

Federal Compliance Audit

Town of Kennebunk, Maine

June 30, 2023



Proven Expertise & Integrity

TOWN OF KENNEBUNK, MAINE

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JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Selectboard
Town of Kennebunk
Kennebunk, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Kennebunk, Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Kennebunk, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit 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 Town of Kennebunk, Maine's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Town of Kennebunk, Maine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 related information on pages 5 through 12 and 71 through 78 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.

Supplementary 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 and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, capital asset schedules and the schedule of expenditures of federal awards 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 January 14, 2025, on our consideration of the Town of Kennebunk, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town of Kennebunk, Maine's 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
January 14, 2025

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

(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, 2023. 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 the 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 fire ambulance equipment 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 activities net position increased by \$3,442,568 from \$29,092,659 to \$32,535,227. The Town's total business-type activities net position increased by \$31,714 from \$295,197 to a balance of \$326,911.

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

| | Governmental Activities | | Business-type Activities | |
|---------------------------------------|-------------------------|---------------|--------------------------|------------|
| | 2022 | | 2023 | 2022 |
| | 2023 | (Restated) | | |
| Assets | | | | |
| Current assets | \$ 25,687,770 | \$ 26,021,307 | \$ 341,479 | \$ 295,197 |
| Noncurrent assets - Capital Assets | 26,017,178 | 25,030,684 | - | - |
| Total assets | 51,704,948 | 51,051,991 | 341,479 | 295,197 |
| Deferred outflows of resources | | | | |
| Deferred outflows related to OPEB | 103,497 | 119,101 | - | - |
| Deferred outflows related to pensions | 1,033,603 | 965,848 | - | - |
| Total deferred outflows of resources | 1,137,100 | 1,084,949 | - | - |
| Liabilities | | | | |
| Current liabilities | 4,740,400 | 6,189,062 | 14,568 | - |
| Noncurrent liabilities | 13,502,167 | 14,564,572 | - | - |
| Total liabilities | 18,242,567 | 20,753,634 | 14,568 | - |
| Deferred inflows of resources | | | | |
| Deferred revenue | 1,309,903 | 153,857 | - | - |
| Deferred inflows related to OPEB | 217,450 | 197,729 | - | - |
| Deferred inflows related to pensions | 536,901 | 1,939,061 | - | - |
| Total deferred inflows of resources | 2,064,254 | 2,290,647 | - | - |
| Net position | | | | |
| Net investment in capital assets | 12,288,319 | 8,655,307 | - | - |
| Restricted | 4,805,436 | 2,657,365 | 768 | 768 |
| Unrestricted | 15,441,472 | 17,779,987 | 326,143 | 294,429 |
| Total net position | \$ 32,535,227 | \$ 29,092,659 | \$ 326,911 | \$ 295,197 |

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 \$15,441,472 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$326,143.

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

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--|--------------------------------|----------------------|---------------------------------|-------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Revenues | | | | |
| <i>Program Revenues:</i> | | | | |
| Charges for services | \$ 2,961,578 | \$ 2,486,423 | \$ 608,506 | \$ 723,085 |
| Operating grants and contributions | 154,448 | 155,296 | - | - |
| <i>General Revenues:</i> | | | | |
| Taxes | 44,784,550 | 43,428,693 | - | - |
| Grants and contributions not restricted to specific programs | 3,137,517 | 4,310,486 | - | - |
| Miscellaneous | 2,294,319 | 857,258 | - | - |
| Total revenues | <u>53,332,412</u> | <u>51,238,156</u> | <u>608,506</u> | <u>723,085</u> |
| Expenses | | | | |
| General government | 3,428,549 | 2,942,077 | - | - |
| Public safety | 6,467,801 | 5,895,739 | - | - |
| Recreation and culture | 1,641,112 | 1,361,959 | - | - |
| Health and welfare | 411,489 | 393,840 | 576,792 | 706,239 |
| Public works | 3,343,870 | 3,192,974 | - | - |
| Education | 28,016,335 | 28,222,923 | - | - |
| County tax | 1,420,176 | 1,406,606 | - | - |
| Employee benefits | 3,167,932 | 2,446,651 | - | - |
| Agency requests | 44,000 | 42,500 | - | - |
| Interest on long-term debt | 475,189 | 429,821 | - | - |
| Capital outlay | - | 2,385,481 | - | - |
| Unclassified | 269,293 | 287,270 | - | - |
| Bond issuance costs | - | 102,402 | - | - |
| Unallocated depreciation (Note 5) | 1,204,098 | 1,229,482 | - | - |
| Total expenses | <u>49,889,844</u> | <u>50,339,725</u> | <u>576,792</u> | <u>706,239</u> |
| Change in net position | 3,442,568 | 898,431 | 31,714 | 16,846 |
| Net position - July 1, Restated | <u>29,092,659</u> | <u>28,194,228</u> | <u>295,197</u> | <u>278,351</u> |
| Net position - June 30 | <u>\$ 32,535,227</u> | <u>\$ 29,092,659</u> | <u>\$ 326,911</u> | <u>\$ 295,197</u> |

Revenues and Expenses

Revenues for the Town's governmental activities increased by 4.09%, while total expenses decreased by 0.89%. The main increase in revenues was due to increases in taxes, charges for services and miscellaneous revenues, while the largest decreases in expenses were in education and capital outlay.

Proprietary fund revenues decreased by 15.85%, while total expenses decreased by 18.33%.

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>2023</u> | <u>2022 (Restated)</u> | <u>Increase (Decrease)</u> |
|-------------------------------------|----------------------|----------------------------|--------------------------------|
| Major Fund: | | | |
| General fund: | | | |
| Nonspendable | \$ 302,385 | \$ 324,772 | \$ (22,387) |
| Committed | 1,708,879 | 1,438,455 | 270,424 |
| Assigned | 604,997 | 432,723 | 172,274 |
| Unassigned | <u>12,804,237</u> | <u>11,959,439</u> | <u>844,798</u> |
| Total general fund | <u>15,420,498</u> | <u>14,155,389</u> | <u>1,265,109</u> |
| Fire ambulance equipment | | | |
| Unassigned | <u>(2,021,811)</u> | <u>(404,728)</u> | <u>(1,617,083)</u> |
| Total fire ambulance equipment fund | <u>(2,021,811)</u> | <u>(404,728)</u> | <u>(1,617,083)</u> |
| Total Major Funds | <u>\$ 13,398,687</u> | <u>\$ 13,750,661</u> | <u>\$ (351,974)</u> |
| Nonmajor Funds: | | | |
| Special revenue funds: | | | |
| Restricted | \$ 4,114,533 | \$ 3,872,487 | \$ 242,046 |
| Assigned | 126,935 | 169,319 | (42,384) |
| Capital projects funds: | | | |
| Restricted | 653,773 | 432,544 | 221,229 |
| Committed | 3,794,626 | 4,787,409 | (992,783) |
| Unassigned | (515,966) | (1,230,292) | 714,326 |
| Permanent funds: | | | |
| Restricted | <u>37,130</u> | <u>41,096</u> | <u>(3,966)</u> |
| Total Nonmajor Funds | <u>\$ 8,211,031</u> | <u>\$ 8,072,563</u> | <u>\$ 138,468</u> |

The changes to total fund balances for the general fund, fire ambulance equipment 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 \$31,714. The electrical inspection program had no change for the current year.

Budgetary Highlights

The differences between the original and final budget for the general fund was the use of unassigned fund balance.

The general fund actual revenues exceeded the budget by \$2,131,738. This was a result of all revenue categories that were receipted in excess of budget except for intergovernmental - other.

The general fund actual expenditures were under budget by \$1,476,837. All expenditure categories were within or under budget with the exception of general government, recreation and culture and health and welfare.

Please see Schedule 1 on page 71 for more detailed information.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the net book value of capital assets recorded by the Town increased by \$986,494. This increase was the result of current year capital additions of \$4,160,986 less net disposals of \$180,893 and depreciation expense of \$2,993,599. Refer to Note 5 of Notes to Financial Statements for more detailed information.

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

| | 2023 | 2022 |
|---|---------------|---------------|
| Land | \$ 2,908,387 | \$ 2,908,387 |
| Art work and historical treasures | 41,000 | 41,000 |
| Construction in progress | 1,777,585 | 202,356 |
| Buildings, land and building improvements | 2,510,617 | 2,728,296 |
| Machinery, equipment and vehicles | 3,743,607 | 3,296,895 |
| Infrastructure | 15,035,982 | 15,853,750 |
| Total | \$ 26,017,178 | \$ 25,030,684 |

Long-Term Debt Activity

At June 30, 2023, the Town had \$13,728,859 in bonds and a bond premium payable outstanding versus \$16,375,377 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The local economy and housing market continued to remain strong during fiscal year 2023. The Town remained conservative in revenue projections. However, overall, the Town's finances remained solid with increases in motor vehicle excise tax revenue, building permit revenue, ambulance billing revenue, recreation program revenue and beach parking permit revenue.

The 2022-2023 budget reflects a 15.38% net increase year over year. The combined Select board and Budget board agreed on the importance of maintaining a high level of service to the residents. A compensation study was conducted in FY2023 and the results were incorporated into the FY2023 budget for salaries and wages. During FY2023, the Town of Kennebunk switched public safety retirement plans from the MainePers 2C plan to the 1C plan. Additionally, new positions were added to include a behavioral health liaison, a public services facilities supervisor, an Economic Vitality Director and Fire and Rescue employees funded through the FEMA SAFER grant. Major capital expenditures included the replacement of two police vehicles, a replacement ladder firetruck, replacement defibrillators, a sidewalk plow, a dump truck and sander, roads and sidewalks and a new Highway Garage for the Public Services Division.

For fiscal year 2023, the Town's tax mil rate was \$14.60; for fiscal year 2024, the rate will be \$16.05, a 9.9% 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, 2023

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 24,422,155 | \$ - | \$ 24,422,155 |
| Investments | 43,021 | - | 43,021 |
| Accounts receivable (net of allowance for uncollectibles): | | | |
| Taxes | 854,393 | - | 854,393 |
| Liens | 124,065 | - | 124,065 |
| Other | 238,714 | 44,516 | 283,230 |
| Tax acquired property | 302,385 | - | 302,385 |
| Internal balances | (296,963) | 296,963 | - |
| Total current assets | <u>25,687,770</u> | <u>341,479</u> | <u>26,029,249</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land and other assets not being depreciated | 4,726,972 | - | 4,726,972 |
| Depreciable assets, net of accumulated depreciation | 21,290,206 | - | 21,290,206 |
| Total noncurrent assets | <u>26,017,178</u> | <u>-</u> | <u>26,017,178</u> |
| TOTAL ASSETS | <u>51,704,948</u> | <u>341,479</u> | <u>52,046,427</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to OPEB | 103,497 | - | 103,497 |
| Deferred outflows related to pensions | 1,033,603 | - | 1,033,603 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,137,100</u> | <u>-</u> | <u>1,137,100</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 52,842,048</u> | <u>\$ 341,479</u> | <u>\$ 53,183,527</u> |

STATEMENT A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION

JUNE 30, 2023

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 759,666 | \$ 14,568 | \$ 774,234 |
| Accrued payroll | 701,726 | - | 701,726 |
| Other liabilities | 940,257 | - | 940,257 |
| Current portion of long-term obligations | 2,338,751 | - | 2,338,751 |
| Total current liabilities | <u>4,740,400</u> | <u>14,568</u> | <u>4,754,968</u> |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations: | | | |
| Bonds payable | 9,985,000 | - | 9,985,000 |
| Bond premium payable | 1,427,341 | - | 1,427,341 |
| Accrued compensated absences | 422,432 | - | 422,432 |
| Net OPEB liability | 440,173 | - | 440,173 |
| Net pension liability/(asset) | 1,227,221 | - | 1,227,221 |
| Total noncurrent liabilities | <u>13,502,167</u> | <u>-</u> | <u>13,502,167</u> |
| TOTAL LIABILITIES | <u>18,242,567</u> | <u>14,568</u> | <u>18,257,135</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue | 1,309,903 | - | 1,309,903 |
| Deferred inflows related to OPEB | 217,450 | - | 217,450 |
| Deferred inflows related to pensions | 536,901 | - | 536,901 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,064,254</u> | <u>-</u> | <u>2,064,254</u> |
| NET POSITION | | | |
| Net investment in capital assets | 12,288,319 | - | 12,288,319 |
| Restricted | 4,805,436 | 768 | 4,806,204 |
| Unrestricted | 15,441,472 | 326,143 | 15,767,615 |
| TOTAL NET POSITION | <u>32,535,227</u> | <u>326,911</u> | <u>32,862,138</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 52,842,048</u> | <u>\$ 341,479</u> | <u>\$ 53,183,527</u> |

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

TOWN OF KENNEBUNK, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---------------------------------------|----------------------|-------------------------|--|--|--|---------------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- type Activities | |
| Governmental activities: | | | | | | | |
| General government | \$ 3,428,549 | \$ 986,597 | \$ - | \$ - | \$ (2,441,952) | \$ - | \$ (2,441,952) |
| Public safety | 6,467,801 | 1,268,962 | - | - | (5,198,839) | - | (5,198,839) |
| Recreation and culture | 1,641,112 | 706,019 | - | - | (935,093) | - | (935,093) |
| Health and welfare | 411,489 | - | - | - | (411,489) | - | (411,489) |
| Public works | 3,343,870 | - | 154,448 | - | (3,189,422) | - | (3,189,422) |
| Education | 28,016,335 | - | - | - | (28,016,335) | - | (28,016,335) |
| County tax | 1,420,176 | - | - | - | (1,420,176) | - | (1,420,176) |
| Employee benefits | 3,167,932 | - | - | - | (3,167,932) | - | (3,167,932) |
| Agency requests | 44,000 | - | - | - | (44,000) | - | (44,000) |
| Interest on long-term debt | 475,189 | - | - | - | (475,189) | - | (475,189) |
| Unclassified | 269,293 | - | - | - | (269,293) | - | (269,293) |
| Unallocated depreciation (Note 5)* | 1,204,098 | - | - | - | (1,204,098) | - | (1,204,098) |
| Total governmental activities | 49,889,844 | 2,961,578 | 154,448 | - | (46,773,818) | - | (46,773,818) |
| Business-type activities: | | | | | | | |
| Pay-As-You-Throw Trash Program | 576,792 | 608,506 | - | - | - | 31,714 | 31,714 |
| Total business-type activities | 576,792 | 608,506 | - | - | - | 31,714 | 31,714 |
| Total government | \$ 50,466,636 | \$ 3,570,084 | \$ 154,448 | \$ - | (46,773,818) | 31,714 | (46,742,104) |

* 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, 2023

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| Changes in net position: | | | |
| Net (expense) revenue | (46,773,818) | 31,714 | (46,742,104) |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes, levied for general purposes | 41,796,810 | - | 41,796,810 |
| Excise taxes | 2,987,740 | - | 2,987,740 |
| Grants and contributions not restricted to specific programs | 3,137,517 | - | 3,137,517 |
| Miscellaneous | 2,294,319 | - | 2,294,319 |
| Total general revenues | 50,216,386 | - | 50,216,386 |
| Change in net position | 3,442,568 | 31,714 | 3,474,282 |
| NET POSITION - JULY 1, RESTATED | 29,092,659 | 295,197 | 29,387,856 |
| NET POSITION - JUNE 30 | \$ 32,535,227 | \$ 326,911 | \$ 32,862,138 |

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

TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

| | General Fund | Fire Ambulance Equipment | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------------|--------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 24,409,698 | \$ - | \$ 12,457 | \$ 24,422,155 |
| Investments | - | - | 43,021 | 43,021 |
| Accounts receivables (net of allowance for uncollectibles): | | | | |
| Taxes | 854,393 | - | - | 854,393 |
| Liens | 124,065 | - | - | 124,065 |
| Other | 238,714 | - | - | 238,714 |
| Tax acquired property | 302,385 | - | - | 302,385 |
| Due from other funds | 2,556,125 | - | 9,569,395 | 12,125,520 |
| TOTAL ASSETS | <u>\$ 28,485,380</u> | <u>\$ -</u> | <u>\$ 9,624,873</u> | <u>\$ 38,110,253</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 759,666 | \$ - | \$ - | \$ 759,666 |
| Accrued payroll | 701,726 | - | - | 701,726 |
| Other liabilities | 940,257 | - | - | 940,257 |
| Due to other funds | 9,866,358 | 2,021,811 | 534,314 | 12,422,483 |
| TOTAL LIABILITIES | <u>12,268,007</u> | <u>2,021,811</u> | <u>534,314</u> | <u>14,824,132</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue | 430,375 | - | 879,528 | 1,309,903 |
| Deferred tax revenue | 366,500 | - | - | 366,500 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>796,875</u> | <u>-</u> | <u>879,528</u> | <u>1,676,403</u> |
| FUND BALANCES (DEFICITS) | | | | |
| Nonspendable | 302,385 | - | - | 302,385 |
| Restricted | - | - | 4,805,436 | 4,805,436 |
| Committed | 1,708,879 | - | 3,794,626 | 5,503,505 |
| Assigned | 604,997 | - | 126,935 | 731,932 |
| Unassigned | 12,804,237 | (2,021,811) | (515,966) | 10,266,460 |
| TOTAL FUND BALANCES (DEFICITS) | <u>15,420,498</u> | <u>(2,021,811)</u> | <u>8,211,031</u> | <u>21,609,718</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS) | <u>\$ 28,485,380</u> | <u>\$ -</u> | <u>\$ 9,624,873</u> | <u>\$ 38,110,253</u> |

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, 2023

| | <u>Total Governmental Funds</u> |
|---|---|
| Total Fund Balances | \$ 21,609,718 |
| 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 | 26,017,178 |
| 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 | 366,500 |
| Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds | 103,497 |
| Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds | 1,033,603 |
| 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 | (12,185,000) |
| Bond premium payable | (1,543,859) |
| Accrued compensated absences | (444,665) |
| Net OPEB liability | (440,173) |
| Net pension (liability) asset | (1,227,221) |
| Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds | (217,450) |
| Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds | <u>(536,901)</u> |
| Net position of governmental activities | <u>\$ 32,535,227</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, 2023

| | General Fund | Fire Ambulance Equipment | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 41,960,036 | \$ - | \$ - | \$ 41,960,036 |
| Excise taxes | 2,987,740 | - | - | 2,987,740 |
| Intergovernmental revenues | 2,942,996 | - | 348,969 | 3,291,965 |
| Charges for services | 2,961,578 | - | - | 2,961,578 |
| Miscellaneous revenues | 828,819 | - | 1,465,500 | 2,294,319 |
| TOTAL REVENUES | 51,681,169 | - | 1,814,469 | 53,495,638 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,793,327 | - | 607,440 | 3,400,767 |
| Public safety | 6,033,695 | - | 36,159 | 6,069,854 |
| Public works | 1,774,976 | - | 116,506 | 1,891,482 |
| Education | 28,016,335 | - | - | 28,016,335 |
| County tax | 1,420,176 | - | - | 1,420,176 |
| Recreation and culture | 1,607,871 | - | - | 1,607,871 |
| Health and welfare | 411,489 | - | - | 411,489 |
| Employee benefits | 3,238,002 | - | - | 3,238,002 |
| Agency request | 44,000 | - | - | 44,000 |
| Unclassified | 265,308 | - | 3,985 | 269,293 |
| Capital outlay | - | 1,693,083 | 2,525,085 | 4,218,168 |
| Debt service: | | | | |
| Principal | - | - | 2,530,000 | 2,530,000 |
| Interest | - | - | 591,707 | 591,707 |
| TOTAL EXPENDITURES | 45,605,179 | 1,693,083 | 6,410,882 | 53,709,144 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 6,075,990 | (1,693,083) | (4,596,413) | (213,506) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 39,000 | 76,000 | 4,773,881 | 4,888,881 |
| Transfers (out) | (4,849,881) | - | (39,000) | (4,888,881) |
| TOTAL OTHER FINANCING SOURCES (USES) | (4,810,881) | 76,000 | 4,734,881 | - |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 1,265,109 | (1,617,083) | 138,468 | (213,506) |
| FUND BALANCES (DEFICITS) - JULY 1, RESTATED | 14,155,389 | (404,728) | 8,072,563 | 21,823,224 |
| FUND BALANCES (DEFICITS) - JUNE 30 | \$ 15,420,498 | \$ (2,021,811) | \$ 8,211,031 | \$ 21,609,718 |

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, 2023

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ (213,506)</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 | 4,160,986 |
| Capital asset disposals | (180,893) |
| Depreciation expense | <u>(2,993,599)</u> |
| | <u>986,494</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>2,530,000</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>(15,604)</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>67,755</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>(19,721)</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>1,402,160</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: | |
| Bond premium payable | 116,518 |
| Accrued compensated absences | 116,218 |
| Net OPEB liability | 1,068 |
| Net pension liability | <u>(1,365,588)</u> |
| | <u>(1,131,784)</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>(163,226)</u> |
| Change in net position of governmental activities (Statement B) | <u>\$ 3,442,568</u> |

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

| | Enterprise Funds | | Total |
|--|---------------------------------------|-------------------------------------|-------------------|
| | Pay-As-You- Throw Trash Program | Electrical Inspection Program | |
| ASSETS | | | |
| Accounts receivable (net of allowance for uncollectibles) | \$ 44,516 | \$ - | \$ 44,516 |
| Due from other funds | 296,195 | 768 | 296,963 |
| TOTAL ASSETS | <u>\$ 340,711</u> | <u>\$ 768</u> | <u>\$ 341,479</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 14,568 | \$ - | \$ 14,568 |
| TOTAL LIABILITIES | <u>14,568</u> | <u>-</u> | <u>14,568</u> |
| NET POSITION | | | |
| Restricted | - | 768 | 768 |
| Unrestricted | 326,143 | - | 326,143 |
| TOTAL NET POSITION | <u>326,143</u> | <u>768</u> | <u>326,911</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 340,711</u> | <u>\$ 768</u> | <u>\$ 341,479</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, 2023

| | <u>Enterprise Funds</u> | | <u>Total</u> |
|--------------------------|--|--|-------------------|
| | <u>Pay-As-You- Throw Trash Program</u> | <u>Electrical Inspection Program</u> | |
| OPERATING REVENUES | | | |
| Charges for services | \$ 608,506 | \$ - | \$ 608,506 |
| TOTAL OPERATING REVENUES | <u>608,506</u> | <u>-</u> | <u>608,506</u> |
| OPERATING EXPENSES | | | |
| Program supplies | <u>576,792</u> | <u>-</u> | <u>576,792</u> |
| TOTAL OPERATING EXPENSES | <u>576,792</u> | <u>-</u> | <u>576,792</u> |
| CHANGE IN NET POSITION | 31,714 | - | 31,714 |
| NET POSITION - JULY 1 | <u>294,429</u> | <u>768</u> | <u>295,197</u> |
| NET POSITION - JUNE 30 | <u>\$ 326,143</u> | <u>\$ 768</u> | <u>\$ 326,911</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, 2023

| | Enterprise Funds | | |
|--|---------------------------------------|-------------------------------------|------------|
| | Pay-As-You- Throw Trash Program | Electrical Inspection Program | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 644,494 | \$ - | \$ 644,494 |
| Internal activity - receipts (payments) from/to other funds | (82,270) | - | (82,270) |
| Payments to suppliers | (562,224) | - | (562,224) |
| 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) | \$ 31,714 | \$ - | \$ 31,714 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | 35,988 | - | 35,988 |
| (Increase) decrease in due from other funds | (82,270) | - | (82,270) |
| Increase (decrease) in accounts payable | 14,568 | - | 14,568 |
| 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, 2023

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 selectboard-manager form of government and provides the following services: general government, public safety, recreation and culture, health and welfare, public works, education, employee benefits, agency requests and unclassified.

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2023, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 99 "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) 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, 2023

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 Fire Ambulance Equipment Fund is used to account for the financial resources to be used for the purchase of fire and ambulance equipment. The major sources of revenue are transfers from the general fund.

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, 2023

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, 2023

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, 2023

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 \$68,647 as of June 30, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$283,230 for the year ended June 30, 2023.

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, 2023

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, 2023

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, a bond premium 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, 2023

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, 2023

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, 2023

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 2023) was levied August 31, 2022 on the assessed value listed as of April 1, 2022, for all real and personal property located in the Town. Taxes were due in two installments on October 13, 2022 and April 13, 2023. Interest on unpaid taxes commenced on October 14, 2022 and April 14, 2023, at 4% 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 \$1,092,891 for the year ended June 30, 2023.

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, 2023

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, 2023, the Town reported deposits of \$24,422,155 with a bank balance of \$23,921,610. 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, \$6,661,379 was fully covered by federal depository insurance and was not exposed to custodial credit risk and \$17,260,231 was collateralized with irrevocable stand-by letters of credit.

| Account Type | Bank Balance |
|-----------------------|-----------------|
| Checking accounts | \$ 10,308,863 |
| Savings accounts | 36,572 |
| Intra-Fi accounts | 6,124,807 |
| Money market accounts | 7,451,368 |
| | \$ 23,921,610 |

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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. Certificates of deposit held with local financial institutions of \$43,021 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

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, 2023, the Town had investment in certificates of deposits totaling \$43,021 which was fully covered by federal depository insurance and was not exposed to custodial credit risk.

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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2023 consisted of the following individual fund receivables and payables:

| | Receivables (Due from) | Payables (Due to) |
|---------------------------------|---------------------------|----------------------|
| General fund | \$ 2,556,125 | \$ 9,866,358 |
| Roads and paving capital fund | - | 2,021,811 |
| Enterprise funds | 296,963 | - |
| Nonmajor special revenue funds | 5,120,996 | - |
| Nonmajor capital projects funds | 4,448,399 | 515,966 |
| Nonmajor permanent funds | - | 18,348 |
| Totals | \$ 12,422,483 | \$ 12,422,483 |

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES(CONTINUED)

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 transfers for the year ended June 30, 2023 consisted of the following:

| | Transfers In | Transfers Out |
|---------------------------------|-----------------|------------------|
| General fund | \$ 39,000 | \$ 4,849,881 |
| Roads and paving capital fund | 76,000 | - |
| Nonmajor special revenue funds | 1,585,373 | 39,000 |
| Nonmajor capital projects funds | 3,188,508 | - |
| Totals | \$ 4,888,881 | \$ 4,888,881 |

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

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2023:

| | Balance, 7/1/22 | Additions | Deletions | Balance, 6/30/23 |
|------------------------------------|--------------------|-----------|-----------|---------------------|
| <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 | 202,356 | 1,575,229 | - | 1,777,585 |
| | 3,151,743 | 1,575,229 | - | 4,726,972 |

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS (CONTINUED)

| | Balance, 7/1/22 | Additions | Deletions | Balance, 6/30/23 |
|----------------------------------|--------------------|--------------|--------------|---------------------|
| Depreciated assets: | | | | |
| Land improvements | 1,684,742 | - | - | 1,684,742 |
| Buildings | 1,808,785 | - | - | 1,808,785 |
| Building improvements | 7,462,030 | 222,468 | (175,623) | 7,508,875 |
| Furniture and fixtures | 255,248 | 4,806 | (13,200) | 246,854 |
| Machinery and equipment | 6,169,468 | 758,870 | (255,494) | 6,672,844 |
| Vehicles | 9,759,555 | 505,946 | (18,825) | 10,246,676 |
| Infrastructure: | | | | |
| Bridges | 582,946 | - | - | 582,946 |
| Drainage system | 553,389 | - | - | 553,389 |
| Roads | 27,959,878 | 1,093,667 | - | 29,053,545 |
| Sewer lines | 392,587 | - | - | 392,587 |
| Sidewalks | 2,525,106 | - | - | 2,525,106 |
| Other | 2,683,836 | - | - | 2,683,836 |
| | 61,837,570 | 2,585,757 | (463,142) | 63,960,185 |
| Less: accumulated depreciation | (39,958,629) | (2,993,599) | 282,249 | (42,669,979) |
| | 21,878,941 | (407,842) | (180,893) | 21,290,206 |
| Net capital assets | \$ 25,030,684 | \$ 1,167,387 | \$ (180,893) | \$ 26,017,178 |
| <u>Current year depreciation</u> | | | | |
| Administration | | | | \$ 97,565 |
| Police | | | | 103,555 |
| Fire | | | | 331,036 |
| Public works | | | | 1,213,980 |
| Recreation and culture | | | | 43,365 |
| Town-wide | | | | 1,204,098 |
| Total depreciation expense | | | | \$ 2,993,599 |

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2023:

| | Balance, 7/1/22 | Additions | Deletions | Balance, 6/30/23 | Current Portion |
|--------------------------------|----------------------|-------------|-----------------------|----------------------|---------------------|
| <u>Governmental activities</u> | | | | | |
| Bonds payable | \$ 14,715,000 | \$ - | \$ (2,530,000) | \$ 12,185,000 | \$ 2,200,000 |
| Bond premium payable | 1,660,377 | - | (116,518) | 1,543,859 | 116,518 |
| | <u>\$ 16,375,377</u> | <u>\$ -</u> | <u>\$ (2,646,518)</u> | <u>\$ 13,728,859</u> | <u>\$ 2,316,518</u> |

The following is a summary of the outstanding bonds payable:

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| \$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. | \$ 1,165,000 |
| \$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. | 880,000 |
| \$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. | 2,200,000 |
| \$10,575,000, 2021 General Obligation Bond due in annual installments and semiannual interest installments through October 2035. Interest is charged at a fixed rate of 5.00% through 2031 and 2.00% through maturity per annum. Annual principal installments vary from \$200,000 to \$1,415,000. | <u>7,940,000</u> |
| | <u>\$12,185,000</u> |

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 | |
| 2024 | \$ 2,200,000 | \$ 238,481 | \$ 2,438,481 |
| 2025 | 1,960,000 | 186,975 | 2,146,975 |
| 2026 | 1,715,000 | 142,081 | 1,857,081 |
| 2027 | 1,545,000 | 103,856 | 1,648,856 |
| 2028 | 1,310,000 | 70,397 | 1,380,397 |
| 2029-2033 | 2,855,000 | 66,906 | 2,921,906 |
| 2034-2038 | 600,000 | 375 | 600,375 |
| | <u>\$ 12,185,000</u> | <u>\$ 809,071</u> | <u>\$ 12,994,071</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, 2023:

| | Balance, 7/1/22 | Additions | Deletions | Balance, 6/30/23 | Current Portion |
|---------------------------------|--------------------|---------------------|---------------------|---------------------|--------------------|
| <u>Governmental activities</u> | | | | | |
| Accrued compensated absences | \$ 560,883 | \$ - | \$ (116,218) | \$ 444,665 | \$ 22,233 |
| Net OPEB liability | 441,241 | 43,389 | (44,457) | 440,173 | - |
| Net pension liability/(asset) | (138,367) | 1,796,391 | (430,803) | 1,227,221 | - |
| | <u>\$ 863,757</u> | <u>\$ 1,839,780</u> | <u>\$ (591,478)</u> | <u>\$ 2,112,059</u> | <u>\$ 22,233</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, 2023

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 a long-term obligation 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, 2023, the Town's liability for compensated absences is \$444,665.

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, 2023:

| | |
|--|-----------------------------|
| Invested in capital assets | \$ 68,687,157 |
| Accumulated depreciation | (42,669,979) |
| Outstanding capital related debt | (12,185,000) |
| Original issue premiums on outstanding capital related debt | <u>(1,543,859)</u> |
| | <u><u>\$ 12,288,319</u></u> |

NOTE 10 - RESTRICTED NET POSITION AND RESTRICTED FUND BALANCES

At June 30, 2023, the Town had the following restricted net position and restricted fund balances:

| | |
|---|----------------------------|
| Nonmajor special revenue funds (Schedule D): | |
| Route 1 TIF | \$ 1,451,058 |
| West Kennebunk TIF | 2,554,669 |
| Lower Village TIF | 108,806 |
| Nonmajor capital projects funds (Schedule F): | |
| Bicycle impact | 370,123 |
| West Kennebunk Holand Road field | 59,571 |
| Town Hall repair | 51,160 |
| Seawalls (FEMA) | 172,919 |
| Nonmajor permanent funds (Schedule H): | |
| Littlefield educational trust | 31,022 |
| Monument lot | 2,563 |
| Centennial lot | 3,545 |
| Enterprise fund: | |
| Electrical inspection program | <u>768</u> |
| | <u><u>\$ 4,806,204</u></u> |

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 - NONSPENDABLE FUND BALANCE

At June 30, 2023, the Town had the following nonspendable fund balance:

| | |
|-----------------------|-------------------|
| General fund: | |
| Tax acquired property | <u>\$ 302,385</u> |

NOTE 12 - COMMITTED FUND BALANCES

At June 30, 2023, the Town has the following committed fund balances:

| | |
|--|---------------------|
| General fund: | |
| Matching grant funds | \$ 41,200 |
| Bicentennial celebration committee | 5,069 |
| Capital assets/projects | 1,139,000 |
| Debt service | 400,000 |
| 2020 bicentennial celebration | 5,161 |
| Emergency spending reserve | 118,449 |
| Nonmajor capital projects funds (Schedule F) | <u>3,794,626</u> |
| | <u>\$ 5,503,505</u> |

NOTE 13 - ASSIGNED FUND BALANCES

At June 30, 2023, the Town had the following assigned fund balances:

| | |
|---|-------------------|
| General fund: | |
| Heating assistance | \$ 70,618 |
| Assessors office | 14,726 |
| Grants | 15,500 |
| Bicentennial committee | 3,112 |
| Conservation commission | 11,955 |
| Energy efficiency advisory committee | 6,314 |
| West Kennebunk Village committee | 4,803 |
| Committee on aging | 3,889 |
| Tree committee | 2,884 |
| Community garden | 6,850 |
| General government training | 8,242 |
| Computer training | 7,541 |
| Community development training | 15,412 |
| Lower Village | 10,492 |
| Property tax assistance | 13,289 |
| Donations | 174,700 |
| Dog park | 4,635 |
| Operational contingency | 230,035 |
| Nonmajor special revenue funds (Schedule D) | <u>126,935</u> |
| | <u>\$ 731,932</u> |

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - DEFICIT FUND BALANCES

At June 30, 2023, the Town had the following deficit fund balances:

| | |
|--|--------------|
| Fire ambulance equipment | \$ 2,021,811 |
| Nonmajor capital projects funds (Schedule F): | |
| 10 Park Street facility | 53,478 |
| Ordinance rewrites and codification, comp plan and public safety building study | 23,728 |
| Roads and paving capital fund | 438,760 |
| | \$ 2,537,777 |

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, 2023

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, 2023. 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. The County of York did not have any long-term debt as of June 30, 2023. At June 30, 2023, the Town's share of the school district's debt was approximately:

| | Outstanding Debt | Town's Percentage | Total Share |
|------------|----------------------|----------------------|----------------------|
| RSU No. 21 | <u>\$ 38,697,620</u> | 48.15% | <u>\$ 18,632,904</u> |

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 or by contacting the System at (207) 512-3100.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 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, 2022, there were 311 employees 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 1.52%.

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 "1C" and are required to contribute 9.7% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute either 6.85% or 7.6% of their annual salary depending upon their age. The Town was required to contribute at the actuarially determined rates of 14.7% for special plan "1C" members' covered payroll and 10.2% 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, 2023 was \$498,558.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities

PLD Consolidated Plan

At June 30, 2023, the Town reported a liability of \$1,227,221 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2022 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, 2022, the Town's proportion was 0.461647%, which was an increase of 0.03108% from its proportion measured as of June 30, 2021.

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

For the year ended June 30, 2023, the Town recognized total pension expense of \$394,231. At June 30, 2023, 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 | \$ 228,071 | \$ - |
| Changes of assumptions | 249,083 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 515,071 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 57,891 | 21,830 |
| Contributions subsequent to the measurement date | 498,558 | - |
| Total | \$ 1,033,603 | \$ 536,901 |

\$498,558 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, 2024. 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, 2023

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | | PLD | Plan |
|--------------------------|----|-----------|------|
| | | | |
| Plan year ended June 30: | | | |
| 2023 | \$ | 161,854 | |
| 2024 | | (85,643) | |
| 2025 | | (319,991) | |
| 2026 | | 241,923 | |
| 2027 | | - | |
| Thereafter | | - | |

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2022 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 member is the product of the member's pay and normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

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

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which 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, 2023

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, 2022 are as follows:

Investment Rate of Return - 6.50% per annum for the year ended June 30, 2022 and 2021, compounded annually.

Salary Increases, Merit and Inflation - 2.75% to 11.48% per year.

Mortality Rates - For the plan, the rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

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, 2022 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% | 3.20% |
| Alternative credit | 5.00% | 7.40% |
| Diversifiers | 10.00% | 5.90% |

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2022. 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 as of June 30, 2022 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 6.50% for the PLD Consolidated Plan.

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| <u>PLD Plan:</u> | | | |
| Discount rate | 5.50% | 6.50% | 7.50% |
| Town's proportionate share of the net pension liability | \$ 3,625,560 | \$ 1,227,221 | \$ (755,092) |

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, 2022 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, 2022 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 2022 through 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, 2023

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Differences between Expected and Actual Investment Earnings

Differences between projected and actual investment earnings are 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 are 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, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020. 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. Please refer to the *Actuarial Methods and Assumptions* section for information relating to the use of assumptions.

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 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' 2022 Annual Comprehensive Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, employee contributions totaled \$141,633 and the Town recognized pension expense of \$141,050.

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, 2023

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, 2023, 2022 and 2021 were: \$178,671, \$256,355 and \$229,359, respectively.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$531,528, \$506,235 and \$480,912, for the years ended June 30, 2023, 2022, and 2021, respectively.

NOTE 20 - CONTINGENCIES

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

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2022, 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 or by contacting the System at (207) 512-3100.

Benefits Provided

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

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retirement period. The Town's contribution to the Plan for the year ended June 30, 2023 was \$0.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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

At June 30, 2023, the Town reported a liability of \$16,075 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2021 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, 2022, the Town's proportion was 0.110988%, which was an increase of 0.022321% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized net OPEB expense of \$269. At June 30, 2023, 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 | \$ 782 | \$ 142 |
| Changes of assumptions | 1,337 | 5,019 |
| Net difference between projected and actual earnings on pension plan investments | 1,389 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 9,639 | 142 |
| Contributions subsequent to the measurement date | - | - |
| Total | <u>\$ 13,147</u> | <u>\$ 5,303</u> |

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

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

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

| | <u>PLD Life Insurance</u> | |
|--------------------------|---------------------------|-------|
| Plan year ended June 30: | | |
| 2023 | \$ | 1,699 |
| 2024 | | 1,234 |
| 2025 | | 646 |
| 2026 | | 2,354 |
| 2027 | | 1,374 |
| Thereafter | | 536 |

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2022, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

Investments are reported at fair value.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Amortization

The net OPEB liability of the Plan is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2022, there were 8 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2022 actuarial valuation was based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2022 are as follows:

Investment Rate of Return - For the PLD Plan, 6.50% per annum, compounded annually.

Inflation Rate - 2.75%

Annual Salary Increases including Inflation - For the PLD Plan, 2.75% to 11.48% per year.

Mortality Rates - For active members and non-disabled retirees of the Plan, the 2010 Public Plan General Benefits - Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model is used.

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

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

Form of Benefit Payment - Lump sum

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by 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, 2022 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

| 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 6.50% for 2022. 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, 2022 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 6.50% for the PLD Plan.

| | 1% Decrease | Discount Rate | 1% Increase |
|---|-------------|---------------|-------------|
| PLD Life Insurance: | | | |
| Discount rate | 5.50% | 6.50% | 7.50% |
| Town's proportionate share of the net OPEB benefits liability | \$ 21,817 | \$ 16,075 | \$ 11,464 |

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, 2022 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, 2022 with the following exceptions:

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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.

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.

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, 2022.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2022 Annual Comprehensive Financial Report available online at 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.

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.

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

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

Employees Covered by Benefit Terms

At January 1, 2023, the following employees were covered by the benefit terms:

| | |
|----------------------|----|
| Active members | 62 |
| Retirees and spouses | 1 |
| Total | 63 |

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 | \$1,063.50 | \$2,385.67 |
| PPO 2500 | \$900.64 | \$2,020.37 |
| Medicare - Eligible Retirees | \$600.50 | \$1,201.00 |

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

At June 30, 2023, the Town reported a liability of \$424,098 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2023 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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$33,988. At June 30, 2023, 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 | \$ 5,777 | \$ 129,431 |
| Changes of assumptions | 82,093 | 82,716 |
| Net difference between projected and actual earnings on OPEB plan investments | - | - |
| Contributions subsequent to the measurement date | 2,480 | - |
| Total | \$ 90,350 | \$ 212,147 |

\$2,480 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, 2024. 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: | |
| 2024 | \$ (12,667) |
| 2025 | (12,672) |
| 2026 | (12,231) |
| 2027 | (7,734) |
| 2028 | (7,730) |
| Thereafter | (71,243) |

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, 2023. 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 3.72% per annum for June 30, 2023 was based upon a measurement date of December 29, 2022. The sensitivity of net OPEB liability to changes in discount rate are as follows:

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| | 2.72% | 3.72% | 4.72% |
| Total OPEB liability | \$ 504,650 | \$ 424,098 | \$ 359,365 |
| Plan fiduciary net position | - | - | - |
| Net OPEB liability | \$ 504,650 | \$ 424,098 | \$ 359,365 |
| 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 | \$ 348,272 | \$ 424,098 | \$ 523,588 |
| Plan fiduciary net position | - | - | - |
| Net OPEB liability | \$ 348,272 | \$ 424,098 | \$ 523,588 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% |

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2023, using the following methods and assumptions applied to all periods included in the measurement:

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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, 2021. 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.

Assumptions

The actuarial assumptions used in the January 1, 2023 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. As of January 1, 2023, they are as follows:

Discount Rate - 3.72% per annum for year end 2023 reporting. 2.06% per annum for year end 2022 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 2023_fl was used for this valuation. The following assumptions were input into this model:

| <u>Variable</u> | <u>Rate</u> |
|---|-------------|
| Rate of Inflation | 3.00% |
| Rate of Growth in Real Income/GDP per capital 2032+ | 1.50% |
| Extra Trend due to Taste/Technology 2032+ | 0.80% |
| Expected Health Share of GDP 2032 | 19.80% |
| Health Share of GDP Resistance Point | 19.00% |
| Year for Limiting Cost Growth to GDP Growth | 2043 |

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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 trends selected from 2023 to 2026 were based on plan design, population weighting, renewal projections and market analysis. For years 2027 to 2031, these are interpolated from 2026 to 2032 (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.

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, 2021.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims. A constant cost sharing in plan design between employer and employees is assumed.

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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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:

Healthy Annuitant - Based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Active Employees - Rates of mortality are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits- Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality.

As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2023 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, 2023 was (\$123,654).

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 January 1, 2023 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. 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.

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.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 2022, there was one agreement in place. The following is a brief description of the districts’ original, current assessed and captured assessed values, property captured by the TIFs, the total amount of taxes and taxes abated for each tax increment financing district:

| TIF District | Original Assessed Value | Current Assessed Value at 4/1/2020 for 6/30/2023 | Total Captured Assessed Value at 4/1/2020 for 6/30/2023 | Property Captured by TIF | New Taxes | Taxes Abated |
|---|-------------------------|--|---|--------------------------|-----------|--------------|
| Route 1 (expires 3/29/2036) | \$36,774,900 | \$101,607,133 | \$64,832,233 | 100% Real Property | \$946,551 | \$0 |
| West Kennebunk | \$25,597,467 | \$45,433,800 | \$19,836,300 | 100% Real Property | \$289,610 | \$0 |
| West Kennebunk - Utility Corridor | \$14,188,933 | \$28,027,605 | \$13,838,705 | 33% Real Property | \$202,045 | \$0 |
| Total West Kennebunk (expires 3/29/2036) | \$39,786,400 | \$73,461,405 | \$33,675,005 | | \$491,655 | \$0 |
| Lower Village (expires 3/30/2040) | \$6,132,800 | \$16,212,762 | \$10,079,962 | 100% Real Property | \$147,167 | \$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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 24 - COLLATERALIZATION

At June 30, 2023, 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, 2023, authorizes one draw only up to the amount of \$1,000,000. There were no draws for the year ended June 30, 2023.

At June 30, 2023, 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 M&T Bank. This letter of credit, which expires at the close of business on July 19, 2023 authorizes one draw only up to the amount of \$16,000,000. There were no draws for the year ended June 30, 2023.

At June 30, 2023, 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, 2023. The third-party securities pledge expires at the close of business on July 1, 2023.

NOTE 25 - RESTATEMENTS

In 2023, the Town determined that certain transactions were recorded incorrectly or omitted in the prior year. Therefore, a restatement to the government-wide financial statements and fund balances were required. The general fund total fund balance was decreased by \$11,639,067 from \$25,794,456 to \$14,155,389 to reallocate bond proceeds and ARPA revenue in the prior year to the fire ambulance equipment fund, nonmajor special revenue and nonmajor capital projects funds.

The beginning net position for governmental activities decreased by \$1,134,067 from \$30,226,726 to \$29,092,659 as a result of the fund balance restatements.

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, 2023

| | Budgeted Amounts | | Actual Amounts | Variance |
|--|----------------------|----------------------|----------------------|------------------------|
| | Original | Final | | Positive (Negative) |
| Budgetary Fund Balance, July 1, Restated | \$ 14,155,389 | \$ 14,155,389 | \$ 14,155,389 | \$ - |
| Resources (Inflows): | | | | |
| Taxes: | | | | |
| Property Taxes | 41,000,753 | 40,937,753 | 41,960,036 | 1,022,283 |
| Excise Taxes | 2,587,000 | 2,587,000 | 2,987,740 | 400,740 |
| Intergovernmental Revenues: | | | | |
| State Revenue Sharing | 1,449,638 | 1,449,638 | 1,658,878 | 209,240 |
| Homestead Reimbursement | 631,668 | 631,668 | 638,257 | 6,589 |
| Local Road Assistance | 140,000 | 140,000 | 154,448 | 14,448 |
| Other | 1,615,572 | 1,615,572 | 491,413 | (1,124,159) |
| Interest Income | 20,000 | 20,000 | 519,040 | 499,040 |
| Interest on Taxes/Lien Costs | 40,000 | 40,000 | 48,870 | 8,870 |
| Charges for Services | 2,116,050 | 2,116,050 | 2,961,578 | 845,528 |
| Miscellaneous Revenues | 50,750 | 50,750 | 260,909 | 210,159 |
| Transfers from Other Funds | - | - | 39,000 | 39,000 |
| Amounts Available for Appropriation | <u>63,806,820</u> | <u>63,743,820</u> | <u>65,875,558</u> | <u>2,131,738</u> |
| Charges to Appropriations (Outflows): | | | | |
| General Government | 2,667,742 | 2,667,742 | 2,793,327 | (125,585) |
| Public Safety | 6,217,946 | 6,217,946 | 6,033,695 | 184,251 |
| Public Works | 1,886,582 | 1,886,582 | 1,774,976 | 111,606 |
| Education | 28,016,335 | 28,016,335 | 28,016,335 | - |
| County Tax | 1,420,176 | 1,420,176 | 1,420,176 | - |
| Recreation and Culture | 1,490,174 | 1,490,174 | 1,607,871 | (117,697) |
| Health and Welfare | 406,127 | 406,127 | 411,489 | (5,362) |
| Employee Benefits | 3,695,549 | 3,695,549 | 3,238,002 | 457,547 |
| Agency Requests | 45,200 | 45,200 | 44,000 | 1,200 |
| Unclassified | 1,236,185 | 1,236,185 | 265,308 | 970,877 |
| Transfers to Other Funds | 3,662,306 | 4,849,881 | 4,849,881 | - |
| Total Charges to Appropriations | <u>50,744,322</u> | <u>51,931,897</u> | <u>50,455,060</u> | <u>1,476,837</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 13,062,498</u> | <u>\$ 11,811,923</u> | <u>\$ 15,420,498</u> | <u>\$ 3,608,575</u> |
| Utilization of unassigned fund balance | <u>\$ 1,092,891</u> | <u>\$ 2,343,466</u> | <u>\$ -</u> | <u>\$ (2,343,466)</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*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>PLD Plan:</u> | | | | | | | | | | |
| Proportion of the net pension liability | 0.46% | 0.43% | 0.45% | 0.42% | 0.40% | 0.41% | 0.38% | 0.42% | 0.40% | 0.40% |
| Proportionate share of the net pension liability/(asset) | \$ 1,227,221 | \$ (138,367) | \$ 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 | \$ 3,188,824 | \$ 2,854,792 | \$ 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 | 38.49% | -4.85% | 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/(asset) | 93.26% | 100.86% | 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*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>PLD Plan:</u> | | | | | | | | | | |
| Contractually required contribution | \$ 498,558 | \$ 361,202 | \$ 295,392 | \$ 290,000 | \$ 255,104 | \$ 219,851 | \$ 207,672 | \$ 179,773 | \$ 172,498 | \$ 138,759 |
| Contributions in relation to the contractually required contribution | (498,558) | (361,202) | (295,392) | (290,000) | (255,104) | (219,851) | (207,672) | (179,773) | (172,498) | (138,759) |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll | \$ 4,289,066 | \$ 3,188,824 | \$ 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 | 11.62% | 11.33% | 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*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>PLD Life Insurance:</u> | | | | | | |
| Proportion of the net OPEB liability | 0.11% | 0.09% | 0.06% | 0.05% | 0.04% | 0.04% |
| Town's proportionate share of the net OPEB liability | \$ 16,075 | \$ 9,154 | \$ 8,480 | \$ 9,648 | \$ 7,179 | \$ 6,584 |
| Total | <u>\$ 16,075</u> | <u>\$ 9,154</u> | <u>\$ 8,480</u> | <u>\$ 9,648</u> | <u>\$ 7,179</u> | <u>\$ 6,584</u> |
| Covered payroll | \$ 3,188,824 | \$ 2,854,792 | \$ 2,789,873 | \$ 2,475,602 | \$ 2,226,462 | \$ 2,221,570 |
| Proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.50% | 0.32% | 0.30% | 0.39% | 0.32% | 0.30% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 56.15% | 48.68% | 55.40% | 43.18% | 43.92% | 47.42% |

* 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, 2023

Increase (Decrease)

| | Net OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|--|------------------------------|--|------------------------------------|
| Balances at 1/1/22 (Reporting June 30, 2023) | \$ 432,087 | \$ - | \$ 432,087 |
| Changes for the year: | | | |
| Service cost | 41,259 | - | 41,259 |
| Interest | 9,713 | - | 9,713 |
| Changes of benefits | - | - | - |
| Differences between expected and actual experience | - | - | - |
| Changes of assumptions | (55,286) | - | (55,286) |
| Contributions - employer | - | 3,675 | (3,675) |
| Contributions - member | - | - | - |
| Net investment income | - | - | - |
| Benefit payments | (3,675) | (3,675) | - |
| Administrative expense | - | - | - |
| Net changes | <u>(7,989)</u> | <u>-</u> | <u>(7,989)</u> |
| Balances at 1/1/23 (Reporting June 30, 2023) | <u>\$ 424,098</u> | <u>\$ -</u> | <u>\$ 424,098</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*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Total OPEB liability</u> | | | | | | |
| Service cost (BOY) | \$ 41,259 | \$ 43,028 | \$ 37,425 | \$ 22,257 | \$ 24,701 | \$ 20,575 |
| Interest (includes interest on service cost) | 9,713 | 12,697 | 14,037 | 15,218 | 13,022 | 13,283 |
| Changes of benefit terms | - | - | - | (9,593) | - | - |
| Differences between expected and actual experience | - | (152,409) | - | 10,397 | - | (30,010) |
| Changes of assumptions | (55,286) | (24,332) | 35,044 | 93,782 | (35,983) | 26,525 |
| Benefit payments, including refunds of member contributions | (3,675) | (5,569) | (5,355) | (6,815) | (6,553) | (8,150) |
| Net change in total OPEB liability | \$ (7,989) | \$ (126,585) | \$ 81,151 | \$ 125,246 | \$ (4,813) | \$ 22,223 |
| Total OPEB liability - beginning | \$ 432,087 | \$ 558,672 | \$ 477,521 | \$ 352,275 | \$ 357,088 | \$ 334,865 |
| Total OPEB liability - ending | \$ 424,098 | \$ 432,087 | \$ 558,672 | \$ 477,521 | \$ 352,275 | \$ 357,088 |
| <u>Plan fiduciary net position</u> | | | | | | |
| Contributions - employer | \$ 3,675 | \$ 5,569 | \$ 5,355 | \$ 6,815 | \$ 6,553 | \$ 8,150 |
| Contributions - member | - | - | - | - | - | - |
| Net investment income | - | - | - | - | - | - |
| Benefit payments, including refunds of member contributions | (3,675) | (5,569) | (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 | \$ 424,098 | \$ 432,087 | \$ 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% | 0.0% | 0.0% |
| Covered payroll | \$ 3,837,426 | \$ 3,837,426 | \$ 3,611,337 | \$ 3,611,337 | \$ 2,708,061 | \$ 2,708,061 |
| Net OPEB liability as a percentage of covered payroll | 11.1% | 11.3% | 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>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>PLD Life Insurance:</u> | | | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll | \$ 4,289,066 | \$ 3,188,824 | \$ 2,854,792 | \$ 2,789,873 | \$ 2,475,602 | \$ 2,226,462 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>MMEHT:</u> | | | | | | |
| Employer contributions | \$ 3,675 | \$ 5,569 | \$ 5,355 | \$ 6,815 | \$ 6,553 | \$ 8,150 |
| Benefit payments | (3,675) | (5,569) | (5,355) | (6,815) | (6,553) | (8,150) |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll | \$ 3,837,426 | \$ 3,837,426 | \$ 3,611,337 | \$ 3,611,337 | \$ 2,708,061 | \$ 2,708,061 |
| Contributions as a percentage of covered payroll | 0.10% | 0.15% | 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, 2023

Changes of Assumptions

MEPERS PLD Plan:

There were no changes of assumptions.

MEPERS PLD OPEB Plan:

There were no changes of assumptions.

Maine Municipal Health Trust:

There was a change in the discount rate from 2.06% to 3.72% per GASB 75 discount rate selection. Ultimate medical trends were aligned to the higher inflation environment for the roll forward as of this measurement date.

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, 2023

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|--------------------|-----------------------|------------------|------------------|---------------------------------|
| General Government - | | | | | |
| General Government Expenses | \$ 782,983 | \$ - | \$ 782,983 | \$ 837,869 | \$ (54,886) |
| Selectboard | 38,168 | - | 38,168 | 30,553 | 7,615 |
| Town Manager | 337,141 | - | 337,141 | 412,023 | (74,882) |
| Town Clerk | 132,285 | - | 132,285 | 155,982 | (23,697) |
| Ballot Clerks | 28,000 | - | 28,000 | 21,176 | 6,824 |
| Assessors | 235,180 | - | 235,180 | 237,930 | (2,750) |
| Community Development | 505,071 | - | 505,071 | 527,078 | (22,007) |
| Town Hall | 152,296 | - | 152,296 | 158,828 | (6,532) |
| Computer Department | 416,519 | - | 416,519 | 349,435 | 67,084 |
| Conservation Commission | 3,036 | - | 3,036 | 1,920 | 1,116 |
| Site Plan Review Board | 6,727 | - | 6,727 | 4,405 | 2,322 |
| Zoning Board of Appeals | 1,230 | - | 1,230 | 1,840 | (610) |
| Board of Assessment Review | 1,000 | - | 1,000 | - | 1,000 |
| Historic Preservation Committee | 4,928 | - | 4,928 | 3,737 | 1,191 |
| Lower Village Committee | 2,000 | - | 2,000 | 2,427 | (427) |
| Bicentennial Committee | - | - | - | 20,998 | (20,998) |
| West Kennebunk Village Committee | 2,000 | - | 2,000 | 1,350 | 650 |
| Energy Efficiency Committee | 2,000 | - | 2,000 | - | 2,000 |
| Affordable Housing Committee | 200 | - | 200 | - | 200 |
| Community Garden Committee | 4,000 | - | 4,000 | - | 4,000 |
| Planning Board | 12,978 | - | 12,978 | 11,084 | 1,894 |
| | <u>2,667,742</u> | <u>-</u> | <u>2,667,742</u> | <u>2,793,327</u> | <u>(125,585)</u> |

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------|--------------------|-----------------------|------------------|------------------|---------------------------------|
| Public Works - | | | | | |
| Highway | 1,886,582 | - | 1,886,582 | 1,774,976 | 111,606 |
| | <u>1,886,582</u> | <u>-</u> | <u>1,886,582</u> | <u>1,774,976</u> | <u>111,606</u> |
| Education | 28,016,335 | - | 28,016,335 | 28,016,335 | - |
| County Tax | 1,420,176 | - | 1,420,176 | 1,420,176 | - |
| Recreation and Culture - | | | | | |
| Life Guards | 91,720 | - | 91,720 | 82,275 | 9,445 |
| Parks | 55,000 | - | 55,000 | 57,049 | (2,049) |
| Recreation | 719,764 | - | 719,764 | 848,857 | (129,093) |
| Kennebunk Free Library | 623,690 | - | 623,690 | 619,690 | 4,000 |
| | <u>1,490,174</u> | <u>-</u> | <u>1,490,174</u> | <u>1,607,871</u> | <u>(117,697)</u> |
| Health and Welfare - | | | | | |
| Recycling | 329,643 | - | 329,643 | 325,088 | 4,555 |
| Solid Waste | 12,000 | - | 12,000 | 9,428 | 2,572 |
| Social Services | 64,484 | - | 64,484 | 76,973 | (12,489) |
| | <u>406,127</u> | <u>-</u> | <u>406,127</u> | <u>411,489</u> | <u>(5,362)</u> |
| Employee Benefits - | | | | | |
| Health Benefits | 2,009,405 | - | 2,009,405 | 1,584,091 | 425,314 |
| FICA | 606,843 | - | 606,843 | 606,995 | (152) |
| Retirement | 653,726 | - | 653,726 | 733,807 | (80,081) |
| Workers Comp | 308,971 | - | 308,971 | 308,247 | 724 |
| Unemployment Comp | 16,604 | - | 16,604 | 4,862 | 11,742 |
| Salary and wage adjustments | 100,000 | - | 100,000 | - | 100,000 |
| | <u>3,695,549</u> | <u>-</u> | <u>3,695,549</u> | <u>3,238,002</u> | <u>357,547</u> |

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|--------------------|-----------------------|------------------|------------------|---------------------------------|
| Agency Requests - | | | | | |
| York County Community Action | 6,000 | - | 6,000 | 6,000 | - |
| York County Child Abuse Council | 1,000 | - | 1,000 | 1,000 | - |
| Caring Unlimited | 4,000 | - | 4,000 | 4,000 | - |
| So. Maine Area Agency on Aging | 5,000 | - | 5,000 | 5,000 | - |
| Senior Center at Lower Village | 2,500 | - | 2,500 | 2,500 | - |
| American Red Cross | 500 | - | 500 | 500 | - |
| Home Health Visiting Nurses | 3,000 | - | 3,000 | 3,000 | - |
| Community Outreach Services | 11,000 | - | 11,000 | 11,000 | - |
| York County Food Shelter | 1,000 | - | 1,000 | - | 1,000 |
| Community Harvest | 10,000 | - | 10,000 | 10,000 | - |
| No Place Like Home | 1,200 | - | 1,200 | 1,000 | 200 |
| | <u>45,200</u> | <u>-</u> | <u>45,200</u> | <u>44,000</u> | <u>1,200</u> |
| Public Safety - | | | | | |
| Police | 2,520,474 | - | 2,520,474 | 2,508,046 | 12,428 |
| Communications | 359,917 | - | 359,917 | 347,256 | 12,661 |
| Civil Emergency Preparedness | 10,050 | - | 10,050 | 4,971 | 5,079 |
| Hydrants and Street Lights | 524,275 | - | 524,275 | 491,257 | 33,018 |
| Fire Department | 2,803,230 | - | 2,803,230 | 2,682,165 | 121,065 |
| | <u>6,217,946</u> | <u>-</u> | <u>6,217,946</u> | <u>6,033,695</u> | <u>184,251</u> |

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|-------------------------------|----------------------|-----------------------|----------------------|----------------------|---------------------------------|
| Unclassified - | | | | | |
| Harbormaster | 29,294 | - | 29,294 | 49,508 | (20,214) |
| Tree Warden | 20,000 | - | 20,000 | 9,600 | 10,400 |
| Cemetery maintenance | - | - | - | 22,591 | (22,591) |
| Memorial Day | 1,000 | - | 1,000 | 1,000 | - |
| Facilities | 93,000 | - | 93,000 | 90,835 | 2,165 |
| Overlay | 1,092,891 | - | 1,092,891 | 91,774 | 1,001,117 |
| | <u>1,236,185</u> | <u>-</u> | <u>1,236,185</u> | <u>265,308</u> | <u>970,877</u> |
| Transfers to Other Funds - | | | | | |
| Special Revenue Funds | 1,522,373 | 63,000 | 1,585,373 | 1,585,373 | - |
| Capital Projects Funds | 2,139,933 | 1,124,575 | 3,264,508 | 3,264,508 | - |
| | <u>3,662,306</u> | <u>1,187,575</u> | <u>4,849,881</u> | <u>4,849,881</u> | <u>-</u> |
| Total Departmental Operations | <u>\$ 50,744,322</u> | <u>\$ 1,187,575</u> | <u>\$ 51,931,897</u> | <u>\$ 50,455,060</u> | <u>\$ 1,376,837</u> |

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------------|--------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 12,457 | \$ 12,457 |
| Investments | - | - | 43,021 | 43,021 |
| Due from other funds | 5,120,996 | 4,448,399 | - | 9,569,395 |
| TOTAL ASSETS | <u>\$ 5,120,996</u> | <u>\$ 4,448,399</u> | <u>\$ 55,478</u> | <u>\$ 9,624,873</u> |
| LIABILITIES | | | | |
| Due to other funds | \$ - | \$ 515,966 | \$ 18,348 | \$ 534,314 |
| TOTAL LIABILITIES | <u>-</u> | <u>515,966</u> | <u>18,348</u> | <u>534,314</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue | 879,528 | - | - | 879,528 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>879,528</u> | <u>-</u> | <u>-</u> | <u>879,528</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 4,114,533 | 653,773 | 37,130 | 4,805,436 |
| Committed | - | 3,794,626 | - | 3,794,626 |
| Assigned | 126,935 | - | - | 126,935 |
| Unassigned (deficits) | - | (515,966) | - | (515,966) |
| TOTAL FUND BALANCES | <u>4,241,468</u> | <u>3,932,433</u> | <u>37,130</u> | <u>8,211,031</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 5,120,996</u> | <u>\$ 4,448,399</u> | <u>\$ 55,478</u> | <u>\$ 9,624,873</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, 2023

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------------|--------------------|---|
| REVENUES | | | | |
| Intergovernmental revenue | \$ 348,969 | \$ - | \$ - | \$ 348,969 |
| Interest income | - | - | 19 | 19 |
| Other | 39,357 | 1,426,124 | - | 1,465,481 |
| TOTAL REVENUES | <u>388,326</u> | <u>1,426,124</u> | <u>19</u> | <u>1,814,469</u> |
| EXPENDITURES | | | | |
| Administration | 527,563 | 79,877 | - | 607,440 |
| Public works | 73,887 | 42,619 | - | 116,506 |
| Public safety | - | 36,159 | - | 36,159 |
| Debt service: | | | | |
| Principal | 582,652 | 1,947,348 | - | 2,530,000 |
| Interest | 170,073 | 421,634 | - | 591,707 |
| Capital outlay | 380,862 | 2,144,223 | - | 2,525,085 |
| Unclassified | - | - | 3,985 | 3,985 |
| TOTAL EXPENDITURES | <u>1,735,037</u> | <u>4,671,860</u> | <u>3,985</u> | <u>6,410,882</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,346,711)</u> | <u>(3,245,736)</u> | <u>(3,966)</u> | <u>(4,596,413)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,585,373 | 3,188,508 | - | 4,773,881 |
| Transfers (out) | (39,000) | - | - | (39,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,546,373</u> | <u>3,188,508</u> | <u>-</u> | <u>4,734,881</u> |
| NET CHANGE IN FUND BALANCES | 199,662 | (57,228) | (3,966) | 138,468 |
| FUND BALANCES - JULY 1, RESTATED | <u>4,041,806</u> | <u>3,989,661</u> | <u>41,096</u> | <u>8,072,563</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 4,241,468</u> | <u>\$ 3,932,433</u> | <u>\$ 37,130</u> | <u>\$ 8,211,031</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, 2023

| | Conservation Land Purchase | Building Revenues | K-9 | ARPA | Harbor- master | Route 1 TIF | West Kennebunk TIF | Lower Village TIF | Total |
|---|----------------------------------|----------------------|-----------------|-------------------|-------------------|---------------------|--------------------------|-------------------------|---------------------|
| ASSETS | | | | | | | | | |
| Due from other funds | \$ 3,430 | \$ 6,194 | \$ 7,500 | \$ 879,528 | \$ 109,811 | \$ 1,451,058 | \$ 2,554,669 | \$ 108,806 | \$ 5,120,996 |
| TOTAL ASSETS | <u>\$ 3,430</u> | <u>\$ 6,194</u> | <u>\$ 7,500</u> | <u>\$ 879,528</u> | <u>\$ 109,811</u> | <u>\$ 1,451,058</u> | <u>\$ 2,554,669</u> | <u>\$ 108,806</u> | <u>\$ 5,120,996</u> |
| LIABILITIES | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | |
| Deferred revenue | - | - | - | 879,528 | - | - | - | - | 879,528 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> | <u>879,528</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>879,528</u> |
| FUND BALANCES | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | 1,451,058 | 2,554,669 | 108,806 | 4,114,533 |
| Committed | - | - | - | - | - | - | - | - | - |
| Assigned | 3,430 | 6,194 | 7,500 | - | 109,811 | - | - | - | 126,935 |
| Unassigned | - | - | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>3,430</u> | <u>6,194</u> | <u>7,500</u> | <u>-</u> | <u>109,811</u> | <u>1,451,058</u> | <u>2,554,669</u> | <u>108,806</u> | <u>4,241,468</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 3,430</u> | <u>\$ 6,194</u> | <u>\$ 7,500</u> | <u>\$ 879,528</u> | <u>\$ 109,811</u> | <u>\$ 1,451,058</u> | <u>\$ 2,554,669</u> | <u>\$ 108,806</u> | <u>\$ 5,120,996</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 SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | Conservation Land Purchase | Building Revenues | K-9 | ARPA | Harbor- master | Route 1 TIF | West Kennebunk TIF | Lower Village TIF | Total |
|--|----------------------------------|----------------------|-----------------|----------------|-------------------|---------------------|--------------------------|-------------------------|---------------------|
| REVENUES | | | | | | | | | |
| Intergovernmental revenues | \$ - | \$ - | \$ - | \$ 348,969 | \$ - | \$ - | \$ - | \$ - | \$ 348,969 |
| Other | - | - | 7,500 | - | 31,857 | - | - | - | 39,357 |
| TOTAL REVENUES | - | - | 7,500 | 348,969 | 31,857 | - | - | - | 388,326 |
| EXPENDITURES | | | | | | | | | |
| Administration | - | - | - | 327,466 | - | 88,051 | 56,023 | 56,023 | 527,563 |
| Public works | - | - | - | - | - | 59,446 | 6,461 | 7,980 | 73,887 |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | - | 465,557 | 79,000 | 38,095 | 582,652 |
| Interest | - | - | - | - | - | 133,547 | 29,125 | 7,401 | 170,073 |
| Capital outlay | - | - | - | 21,503 | 81,741 | 227,618 | 50,000 | - | 380,862 |
| TOTAL EXPENDITURES | - | - | - | 348,969 | 81,741 | 974,219 | 220,609 | 109,499 | 1,735,037 |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | - | - | 7,500 | - | (49,884) | (974,219) | (220,609) | (109,499) | (1,346,711) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers in | - | - | - | - | - | 946,551 | 491,655 | 147,167 | 1,585,373 |
| Transfers (out) | - | - | - | - | - | (13,000) | (13,000) | (13,000) | (39,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - | - | 933,551 | 478,655 | 134,167 | 1,546,373 |
| NET CHANGE IN FUND BALANCES | - | - | 7,500 | - | (49,884) | (40,668) | 258,046 | 24,668 | 199,662 |
| FUND BALANCES - JULY 1, RESTATED | 3,430 | 6,194 | - | - | 159,695 | 1,491,726 | 2,296,623 | 84,138 | 4,041,806 |
| FUND BALANCES - JUNE 30 | \$ 3,430 | \$ 6,194 | \$ 7,500 | \$ - | \$ 109,811 | \$ 1,451,058 | \$ 2,554,669 | \$ 108,806 | \$ 4,241,468 |

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, 2023

| | Fire/Ambulance Projects | | Public Safety | Dorothy Stevens | Public Works | Police | Signs | 10 Park St |
|--|-------------------------|-----------------|-----------------|------------------|------------------|------------------|-----------------|-----------------|
| | West Kennebunk | Dry | Safety | Stevens | Public Works | Police | | 10 Park St |
| | Fire Station | Hydrants | Facilities | Center | Equipment | Vehicles and | | Facility |
| | | | | | | Equipment | | |
| ASSETS | | | | | | | | |
| Due from other funds | \$ 43,571 | \$ 9,725 | \$ 7,389 | \$ 13,456 | \$ 21,386 | \$ 40,490 | \$ 1,785 | \$ - |
| TOTAL ASSETS | <u>\$ 43,571</u> | <u>\$ 9,725</u> | <u>\$ 7,389</u> | <u>\$ 13,456</u> | <u>\$ 21,386</u> | <u>\$ 40,490</u> | <u>\$ 1,785</u> | <u>\$ -</u> |
| LIABILITIES | | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 53,478 |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>53,478</u> |
| FUND BALANCES (DEFICITS) | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - | - |
| Committed | 43,571 | 9,725 | 7,389 | 13,456 | 21,386 | 40,490 | 1,785 | - |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | (53,478) |
| TOTAL FUND BALANCES (DEFICITS) | <u>43,571</u> | <u>9,725</u> | <u>7,389</u> | <u>13,456</u> | <u>21,386</u> | <u>40,490</u> | <u>1,785</u> | <u>(53,478)</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 43,571</u> | <u>\$ 9,725</u> | <u>\$ 7,389</u> | <u>\$ 13,456</u> | <u>\$ 21,386</u> | <u>\$ 40,490</u> | <u>\$ 1,785</u> | <u>\$ -</u> |

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2023

| | 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 |
|---|------------------------|------------------------------------|-------------------|--------------------|--|-----------------------------------|-------------------|
| ASSETS | | | | | | | |
| Due from other funds | \$ 96,216 | \$ 191,207 | \$ 141,523 | \$ 15,305 | \$ - | \$ 15,231 | \$ 46,529 |
| TOTAL ASSETS | <u>\$ 96,216</u> | <u>\$ 191,207</u> | <u>\$ 141,523</u> | <u>\$ 15,305</u> | <u>\$ -</u> | <u>\$ 15,231</u> | <u>\$ 46,529</u> |
| LIABILITIES | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ 23,728 | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>23,728</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - |
| Committed | 96,216 | 191,207 | 141,523 | 15,305 | - | 15,231 | 46,529 |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | (23,728) | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>96,216</u> | <u>191,207</u> | <u>141,523</u> | <u>15,305</u> | <u>(23,728)</u> | <u>15,231</u> | <u>46,529</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 96,216</u> | <u>\$ 191,207</u> | <u>\$ 141,523</u> | <u>\$ 15,305</u> | <u>\$ -</u> | <u>\$ 15,231</u> | <u>\$ 46,529</u> |

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2023

| | Budget Board | Public Works Projects Bicycle Impact | Parking Lots | West Kennebunk Holand Road Field | Town Garage and Transfer Station | Roads and Paving Capital Fund | HVAC Systems and Insulation | Seawalls (FEMA) |
|---|-------------------|---|------------------|-------------------------------------|-------------------------------------|----------------------------------|-----------------------------------|--------------------|
| ASSETS | | | | | | | | |
| Due from other funds | \$ 111,708 | \$ 370,123 | \$ 44,393 | \$ 59,571 | \$ 2,564,707 | \$ - | \$ 42,103 | \$ 172,919 |
| TOTAL ASSETS | \$ 111,708 | \$ 370,123 | \$ 44,393 | \$ 59,571 | \$ 2,564,707 | \$ - | \$ 42,103 | \$ 172,919 |
| LIABILITIES | | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 438,760 | \$ - | \$ - |
| TOTAL LIABILITIES | - | - | - | - | - | 438,760 | - | - |
| FUND BALANCES (DEFICITS) | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | - | 370,123 | - | 59,571 | - | - | - | 172,919 |
| Committed | 111,708 | - | 44,393 | - | 2,564,707 | - | 42,103 | - |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | (438,760) | - | - |
| TOTAL FUND BALANCES (DEFICITS) | 111,708 | 370,123 | 44,393 | 59,571 | 2,564,707 | (438,760) | 42,103 | 172,919 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | | | | |
| | \$ 111,708 | \$ 370,123 | \$ 44,393 | \$ 59,571 | \$ 2,564,707 | \$ - | \$ 42,103 | \$ 172,919 |

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2023

| | Town Hall Computer Hardware and Software | Parks and Recreation Projects | Capital Reserve/Impr. | Tree Projects | Town Hall Repair | Total |
|---|---|-------------------------------------|--------------------------|------------------|---------------------|---------------------|
| ASSETS | | | | | | |
| Due from other funds | \$ 109,150 | \$ 155,613 | \$ 111,993 | \$ 11,146 | \$ 51,160 | \$ 4,448,399 |
| TOTAL ASSETS | <u>\$ 109,150</u> | <u>\$ 155,613</u> | <u>\$ 111,993</u> | <u>\$ 11,146</u> | <u>\$ 51,160</u> | <u>\$ 4,448,399</u> |
| LIABILITIES | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 515,966 |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>515,966</u> |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | - | - | - | 51,160 | 653,773 |
| Committed | 109,150 | 155,613 | 111,993 | 11,146 | - | 3,794,626 |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | (515,966) |
| TOTAL FUND BALANCES (DEFICITS) | <u>109,150</u> | <u>155,613</u> | <u>111,993</u> | <u>11,146</u> | <u>51,160</u> | <u>3,932,433</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 109,150</u> | <u>\$ 155,613</u> | <u>\$ 111,993</u> | <u>\$ 11,146</u> | <u>\$ 51,160</u> | <u>\$ 4,448,399</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 CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | Fire/Ambulance Projects | | Public | Dorothy | Public Works | Police | | 10 Park St |
|---|-------------------------|----------|------------|-----------|--------------|--------------|----------|-------------|
| | West Kennebunk | Dry | Safety | Stevens | Public Works | Police | Signs | Facility |
| | Fire Station | Hydrants | Facilities | Center | Equipment | Vehicles and | | |
| | | | | | | Equipment | | |
| REVENUES | | | | | | | | |
| Other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL REVENUES | - | - | - | - | - | - | - | - |
| EXPENDITURES | | | | | | | | |
| Administration | - | - | - | - | - | - | - | - |
| Public works | - | - | - | - | 4,040 | - | 6,279 | - |
| Public safety | 30,000 | - | - | - | - | 6,159 | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - |
| Capital outlay | 11,497 | - | - | - | 576,625 | 283,804 | - | - |
| TOTAL EXPENDITURES | 41,497 | - | - | - | 580,665 | 289,963 | 6,279 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (41,497) | - | - | - | (580,665) | (289,963) | (6,279) | - |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | - | 27,000 | 198,647 | - | - |
| Transfers (out) | - | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - | 27,000 | 198,647 | - | - |
| NET CHANGE IN FUND BALANCES (DEFICITS) | (41,497) | - | - | - | (553,665) | (91,316) | (6,279) | - |
| FUND BALANCES (DEFICITS) - JULY 1, RESTATED | 85,068 | 9,725 | 7,389 | 13,456 | 575,051 | 131,806 | 8,064 | (53,478) |
| FUND BALANCES (DEFICITS) - JUNE 30 | \$ 43,571 | \$ 9,725 | \$ 7,389 | \$ 13,456 | \$ 21,386 | \$ 40,490 | \$ 1,785 | \$ (53,478) |

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | 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 | \$ - | \$ 52,973 | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL REVENUES | - | 52,973 | - | - | - | - | - |
| EXPENDITURES | | | | | | | |
| Administration | 7,381 | - | - | - | - | - | - |
| Public works | - | - | 8,676 | - | - | - | 1,108 |
| Public safety | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal | - | 1,947,348 | - | - | - | - | - |
| Interest | - | 421,634 | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| TOTAL EXPENDITURES | 7,381 | 2,368,982 | 8,676 | - | - | - | 1,108 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (7,381) | (2,316,009) | (8,676) | - | - | - | (1,108) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | 2,539,933 | 70,000 | 42,000 | - | - | - |
| Transfers (out) | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 2,539,933 | 70,000 | 42,000 | - | - | - |
| NET CHANGE IN FUND BALANCES (DEFICITS) | (7,381) | 223,924 | 61,324 | 42,000 | - | - | (1,108) |
| FUND BALANCES (DEFICITS) - JULY 1, RESTATED | 103,597 | (32,717) | 80,199 | (26,695) | (23,728) | 15,231 | 47,637 |
| FUND BALANCES (DEFICITS) - JUNE 30 | \$ 96,216 | \$ 191,207 | \$ 141,523 | \$ 15,305 | \$ (23,728) | \$ 15,231 | \$ 46,529 |

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, 2023

| | Budget Board | Public Works Projects | | West Kennebunk Holand Road Field | Town Garage and Transfer Station | Roads and Paving Capital Fund | HVAC Systems and Insulation | Seawalls (FEMA) |
|---|--------------|-----------------------|-----------------|--|--|-------------------------------------|-----------------------------------|--------------------|
| | | Bicycle Impact | Parking Lots | | | | | |
| REVENUES | | | | | | | | |
| Other | \$ - | \$ 36,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,299,310 |
| TOTAL REVENUES | - | 36,000 | - | - | - | - | - | 1,299,310 |
| EXPENDITURES | | | | | | | | |
| Administration | - | - | - | - | - | - | - | - |
| Public works | - | - | - | - | - | 344 | - | - |
| Public safety | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | 147,793 | 1,047,257 | - | - |
| TOTAL EXPENDITURES | - | - | - | - | 147,793 | 1,047,601 | - | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | 36,000 | - | - | (147,793) | (1,047,601) | - | 1,299,310 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | 25,000 | - | 87,500 | - | - |
| Transfers (out) | - | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | 25,000 | - | 87,500 | - | - |
| NET CHANGE IN FUND BALANCES (DEFICITS) | - | 36,000 | - | 25,000 | (147,793) | (960,101) | - | 1,299,310 |
| FUND BALANCES (DEFICITS) - JULY 1, RESTATED | 111,708 | 334,123 | 44,393 | 34,571 | 2,712,500 | 521,341 | 42,103 | (1,126,391) |
| FUND BALANCES (DEFICITS) - JUNE 30 | \$ 111,708 | \$ 370,123 | \$ 44,393 | \$ 59,571 | \$ 2,564,707 | \$ (438,760) | \$ 42,103 | \$ 172,919 |

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | Town Hall Computer Hardware and Software | Parks and Recreation Projects | Capital Reserve/Impr. | Tree Projects | Town Hall Repair | Total |
|---|---|-------------------------------------|--------------------------|------------------|---------------------|---------------------|
| REVENUES | | | | | | |
| Other | \$ - | \$ 23,037 | \$ - | \$ 14,804 | \$ - | \$ 1,426,124 |
| TOTAL REVENUES | <u>-</u> | <u>23,037</u> | <u>-</u> | <u>14,804</u> | <u>-</u> | <u>1,426,124</u> |
| EXPENDITURES | | | | | | |
| Administration | 43,507 | - | 28,989 | - | - | 79,877 |
| Public works | - | - | - | 9,482 | 12,690 | 42,619 |
| Public safety | - | - | - | - | - | 36,159 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | 1,947,348 |
| Interest | - | - | - | - | - | 421,634 |
| Capital outlay | 41,986 | 18,650 | 16,611 | - | - | 2,144,223 |
| TOTAL EXPENDITURES | <u>85,493</u> | <u>18,650</u> | <u>45,600</u> | <u>9,482</u> | <u>12,690</u> | <u>4,671,860</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(85,493)</u> | <u>4,387</u> | <u>(45,600)</u> | <u>5,322</u> | <u>(12,690)</u> | <u>(3,245,736)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 148,428 | 50,000 | - | - | - | 3,188,508 |
| Transfers (out) | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>148,428</u> | <u>50,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,188,508</u> |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 62,935 | 54,387 | (45,600) | 5,322 | (12,690) | (57,228) |
| FUND BALANCES (DEFICITS) - JULY 1, RESTATED | 46,215 | 101,226 | 157,593 | 5,824 | 63,850 | 3,989,661 |
| FUND BALANCES (DEFICITS) - JUNE 30 | <u>\$ 109,150</u> | <u>\$ 155,613</u> | <u>\$ 111,993</u> | <u>\$ 11,146</u> | <u>\$ 51,160</u> | <u>\$ 3,932,433</u> |

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, 2023

| | Littlefield Educational Trust | Cemetery Trust | | Martha Bragdon Trust | Total |
|--|-------------------------------------|-----------------|-------------------|----------------------------|------------------|
| | | Monument Lot | Centennial Lot | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 2,563 | \$ 3,545 | \$ 6,349 | \$ 12,457 |
| Investments | 43,021 | - | - | - | 43,021 |
| TOTAL ASSETS | \$ 43,021 | \$ 2,563 | \$ 3,545 | \$ 6,349 | \$ 55,478 |
| LIABILITIES | | | | | |
| Due to other funds | \$ 11,999 | \$ - | \$ - | \$ 6,349 | \$ 18,348 |
| TOTAL LIABILITIES | 11,999 | - | - | 6,349 | 18,348 |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 31,022 | 2,563 | 3,545 | - | 37,130 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| TOTAL FUND BALANCES | 31,022 | 2,563 | 3,545 | - | 37,130 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 43,021 | \$ 2,563 | \$ 3,545 | \$ 6,349 | \$ 55,478 |

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, 2023

| | Littlefield Educational Trust | Cemetery Trust | | Martha Bragdon Trust | Total |
|-----------------------------|-------------------------------------|-----------------|-------------------|----------------------------|------------------|
| | | Monument Lot | Centennial Lot | | |
| REVENUES | | | | | |
| Interest income | \$ - | \$ 8 | \$ 11 | \$ - | \$ 19 |
| TOTAL REVENUES | - | 8 | 11 | - | 19 |
| EXPENDITURES | | | | | |
| Other | 3,985 | - | - | - | 3,985 |
| TOTAL EXPENDITURES | 3,985 | - | - | - | 3,985 |
| NET CHANGE IN FUND BALANCES | (3,985) | 8 | 11 | - | (3,966) |
| FUND BALANCES - JULY 1 | 35,007 | 2,555 | 3,534 | - | 41,096 |
| FUND BALANCES - JUNE 30 | <u>\$ 31,022</u> | <u>\$ 2,563</u> | <u>\$ 3,545</u> | <u>\$ -</u> | <u>\$ 37,130</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, 2023

| | Land and Non-depreciable Assets | Buildings, Building Improvements and Land Improvements | Furniture, Fixtures, Equipment and Vehicles | Infrastructure | Total |
|--------------------------------|---------------------------------------|--|--|----------------------|----------------------|
| Administration | \$ 431,830 | \$ 1,173,208 | \$ 1,192,432 | \$ - | \$ 2,797,470 |
| Police | 75,100 | 1,650,222 | 2,583,953 | 25,000 | 4,334,275 |
| Fire | 1,520,153 | 2,255,696 | 6,384,338 | 5,854 | 10,166,041 |
| Public Works | 316,926 | 396,316 | 5,792,888 | 24,822,936 | 31,329,066 |
| Recreation and Culture | 241,806 | 426,225 | 877,807 | | 1,545,838 |
| Town-wide | <u>2,141,157</u> | <u>5,100,735</u> | <u>334,956</u> | <u>10,937,619</u> | <u>18,514,467</u> |
| Total General Capital Assets | 4,726,972 | 11,002,402 | 17,166,374 | 35,791,409 | 68,687,157 |
| Less: Accumulated Depreciation | <u>-</u> | <u>(8,491,785)</u> | <u>(13,422,767)</u> | <u>(20,755,427)</u> | <u>(42,669,979)</u> |
| Net General Capital Assets | <u>\$ 4,726,972</u> | <u>\$ 2,510,617</u> | <u>\$ 3,743,607</u> | <u>\$ 15,035,982</u> | <u>\$ 26,017,178</u> |

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, 2023

| | General Capital Assets 7/1/22 | Additions | Deletions | General Capital Assets 6/30/23 |
|--------------------------------|--|--------------------|-------------------|---|
| Administration | \$ 2,765,667 | \$ 70,303 | \$ (38,500) | \$ 2,797,470 |
| Police | 3,977,758 | 375,342 | (18,825) | 4,334,275 |
| Fire | 8,558,205 | 1,697,800 | (89,964) | 10,166,041 |
| Public Works | 29,564,018 | 1,800,263 | (35,215) | 31,329,066 |
| Recreation and Culture | 1,627,848 | 23,005 | (105,015) | 1,545,838 |
| Town-wide | <u>18,495,817</u> | <u>18,650</u> | <u>-</u> | <u>18,514,467</u> |
| Total General Capital Assets | 64,989,313 | 3,985,363 | (287,519) | 68,687,157 |
| Less: Accumulated Depreciation | <u>(39,958,629)</u> | <u>(2,993,599)</u> | <u>282,249</u> | <u>(42,669,979)</u> |
| Net General Capital Assets | <u>\$ 25,030,684</u> | <u>\$ 991,764</u> | <u>\$ (5,270)</u> | <u>\$ 26,017,178</u> |

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

Federal Compliance

Federal compliance includes financial information and reports that are required in accordance with Government Auditing Standards and/or the Uniform Guidance in accordance with 2 CFR § 515. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's 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
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

| Federal Grantor Pass Through Grantor Program Title | Federal AL Number | Pass Through Number | Federal Expenditures | Expenditures to Subrecipients |
|--|-------------------------|---------------------------|-------------------------|-------------------------------------|
| U. S. Department of Homeland Security | | | | |
| Federal Emergency Management Agency | | | | |
| Assistance to Firefighters Grant (AFG) Program | 97.044 | N/A | \$ 14,189 | \$ - |
| Emergency Management Performance Grant Program ARPA | 97.042 | N/A | 5,694 | - |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.038 | | 736,644 | - |
| | | | <u>756,527</u> | <u>-</u> |
| Total U.S. Department of Homeland Security | | | <u>756,527</u> | <u>-</u> |
| U.S. Department of Justice | | | | |
| Office of Justice Programs, Bureau of Justice Assistance: | | | | |
| Coronavirus Emergency Supplemental Funding Program | 16.034 | 19CV20 | 55,266 | - |
| Edward Byrne Memorial Justice Assistance Grant (JAG) | 16.738 | N/A | 1,712 | - |
| | | | <u>56,978</u> | <u>-</u> |
| Total U.S. Department of Justice | | | <u>56,978</u> | <u>-</u> |
| U.S. Department of Transportation | | | | |
| Passed through State of Maine Bureau of Highway Safety: | | | | |
| Highway Safety Cluster | | | | |
| State and Community Highway Safety - 2023 Speed Enforcement | 20.600 | PT-23-007 | 3,098 | - |
| State and Community Highway Safety - 2023 DRE/FP Training & Call Out | 20.600 | ID23-101 | 892 | - |
| State and Community Highway Safety - 2023 Impaired Driving Enforcement | 20.600 | ID23-031 | 622 | - |
| State and Community Highway Safety - 2023 Distracted Driving Enforcement | 20.600 | DD23-006 | 3,137 | - |
| Subtotal Highway Safety Cluster | | | <u>7,749</u> | <u>-</u> |
| Total U.S. Department of Transportation | | | <u>7,749</u> | <u>-</u> |
| U.S. Department of Housing and Urban Development | | | | |
| Passed through State of Maine Department of Economic and Community Development: | | | | |
| Community Development Block Grants | 14.228 | N/A | 3,070 | - |
| Total U.S. Department of Housing and Urban Development | | | <u>3,070</u> | <u>-</u> |
| U. S. Department of Treasury | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | 397,515 | - |
| Total U.S. Department of Treasury | | | <u>397,515</u> | <u>-</u> |
| TOTAL FEDERAL ASSISTANCE | | | <u>\$ 1,221,839</u> | <u>\$ -</u> |

TOWN OF KENNEBUNK, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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, 2023. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal awards programs of Town of Kennebunk, Maine for the fiscal year ended June 30, 2023. The reporting entity is defined in Notes to Financial Statements.
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with Uniform Guidance.
- C. Basis of Accounting - 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.
- C. Indirect Cost Rate - The Town of Kennebunk, Maine has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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INDEPENDENT AUDITOR'S 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, 2023 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 January 14, 2025.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to the management of the Town of Kennebunk, Maine in a separate letter dated January 14, 2025.

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
January 14, 2025



Proven Expertise & Integrity

INDEPENDENT AUDITOR'S 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

Opinion on Each Major Federal Program

We have audited the Town of Kennebunk, Maine's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility section of our report.

We are required to be independent of the Town of Kennebunk, Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Kennebunk, Maine's compliance with the compliance requirements referred to above.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Kennebunk, Maine's federal programs.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on the Town of Kennebunk, Maine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Kennebunk, Maine's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Kennebunk, Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Kennebunk, Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town of Kennebunk, Maine's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibility section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
January 14, 2025

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

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:

| <u>AL Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------|---|
| 97.083 | Staffing for Adequate Fire and Emergency Response |

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