 2,553	\$ 3,532	\$ 6,217	\$ 69,675
LIABILITIES					
Due to other funds	\$ 12,000	\$ -	\$ -	\$ 6,217	\$ 18,217
TOTAL LIABILITIES	12,000	-	-	6,217	18,217
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	45,373	2,553	3,532	-	51,458
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	45,373	2,553	3,532	-	51,458
TOTAL LIABILITIES AND FUND BALANCES	\$ 57,373	\$ 2,553	\$ 3,532	\$ 6,217	\$ 69,675

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
REVENUES					
Interest income	\$ 1,051	\$ 1	\$ 2	\$ 15	\$ 1,069
TOTAL REVENUES	<u>1,051</u>	<u>1</u>	<u>2</u>	<u>15</u>	<u>1,069</u>
EXPENDITURES					
Other	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,051</u>	<u>1</u>	<u>2</u>	<u>15</u>	<u>1,069</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(4,000)	-	-	(15)	(4,015)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>(4,015)</u>
NET CHANGE IN FUND BALANCES	(2,949)	1	2	-	(2,946)
FUND BALANCES, JULY 1	<u>48,322</u>	<u>2,552</u>	<u>3,530</u>	<u>-</u>	<u>54,404</u>
FUND BALANCES, JUNE 30	<u>\$ 45,373</u>	<u>\$ 2,553</u>	<u>\$ 3,532</u>	<u>\$ -</u>	<u>\$ 51,458</u>

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

General Capital Assets

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Administration	\$ 2,091	\$ 701,019	\$ 1,123,026	\$ -	\$ 1,826,136
Police	75,100	1,650,222	2,092,630	25,000	3,842,952
Fire	97,900	2,244,199	5,235,968	5,854	7,583,921
Public Works	124,300	407,961	4,698,133	23,729,269	28,959,663
Recreation and Culture	79,100	406,385	924,300	-	1,409,785
Town-wide	<u>2,141,157</u>	<u>4,851,852</u>	<u>267,456</u>	<u>4,723,029</u>	<u>11,983,494</u>
Total General Capital Assets	2,519,648	10,261,638	14,341,513	28,483,152	55,605,951
Less: Accumulated Depreciation	<u>-</u>	<u>(7,332,709)</u>	<u>(10,443,310)</u>	<u>(13,885,868)</u>	<u>(31,661,887)</u>
Net General Capital Assets	<u>\$ 2,519,648</u>	<u>\$ 2,928,929</u>	<u>\$ 3,898,203</u>	<u>\$ 14,597,284</u>	<u>\$ 23,944,064</u>

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Administration	\$ 1,754,746	\$ 71,390	\$ -	\$ 1,826,136
Police	3,647,081	195,871	-	3,842,952
Fire	7,570,001	13,920	-	7,583,921
Public Works	28,338,443	621,220	-	28,959,663
Recreation and Culture	1,409,785	-	-	1,409,785
Town-wide	<u>9,770,939</u>	<u>2,220,243</u>	<u>(7,688)</u>	<u>11,983,494</u>
Total General Capital Assets	52,490,995	3,122,644	(7,688)	55,605,951
Less: Accumulated Depreciation	<u>(29,247,366)</u>	<u>(2,414,521)</u>	<u>-</u>	<u>(31,661,887)</u>
Net General Capital Assets	<u>\$ 23,243,629</u>	<u>\$ 708,123</u>	<u>\$ (7,688)</u>	<u>\$ 23,944,064</u>

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



Proven Expertise & Integrity

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

Select Board
Town of Kennebunk
Kennebunk, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Kennebunk, Maine as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Town of Kennebunk, Maine's basic financial statements and have issued our report thereon dated June 17, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kennebunk Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Kennebunk, Maine in a separate letter dated June 17, 2020.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
June 17, 2020

Statistical Information

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

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

TOWN OF KENNEBUNK, MAINE
REGIONAL SCHOOL UNIT (RSU) 21'S SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019

School	Location	Grades
Kennebunk Elementary	Kennebunk	K-2
Mildred L Day	Arundel	K-5
Kennebunkport Consolidated	Kennebunkport	K-5
Sea Road School	Kennebunk	3-5
Middle School of the Kennebunks	Kennebunk	6-8
Kennebunk High School	Kennebunk	9-12

TOWN OF KENNEBUNK, MAINE

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

Actual enrollment in RSU21 schools

Oct. 1, ⁽¹⁾	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 Students ⁽²⁾
	Students	%	Students	%	Students	%	
2018	432	17.7%	1,652	67.6%	361	14.8%	2,445
2017	363	15.6%	1,596	68.7%	364	15.7%	2,323
2016	324	14.3%	1,571	69.3%	372	16.4%	2,267
2015	288	12.9%	1,555	69.4%	397	17.7%	2,240
2014	312	13.4%	1,615	69.4%	399	17.2%	2,326
2013	313	13.2%	1,646	69.5%	409	17.3%	2,368
2012	313	13.2%	1,640	69.1%	419	17.7%	2,372
2011	308	13.1%	1,625	68.9%	423	18.0%	2,356
2010	321	13.3%	1,665	69.0%	428	17.7%	2,414
2009	317	12.8%	1,727	69.4%	442	17.8%	2,486
2008	340	13.4%	1,751	69.0%	446	17.6%	2,537

Total pupils residing in RSU21 district attending any school

Yr Avg No of Pupils ⁽¹⁾	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 Students ⁽²⁾
	Students	%	Students	%	Students	%	
2019	568.0	22.5%	1,582.5	62.8%	369.0	14.6%	2,519.5
2018	561.0	22.3%	1,570.5	62.4%	386.0	15.3%	2,517.5
2017	569.5	22.4%	1,581.0	62.1%	396.5	15.6%	2,547.0
2016	582.0	22.3%	1,628.0	62.3%	401.5	15.4%	2,611.5
2015	589.5	22.3%	1,642.5	62.0%	416.5	15.7%	2,648.5
2014	592.5	22.4%	1,630.5	61.6%	424.5	16.0%	2,647.5
2013	601.5	22.6%	1,635.5	61.4%	426.5	16.0%	2,663.5
2012	606.5	22.2%	1,692.0	62.0%	430.5	15.8%	2,729.0
2011	624.5	22.3%	1,728.5	61.7%	444.0	15.9%	2,797.0
2010	633.0	22.4%	1,749.5	61.8%	449.0	15.9%	2,831.5
2009	NA	NA	1,783.5	79.4%	459.5	20.5%	2,243.0
2008	NA	NA	1,844.0	79.7%	469.0	20.3%	2,313.0

(1) State of Maine Department of Education's October 1 Annual Census and RSU 21 (for Oct. 1, 2018)

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

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

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

TOWN OF KENNEBUNK, MAINE

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

Fiscal Year	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 ESV(000) ⁽¹⁾
	ESV (000)	%	ESV (000)	%	ESV (000)	%	
2019	\$ 492,800	9.5%	\$ 2,492,800	48.1%	\$ 2,198,500	42.4%	\$ 5,184,100
2018	466,350	9.4%	2,380,350	47.8%	2,127,950	42.8%	4,974,650
2017	450,400	9.4%	2,316,900	48.4%	2,018,400	42.2%	4,785,700
2016	438,000	9.5%	2,245,800	48.6%	1,938,350	41.9%	4,622,150
2015	420,600	9.5%	2,159,200	49.0%	1,831,600	41.5%	4,411,400
2014	411,950	9.5%	2,085,300	48.2%	1,832,450	42.3%	4,329,700
2013	413,500	9.6%	2,097,550	48.5%	1,810,500	41.9%	4,321,550
2012	415,950	9.6%	2,128,300	49.0%	1,801,850	41.4%	4,346,100
2011	429,150	9.6%	2,126,200	47.3%	1,938,250	43.1%	4,493,600
2010	449,900	9.6%	2,288,950	49.1%	1,923,750	41.3%	4,662,600
2009	433,350	9.5%	2,360,650	51.5%	1,784,950	39.0%	4,578,950

TABLE 4

TOWN OF KENNEBUNK, MAINE

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

Fiscal Year	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 Assessments
	Assessment	%	Assessment	%	Assessment	%	
2019	\$ 5,130,549	12.5%	\$ 25,813,831	62.7%	\$ 10,220,198	24.8%	\$ 41,164,578
2018	4,778,572	12.4%	23,965,655	61.9%	9,939,712	25.7%	38,683,939
2017	4,529,366	12.5%	22,708,581	62.5%	9,055,448	25.0%	36,293,395
2016	4,307,675	12.7%	21,698,081	63.7%	8,015,486	23.6%	34,021,242
2015	4,126,255	12.6%	20,829,596	63.5%	7,837,533	23.9%	32,793,384
2014	4,071,486	12.6%	20,660,409	64.1%	7,521,509	23.3%	32,253,404
2013	4,109,823	13.5%	19,544,108	64.5%	6,677,507	22.0%	30,331,438
2012	3,918,960	13.3%	19,503,442	66.0%	6,107,648	20.7%	29,530,050
2011	3,693,011	12.6%	19,252,939	66.0%	6,260,773	21.4%	29,206,723

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

Fiscal Year	Commercial		Residential		Total	
	Number of Permits	Estimated Value	Number of Permits	Estimated Value	Number of Permits	Estimated Value
2019	145	\$ 5,150,667	372	\$ 20,699,609	517	\$ 25,850,276
2018	159	6,545,001	429	29,508,911	588	36,053,912
2017	167	7,423,915	418	20,854,934	585	28,278,849
2016	195	44,410,905	370	23,706,571	565	68,117,476
2015	119	6,632,868	432	21,691,928	551	28,324,796
2014	221	2,612,550	391	18,608,385	612	21,220,935
2013	193	3,296,267	311	22,791,353	504	26,087,620
2012	237	46,144,062	402	24,674,584	639	70,818,646
2011	152	3,861,200	412	17,592,841	564	24,454,041
2010	182	4,144,062	419	18,330,806	601	22,474,868
2009	180	8,732,861	435	23,625,470	615	32,358,331

SOURCE: Town of Kennebunk, Maine, Community Development Office, Code Enforcement

TOWN OF KENNEBUNK, MAINE
EMPLOYMENT
FOR THE YEAR ENDED JUNE 30, 2019

Representative Employer	Type of Business	Approximate Number of Employees
Corning	Medical Lab Equipment Manufacturer	531
RSU 21	School Administrative Unit	410
Kennebunk Savings Bank	Bank & Insurance	300
Town of Kennebunk	Town Government	295
Hannaford	Food & Pharmacy	180
Huntington Common	Assisted Living Facility	154
Home Instead Senior Care Services	Home Care Services	150
Kennebunk Ctr for Health & Rehab	Assisted Living Facility & Rehabilitation	126
RiverRidge Center	Brain Injury Rehabilitation Center	122
Southern Maine Health Care/PrimeCare	Health Care	119
HMS Host	Turnpike Service	100
Northeast Coatings	Surface Coatings	97
The Hissong Group	Construction & Property Management	94
Atria	Assisted Living Facility	54
Plixer	Software	50
Animal Welfare Society	Animal Shelter, Adoption & Veterinary Ctr	48
Garrett Pillsbury	Plumbing, Heating and Petroleum Distrib	45
KKW Water District	Water Utility	42
Tom's of Maine	Consumer Products	40
Bergen & Parkinson	Law Firm	39
Downeast Energy	Petroleum Distributor	38

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assigned and Unassigned ⁽¹⁾ General Fund Balance	\$ 7,091,796	\$ 7,138,394	\$ 7,576,962	\$ 8,254,400	\$ 7,857,723	\$ 8,455,629	\$ 8,751,126	\$ 8,927,394	\$ 9,572,975
Total Revenues (Current Year)	32,338,176	32,371,733	33,365,015	35,121,495	35,361,083	36,944,282	38,644,618	40,606,603	43,781,972
Fund Balance as % Revenues	21.93%	22.05%	22.71%	23.50%	22.22%	22.89%	22.65%	21.99%	21.87%
Unassigned ⁽²⁾ General Fund Balance	\$ 6,873,273	\$ 7,011,232	\$ 7,444,341	\$ 8,154,810	\$ 7,724,589	\$ 8,245,414	\$ 8,587,397	\$ 8,755,452	\$ 9,203,706
Budgeted Revenue	31,609,916	32,213,394	32,031,797	34,269,730	34,877,723	36,035,230	37,724,971	39,740,086	42,391,697
Fund Balance as % Budgeted Revenue	21.74%	21.76%	23.24%	23.80%	22.15%	22.88%	22.76%	22.03%	21.71%

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

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

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

Fiscal Year	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (After Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy a/o 08/31/19
2019	\$ 2,492,800	\$ 2,093,668	\$ 17.50	\$ 36,639	\$ 35,962	98.2%	99.3%
2018	2,380,350	2,073,728	16.55	34,320	33,725	98.3%	99.7%
2017	2,316,900	2,061,351	15.90	32,775	32,619	97.9%	99.8%
2016	2,245,800	2,043,619	15.30	31,267	30,567	97.8%	99.9%
2015	2,159,200	2,029,269	14.90	30,236	29,337	97.0%	99.9%
2014	2,085,300	1,991,757	14.95	29,777	29,067	97.6%	99.9%
2013	2,097,550	1,944,205	14.40	27,997	27,257	97.4%	99.9%
2012	2,128,300	1,936,881	14.40	27,891	27,085	97.1%	99.9%
2011	2,126,200	1,922,409	14.30	27,490	26,816	97.6%	99.9%
2010	2,288,950	1,897,950	13.95	26,476	25,781	97.4%	99.9%
2009	2,360,650	1,886,460	13.85	26,135	25,360	97.4%	99.9%

TOWN OF KENNEBUNK, MAINE
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2019

Taxpayer	Business	As of April 1, 2019				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Central Maine Power Co	Electric Utility	\$ 52,615,900	\$ 35,500	\$ 52,651,400	\$ 723,957	1.87%
Shape Drive Medical Ctr LLC	Medical Facility	25,952,600		25,952,600	356,848	0.92%
Sunrise Kennebunk Sr Lvg LLC	Ass'td Living Facility	23,807,000		23,807,000	327,346	0.85%
Corning Inc	Lab Equipment Manf	13,660,100	10,025,700	23,685,800	325,680	0.84%
Kennebunk Savings Bank	Bank & Insurance	14,917,800	2,569,300	17,487,100	240,448	0.62%
VTR Kennebunk LLC	Ass'td Living Facility	10,139,200		10,139,200	139,414	0.36%
WF Legacy Properties LLC	Private Residences	8,967,100		8,967,100	123,298	0.32%
Kennebunk Port Hotel LLC	Hotel	7,824,200	627,700	8,451,900	116,214	0.30%
Maritimes & Northeast Pipeline	Natural Gas Pipeline	7,933,300		7,933,300	109,083	0.28%
HMS Host Family Restaurant	Turnpike Service Ctr	6,237,400	1,275,800	7,513,200	103,307	0.27%
Top Ten Taxpayers		\$ 186,588,600	\$ 2,565,595	\$ 186,588,600	\$ 2,565,595	6.62%

TOWN OF KENNEBUNK, MAINE

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

Fiscal Year	Population⁽¹⁾	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2019	10,798	\$ 2,492,800	\$ 2,093,668	\$ 11,990,000	0.48%	\$ 1,110.39
2018	10,798	2,380,350	2,073,728	13,745,000	0.58%	1,272.92
2017	10,798	2,316,900	2,061,351	10,330,000	0.45%	956.66
2016	10,798	2,245,800	2,043,619	11,609,000	0.52%	1,075.11
2015	10,798	2,159,200	2,029,269	9,535,000	0.44%	883.03
2014	10,798	2,085,300	1,991,757	10,764,000	0.52%	996.85
2013	10,798	2,097,550	1,944,205	6,685,000	0.32%	619.10
2012	10,798	2,128,300	1,936,881	7,445,000	0.35%	689.48
2011	10,798	2,126,200	1,922,409	8,200,000	0.39%	759.40
2010	10,798	2,288,950	1,897,950	8,957,000	0.39%	829.51
2009	10,476	2,360,650	1,886,460	3,075,000	0.13%	293.53

NOTE: ⁽¹⁾ U.S. Census

TOWN OF KENNEBUNK, MAINE

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

	Actual								Budgeted
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Debt Service from Capital Fund: \$	858,674	\$ 777,486	\$ 1,202,982	\$ 1,069,507	\$ 795,354	\$ 1,096,038	\$ 1,064,182	\$ 1,516,261	\$ 1,462,572
Debt Service from TIF Funds: _____	223,582	221,362	260,610	484,490	474,809	528,897	514,858	668,112	605,052
Total Current Year Debt Service: \$	1,082,256	\$ 998,848	\$ 1,463,592	\$ 1,553,997	\$ 1,270,163	\$ 1,624,934	\$ 1,579,040	\$ 2,184,373	\$ 2,067,624
Budgeted Operating Expense: \$	31,156,555	\$ 31,405,898	\$ 33,518,096	\$ 34,325,416	\$ 35,110,955	\$ 37,055,782	\$ 38,800,429	\$ 41,678,889	\$ 42,981,621
Debt Service as % Operating Expense:	3.47%	3.18%	4.37%	4.53%	3.62%	4.39%	4.07%	5.24%	4.81%

TOWN OF KENNEBUNK, MAINE
PROPERTY TAX LEVY LIMIT
FOR THE YEARS ENDED JUNE 30,

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
State Personal Income Factor:	1.78%	1.66%	1.43%	1.05%	1.09%	0.86%	2.67%	2.84%	2.61%
Local Property Growth Factor (1):	<u>1.32%</u>	<u>3.06%</u>	<u>3.18%</u>	<u>1.15%</u>	<u>2.81%</u>	<u>2.43%</u>	<u>1.07%</u>	<u>2.10%</u>	<u>1.57%</u>
Growth Limitation Factor:	3.10%	4.72%	4.61%	2.20%	3.90%	3.29%	3.74%	4.94%	4.18%
Property Tax Levy Limit (1):	\$ 6,503,412	\$ 6,923,448	\$ 7,187,787	\$ 7,345,918	\$ 7,859,467	\$ 8,176,845	\$ 8,494,270	\$ 8,964,403	\$ 9,339,115
Property Tax Levy:	<u>6,065,431</u>	<u>6,050,698</u>	<u>6,120,059</u>	<u>6,313,472</u>	<u>6,584,061</u>	<u>6,870,620</u>	<u>7,163,063</u>	<u>7,319,507</u>	<u>7,720,451</u>
Over/(below) Prop Tax Levy Limit:	\$ (437,981)	\$ (872,750)	\$ (1,067,728)	\$ (1,032,446)	\$ (1,275,406)	\$ (1,306,225)	\$ (1,331,207)	\$ (1,644,896)	\$ (1,618,664)

(1) The local property growth factor has been recalculated on the gross method based new taxable value.