

Federal Compliance Audit

**Town of Kennebunk, Maine**

June 30, 2021



*Proven Expertise & Integrity*

TOWN OF KENNEBUNK, MAINE

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JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

Selectboard  
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, 2021 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.

### Auditor's 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, 2021 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 73 through 80 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2023, 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  
April 5, 2023

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**(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, 2021. 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, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pensions, Schedule of Proportionate Share of the Net 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 - Group Life and Health Plan 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 \$815,960 from \$28,512,335 to \$29,328,295. The Town's total business-type net position increased by \$113,389 from \$164,962 to a balance of \$278,351.

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 \$8,514,478 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$276,595.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>				
Current assets	\$ 16,349,598	\$ 18,643,137	\$ 278,351	\$ 164,962
Noncurrent assets - Capital Assets	27,628,546	25,197,203	-	-
Total assets	<u>43,978,144</u>	<u>43,840,340</u>	<u>278,351</u>	<u>164,962</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to OPEB	137,714	114,988	-	-
Deferred outflows related to pensions	619,638	563,483	-	-
Total deferred outflows of resources	<u>757,352</u>	<u>678,471</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities	5,184,456	4,595,979	-	-
Noncurrent liabilities	10,016,125	11,015,282	-	-
Total liabilities	<u>15,200,581</u>	<u>15,611,261</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Deferred revenue	142,525	11,431	-	-
Deferred inflows related to OPEB	44,475	48,454	-	-
Deferred inflows related to pensions	19,620	335,330	-	-
Total deferred inflows of resources	<u>206,620</u>	<u>395,215</u>	<u>-</u>	<u>-</u>
<b>Net position</b>				
Net investment in capital assets	18,948,546	14,867,203	-	-
Restricted	1,865,271	1,724,705	1,756	1,678
Unrestricted	8,514,478	11,920,427	276,595	163,284
Total net position	<u>\$ 29,328,295</u>	<u>\$ 28,512,335</u>	<u>\$ 278,351</u>	<u>\$ 164,962</u>

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

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 2,044,151	\$ 2,271,276	\$ 738,108	\$ 697,836
Operating grants and contributions	144,444	154,532	-	-
Capital grants and contributions	-	200,000	-	-
<i>General Revenues:</i>				
Taxes	42,690,482	41,346,005	-	-
Grants and contributions not restricted to specific programs	1,880,937	1,462,809	-	-
Miscellaneous	456,029	516,673	-	-
Total revenues	47,216,043	45,951,295	738,108	697,836
<b>Expenses</b>				
General government	2,589,211	1,613,140	-	-
Public safety	4,457,720	5,299,449	-	-
Recreation and culture	1,253,544	1,499,496	-	-
Health and welfare	371,648	381,833	624,719	577,548
Public works	2,694,674	2,643,297	-	-
Education	28,042,500	27,140,726	-	-
County tax	1,350,625	1,296,886	-	-
Employee benefits	2,842,835	2,735,485	-	-
Agency requests	40,739	34,239	-	-
Interest on long-term debt	349,775	407,623	-	-
Capital outlay	561,757	258,514	-	-
Unclassified	985,482	1,375,906	-	-
Unallocated depreciation (Note 5)	859,573	629,391	-	-
Total expenses	46,400,083	45,315,985	624,719	577,548
Change in net position	815,960	635,310	113,389	120,288
Net position - July 1	28,512,335	27,877,025	164,962	44,674
Net position - June 30	\$ 29,328,295	\$ 28,512,335	\$ 278,351	\$ 164,962

### Revenues and Expenses

Revenues for the Town's governmental activities increased by 2.75%, while total expenses increased by 2.39%. The main increase in revenues was in taxes, while the largest increases in expenses were in general government and education, which was partially offset by a reduction in public safety.

Proprietary fund revenues increased 5.77%, while total expenses increased 8.17%.

### 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,**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Major Fund:			
General fund:			
Nonspendable	\$ 350,535	\$ 410,626	\$ (60,091)
Committed	1,384,641	1,368,007	16,634
Assigned	370,140	518,750	(148,610)
Unassigned	11,085,237	9,658,636	1,426,601
Total general fund	<u>13,190,553</u>	<u>11,956,019</u>	<u>1,234,534</u>
Roads and paving capital fund			
Committed	-	126,924	(126,924)
Unassigned	(719,636)	-	(719,636)
Total road and paving capital fund	<u>(719,636)</u>	<u>126,924</u>	<u>(846,560)</u>
Total Major Funds	<u>\$ 12,470,917</u>	<u>\$ 12,082,943</u>	<u>\$ 387,974</u>
Nonmajor Funds:			
Special revenue funds:			
Restricted	\$ 1,331,995	\$ 1,287,571	\$ 44,424
Assigned	164,737	152,485	12,252
Unassigned	(226,871)	-	(226,871)
Capital projects funds:			
Restricted	488,267	388,340	99,927
Committed	1,205,763	1,526,361	(320,598)
Unassigned	(3,371,600)	(511,322)	(2,860,278)
Permanent funds:			
Restricted	45,009	48,794	(3,785)
Total Nonmajor Funds	<u>\$ (362,700)</u>	<u>\$ 2,892,229</u>	<u>\$ (3,254,929)</u>

The changes to total fund balances for the general fund, roads and paving capital fund and nonmajor funds occurred due to the regular activity of operations.

*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 \$113,311. The electrical inspection program had an operating income for the current year of \$78.

### **Budgetary Highlights**

The general fund budget increased by \$1,312,813 for transfers to other funds which was funded by the utilization of committed fund balance.

The general fund actual revenues exceeded the budget by \$1,143,934. This was a result of all revenue categories being receipted in excess of budgeted amounts with the exception of intergovernmental revenues - homestead reimbursement, intergovernmental revenues - other and interest income.

The general fund actual expenditures were under budget by \$1,403,413. All expenditure categories were within or under budget with the exception of health and welfare.

Please see Schedule 1 on page 73 for more detailed information.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2021, the net book value of capital assets recorded by the Town increased by \$2,431,343. This increase was the result of current year capital additions of \$5,162,697 less depreciation expense of \$2,731,354. Refer to Note 5 of Notes to Financial Statements for more detailed information.

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

	<b>2021</b>	<b>2020</b>
Land and improvements	\$ 3,523,306	\$ 3,578,191
Buildings and building improvements	2,180,531	2,292,878
Machinery, equipment and vehicles	3,180,729	3,455,789
Art work and historical treasures	41,000	41,000
Construction in progress	876,395	30,765
Infrastructure	17,826,585	15,798,580
Total	<b>\$ 27,628,546</b>	<b>\$ 25,197,203</b>

**Long-Term Debt Activity**

At June 30, 2021, the Town had \$8,680,000 in bonds outstanding versus \$10,330,000 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

**Currently Known Facts, Decisions or Conditions**

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

**Economic Factors and Next Year's Budgets and Rates**

The local economy and housing market continued to remain strong during fiscal year 2021. Certain sectors of the Town were impacted by the slowdown caused by the COVID-19 pandemic. However, overall, the Town's finances remained solid with increases in motor vehicle excise tax revenue, building permit revenue, ambulance billing revenue and beach parking permit revenue. Not unexpectedly, recreation program revenue continued to come in lower than previous years.

The Town's fiscal year 2022 net municipal budget increased by 9.7% due primarily to increases in debt service, as well as smaller wage, salary and employee benefits increases. The Town's projected motor vehicle excise tax revenue, building permit revenue, ambulance billing revenue and beach parking permit revenue reflected small

increases as well. 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 0.6%.

For fiscal year 2021, the Town's tax mil rate was \$14.15; for fiscal year 2022, the rate will be \$14.25, a 0.7% increase.

### **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.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 13,770,867	\$ -	\$ 13,770,867
Investments	1,799,588	-	1,799,588
Accounts receivable (net of allowance for uncollectibles):			
Taxes	437,074	-	437,074
Liens	73,405	-	73,405
Other	165,588	30,892	196,480
Tax acquired property	350,535	-	350,535
Internal balances	(247,459)	247,459	-
Total current assets	<u>16,349,598</u>	<u>278,351</u>	<u>16,627,949</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	3,825,782	-	3,825,782
Depreciable assets, net of accumulated depreciation	23,802,764	-	23,802,764
Total noncurrent assets	<u>27,628,546</u>	<u>-</u>	<u>27,628,546</u>
<b>TOTAL ASSETS</b>	<u>43,978,144</u>	<u>278,351</u>	<u>44,256,495</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to OPEB	137,714	-	137,714
Deferred outflows related to pensions	619,638	-	619,638
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>757,352</u>	<u>-</u>	<u>757,352</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 44,735,496</u>	<u>\$ 278,351</u>	<u>\$ 45,013,847</u>

STATEMENT A (CONTINUED)  
TOWN OF KENNEBUNK, MAINE  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,207,481	\$ -	\$ 2,207,481
Accrued payroll	500,192	-	500,192
Other liabilities	835,501	-	835,501
Current portion of long-term obligations	1,641,282	-	1,641,282
<b>Total current liabilities</b>	<u>5,184,456</u>	<u>-</u>	<u>5,184,456</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	7,070,000	-	7,070,000
Accrued compensated absences	594,358	-	594,358
Net OPEB liability	567,152	-	567,152
Net pension liability	1,784,615	-	1,784,615
<b>Total noncurrent liabilities</b>	<u>10,016,125</u>	<u>-</u>	<u>10,016,125</u>
<b>TOTAL LIABILITIES</b>	<u>15,200,581</u>	<u>-</u>	<u>15,200,581</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	142,525	-	142,525
Deferred inflows related to OPEB	44,475	-	44,475
Deferred inflows related to pensions	19,620	-	19,620
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>206,620</u>	<u>-</u>	<u>206,620</u>
<b>NET POSITION</b>			
Net investment in capital assets	18,948,546	-	18,948,546
Restricted: Nonmajor special revenue funds	1,331,995	1,756	1,333,751
Nonmajor capital project funds	488,267	-	488,267
Nonmajor permanent funds	45,009	-	45,009
Unrestricted	8,514,478	276,595	8,791,073
<b>TOTAL NET POSITION</b>	<u>29,328,295</u>	<u>278,351</u>	<u>29,606,646</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 44,735,496</u>	<u>\$ 278,351</u>	<u>\$ 45,013,847</u>

See accompanying independent auditor's report and notes to financial statements.

## STATEMENT B

TOWN OF KENNEBUNK, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 2,589,211	\$ 69,170	\$ -	\$ -	\$ (2,520,041)	\$ -	\$ (2,520,041)
Public safety	4,457,720	1,268,962	-	-	(3,188,758)	-	(3,188,758)
Recreation and culture	1,253,544	706,019	-	-	(547,525)	-	(547,525)
Health and welfare	371,648	-	-	-	(371,648)	-	(371,648)
Public works	2,694,674	-	144,444	-	(2,550,230)	-	(2,550,230)
Education	28,042,500	-	-	-	(28,042,500)	-	(28,042,500)
County tax	1,350,625	-	-	-	(1,350,625)	-	(1,350,625)
Employee benefits	2,842,835	-	-	-	(2,842,835)	-	(2,842,835)
Agency requests	40,739	-	-	-	(40,739)	-	(40,739)
Interest on long-term debt	349,775	-	-	-	(349,775)	-	(349,775)
Capital outlay	561,757	-	-	-	(561,757)	-	(561,757)
Unclassified	985,482	-	-	-	(985,482)	-	(985,482)
Unallocated depreciation (Note 5)*	859,573	-	-	-	(859,573)	-	(859,573)
<b>Total governmental activities</b>	<b>46,400,083</b>	<b>2,044,151</b>	<b>144,444</b>	<b>-</b>	<b>(44,211,488)</b>	<b>-</b>	<b>(44,211,488)</b>
Business-type activities:							
Pay-As-You-Throw Trash Program	555,064	668,375	-	-	-	113,311	113,311
Electrical Inspection Program	69,655	69,733	-	-	-	78	78
<b>Total business-type activities</b>	<b>624,719</b>	<b>738,108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,389</b>	<b>113,389</b>
<b>Total government</b>	<b>\$ 47,024,802</b>	<b>\$ 2,782,259</b>	<b>\$ 144,444</b>	<b>\$ -</b>	<b>(44,211,488)</b>	<b>113,389</b>	<b>(44,098,099)</b>

\* 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, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(44,211,488)</u>	<u>113,389</u>	<u>(44,098,099)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	39,747,547	-	39,747,547
Excise taxes	2,942,935	-	2,942,935
Grants and contributions not restricted to specific programs	1,880,937	-	1,880,937
Miscellaneous	456,029	-	456,029
Total general revenues and transfers	<u>45,027,448</u>	<u>-</u>	<u>45,027,448</u>
Change in net position	815,960	113,389	929,349
NET POSITION - JULY 1	<u>28,512,335</u>	<u>164,962</u>	<u>28,677,297</u>
NET POSITION - JUNE 30	<u>\$ 29,328,295</u>	<u>\$ 278,351</u>	<u>\$ 29,606,646</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General Fund	Roads and Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$13,758,549	\$ -	\$ 12,318	\$13,770,867
Investments	1,756,667	-	42,921	1,799,588
Accounts receivables (net of allowance for uncollectibles):				
Taxes	437,074	-	-	437,074
Liens	73,405	-	-	73,405
Other	165,588	-	-	165,588
Tax acquired property	350,535	-	-	350,535
Due from other funds	4,328,337	-	3,190,762	7,519,099
<b>TOTAL ASSETS</b>	<b>\$20,870,155</b>	<b>\$ -</b>	<b>\$ 3,246,001</b>	<b>\$24,116,156</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,207,481	\$ -	\$ -	\$ 2,207,481
Accrued payroll	500,192	-	-	500,192
Other liabilities	835,501	-	-	835,501
Due to other funds	3,438,221	719,636	3,608,701	7,766,558
<b>TOTAL LIABILITIES</b>	<b>6,981,395</b>	<b>719,636</b>	<b>3,608,701</b>	<b>11,309,732</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	142,525	-	-	142,525
Deferred tax revenue	555,682	-	-	555,682
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>698,207</b>	<b>-</b>	<b>-</b>	<b>698,207</b>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	350,535	-	-	350,535
Restricted	-	-	1,865,271	1,865,271
Committed	1,384,641	-	1,205,763	2,590,404
Assigned	370,140	-	164,737	534,877
Unassigned	11,085,237	(719,636)	(3,598,471)	6,767,130
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>13,190,553</b>	<b>(719,636)</b>	<b>(362,700)</b>	<b>12,108,217</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$20,870,155</b>	<b>\$ -</b>	<b>\$ 3,246,001</b>	<b>\$24,116,156</b>

See accompanying independent auditor's 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, 2021

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 12,108,217
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	27,628,546
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	555,682
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	137,714
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	619,638
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	(8,680,000)
Accrued compensated absences	(625,640)
Net OPEB liability	(567,152)
Net pension liability	(1,784,615)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(44,475)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(19,620)</u>
Net position of governmental activities	<u>\$ 29,328,295</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Roads and Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 39,932,065	\$ -	\$ -	\$ 39,932,065
Excise taxes	2,942,935	-	-	2,942,935
Intergovernmental revenues	2,025,381	-	-	2,025,381
Charges for services	2,044,151	-	-	2,044,151
Miscellaneous revenues	304,023	14,276	137,730	456,029
<b>TOTAL REVENUES</b>	<b>47,248,555</b>	<b>14,276</b>	<b>137,730</b>	<b>47,400,561</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,283,399	-	311,468	2,594,867
Public safety	4,955,372	-	28,250	4,983,622
Public works	1,518,170	82,682	194,383	1,795,235
Education	28,042,500	-	-	28,042,500
County tax	1,350,625	-	-	1,350,625
Recreation and culture	1,211,424	-	-	1,211,424
Health and welfare	371,648	-	-	371,648
Employee benefits	2,628,925	-	-	2,628,925
Agency request	40,739	-	-	40,739
Unclassified	115,203	-	870,279	985,482
Capital outlay	-	886,154	3,376,520	4,262,674
Debt service:				
Principal	-	-	1,650,000	1,650,000
Interest	-	-	349,775	349,775
<b>TOTAL EXPENDITURES</b>	<b>42,518,005</b>	<b>968,836</b>	<b>6,780,675</b>	<b>50,267,516</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,730,550</b>	<b>(954,560)</b>	<b>(6,642,945)</b>	<b>(2,866,955)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	56,503	108,000	3,499,519	3,664,022
Transfers (out)	(3,552,519)	-	(111,503)	(3,664,022)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,496,016)</b>	<b>108,000</b>	<b>3,388,016</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>1,234,534</b>	<b>(846,560)</b>	<b>(3,254,929)</b>	<b>(2,866,955)</b>
<b>FUND BALANCES (DEFICITS) - JULY 1</b>	<b>11,956,019</b>	<b>126,924</b>	<b>2,892,229</b>	<b>14,975,172</b>
<b>FUND BALANCES (DEFICITS) - JUNE 30</b>	<b>\$ 13,190,553</b>	<b>\$ (719,636)</b>	<b>\$ (362,700)</b>	<b>\$ 12,108,217</b>

See accompanying independent auditor's 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, 2021

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (2,866,955)</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	5,162,697
Depreciation expense	<u>(2,731,354)</u>
	<u>2,431,343</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>1,650,000</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>22,726</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>56,155</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>3,979</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>315,710</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	(32,748)
Net OPEB liability	(79,983)
Net pension liability	<u>(499,749)</u>
	<u>(612,480)</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>(184,518)</u>
Change in net position of governmental activities (Statement B)	<u>\$ 815,960</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2021

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
<b>ASSETS</b>			
Accounts receivable (net of allowance for uncollectibles)	\$ 30,892	\$ -	\$ 30,892
Due from other funds	245,703	1,756	247,459
<b>TOTAL ASSETS</b>	<u>\$ 276,595</u>	<u>\$ 1,756</u>	<u>\$ 278,351</u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted	-	1,756	1,756
Unrestricted	276,595	-	276,595
<b>TOTAL NET POSITION</b>	<u>276,595</u>	<u>1,756</u>	<u>278,351</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 276,595</u>	<u>\$ 1,756</u>	<u>\$ 278,351</u>

See accompanying independent auditor's 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, 2021

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
OPERATING REVENUES			
Charges for services	\$ 668,375	\$ 69,733	\$ 738,108
TOTAL OPERATING REVENUES	<u>668,375</u>	<u>69,733</u>	<u>738,108</u>
OPERATING EXPENSES			
Program supplies	555,064	69,655	624,719
TOTAL OPERATING EXPENSES	<u>555,064</u>	<u>69,655</u>	<u>624,719</u>
OPERATING INCOME (LOSS)	<u>113,311</u>	<u>78</u>	<u>113,389</u>
CHANGE IN NET POSITION	113,311	78	113,389
NET POSITION - JULY 1	<u>163,284</u>	<u>1,678</u>	<u>164,962</u>
NET POSITION - JUNE 30	<u>\$ 276,595</u>	<u>\$ 1,756</u>	<u>\$ 278,351</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 718,715	\$ 69,733	\$ 788,448
Internal activity - receipts (payments) from/to other funds	(163,651)	(78)	(163,729)
Payments to suppliers	(555,064)	(69,655)	(624,719)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-	-
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)	\$ 113,311	\$ 78	\$ 113,389
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	50,340	-	50,340
(Increase) decrease in due from other funds	(163,651)	(78)	(163,729)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ -	\$ -

See accompanying independent auditor's report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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.

**COVID-19 Outbreak**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Maine, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Maine issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or activities. The state of emergency expired on June 30, 2021.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Impact on and Results of Operations*

On March 17, 2020, Maine LD 2167 was issued and executed by the Governor of Maine. In accordance with Executive Order 8, issued by the Governor of Maine on August 26, 2020, the Town took required measures to further reduce the risk of exposure to voters, poll workers and election officials participating in the state primary and in municipal and school district elections. The Town's Boards and Committees adopted policies to allow for meetings to be conducted remotely.

*Impact on Finances*

The Town does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act, American Rescue Plan Act ("ARPA") funding and applicable Federal and/or State programs.

*Expected Federal/State Support*

The Town may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Town expects that if those actions are necessary, that the Town would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

*Conclusion*

The ongoing effects of COVID-19, including the financial impact to the Town and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

**Implementation of New Accounting Standards**

During the year ended June 30, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 84 “Fiduciary Activities”. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 “Majority Equity Interests”. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 “Replacement of Interbank Offered Rates (paragraphs 4-11a)”. The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the reliability, relevance, consistency and comparability of reported information. 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. 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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Roads and Paving Capital Fund is used to account for the financial resources to be used for the construction and paving of roads. The major sources of revenue include transfers from the general fund, Maine Department of Transportation Municipal Partnership Initiative grants and bond proceeds.

Nonmajor Funds

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- e. 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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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:

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence 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. The allowance for uncollectible accounts for ambulance receivables is estimated to be \$97,659 as of June 30, 2021. Accounts receivable netted with allowances for uncollectible accounts were \$196,480 for the year ended June 30, 2021.

**Tax Acquired Property**

Real property becomes tax acquired when tax liens placed on property and associated costs remain unpaid eighteen months after the filing of the tax lien in accordance with 36 M.R.S.A. § 943. The amount of the taxes and associated costs become assets classified as tax acquired property receivables that are secured by the real property that foreclosed.

After real property becomes tax acquired the Selectboard is responsible for the property and any disposition procedures allowed under the direction of the inhabitants of the Town as authorized by the Town Charter (section 3.06, paragraph 19).

**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, 2021

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. 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 capital assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values. The antique fire trucks and mural in the police department have been capitalized as art and historical items. These items are categorized as non-depreciable assets as they are considered inexhaustible.

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 and improvements	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.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021

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 given through the Charter and is expressed by the Selectboard.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The Town's property tax for the current year (FY 2021) was levied August 25, 2020 on the assessed value listed as of April 1, 2020, for all real and personal property located in the Town. Taxes were due in two installments on October 2, 2020 and April 2, 2021. Interest on unpaid taxes commenced on October 3, 2020 and April 3, 2021, 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 \$785,766 for the year ended June 30, 2021.

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 tax liens 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.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Use of Estimates**

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

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, 2021, the Town reported deposits of \$13,770,867 with a bank balance of \$13,956,632. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash balance. Of the Town's bank balances, \$530,111 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$6,231 was collateralized with securities held by the financial institution in the Town's name and \$13,420,290 was collateralized with irrevocable stand-by letters of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 822,425
Savings accounts	36,342
Money market accounts	13,097,865
	<u>\$ 13,956,632</u>

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**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 the possession of an outside party. Currently, the Town does not have a specific policy for custodial credit risk for investments.

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.

At June 30, 2021, the Town had investment in certificates of deposits totaling \$1,799,588. \$500,000 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$272,366 was collateralized with securities held by the financial institution in the Town's name and \$1,027,222 was collateralized with an irrevocable stand-by letter of credit.

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.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2021 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 4,328,337	\$ 3,438,221
Roads and paving capital fund	-	719,636
Enterprise funds	247,459	-
Nonmajor special revenue funds	1,496,732	226,871
Nonmajor capital projects funds	1,694,030	3,371,600
Nonmajor permanent funds	-	10,230
Totals	<u>\$ 7,766,558</u>	<u>\$ 7,766,558</u>

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund balances at June 30, 2021 consisted of the following:

	Transfers From	Transfers To
General fund	\$ 3,552,519	\$ 56,503
Roads and paving capital fund	-	108,000
Nonmajor special revenue funds	52,500	1,521,116
Nonmajor capital projects funds	55,000	1,978,403
Nonmajor permanent funds	4,003	-
Totals	<u>\$ 3,664,022</u>	<u>\$ 3,664,022</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 2,908,387	\$ -	\$ -	\$ 2,908,387
Art works and historical treasures	41,000	-	-	41,000
Construction in progress	30,765	845,630	-	876,395
	<u>2,980,152</u>	<u>845,630</u>	<u>-</u>	<u>3,825,782</u>
Depreciated assets:				
Land improvements	1,664,902	19,840	-	1,684,742
Buildings	1,808,785	-	-	1,808,785
Building improvements	7,170,211	95,346	-	7,265,557
Furniture and fixtures	255,248	-	-	255,248
Machinery and equipment	5,717,372	400,686	-	6,118,058
Vehicles	8,709,304	157,068	-	8,866,372
Infrastructure:				
Bridges	582,946	-	-	582,946
Drainage system	553,389	-	-	553,389
Roads	24,335,661	3,624,217	-	27,959,878
Sewer lines	392,587	-	-	392,587
Sidewalks	2,505,196	19,910	-	2,525,106
Other	2,683,836	-	-	2,683,836
	<u>56,379,437</u>	<u>4,317,067</u>	<u>-</u>	<u>60,696,504</u>
Less: accumulated depreciation	<u>(34,162,386)</u>	<u>(2,731,354)</u>	<u>-</u>	<u>(36,893,740)</u>
	<u>22,217,051</u>	<u>1,585,713</u>	<u>-</u>	<u>23,802,764</u>
Net capital assets	<u>\$ 25,197,203</u>	<u>\$ 2,431,343</u>	<u>\$ -</u>	<u>\$ 27,628,546</u>
<u>Current year depreciation</u>				
Administration				\$ 120,457
Police				121,251
Fire				298,015
Public works				1,270,098
Recreation and culture				61,960
Town-wide				<u>859,573</u>
Total depreciation expense				<u>\$ 2,731,354</u>

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2021:

	Balance, 07/01/20	Additions	Deletions	Balance, 06/30/21	Current Portion
<u>Governmental activities</u>					
Bonds payable	\$ 10,330,000	\$ -	\$ (1,650,000)	\$ 8,680,000	\$ 1,610,000

The following is a summary of the outstanding bonds payable:

	Governmental Activities
\$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.	\$ 2,080,000
\$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.	1,825,000
\$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.	1,400,000
\$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.	<u>3,375,000</u>
	<u>\$ 8,680,000</u>

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

Year	Governmental Activities		Total Debt Service
	Bonds Payable		
	Principal	Interest	
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	1,120,000	142,082	1,262,082
2026	870,000	103,856	973,856
2027-2031	2,220,000	136,178	2,356,178
2032-2036	50,000	1,500	51,500
	<u>\$ 8,680,000</u>	<u>\$ 1,102,693</u>	<u>\$ 9,782,693</u>

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt.

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended June 30, 2021:

	Balance, 07/01/20	Additions	Deletions	Balance, 06/30/21	Current Portion
<u>Governmental activities</u>					
Accrued compensated absences	\$ 592,892	\$ 32,748	\$ -	\$ 625,640	\$ 31,282
Net OPEB liability	487,169	86,506	(6,523)	567,152	-
Net pension liability	1,284,866	499,749	-	1,784,615	-
	<u>\$ 2,364,927</u>	<u>\$ 619,003</u>	<u>\$ (6,523)</u>	<u>\$ 2,977,407</u>	<u>\$ 31,282</u>

Refer to Notes 8, 17, 21 and 22 for more detailed information regarding other long-term obligations.

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 8 - 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, 2021, the Town's liability for compensated absences is \$625,640.

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Town at June 30, 2021:

Invested in capital assets	\$ 64,522,286
Accumulated depreciation	(36,893,740)
Outstanding capital related debt	<u>(8,680,000)</u>
	<u>\$ 18,948,546</u>

NOTE 10 - RESTRICTED NET POSITION AND RESTRICTED FUND BALANCES

At June 30, 2021, the Town had the following restricted net position and restricted fund balances:

Nonmajor special revenue funds (Schedule D):	
West Kennebunk TIF	\$ 1,281,497
Lower Village TIF	50,498
Nonmajor capital projects funds (Schedule F):	
Skateboard park	88,828
Bicycle impact	298,123
West Kennebunk Holand Road field	24,776
Town Hall repair	76,540
Nonmajor permanent funds (Schedule H):	
Littlefield educational trust	38,921
Monument lot	2,554
Centennial lot	<u>3,534</u>
	<u>\$ 1,865,271</u>

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 11 - NONSPENDABLE FUND BALANCE

At June 30, 2021, the Town had the following nonspendable fund balance:

General fund:	
Tax acquired property	<u>\$ 350,535</u>

NOTE 12 - COMMITTED FUND BALANCES

At June 30, 2021, the Town has the following committed fund balances:

General fund:	
Matching grant funds	\$ 41,200
Bicentennial celebration committee	5,069
Capital assets/projects	799,621
Debt service during 2022	400,000
2020 bicentennial celebration	50,000
Emergency spending reserve	88,751
Nonmajor capital projects funds (Schedule F)	<u>1,205,763</u>
	<u>\$ 2,590,404</u>

NOTE 13 - ASSIGNED FUND BALANCES

At June 30, 2021, the Town had the following assigned fund balances:

General fund:	
Heating assistance	\$ 47,606
Assessors office	6,736
Grants	13,500
Bicentennial committee	3,112
Conservation commission	10,283
Energy efficiency advisory committee	3,419
West Kennebunk Village committee	3,325
Committee on aging	4,573
Tree committee	2,884
Community garden	9,532
General government training	9,094
Computer training	7,541
Community development training	11,997
Lower Village	5,492
Property tax assistance	10,263
Donations	112,492
Dog park	2,447
Operational contingency	105,844
Nonmajor special revenue funds (Schedule D)	<u>164,737</u>
	<u>\$ 534,877</u>

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 14 - DEFICIT FUND BALANCES

At June 30, 2021, the Town had the following deficit fund balances:

Roads and paving capital fund	\$ 719,636
Nonmajor special revenue funds (Schedule D):	
Route 1 TIF	226,871
Nonmajor capital projects funds (Schedule F):	
Public works equipment	667,347
Police vehicles and equipment	65,338
10 Park Street facility	53,478
Fire ambulance equipment	764,193
Seawalls (FEMA)	1,821,244
	\$ 4,318,107

NOTE 15 - 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 Re-imbusement 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.

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 15 - RISK MANAGEMENT (CONTINUED)

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, 2021. 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.

NOTE 16 - 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, 2021, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 900,000	7.51%	\$ 67,590
RSU No. 21	47,512,409	50.46%	23,974,278
			\$ 24,041,868

NOTE 17 - 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](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**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, 62 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 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, 2020, there were 301 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 1.92%.

**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 8.10% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute either 7.35% or 8.10% of their annual salary depending upon their age. The Town was required to contribute at the actuarially determined rates of 10.80% for special plan "2C" members' covered payroll and 10.10% 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, 2021 was \$295,392.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Pension Liabilities**

*PLD Consolidated Plan*

At June 30, 2021, the Town reported a liability of \$1,784,615 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2020 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, 2020, the Town's proportion was 0.44917%, which was an increase of 0.02882% from its proportion measured as of June 30, 2019.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2021, the Town recognized total pension expense of \$127,884. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,092	\$ 19,621
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	116,128	-
Changes in proportion and differences between contributions and proportionate share of contributions	101,026	(1)
Contributions subsequent to the measurement date	295,392	-
Total	\$ 619,638	\$ 19,620

\$295,392 for the PLD plan was 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

		PLD Plan
Plan year ended June 30:		
2021	\$	(9,041)
2022		116,171
2023		98,638
2024		98,856
2025		-
Thereafter		-

**Actuarial Methods and Assumptions**

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2020 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 and 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., actual decreases or increases in liabilities and/or in assets which differ 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 reduces the impact of short-term volatility 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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Amortization*

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 are as follows:

*Investment Rate of Return* - 6.75% per annum for the year ended June 30, 2020, compounded annually.

*Salary Increases, Merit and Inflation* - 2.75% to 9.00% per year.

*Mortality Rates* - For active members and non-disabled retirees, 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%

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 weighing 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, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	30.00%	6.00%
US Government	7.50%	2.30%
Private equity	15.00%	7.60%
Real assets:		
Real estate	10.00%	5.20%
Infrastructure	10.00%	5.30%
Natural resources	5.00%	5.00%
Traditional credit	7.50%	3.00%
Alternative credit	5.00%	7.20%
Diversifiers	10.00%	5.90%

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Discount Rate*

The discount rate used to measure the collective total pension liability was 6.75% for 2020. 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, 2020 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	\$ 3,750,540	\$ 1,784,615	\$ 175,361

**Changes in Net Pension Liability**

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2020 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2020 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 2020, this was three years for the PLD Consolidated Plan. For 2019, this was four years for the PLD Consolidated Plan. For 2018 and 2017, this was three years; prior to 2017, this was four years for the PLD Consolidated Plan.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*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, 2020 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' 2020 Annual Comprehensive Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 18 - DEFINED CONTRIBUTION PLAN

MISSIONSQUARE RETIREMENT

**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 MissionSquare Retirement, formerly known as the International City Management Association - Retirement Corporation.

**Funding Policy**

Plan provisions and contribution requirements are established and may be amended by the Selectboard. 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, 2021, employee contributions totaled \$115,225 and the Town recognized pension expense of \$113,704.

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 19 - DEFERRED COMPENSATION PLAN

MISSIONSQUARE RETIREMENT

**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, 2021

NOTE 19 - 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, 2021, 2020 and 2019 were: \$229,359, \$155,323 and \$107,892, respectively.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$480,912, \$482,950 and \$446,103, for the years ended June 30, 2021, 2020, and 2019, respectively.

NOTE 20 - CONTINGENCIES

With regard to litigation, the Town has received two notices: 1) A notice of interruption of prescriptive use claim alleging an improperly created drainage easement for a road previously owned by the State and now owned by the Town. The Town's insurer has been notified of this matter. 2) A notice of claim that alleges the plaintiff was injured in a slip and fall accident while bicycling that resulted from the painting of crosswalks by the Town or its contractors. The plaintiff is seeking damages and reserves the right to make further demands or to amend the demand. This matter has been referred to the Town's insurer. Management believes, however, that settlement amounts due to these claims, 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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 20 - CONTINGENCIES (CONTINUED)

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.

NOTE 21 - 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, 2020, there were 139 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](http://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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 21 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

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 retirement period. The Town's contribution to the Plan for the year ended June 30, 2020 was \$0.

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

At June 30, 2021, the Town reported a liability of \$8,480 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2020 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, 2020, the Town's proportion was 0.064280%, which was an increase of 0.019192% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized net OPEB revenue of \$579. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PLD Life Insurance	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,047	\$ -
Changes of assumptions	883	6,043
Net difference between projected and actual earnings on pension plan investments	-	211
Changes in proportion and differences between contributions and proportionate share of contributions	4,919	726
Contributions subsequent to the measurement date	-	-
	-	-
Total	\$ 6,849	\$ 6,980

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 21 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

\$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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>PLD Life Insurance</u>
Plan year ended June 30:	
2021	\$ (442)
2022	(313)
2023	510
2024	300
2025	(187)
Thereafter	-

**Actuarial Methods and Assumptions**

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2020, 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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 21 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

*Asset Valuation Method*

Investments are reported at fair value.

*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, 2020, there were 10 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2020 and June 30, 2019 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, 2020 are as follows:

*Investment Rate of Return* - For the PLD Plan, 6.75% per annum, 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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 21 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 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 6.75% for 2020. 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 as of June 30, 2020 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 Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance:			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net OPEB benefits liability	\$ 11,421	\$ 8,480	\$ 6,116

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 21 - 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, 2020 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, 2020 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, 2020.

*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 first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2020, the discount rate used for the PLD Consolidated Plan was increased from 4.98% to 6.75%.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 21 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

*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, 2020.

**OPEB Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2020 Annual Comprehensive Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

NOTE 22 - 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 the 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 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.

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 22 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**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, 2021, the following employees were covered by the benefit terms:

Active members	64
Retirees and spouses	3
Total	67

**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.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
PPO 500	\$1,008.46	\$2,262.21
PPO 2500	\$829.95	\$1,861.78
Medicare - Eligible Retirees	\$589.25	\$1,178.50

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 22 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

At June 30, 2021, the Town reported a liability of \$558,672 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2021 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, 2021, the Town recognized OPEB expense of \$53,857. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,087	\$ 15,006
Changes of assumptions	117,353	22,489
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	5,425	-
Total	<u>\$ 130,865</u>	<u>\$ 37,495</u>

\$5,425 were 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MMEHT
Plan year ended December 31:	
2022	\$ 10,536
2023	10,536
2024	10,536
2025	10,531
2026	10,972
Thereafter	34,834

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 22 - 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, 2021. 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 2.12% per annum for January 1, 2021 was based upon a measurement date of December 31, 2020. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	1.12%	2.12%	3.12%
Total OPEB liability	\$ 656,615	\$ 558,672	\$ 479,813
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 656,615</u>	<u>\$ 558,672</u>	<u>\$ 479,813</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	\$ 470,793	\$ 558,672	\$ 672,145
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 470,793</u>	<u>\$ 558,672</u>	<u>\$ 672,145</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, 2021

NOTE 22 - 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, 2021, 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, 2019. 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, 2021 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, 2021, they are as follows:

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 22 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate - 2.12% per annum for year end 2021 reporting. 2.74% per annum for 2020 year end reporting.

Trend Assumptions:

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007 and version 2020\_b was used for this valuation. The following assumptions were input into this model:

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capital 2029+	1.25%
Extra Trend due to Taste/Technology 2029+	1.10%
Expected Health Share of GDP 2029	20.00%
Health Share of GDP Resistance Point	25.00%
Year for Limiting Cost Growth to GDP Growth	2040

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. The rate for the extra trend for taste and technology was set above the baseline of 1.1% (to 1.2%) to move closer to the 30-year average to reflect the future projections from the Centers for Medicare and Medicaid Services Office of the Actuary (CMS OACT). The Medicare Trustee Report and CBO Long-Term Budget Outlook.

The trends selected from 2020 to 2023 were based on plan design, population weighting, renewal projections, and market analysis. For the years 2024 to 2028, these are interpolated from 2023 to 2029 (which is the product of the inflation, GDP and extra trend rate assumptions).

Deductibles, Co-payments and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capital GDP growth.

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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 22 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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, 2021, 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.

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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 22 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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, 2021 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, 2021 was (\$6,919).

*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.

*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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 22 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**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 23 - 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 Selectboard, 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 as 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 2021, 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:

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 23 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

TIF District	Original Assessed Value	Current Assessed Value at 4/1/2020 for 6/30/2021	Total Captured Assessed Value at 4/1/2020 for 6/30/2021	Property Captured by TIF	New Taxes	Taxes Abated
Route 1 (expires 3/29/2036)	\$36,774,900	\$100,769,933	\$63,995,033	100% Real Property	\$905,530	\$273,460
West Kennebunk	\$25,597,467	\$45,183,167	\$19,585,700	100% Real Property	\$277,137	\$0
West Kennebunk - Utility Corridor	\$14,188,933	\$28,027,638	\$13,838,705	33% Real Property	\$195,818	\$0
Total West Kennebunk (expires 3/29/2036)	<u>\$39,786,400</u>	<u>\$73,210,805</u>	<u>\$33,424,405</u>		<u>\$472,955</u>	<u>\$0</u>
Lower Village (expires 3/30/2040)	\$6,132,800	\$16,212,763	\$10,079,963	100% Real Property	\$142,631	\$0

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 24 - COLLATERALIZATION

At June 30, 2021, 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 12, 2021, authorizes one draw only up to the amount of \$1,000,000. There were no draws for the year ended June 30, 2021.

At June 30, 2021, 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 27, 2021, authorizes one draw only up to the amount of \$16,500,000. There were no draws for the year ended June 30, 2021.

At June 30, 2021, 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 \$300,535 at June 30, 2021. The third-party securities pledge expires at the close of business on July 1, 2021.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 25 - 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 - Group Life and Health Plan
- 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, 2021

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 11,956,019	\$ 11,956,019	\$ 11,956,019	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	39,845,537	39,845,537	39,932,065	86,528
Excise Taxes	2,362,000	2,362,000	2,942,935	580,935
Intergovernmental Revenues:				
State Revenue Sharing	800,911	800,911	982,127	181,216
Homestead Reimbursement	609,653	609,653	578,466	(31,187)
Local Road Assistance	140,000	140,000	144,444	4,444
Other	320,873	320,873	320,344	(529)
Interest Income	40,000	40,000	39,617	(383)
Interest on Taxes/Lien Costs	60,000	60,000	106,177	46,177
Charges for Services	1,890,650	1,890,650	2,044,151	153,501
Miscellaneous Revenues	35,000	35,000	158,229	123,229
Transfers from Other Funds	56,500	56,500	56,503	3
Amounts Available for Appropriation	<u>58,117,143</u>	<u>58,117,143</u>	<u>59,261,077</u>	<u>1,143,934</u>
Charges to Appropriations (Outflows):				
General Government	2,313,770	2,313,770	2,283,399	30,371
Public Safety	5,166,120	5,166,120	4,955,372	210,748
Public Works	1,634,673	1,634,673	1,518,170	116,503
Education	28,042,500	28,042,500	28,042,500	-
County Tax	1,350,625	1,350,625	1,350,625	-
Recreation and Culture	1,456,095	1,456,095	1,211,424	244,671
Health and Welfare	370,140	370,140	371,648	(1,508)
Employee Benefits	2,672,004	2,672,004	2,628,925	43,079
Agency Requests	40,739	40,739	40,739	-
Unclassified	874,752	874,752	115,203	759,549
Transfers to Other Funds	2,239,706	3,552,519	3,552,519	-
Total Charges to Appropriations	<u>46,161,124</u>	<u>47,473,937</u>	<u>46,070,524</u>	<u>1,403,413</u>
Budgetary Fund Balance, June 30	<u>\$ 11,956,019</u>	<u>\$ 10,643,206</u>	<u>\$ 13,190,553</u>	<u>\$ 2,547,347</u>
Utilization of Committed Fund Balance	<u>\$ -</u>	<u>\$ 1,312,813</u>	<u>\$ -</u>	<u>\$ (1,312,813)</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

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

	2021	2020	2019	2018	2017	2016	2015	2014
<u>PLD Plan:</u>								
Proportion of the net pension liability	0.45%	0.42%	0.40%	0.41%	0.38%	0.42%	0.40%	0.40%
Proportionate share of the net pension liability	\$ 1,784,615	\$ 1,284,866	\$ 1,081,548	\$ 1,658,953	\$ 2,035,581	\$ 1,346,371	\$ 615,939	\$ 1,223,496
Covered payroll	\$ 2,789,873	\$ 2,475,602	\$ 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	63.97%	51.90%	48.58%	74.67%	100.11%	62.29%	32.94%	69.19%
Plan fiduciary net position as a percentage of the total pension liability	88.35%	90.62%	91.14%	86.43%	86.40%	81.61%	88.30%	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 auditor's report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS  
LAST 10 FISCAL YEARS\*

	2021	2020	2019	2018	2017	2016	2015	2014
<u>PLD Plan:</u>								
Contractually required contribution	\$ 295,392	\$ 290,000	\$ 255,104	\$ 219,851	\$ 207,672	\$ 179,773	\$ 172,498	\$ 138,759
Contributions in relation to the contractually required contribution	<u>(295,392)</u>	<u>(290,000)</u>	<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	\$ 2,854,792	\$ 2,789,873	\$ 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	10.35%	10.39%	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 auditor's 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>2020</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>PLD Life Insurance:</u>					
Proportion of the net OPEB liability	0.06%	0.05%	0.04%	0.04%	0.04%
Town's proportionate share of the net OPEB liability	\$ 8,480	\$ 9,648	\$ 7,179	\$ 6,584	\$ 9,804
Total	<u>\$ 8,480</u>	<u>\$ 9,648</u>	<u>\$ 7,179</u>	<u>\$ 6,584</u>	<u>\$ 9,804</u>
Covered payroll	\$ 2,789,873	\$ 2,475,602	\$ 2,226,462	\$ 2,221,570	\$ 2,033,359
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.30%	0.39%	0.32%	0.30%	0.48%
Plan fiduciary net position as a percentage of the total OPEB liability	55.40%	43.18%	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 auditor's 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, 2021

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u>          </u>	<u>          </u>	<u>          </u>
Balances at 1/1/20 (Reporting June 30, 2020)	\$ 477,521	\$ -	\$ 477,521
Changes for the year:			
Service cost	37,425	-	37,425
Interest	14,037	-	14,037
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	35,044	-	35,044
Contributions - employer	-	5,355	(5,355)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(5,355)	(5,355)	-
Administrative expense	-	-	-
Net changes	<u>81,151</u>	<u>-</u>	<u>81,151</u>
Balances at 1/1/21 (Reporting June 30, 2021)	<u>\$ 558,672</u>	<u>\$ -</u>	<u>\$ 558,672</u>

See accompanying independent auditor's 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\*

	2021	2020	2019	2018
<u>Total OPEB liability</u>				
Service cost (BOY)	37,425	22,257	24,701	20,575
Interest (includes interest on service cost)	14,037	15,218	13,022	13,283
Changes of benefit terms	-	(9,593)	-	-
Differences between expected and actual experience	-	10,397	-	(30,010)
Changes of assumptions	35,044	93,782	(35,983)	26,525
Benefit payments, including refunds of member contributions	(5,355)	(6,815)	(6,553)	(8,150)
Net change in total OPEB liability	\$ 81,151	\$ 125,246	\$ (4,813)	\$ 22,223
Total OPEB liability - beginning	\$ 477,521	\$ 352,275	\$ 357,088	\$ 334,865
Total OPEB liability - ending	\$ 558,672	\$ 477,521	\$ 352,275	\$ 357,088
<u>Plan fiduciary net position</u>				
Contributions - employer	5,355	6,815	6,553	8,150
Contributions - member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(5,355)	(6,815)	(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	\$ 558,672	\$ 477,521	\$ 352,275	\$ 357,088
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered payroll	\$ 3,611,337	\$ 3,611,337	\$ 2,708,061	\$ 2,708,061
Net OPEB liability as a percentage of covered payroll	15.5%	13.2%	13.0%	13.2%

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

See accompanying independent auditor's report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

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

	<u>2021</u>	<u>2020</u>	<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>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,854,792	\$ 2,789,873	\$ 2,475,602	\$ 2,226,462	\$ 2,221,570
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
<u>MMEHT:</u>					
Employer contributions	\$ 5,355	\$ 6,815	\$ 6,553	\$ 8,150	
Benefit payments	<u>(5,355)</u>	<u>(6,815)</u>	<u>(6,553)</u>	<u>(8,150)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 3,611,337	\$ 3,611,337	\$ 2,708,061	\$ 2,708,061	
Contributions as a percentage of covered payroll	0.15%	0.19%	0.24%	0.30%	

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

See accompanying independent auditor's report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

**Changes of Assumptions**

MEPERS PLD Plan:

There have been no changes in actuarial assumptions since the last measurement date.

PLD OPEB Group Life:

The discount rate was increased from 4.98% to 6.75%.

MMEHT OPEB Health Plan:

There was a change in the discount rate from 2.74% to 2.12% per GASB 75 discount rate selection. In addition, medical and prescription drug trend arrays were updated.

See accompanying independent auditor's 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, 2021

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General Government Expenses	\$ 726,072	\$ -	\$ 726,072	\$ 712,969	\$ 13,103
Selectboard	36,847	-	36,847	30,991	5,856
Town Manager	314,920	-	314,920	313,964	956
Town Clerk	124,189	-	124,189	122,358	1,831
Ballot Clerks	31,000	-	31,000	36,615	(5,615)
Assessors	221,147	-	221,147	211,693	9,454
Community Development	388,390	-	388,390	377,201	11,189
Town Hall	143,196	-	143,196	137,972	5,224
Computer Department	284,773	-	284,773	283,984	789
Conservation Commission	3,036	-	3,036	372	2,664
Site Plan Review Board	6,650	-	6,650	3,081	3,569
Zoning Board of Appeals	1,200	-	1,200	1,102	98
Board of Assessment Review	1,000	-	1,000	305	695
Dog Advisory Committee	200	-	200	30	170
Historic Preservation Committee	4,700	-	4,700	2,372	2,328
Lower Village Committee	3,000	-	3,000	1,750	1,250
West Kennebunk Village Committee	2,000	-	2,000	-	2,000
Energy Efficiency Committee	2,000	-	2,000	-	2,000
Affordable Housing Committee	200	-	200	-	200
Dog Park Committee	-	-	-	150	(150)
Community Garden Committee	4,000	-	4,000	13,322	(9,322)
Committee on Aging	2,500	-	2,500	1,833	667
Planning Board	12,750	-	12,750	31,335	(18,585)
	<u>2,313,770</u>	<u>-</u>	<u>2,313,770</u>	<u>2,283,399</u>	<u>30,371</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public Works -					
Highway	1,634,673	-	1,634,673	1,518,170	116,503
	<u>1,634,673</u>	<u>-</u>	<u>1,634,673</u>	<u>1,518,170</u>	<u>116,503</u>
Education	28,042,500	-	28,042,500	28,042,500	-
County Tax	1,350,625	-	1,350,625	1,350,625	-
Recreation and Culture -					
Life Guards	84,826	-	84,826	77,553	7,273
Parks	47,000	-	47,000	49,148	(2,148)
Recreation	724,797	-	724,797	445,672	279,125
Kennebunk Free Library	599,472	-	599,472	639,051	(39,579)
	<u>1,456,095</u>	<u>-</u>	<u>1,456,095</u>	<u>1,211,424</u>	<u>244,671</u>
Health and Welfare -					
Recycling	316,560	-	316,560	316,560	-
Solid Waste	12,000	-	12,000	7,858	4,142
Social Services	41,580	-	41,580	47,230	(5,650)
	<u>370,140</u>	<u>-</u>	<u>370,140</u>	<u>371,648</u>	<u>(1,508)</u>
Employee Benefits -					
Health Benefits	1,518,048	-	1,518,048	1,492,548	25,500
FICA	497,573	-	497,573	480,912	16,661
Retirement	410,310	-	410,310	435,603	(25,293)
Workers Comp	228,873	-	228,873	213,187	15,686
Unemployment Comp	17,200	-	17,200	6,675	10,525
	<u>2,672,004</u>	<u>-</u>	<u>2,672,004</u>	<u>2,628,925</u>	<u>43,079</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Agency Requests -					
York County Child Abuse Council	6,000	-	6,000	6,000	-
York County Community Action	500	-	500	500	-
Caring Unlimited	3,239	-	3,239	3,239	-
So. Maine Area Agency on Aging	3,500	-	3,500	3,500	-
Senior Center at Lower Village	2,500	-	2,500	2,500	-
American Red Cross	1,500	-	1,500	1,500	-
Home Health Visiting Nurses	2,500	-	2,500	2,500	-
Community Outreach Services	11,000	-	11,000	11,000	-
Community Harvest	10,000	-	10,000	10,000	-
	<u>40,739</u>	<u>-</u>	<u>40,739</u>	<u>40,739</u>	<u>-</u>
Public Safety -					
Police	2,315,507	-	2,315,507	2,262,981	52,526
Communications	333,507	-	333,507	329,282	4,225
Civil Emergency Preparedness	7,900	-	7,900	8,741	(841)
Hydrants and Street Lights	508,280	-	508,280	494,812	13,468
Fire Department	2,000,926	-	2,000,926	1,859,556	141,370
	<u>5,166,120</u>	<u>-</u>	<u>5,166,120</u>	<u>4,955,372</u>	<u>210,748</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Harbormaster	19,986	-	19,986	19,986	-
Tree Warden	5,000	-	5,000	5,767	(767)
Memorial Day	1,000	-	1,000	1,000	-
Facilities	63,000	-	63,000	57,231	5,769
Overlay	785,766	-	785,766	31,219	754,547
	<u>874,752</u>	<u>-</u>	<u>874,752</u>	<u>115,203</u>	<u>759,549</u>
Transfers to Other Funds -					
Special Revenue Funds	1,521,116	-	1,521,116	1,521,116	-
Capital Projects Funds	718,590	1,312,813	2,031,403	2,031,403	-
	<u>2,239,706</u>	<u>1,312,813</u>	<u>3,552,519</u>	<u>3,552,519</u>	<u>-</u>
Total Departmental Operations	<u>\$ 46,161,124</u>	<u>\$ 1,312,813</u>	<u>\$ 47,473,937</u>	<u>\$ 46,070,524</u>	<u>\$ 1,403,413</u>

See accompanying independent auditor’s report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 12,318	\$ 12,318
Investments	-	-	42,921	42,921
Due from other funds	1,496,732	1,694,030	-	3,190,762
<b>TOTAL ASSETS</b>	<u>\$ 1,496,732</u>	<u>\$ 1,694,030</u>	<u>\$ 55,239</u>	<u>\$ 3,246,001</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 226,871	\$ 3,371,600	\$ 10,230	\$ 3,608,701
<b>TOTAL LIABILITIES</b>	<u>226,871</u>	<u>3,371,600</u>	<u>10,230</u>	<u>3,608,701</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	-	-	-	-
Restricted	1,331,995	488,267	45,009	1,865,271
Committed	-	1,205,763	-	1,205,763
Assigned	164,737	-	-	164,737
Unassigned	(226,871)	(3,371,600)	-	(3,598,471)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>1,269,861</u>	<u>(1,677,570)</u>	<u>45,009</u>	<u>(362,700)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 1,496,732</u>	<u>\$ 1,694,030</u>	<u>\$ 55,239</u>	<u>\$ 3,246,001</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 218	\$ 218
Other	12,252	125,260	-	137,512
<b>TOTAL REVENUES</b>	<u>12,252</u>	<u>125,260</u>	<u>218</u>	<u>137,730</u>
<b>EXPENDITURES</b>				
Administration	159,702	151,766	-	311,468
Public works	66,510	127,873	-	194,383
Public safety	-	28,250	-	28,250
Debt service:				
Principal	435,859	1,214,141	-	1,650,000
Interest	118,713	231,062	-	349,775
Capital outlay	-	3,376,520	-	3,376,520
Unclassified	870,279	-	-	870,279
<b>TOTAL EXPENDITURES</b>	<u>1,651,063</u>	<u>5,129,612</u>	<u>-</u>	<u>6,780,675</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,638,811)</u>	<u>(5,004,352)</u>	<u>218</u>	<u>(6,642,945)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,521,116	1,978,403	-	3,499,519
Transfers (out)	(52,500)	(55,000)	(4,003)	(111,503)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,468,616</u>	<u>1,923,403</u>	<u>(4,003)</u>	<u>3,388,016</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<u>(170,195)</u>	<u>(3,080,949)</u>	<u>(3,785)</u>	<u>(3,254,929)</u>
<b>FUND BALANCES (DEFICITS), JULY 1</b>	<u>1,440,056</u>	<u>1,403,379</u>	<u>48,794</u>	<u>2,892,229</u>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<u>\$ 1,269,861</u>	<u>\$ (1,677,570)</u>	<u>\$ 45,009</u>	<u>\$ (362,700)</u>

See accompanying independent auditor's 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.

SCHEDULE D

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2021

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
<b>ASSETS</b>							
Due from other funds	\$ 3,430	\$ 20,148	\$ 141,159	\$ -	\$ 1,281,497	\$ 50,498	\$ 1,496,732
<b>TOTAL ASSETS</b>	<b>\$ 3,430</b>	<b>\$ 20,148</b>	<b>\$ 141,159</b>	<b>\$ -</b>	<b>\$ 1,281,497</b>	<b>\$ 50,498</b>	<b>\$ 1,496,732</b>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ 226,871	\$ -	\$ -	\$ 226,871
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,871</b>	<b>-</b>	<b>-</b>	<b>226,871</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	1,281,497	50,498	1,331,995
Committed	-	-	-	-	-	-	-
Assigned	3,430	20,148	141,159	-	-	-	164,737
Unassigned	-	-	-	(226,871)	-	-	(226,871)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>3,430</b>	<b>20,148</b>	<b>141,159</b>	<b>(226,871)</b>	<b>1,281,497</b>	<b>50,498</b>	<b>1,269,861</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 3,430</b>	<b>\$ 20,148</b>	<b>\$ 141,159</b>	<b>\$ -</b>	<b>\$ 1,281,497</b>	<b>\$ 50,498</b>	<b>\$ 1,496,732</b>

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE E

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
REVENUES							
Other	\$ -	\$ -	\$ 12,252	\$ -	\$ -	\$ -	\$ 12,252
TOTAL REVENUES	-	-	12,252	-	-	-	12,252
EXPENDITURES							
Administration	-	-	-	65,400	49,757	44,545	159,702
Public works	-	-	-	53,215	5,318	7,977	66,510
Debt service:							
Principal	-	-	-	337,953	58,987	38,919	435,859
Interest	-	-	-	108,328	1,478	8,907	118,713
Unclassified	-	-	-	795,279	75,000	-	870,279
TOTAL EXPENDITURES	-	-	-	1,360,175	190,540	100,348	1,651,063
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	12,252	(1,360,175)	(190,540)	(100,348)	(1,638,811)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	905,530	472,955	142,631	1,521,116
Transfers (out)	-	-	-	(17,500)	(17,500)	(17,500)	(52,500)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	888,030	455,455	125,131	1,468,616
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	12,252	(472,145)	264,915	24,783	(170,195)
FUND BALANCES (DEFICITS), JULY 1	3,430	20,148	128,907	245,274	1,016,582	25,715	1,440,056
FUND BALANCES (DEFICITS), JUNE 30	\$ 3,430	\$ 20,148	\$ 141,159	\$ (226,871)	\$ 1,281,497	\$ 50,498	\$ 1,269,861

See accompanying independent auditor's 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, 2021

	Fire/Ambulance Projects		Public Safety Facilities	Dorothy Stevens Center	Public Works Equipment	Police Vehicles and Equipment	Signs	10 Park St Facility
	West Kennebunk Fire Station	Dry Hydrants						
ASSETS								
Due from other funds	\$ 45,827	\$ 9,725	\$ 7,389	\$ 37,928	\$ -	\$ -	\$ 95	\$ -
TOTAL ASSETS	<u>\$ 45,827</u>	<u>\$ 9,725</u>	<u>\$ 7,389</u>	<u>\$ 37,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ -</u>
LIABILITIES								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 667,347	\$ 65,338	\$ -	\$ 53,478
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,347</u>	<u>65,338</u>	<u>-</u>	<u>53,478</u>
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	45,827	9,725	7,389	37,928	-	-	95	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(667,347)	(65,338)	-	(53,478)
TOTAL FUND BALANCES (DEFICITS)	<u>45,827</u>	<u>9,725</u>	<u>7,389</u>	<u>37,928</u>	<u>(667,347)</u>	<u>(65,338)</u>	<u>95</u>	<u>(53,478)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 45,827</u>	<u>\$ 9,725</u>	<u>\$ 7,389</u>	<u>\$ 37,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ -</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2021

	Town Hall Equipment	Debt Service and Lease/Purchase	Town Projects	Skateboard Park	Ordinance Rewrites and Codification, Comp Plan and Public Safety Building Study	Storage Area at Town Garage	15 Portland Rd
<b>ASSETS</b>							
Due from other funds	\$ 50,978	\$ 393,414	\$ 48,199	\$ 88,828	\$ 39,458	\$ 15,231	\$ 48,745
<b>TOTAL ASSETS</b>	<u>\$ 50,978</u>	<u>\$ 393,414</u>	<u>\$ 48,199</u>	<u>\$ 88,828</u>	<u>\$ 39,458</u>	<u>\$ 15,231</u>	<u>\$ 48,745</u>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	88,828	-	-	-
Committed	50,978	393,414	48,199	-	39,458	15,231	48,745
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>50,978</u>	<u>393,414</u>	<u>48,199</u>	<u>88,828</u>	<u>39,458</u>	<u>15,231</u>	<u>48,745</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 50,978</u>	<u>\$ 393,414</u>	<u>\$ 48,199</u>	<u>\$ 88,828</u>	<u>\$ 39,458</u>	<u>\$ 15,231</u>	<u>\$ 48,745</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2021

	Budget Board	Public Works Projects		West Kennebunk	Town Garage and Transfer Station	Fire Ambulance Equipment	HVAC Systems and Insulation	Seawalls (FEMA)
		Bicycle Impact	Parking Lots	Holand Road Field				
<b>ASSETS</b>								
Due from other funds	\$ 111,708	\$ 298,123	\$ 44,393	\$ 24,776	\$ 37,938	\$ -	\$ 42,103	\$ -
<b>TOTAL ASSETS</b>	<b>\$ 111,708</b>	<b>\$ 298,123</b>	<b>\$ 44,393</b>	<b>\$ 24,776</b>	<b>\$ 37,938</b>	<b>\$ -</b>	<b>\$ 42,103</b>	<b>\$ -</b>
<b>LIABILITIES</b>								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,193	\$ -	\$ 1,821,244
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>764,193</b>	<b>-</b>	<b>1,821,244</b>
<b>FUND BALANCES (DEFICITS)</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	298,123	-	24,776	-	-	-	-
Committed	111,708	-	44,393	-	37,938	-	42,103	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(764,193)	-	(1,821,244)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>111,708</b>	<b>298,123</b>	<b>44,393</b>	<b>24,776</b>	<b>37,938</b>	<b>(764,193)</b>	<b>42,103</b>	<b>(1,821,244)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>								
	<b>\$ 111,708</b>	<b>\$ 298,123</b>	<b>\$ 44,393</b>	<b>\$ 24,776</b>	<b>\$ 37,938</b>	<b>\$ -</b>	<b>\$ 42,103</b>	<b>\$ -</b>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2021

	Town Hall Computer Hardware and Software	Parks and Recreation Projects	Capital Reserve/Impr.	Tree Projects	Town Hall Repair	Total
<b>ASSETS</b>						
Due from other funds	\$ 87,083	\$ 13,189	\$ 171,858	\$ 502	\$ 76,540	\$ 1,694,030
<b>TOTAL ASSETS</b>	<b>\$ 87,083</b>	<b>\$ 13,189</b>	<b>\$ 171,858</b>	<b>\$ 502</b>	<b>\$ 76,540</b>	<b>\$ 1,694,030</b>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,371,600
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,371,600</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	76,540	488,267
Committed	87,083	13,189	171,858	502	-	1,205,763
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(3,371,600)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>87,083</b>	<b>13,189</b>	<b>171,858</b>	<b>502</b>	<b>76,540</b>	<b>(1,677,570)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 87,083</b>	<b>\$ 13,189</b>	<b>\$ 171,858</b>	<b>\$ 502</b>	<b>\$ 76,540</b>	<b>\$ 1,694,030</b>

See accompanying independent auditor’s report and notes to financial statements.

SCHEDULE G

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Fire/Ambulance Projects		Public	Dorothy Stevens	Public Works	Police	Signs	10 Park St
	West Kennebunk	Dry	Safety	Center	Equipment	Vehicles and		Facility
	Fire Station	Hydrants	Facilities			Equipment		
REVENUES								
Other	\$ -	\$ -	\$ -	\$ -	\$ 56,815	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	56,815	-	-	-
EXPENDITURES								
Administration	-	-	-	-	-	-	-	-
Public works	-	-	-	10,200	42,636	-	27,095	-
Public safety	16,179	-	765	-	-	11,306	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	320,076	117,260	-	95,346
TOTAL EXPENDITURES	16,179	-	765	10,200	362,712	128,566	27,095	95,346
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,179)	-	(765)	(10,200)	(305,897)	(128,566)	(27,095)	(95,346)
OTHER FINANCING SOURCES (USES)								
Transfers in	15,000	-	-	43,000	85,000	63,200	30,000	-
Transfers (out)	(20,000)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	-	-	43,000	85,000	63,200	30,000	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(21,179)	-	(765)	32,800	(220,897)	(65,366)	2,905	(95,346)
FUND BALANCES (DEFICITS), JULY 1	67,006	9,725	8,154	5,128	(446,450)	28	(2,810)	41,868
FUND BALANCES (DEFICITS), JUNE 30	\$ 45,827	\$ 9,725	\$ 7,389	\$ 37,928	\$ (667,347)	\$ (65,338)	\$ 95	\$ (53,478)

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, 2021

	Town Hall Equipment	Debt Service and Lease/Purchase	Town Projects	Skateboard Park	Ordinance Rewrites and Codification Comp Plan and Public Safety Building Study	Storage Area at Town Garage	15 Portland Rd
REVENUES							
Other	\$ -	\$ 27,360	\$ -	\$ 5,000	\$ -	\$ -	\$ -
TOTAL REVENUES	-	27,360	-	5,000	-	-	-
EXPENDITURES							
Administration	2,796	-	-	-	98,185	-	-
Public works	-	-	3,300	6,950	-	-	1,611
Public safety	-	-	-	-	-	-	-
Debt service:							
Principal	-	1,214,141	-	-	-	-	-
Interest	-	231,062	-	-	-	-	-
Capital outlay	15,674	-	-	-	-	-	-
TOTAL EXPENDITURES	18,470	1,445,203	3,300	6,950	98,185	-	1,611
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,470)	(1,417,843)	(3,300)	(1,950)	(98,185)	-	(1,611)
OTHER FINANCING SOURCES (USES)							
Transfers in	35,000	1,145,193	12,000	7,500	100,000	-	-
Transfers (out)	-	-	(35,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	35,000	1,145,193	(23,000)	7,500	100,000	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	16,530	(272,650)	(26,300)	5,550	1,815	-	(1,611)
FUND BALANCES (DEFICITS), JULY 1	34,448	666,064	74,499	83,278	37,643	15,231	50,356
FUND BALANCES (DEFICITS), JUNE 30	\$ 50,978	\$ 393,414	\$ 48,199	\$ 88,828	\$ 39,458	\$ 15,231	\$ 48,745

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, 2021

	Budget Board	Public Works Projects		West Kennebunk Holand Road Field	Town Garage and Transfer Station	Fire Ambulance Equipment	HVAC Systems and Insulation	Seawalls (FEMA)
		Bicycle Impact	Parking Lots					
REVENUES								
Other	\$ -	\$ 36,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	36,085	-	-	-	-	-	-
EXPENDITURES								
Administration	-	-	-	-	-	-	-	-
Public works	-	-	2,223	975	5,000	-	9,265	-
Public safety	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	19,840	2,630	843,000	-	1,962,694
TOTAL EXPENDITURES	-	-	2,223	20,815	7,630	843,000	9,265	1,962,694
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	36,085	(2,223)	(20,815)	(7,630)	(843,000)	(9,265)	(1,962,694)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	35,000	25,000	5,000	10,000	9,300	175,210
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	35,000	25,000	5,000	10,000	9,300	175,210
NET CHANGE IN FUND BALANCES (DEFICITS)	-	36,085	32,777	4,185	(2,630)	(833,000)	35	(1,787,484)
FUND BALANCES (DEFICITS), JULY 1	111,708	262,038	11,616	20,591	40,568	68,807	42,068	(33,760)
FUND BALANCES (DEFICITS), JUNE 30	\$ 111,708	\$ 298,123	\$ 44,393	\$ 24,776	\$ 37,938	\$ (764,193)	\$ 42,103	\$ (1,821,244)

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, 2021

	Town Hall Computer Hardware and Software	Parks and Recreation Projects	Capital Reserve/Impr.	Tree Projects	Town Hall Repair	Total
REVENUES						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,260
TOTAL REVENUES	-	-	-	-	-	125,260
EXPENDITURES						
Administration	49,892	-	-	-	893	151,766
Public works	-	7,422	-	11,196	-	127,873
Public safety	-	-	-	-	-	28,250
Debt service:						
Principal	-	-	-	-	-	1,214,141
Interest	-	-	-	-	-	231,062
Capital outlay	-	-	-	-	-	3,376,520
TOTAL EXPENDITURES	49,892	7,422	-	11,196	893	5,129,612
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,892)	(7,422)	-	(11,196)	(893)	(5,004,352)
OTHER FINANCING SOURCES (USES)						
Transfers in	80,500	7,500	-	40,000	55,000	1,978,403
Transfers (out)	-	-	-	-	-	(55,000)
TOTAL OTHER FINANCING SOURCES (USES)	80,500	7,500	-	40,000	55,000	1,923,403
NET CHANGE IN FUND BALANCES (DEFICITS)	30,608	78	-	28,804	54,107	(3,080,949)
FUND BALANCES (DEFICITS), JULY 1	56,475	13,111	171,858	(28,302)	22,433	1,403,379
FUND BALANCES (DEFICITS), JUNE 30	\$ 87,083	\$ 13,189	\$ 171,858	\$ 502	\$ 76,540	\$ (1,677,570)

See accompanying independent auditor's 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, 2021

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 2,554	\$ 3,534	\$ 6,230	\$ 12,318
Investments	42,921	-	-	-	42,921
<b>TOTAL ASSETS</b>	<u>\$ 42,921</u>	<u>\$ 2,554</u>	<u>\$ 3,534</u>	<u>\$ 6,230</u>	<u>\$ 55,239</u>
<b>LIABILITIES</b>					
Due to other funds	\$ 4,000	\$ -	\$ -	\$ 6,230	\$ 10,230
<b>TOTAL LIABILITIES</b>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>6,230</u>	<u>10,230</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	38,921	2,554	3,534	-	45,009
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>38,921</u>	<u>2,554</u>	<u>3,534</u>	<u>-</u>	<u>45,009</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 42,921</u>	<u>\$ 2,554</u>	<u>\$ 3,534</u>	<u>\$ 6,230</u>	<u>\$ 55,239</u>

See accompanying independent auditor's 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, 2021

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
REVENUES					
Interest income	\$ 215	\$ -	\$ -	\$ 3	\$ 218
TOTAL REVENUES	<u>215</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>218</u>
EXPENDITURES					
Other	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>215</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>218</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(4,000)	-	-	(3)	(4,003)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(4,003)</u>
NET CHANGE IN FUND BALANCES	(3,785)	-	-	-	(3,785)
FUND BALANCES, JULY 1	<u>42,706</u>	<u>2,554</u>	<u>3,534</u>	<u>-</u>	<u>48,794</u>
FUND BALANCES, JUNE 30	<u>\$ 38,921</u>	<u>\$ 2,554</u>	<u>\$ 3,534</u>	<u>\$ -</u>	<u>\$ 45,009</u>

See accompanying independent auditor's 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, 2021

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Administration	\$ 431,830	\$ 1,156,510	\$ 1,177,327	\$ -	\$ 2,765,667
Police	75,100	1,650,222	2,227,436	25,000	3,977,758
Fire	940,900	2,244,199	5,367,252	5,854	8,558,205
Public Works	157,695	396,316	5,219,117	23,729,269	29,502,397
Recreation and Culture	79,100	426,225	924,300	-	1,429,625
Town-wide	2,141,157	4,885,612	324,246	10,937,619	18,288,634
Total General Capital Assets	3,825,782	10,759,084	15,239,678	34,697,742	64,522,286
Less: Accumulated Depreciation	-	(7,963,634)	(12,058,949)	(16,871,157)	(36,893,740)
Net General Capital Assets	\$ 3,825,782	\$ 2,795,450	\$ 3,180,729	\$ 17,826,585	\$ 27,628,546

See accompanying independent auditor's 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, 2021

	General Capital Assets 07/01/20	Additions	Deletions	General Capital Assets 06/30/21
Administration	\$ 2,639,554	\$ 126,113	\$ -	\$ 2,765,667
Police	3,875,590	102,168	-	3,977,758
Fire	7,715,205	843,000	-	8,558,205
Public Works	29,131,738	370,659	-	29,502,397
Recreation and Culture	1,409,785	19,840	-	1,429,625
Town-wide	<u>14,587,717</u>	<u>3,700,917</u>	<u>-</u>	<u>18,288,634</u>
Total General Capital Assets	59,359,589	5,162,697	-	64,522,286
Less: Accumulated Depreciation	<u>(34,162,386)</u>	<u>(2,731,354)</u>	<u>-</u>	<u>(36,893,740)</u>
Net General Capital Assets	<u>\$ 25,197,203</u>	<u>\$ 2,431,343</u>	<u>\$ -</u>	<u>\$ 27,628,546</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor Pass Through Grantor Program Title	Federal AL Number	Pass Through Number	Federal Expenditures
Department of Homeland Security			
Federal Emergency Management Agency			
Passed through the State of Maine - Maine Emergency Management Agency:			
FEMA Public Assistance Program:			
Seawall Project	97.036	031-36535-00	\$ 1,045,715
Revetment Project	97.036	031-36535-00	<u>513,457</u>
Total Department of Homeland Security			<u>1,559,172</u>
 TOTAL FEDERAL ASSISTANCE			 <u><u>\$ 1,559,172</u></u>

TOWN OF KENNEBUNK, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Kennebunk, Maine under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Kennebunk, Maine, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Kennebunk, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- a. The Town of Kennebunk, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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

Selectboard  
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, 2021 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 November 6, 2023.

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.

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 the management of the Town of Kennebunk, Maine in a separate letter dated December 7, 2022.

### 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  
November 6, 2023



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

Selectboard  
Town of Kennebunk  
Kennebunk, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Kennebunk, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Kennebunk, Maine's major federal programs for the year ended June 30, 2021. The Town of Kennebunk, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Kennebunk, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kennebunk, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Kennebunk, Maine's compliance.

#### Opinion on Each Major Federal Program

In our opinion, the Town of Kennebunk, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

#### Report on Internal Control Over Compliance

Management of the Town of Kennebunk, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Kennebunk, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kennebunk, Maine's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine  
November 6, 2023

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

**Section I - Summary of Auditor's Results**

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported  
in accordance with §200.516 of Uniform Guidance? yes no

Identification of major programs:

AL Numbers                      Name of Federal Program or Cluster

97.036                              Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None