

Audited Financial Statements

Town of Kennebunk, Maine

June 30, 2016



*Proven Expertise and Integrity*

TOWN OF KENNEBUNK, MAINE

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JUNE 30, 2016

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*Proven Expertise and Integrity*  
INDEPENDENT AUDITORS' REPORT

Board of Selectmen  
Town of Kennebunk  
Kennebunk, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and schedule of funding progress on pages 4 through 13 and 56 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017, on our consideration of the Town of Kennebunk, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kennebunk, Maine's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
February 17, 2017

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**(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, 2016. 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, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

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

**Government-Wide Financial Statements**

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

The Statement of Net 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, public works, recreation and culture, health and welfare and education.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Kennebunk include Pay-As-You-Throw (PAYT) trash program and electrical inspection program.

### **Fund Financial Statements**

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

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

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

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

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

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

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, Notes to Required Supplementary Information and a Schedule of Funding Progress for Retiree Healthcare Plan.

### **Other Supplementary Information**

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

## **Government-Wide Financial Analysis**

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total governmental net position increased by \$208,009 from \$25,366,501 to \$25,574,510. The Town's total business-type net position decreased by \$36,224 from a deficit of \$43,741 to a deficit of \$79,965.

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 - increased for governmental activities to a balance of \$12,376,456 at the end of this year. Unrestricted net position for business-type activities decreased to a deficit balance of \$81,616.

On June 14, 2016, the voters at the Town's Annual Town Meeting passed a referendum question that will, as of July 1, 2016, transfer \$87,000 from the unassigned general fund balance to the Pay-As-You-Throw Trash Program which will reduce the above business-type activities deficit from \$81,616 to a positive fund balance of \$5,384.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>				
Current assets	\$ 17,083,757	\$ 14,552,965	\$ (79,965)	\$ (43,741)
Capital assets	23,579,917	24,079,210	-	-
Total assets	<u>40,663,674</u>	<u>38,632,175</u>	<u>(79,965)</u>	<u>(43,741)</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions	823,599	259,189	-	-
Total deferred outflows of resources	<u>823,599</u>	<u>259,189</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities	3,031,553	3,220,541	-	-
Long-term debt outstanding	11,962,513	9,439,210	-	-
Total liabilities	<u>14,994,066</u>	<u>12,659,751</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Deferred revenue	228,519	210,946	-	-
Deferred inflows related to pensions	690,178	654,166	-	-
Total deferred inflows of resources	<u>918,697</u>	<u>865,112</u>	<u>-</u>	<u>-</u>
<b>Net position</b>				
Net investment in capital assets	11,970,917	14,540,942	-	-
Restricted	1,227,137	547,830	1,651	1,737
Unrestricted (deficit)	12,376,456	10,277,729	(81,616)	(45,478)
Total net position	<u>\$ 25,574,510</u>	<u>\$ 25,366,501</u>	<u>\$ (79,965)</u>	<u>\$ (43,741)</u>

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 2,079,163	\$ 1,919,662	\$ 480,875	\$ 419,807
Operating grants and contributions	149,764	148,236	-	-
Capital grants and contributions	-	117,057	-	-
<i>General Revenues:</i>				
Taxes	33,584,962	32,357,610	-	-
Grants and contributions not restricted to specific programs	823,524	829,748	-	-
Miscellaneous	443,385	362,089	-	-
Bond premium	144,703	-	-	-
Total revenues	<u>37,225,501</u>	<u>35,734,402</u>	<u>480,875</u>	<u>419,807</u>
<b>Expenses</b>				
General government	2,497,901	1,965,848	-	-
Public safety	4,474,056	4,372,014	-	-
Recreation and culture	1,461,017	1,432,660	-	-
Health and welfare	333,348	287,885	575,712	456,861
Public works	2,411,027	2,510,145	-	-
Education	21,698,081	20,829,596	-	-
County tax	1,312,678	1,281,995	-	-
Employee benefits	2,050,882	1,710,335	-	-
Agency requests	30,900	30,585	-	-
Interest on long-term debt	291,895	321,820	-	-
Unclassified	206,552	536,784	-	-
Unallocated depreciation (Note 4)	190,542	158,383	-	-
Total expenses	<u>36,958,879</u>	<u>35,438,050</u>	<u>575,712</u>	<u>456,861</u>
Transfers	<u>(58,613)</u>	<u>(75,125)</u>	<u>58,613</u>	<u>75,125</u>
Change in net position	208,009	221,227	(36,224)	38,071
Net position - July 1	<u>25,366,501</u>	<u>25,145,274</u>	<u>(43,741)</u>	<u>(81,812)</u>
Net position - June 30	<u>\$ 25,574,510</u>	<u>\$ 25,366,501</u>	<u>\$ (79,965)</u>	<u>\$ (43,741)</u>

## Revenues and Expenses

Revenues for the Town's governmental activities increased by 4.17%, while total expenses increased by 4.29%. The main increase in revenues was in taxes and the largest increases in expenses were in general government and education.

Proprietary fund revenues and expenses were consistent with the previous year with minor increases or decreases.

### 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,**

	2016	2015
Major Funds:		
General fund:		
Nonspendable	\$ 295,962	\$ 266,473
Committed	673,349	1,508,946
Assigned	210,215	133,134
Unassigned	8,545,687	7,724,589
Subtotal General Fund	9,725,213	9,633,142
Roads & paving capital fund		
Committed	1,188,372	252,544
Total Major Funds	\$ 10,913,585	\$ 9,885,686
Nonmajor Funds:		
Special revenue funds:		
Restricted	\$ 887,430	\$ 209,840
Assigned	131,581	180,382
Unassigned	(74,290)	(110,684)
Capital projects funds:		
Restricted	277,980	272,692
Committed	2,405,191	1,531,658
Assigned	34,313	10,048
Unassigned	-	(542,155)
Permanent funds:		
Restricted	61,727	65,298
Total Nonmajor Funds	\$ 3,723,932	\$ 1,617,079

The general fund total fund balance increased by \$92,071 from the prior fiscal year while the roads and paving capital fund increased by \$935,828. The nonmajor governmental fund balances increased by \$2,106,853 from the prior fiscal year.

*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 an operating loss for the current year of \$94,751. Likewise, the electrical inspection program had an operating loss for the current year of \$86. The Town is reviewing the PAYT program for future periods. The current year deficit was a result mostly of increased tipping fees charged contractually by Casella Waste Systems, Inc., as well as increased curbside collections fees charged contractually by Pine Tree Waste, Inc.

At the June 2016 annual town meeting, the Town authorized funds to be transferred from the general fund balance to the Pay-As-You-Throw trash program proprietary fund to eliminate the June 30, 2016 deficit of \$81,616.

### **Budgetary Highlights**

The significant difference between the original and final budget for the general fund was the use of committed fund balances.

The general fund actual revenues exceeded the budget by \$882,325. This was a result of nearly all revenue categories being received in excess of the budgeted amounts.

The general fund actual expenditures were under the budget by \$718,692. All expenditure categories were under budget with the exception of recreation and culture.

The overage in recreation and culture was primarily due to increased recreation programs offered to the community. The extra expenditures were paid for through additional revenues charged and received from the program participants.

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

#### **Capital Assets**

As of June 30, 2016, the net book value of capital assets recorded by the Town decreased by \$499,293. This decrease was the result of current year additions of \$1,455,291, less current year depreciation of \$1,954,584. Refer to Note 4 of Notes to Financial Statements for more detailed information.

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

	2016	2015
Land and improvements	\$ 3,453,380	\$ 2,598,733
Buildings and building improvements	3,098,482	4,079,591
Furniture and fixtures	25,868	32,493
Machinery, equipment and vehicles	3,304,203	3,260,940
Art work and historical treasures	41,000	41,000
Construction in progress	7,688	7,688
Infrastructure	13,649,296	14,058,765
<b>Total</b>	<b>\$ 23,579,917</b>	<b>\$ 24,079,210</b>

#### **Long-Term Debt Activity**

At June 30, 2016, the Town had \$11,609,000 in bonds outstanding versus \$9,535,000 last year. Other obligations include capital leases payable, accrued vacation and sick time, pension benefit obligations and net pension liability. Refer to Note 5 of Notes to Financial Statements for more detailed information. In addition, on June 14, 2016, the voters at the Town's Annual Town Meeting passed a referendum question authorizing the Town to issue \$2,570,000 in new bonds expected to be issued within the next two years.

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

The local economy and housing market continues to improve slowly. For fiscal year 2017 the Town's net municipal budget increased by 4.5% due to the addition of four full-time employees, an overall 1.5% wage increase as well as various contractual obligation increases. The Town's assessment for public education by Regional School Unit 21 (RSU 21), of which the town is a member municipality, increased 4.7% for fiscal year 2017; a significant portion of the increase was the debt service to renovate, equip and construct additions and/or new school facilities at the Mildred L. Day School in Arundel, the Kennebunkport Consolidated School in Kennebunkport, and the Kennebunk High School in Kennebunk.

For fiscal year 2016, the Town's tax mil rate was \$15.30; for fiscal year 2017, the rate will be \$15.90, a 3.9% 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, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 13,742,723	\$ -	\$ 13,742,723
Investments	1,720,449	-	1,720,449
Accounts receivable (net of allowance for uncollectibles):			
Taxes	717,802	-	717,802
Liens	196,210	-	196,210
Other	274,047	56,599	330,646
Tax acquired property	295,962	-	295,962
Internal balances	136,564	(136,564)	-
Total current assets	<u>17,083,757</u>	<u>(79,965)</u>	<u>17,003,792</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	2,527,336	-	2,527,336
Depreciable assets, net of accumulated depreciation	21,052,581	-	21,052,581
Total noncurrent assets	<u>23,579,917</u>	<u>-</u>	<u>23,579,917</u>
<b>TOTAL ASSETS</b>	<u>40,663,674</u>	<u>(79,965)</u>	<u>40,583,709</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	823,599	-	823,599
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>823,599</u>	<u>-</u>	<u>823,599</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 41,487,273</u>	<u>\$ (79,965)</u>	<u>\$ 41,407,308</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 501,756	\$ -	\$ 501,756
Accrued payroll	280,469	-	280,469
Other liabilities	595,508	-	595,508
Current portion of long-term obligations	1,653,820	-	1,653,820
Total current liabilities	<u>3,031,553</u>	<u>-</u>	<u>3,031,553</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	10,330,000	-	10,330,000
Pension benefit obligations	286,142	-	286,142
Net pension liability	1,346,371	-	1,346,371
Total noncurrent liabilities	<u>11,962,513</u>	<u>-</u>	<u>11,962,513</u>
<b>TOTAL LIABILITIES</b>	<u>14,994,066</u>	<u>-</u>	<u>14,994,066</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	228,519	-	228,519
Deferred inflows related to pensions	690,178	-	690,178
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>918,697</u>	<u>-</u>	<u>918,697</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,970,917	-	11,970,917
Restricted	1,227,137	1,651	1,228,788
Unrestricted (deficit)	12,376,456	(81,616)	12,294,840
<b>TOTAL NET POSITION</b>	<u>25,574,510</u>	<u>(79,965)</u>	<u>25,494,545</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 41,487,273</u>	<u>\$ (79,965)</u>	<u>\$ 41,407,308</u>

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

## STATEMENT B

TOWN OF KENNEBUNK, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 2,497,901	\$ 374,021	\$ -	\$ -	\$ (2,123,880)	\$ -	\$ (2,123,880)
Public safety	4,474,056	889,940	-	-	(3,584,116)	-	(3,584,116)
Recreation and culture	1,461,017	799,092	-	-	(661,925)	-	(661,925)
Health and welfare	333,348	4,000	-	-	(329,348)	-	(329,348)
Public works	2,411,027	12,110	149,764	-	(2,249,153)	-	(2,249,153)
Education	21,698,081	-	-	-	(21,698,081)	-	(21,698,081)
County tax	1,312,678	-	-	-	(1,312,678)	-	(1,312,678)
Employee benefits	2,050,882	-	-	-	(2,050,882)	-	(2,050,882)
Agency requests	30,900	-	-	-	(30,900)	-	(30,900)
Interest on long-term debt	291,895	-	-	-	(291,895)	-	(291,895)
Unclassified	206,552	-	-	-	(206,552)	-	(206,552)
Unallocated depreciation (Note 4)*	190,542	-	-	-	(190,542)	-	(190,542)
<b>Total governmental activities</b>	<b>36,958,879</b>	<b>2,079,163</b>	<b>149,764</b>	<b>-</b>	<b>(34,729,952)</b>	<b>-</b>	<b>(34,729,952)</b>
Business-type activities:							
Pay-As-You-Throw Trash Program	550,108	455,357	-	-	-	(94,751)	(94,751)
Electrical Inspection Program	25,604	25,518	-	-	-	(86)	(86)
<b>Total business-type activities</b>	<b>575,712</b>	<b>480,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(94,837)</b>	<b>(94,837)</b>
<b>Total government</b>	<b>\$ 37,534,591</b>	<b>\$ 2,560,038</b>	<b>\$ 149,764</b>	<b>\$ -</b>	<b>(34,729,952)</b>	<b>(94,837)</b>	<b>(34,824,789)</b>

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

STATEMENT B (CONTINUED)  
TOWN OF KENNEBUNK, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(34,729,952)	(94,837)	(34,824,789)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	31,273,073	-	31,273,073
Excise taxes	2,311,889	-	2,311,889
Grants and contributions			
not restricted to specific programs	823,524	-	823,524
Miscellaneous	443,385	-	443,385
Bond premium	144,703	-	144,703
Transfers	(58,613)	58,613	-
Total general revenues and transfers	34,937,961	58,613	34,996,574
Change in net position	208,009	(36,224)	171,785
NET POSITION - JULY 1	25,366,501	(43,741)	25,322,760
NET POSITION - JUNE 30	\$ 25,574,510	\$ (79,965)	25,494,545

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

## STATEMENT C

## TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Roads & Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,730,476	\$ -	\$ 12,247	\$ 13,742,723
Investments	1,664,799	-	55,650	1,720,449
Accounts receivables (net of allowance for uncollectibles):				
Taxes	717,802	-	-	717,802
Liens	196,210	-	-	196,210
Other	274,047	-	-	274,047
Tax acquired property	295,962	-	-	295,962
Due from other funds	218,675	1,188,372	3,816,738	5,223,785
<b>TOTAL ASSETS</b>	<b>\$ 17,097,971</b>	<b>\$ 1,188,372</b>	<b>\$ 3,884,635</b>	<b>\$ 22,170,978</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 421,513	\$ -	\$ 80,243	\$ 501,756
Accrued payroll	280,469	-	-	280,469
Other liabilities	595,508	-	-	595,508
Due to other funds	5,006,761	-	80,460	5,087,221
<b>TOTAL LIABILITIES</b>	<b>6,304,251</b>	<b>-</b>	<b>160,703</b>	<b>6,464,954</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	228,519	-	-	228,519
Deferred tax revenue	839,988	-	-	839,988
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,068,507</b>	<b>-</b>	<b>-</b>	<b>1,068,507</b>
<b>FUND BALANCES</b>				
Nonspendable	295,962	-	-	295,962
Restricted	-	-	1,227,137	1,227,137
Committed	673,349	1,188,372	2,405,191	4,266,912
Assigned	210,215	-	165,894	376,109
Unassigned	8,545,687	-	(74,290)	8,471,397
<b>TOTAL FUND BALANCES</b>	<b>9,725,213</b>	<b>1,188,372</b>	<b>3,723,932</b>	<b>14,637,517</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 17,097,971</b>	<b>\$ 1,188,372</b>	<b>\$ 3,884,635</b>	<b>\$ 22,170,978</b>

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

## TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

	Total Governmental Funds
Total Fund Balances	\$ 14,637,517
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	23,579,917
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	839,988
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	823,599
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(11,609,000)
Accrued compensated absences	(374,820)
Pension benefit obligations	(286,142)
Net pension liability	(1,346,371)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(690,178)
	\$ 25,574,510
Net position of governmental activities	

See accompanying independent auditors' 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, 2016

	General Fund	Roads & Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 31,329,155	\$ -	\$ -	\$ 31,329,155
Excise taxes	2,311,889	-	-	2,311,889
Intergovernmental revenues	973,288	-	-	973,288
Charges for services	2,067,053	-	12,110	2,079,163
Miscellaneous revenues	236,170	-	207,215	443,385
<b>TOTAL REVENUES</b>	<b>36,917,555</b>	<b>-</b>	<b>219,325</b>	<b>37,136,880</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,946,233	-	444,543	2,390,776
Public safety	3,939,144	-	34,841	3,973,985
Public works	1,135,193	80,254	11,334	1,226,781
Education	21,698,081	-	-	21,698,081
County tax	1,312,678	-	-	1,312,678
Recreation and culture	1,412,686	-	-	1,412,686
Health and welfare	333,348	-	-	333,348
Employee benefits	1,825,977	-	-	1,825,977
Agency request	30,900	-	-	30,900
Unclassified	206,552	-	-	206,552
Capital outlay	-	553,318	901,973	1,455,291
Debt service:				
Principal	-	-	978,268	978,268
Interest	-	-	291,895	291,895
<b>TOTAL EXPENDITURES</b>	<b>33,840,792</b>	<b>633,572</b>	<b>2,662,854</b>	<b>37,137,218</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,076,763</b>	<b>(633,572)</b>	<b>(2,443,529)</b>	<b>(338)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	1,387,000	1,662,000	3,049,000
Premiums on bond issuance	-	-	144,703	144,703
Transfers in	4,000	182,400	2,806,930	2,993,330
Transfers (out)	(2,988,692)	-	(63,251)	(3,051,943)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,984,692)</b>	<b>1,569,400</b>	<b>4,550,382</b>	<b>3,135,090</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>92,071</b>	<b>935,828</b>	<b>2,106,853</b>	<b>3,134,752</b>
<b>FUND BALANCES - JULY 1</b>	<b>9,633,142</b>	<b>252,544</b>	<b>1,617,079</b>	<b>11,502,765</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 9,725,213</b>	<b>\$ 1,188,372</b>	<b>\$ 3,723,932</b>	<b>\$ 14,637,517</b>

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

## TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 3,134,752</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	1,455,291
Depreciation expense	<u>(1,954,584)</u>
	<u>(499,293)</u>
Deferred outflows of resources 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>564,410</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>978,268</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(3,049,000)</u>
Deferred inflows of resources 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>(36,012)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(75,731)
Pension benefit obligations	(22,871)
Net pension liability	<u>(730,432)</u>
	<u>(829,034)</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>(56,082)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 208,009</u></u>

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



## TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2016

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	56,599	-	56,599
Due from other funds	-	1,651	1,651
<b>TOTAL ASSETS</b>	<u>\$ 56,599</u>	<u>\$ 1,651</u>	<u>\$ 58,250</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	138,215	-	138,215
<b>TOTAL LIABILITIES</b>	<u>138,215</u>	<u>-</u>	<u>138,215</u>
<b>NET POSITION</b>			
Restricted	-	1,651	1,651
Unrestricted (deficit)	(81,616)	-	(81,616)
<b>TOTAL NET POSITION</b>	<u>(81,616)</u>	<u>1,651</u>	<u>(79,965)</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 56,599</u>	<u>\$ 1,651</u>	<u>\$ 58,250</u>

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

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
OPERATING REVENUES			
Charges for services	\$ 455,357	\$ 25,518	\$ 480,875
TOTAL OPERATING REVENUES	<u>455,357</u>	<u>25,518</u>	<u>480,875</u>
OPERATING EXPENSES			
Program supplies	550,108	25,604	575,712
TOTAL OPERATING EXPENSES	<u>550,108</u>	<u>25,604</u>	<u>575,712</u>
OPERATING INCOME (LOSS)	<u>(94,751)</u>	<u>(86)</u>	<u>(94,837)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers in	58,613	-	58,613
Transfers (out)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>58,613</u>	<u>-</u>	<u>58,613</u>
CHANGE IN NET POSITION	(36,138)	(86)	(36,224)
NET POSITION - JULY 1	<u>(45,478)</u>	<u>1,737</u>	<u>(43,741)</u>
NET POSITION - JUNE 30	<u>\$ (81,616)</u>	<u>\$ 1,651</u>	<u>\$ (79,965)</u>

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

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 450,919	\$ 25,518	\$ 476,437
Internal activity - receipts (payments) from/to other funds	40,576	86	40,662
Payments to suppliers	(550,108)	(25,604)	(575,712)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(58,613)</u>	<u>-</u>	<u>(58,613)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from general fund	58,613	-	58,613
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>58,613</u>	<u>-</u>	<u>58,613</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (94,751)	\$ (86)	\$ (94,837)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(4,438)	-	(4,438)
(Increase) decrease in due from other funds	-	86	86
Increase (decrease) in due to other funds	40,576	-	40,576
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (58,613)</u>	<u>\$ -</u>	<u>\$ (58,613)</u>

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

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

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, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, “*Certain External Investment Pools and Pool Participants*”. This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

***Government-Wide and Fund Financial Statements***

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

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

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.). 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.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, 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:

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Roads & Paving Capital Fund is used to account for financial resources to be used for the acquisition, construction or improvement of roads.

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.

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. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- 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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.



TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
4. The Town does not adopt budgets for Special Revenue Funds.

**Deposits and Investments**

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

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

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

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

**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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

business-type activities are reported in the governmental-wide financial statements as “internal balances”.

**Transactions Between Funds**

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

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$66,381 as of June 30, 2016 for ambulance receivables.

**Capital Assets**

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

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

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

Estimated useful lives are as follows:

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Long-term Obligations**

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable, compensated absences, pension benefit obligations 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.

**Compensated Absences**

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2016, the Town's liability for compensated absences is \$374,820.

**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.

**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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Fund Balances**

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

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

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

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

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

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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 only one type of item, deferred outflows related to pensions. This item is 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. The Town has only one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that 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 pensions qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

The Town's property tax for the current year was levied August 25, 2015 on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Taxes were due on in two installments on October 2, 2015 and April 1, 2016. Interest on unpaid taxes commenced on October 3, 2015 and April 2, 2016, at 7% per annum.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$369,116 for the year ended June 30, 2016.

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

**Program Revenues**

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

**Operating/Non-operating Proprietary Fund Revenues**

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

**Encumbrance Accounting**

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

**Use of Estimates**

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

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

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 F.D.I.C. as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. As of June 30, 2016, the Town reported deposits of \$13,742,723 with a bank balance of \$13,890,742. Of the Town’s bank balances of \$13,890,742, \$530,024 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$6,170 was collateralized with securities held by the financial institution in the Town’s name and \$13,354,548 was collateralized with irrevocable stand-by letters of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 258,725
Savings accounts	36,194
Money market accounts	13,595,823
	\$ 13,890,742

**Investments:**

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

Of the Town’s investment in certificates of deposits totaling \$1,720,449, \$469,976 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$293,582 was collateralized with securities held by the financial institution in the Town’s name and \$956,891 was collateralized with an irrevocable stand-by letter of credit.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2016, the Town had the following investments and maturities:

Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	Not Applicable
Governmental Funds:				
Certificates of deposit	\$ 1,720,449	\$ 1,553,471	\$ 166,978	\$ -
Total - Governmental Funds	<u>\$ 1,720,449</u>	<u>\$ 1,553,471</u>	<u>\$ 166,978</u>	<u>\$ -</u>

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

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 218,675	\$ 5,006,761
Roads & paving capital fund	1,188,372	-
Enterprise funds	1,651	138,215
Nonmajor special revenue funds	1,099,254	74,290
Nonmajor capital projects funds	2,717,484	-
Nonmajor permanent funds	-	6,170
Totals	<u>\$ 5,225,436</u>	<u>\$ 5,225,436</u>



TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 2,478,648	\$ -	\$ -	\$ 2,478,648
Art works & historical treasures	41,000	-	-	41,000
Construction in progress	7,688	-	-	7,688
	<u>2,527,336</u>	<u>-</u>	<u>-</u>	<u>2,527,336</u>
Depreciated assets:				
Land improvements	1,652,011	56,483	-	1,708,494
Buildings	1,465,055	-	-	1,465,055
Building improvements	6,993,636	160,160	-	7,153,796
Furniture & fixtures	291,433	-	-	291,433
Machinery & equipment	4,303,771	316,945	-	4,620,716
Vehicles	6,196,896	368,385	-	6,565,281
Infrastructure:				
Bridges	36,047	13,790	-	49,837
Drainage system	543,118	28,731	-	571,849
Roads	19,206,497	510,797	-	19,717,294
Sewer lines	316,306	-	-	316,306
Sidewalks	3,499,518	-	-	3,499,518
	<u>44,504,288</u>	<u>1,455,291</u>	<u>-</u>	<u>45,959,579</u>
Less: accumulated depreciation	<u>(22,952,414)</u>	<u>(1,954,584)</u>	<u>-</u>	<u>(24,906,998)</u>
	<u>21,551,874</u>	<u>(499,293)</u>	<u>-</u>	<u>21,052,581</u>
Net capital assets	<u>\$ 24,079,210</u>	<u>\$ (499,293)</u>	<u>\$ -</u>	<u>\$ 23,579,917</u>
<u>Current year depreciation</u>				
Administration				\$ 79,788
Police				196,571
Fire				269,741
Public works				1,169,611
Recreation and culture				48,331
Town-wide				<u>190,542</u>
Total depreciation expense				<u>\$ 1,954,584</u>

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Current Portion
<u>Governmental Activities</u>					
Bonds payable	\$ 9,535,000	\$ 3,049,000	\$ (975,000)	\$ 11,609,000	\$ 1,279,000
Capital leases payable	3,268	-	(3,268)	-	-
Accrued compensated absences	299,089	75,731	-	374,820	374,820
Pension benefit obligations	263,271	22,871	-	286,142	-
Net pension liability	615,939	766,444	(36,012)	1,346,371	-
	<u>\$ 10,716,567</u>	<u>\$ 3,914,046</u>	<u>\$ (1,014,280)</u>	<u>\$ 13,616,333</u>	<u>\$ 1,653,820</u>

The following is a summary of the outstanding bonds payable:

	<u>Governmental Activities</u>
\$1,360,000, 2007 General Obligation bond due in annual principal installments varying from \$95,000 to \$50,000. The interest rate varies from 4.00% to 5.00% per annum. Maturity in October of 2026.	\$ 550,000
\$6,252,000, 2010 General Obligation bond due in annual installments and semi-annual interest installments through October of 2029. The interest rate varies from 1.50% to 4.00% per annum. Annual principal installments vary from \$120,000 to \$382,000.	3,970,000
\$5,244,000, 2013 General Obligation bond due in annual installments and semi-annual interest installments through October of 2028. The interest rate varies from 2.00% to 4.00% per annum. Annual principal installments vary from \$170,000 to \$659,000.	4,040,000
\$3,049,000, 2016 General Obligation bond due in annual installments and semi-annual interest installments through October of 2030. The interest rate varies from 2.00% to 5.00% per annum. Annual principal installments vary from \$70,000 to \$330,000.	<u>3,049,000</u>
	<u>\$ 11,609,000</u>

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 5 - 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		
	Principal	Interest	Total Debt Service
2017	\$ 1,279,000	\$ 345,934	\$ 1,624,934
2018	1,280,000	293,724	1,573,724
2019	1,215,000	251,874	1,466,874
2020	1,120,000	215,749	1,335,749
2021	1,110,000	185,024	1,295,024
2022-2026	4,210,000	486,815	4,696,815
2027-2031	1,395,000	104,753	1,499,753
	\$ 11,609,000	\$ 1,883,873	\$ 13,492,873

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2016 was \$291,799.

NOTE 6 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the Town had no overspent appropriations.

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	\$ 295,962

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2016, the Town had the following restricted fund balances:

RESTRICTED

Nonmajor special revenue funds (See Schedule D)	\$ 887,430
Nonmajor capital projects funds (See Schedule F)	277,980
Nonmajor permanent funds (See Schedule H)	61,727

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2016, the Town has the following committed fund balances:

General fund:	
Matching grant funds	\$ 41,200
Bicentennial celebration	5,069
Capital assets/projects	527,080
Pay-As-You-Throw Trash Program deficit reduction	87,000
Future years' debt service	240,000
Debt service during 2017	100,000
Roads & paving capital fund	1,188,372
Nonmajor capital projects funds (See Schedule F)	2,405,191
	<u>\$ 4,593,912</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2016, the Town had the following assigned fund balances:

General fund:	
Heating assistance	\$ 19,217
Assessors office	11,989
Conservation commission	7,799
Downtown committee	3,332
West Kennebunk Village committee	2,791
Bus revenues	60,180
Energy efficiency	767
Tree committee	4,761
Community garden	1,859
General government training	6,131
Computer training	13,690
Community development training	8,730
Lower Village	6,986
Property tax assistance	14,372
Solid waste - hazardous waste day	9,000
Donations	14,241
Police - forfeitures	8,950
Operational contingency	15,420
Nonmajor special revenue funds (See Schedule D)	131,581
Nonmajor capital projects funds (See Schedule F)	34,313
	<u>\$ 376,109</u>

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently the Town participates in several public-entity and self-insured risk pools sponsored by the Maine Municipal Association.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2016. There were no significant 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 12 - OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2016, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 6,405,567	7.42%	\$ 475,010
RSU No. 21	58,693,676	51.88%	30,450,279
			\$ 30,925,289

NOTE 13 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

**Plan Description**

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (800) 451-9800.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - 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.

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 5.0%.

**Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police department employees are part of the PLD's special plan "2C" and are required to contribute 7.5% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute 7.5% of their annual salary. The Town was required to contribute at the actuarially determined rates of 8.9% for special plan "2C" members' covered payroll and 8.9% 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, 2016 was \$180,969.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2016, the Town reported a liability of \$1,346,371 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2015, 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, 2015, the Town's proportion was 0.421998%, which was an increase of 0.021729% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized total pension expense of \$202,034. At June 30, 2016, 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	\$ 54,361	\$ 172,919
Changes of assumptions	118,983	-
Net difference between projected and actual earnings on pension plan investments	415,539	517,259
Changes in proportion and differences between contributions and proportionate share of contributions	53,747	-
Contributions subsequent to the measurement date	180,969	-
<b>Total</b>	<b>\$ 823,599</b>	<b>\$ 690,178</b>

\$180,969 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, 2017. 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, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

		PLD Plan
Year ended June 30:		
2017	\$	(40,552)
2018		(40,552)
2019		(70,326)
2020		103,885
2021		-
Thereafter		-

**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015 and 2014, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

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

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

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

*Asset Valuation Method*

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



TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Amortization*

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015 and June 30, 2014 are as follows:

*Investment Rate of Return* - For the PLD Plan, 7.125% per annum for the year ended June 30, 2015 and 7.25% per annum for the year ended June 30, 2014, compounded annually.

*Salary Increases, Merit and Inflation* - Members of the consolidated plan for PLDs, 3.50% to 9.50% per year.

*Mortality Rates* - For participating local districts, the RP2000 Tables projected forward to 2015 using Scale AA are used; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

*Cost of Living Benefit Increases* - 2.55% per annum for the year ended June 30, 2015 and 3.12% for the year ended June 30, 2014.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2015 are summarized in the following table.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%

*Discount Rate*

The discount rate used to measure the collective total pension liability was 7.125% for 2015 and 7.25% for 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2015 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 7.125% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	6.125%	7.125%	8.125%
Town's proportionate share of the net pension liability	\$ 2,682,369	\$ 1,346,371	\$ 79,762

**Changes in Net Pension Liability**

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2015 with the following exceptions.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*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. For 2015 and 2014, this was 4 years for the PLD Consolidated Plan.

*Differences between Projected and Actual Investment Earnings*

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For the PLD Plan, the discount rate was decreased from 7.25% to 7.125% and the cost of living benefit increase assumption was changed from 3.12% to 2.55%.

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

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. 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' 2015 Comprehensive Annual Financial Report available online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (800) 451-9800.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 14 - DEFINED CONTRIBUTION PLAN

**Plan Description**

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

**Funding Policy**

Plan provisions and contribution requirements are established and may be amended by the Board of Selectmen. 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, 2016, employee contributions totaled \$72,035, and the Town recognized pension expense of \$55,470.

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. Nonvested 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 15 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION –  
RETIREMENT CORPORATION

A. 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.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property,

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 15 - DEFERRED COMPENSATION PLAN (CONTINUED)

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.

B. Funding Policy

Under the defined contribution plan, employees may elect to participate. 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. The employee's contribution vests 100% with the employee when contributed. The Town's matching contribution vests 100% with the employee at the end of three years of service. The Town's contributions for the plan for the years ended June 30, 2016 and 2015 were: \$143,485 and \$45,574 respectively. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$390,113, \$380,919, and \$371,553, for the years ended June 30, 2016, 2015 and 2014, respectively.

NOTE 16 - CONTINGENCIES

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

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS

The Town is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as Maine PERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. The Town does not supplement the cost of this coverage directly, but recognizes the liability for inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of January 1, 2015, the date of the most recent Actuarial Valuation Report, there were three retirees and fifty-two employees.

Benefits provided – The Town provides medical and prescription drug coverage to retirees and their eligible spouses and dependents. Pre-Medicare retirees are offered the same plans that are available to the active employees. The plans are provided through the Health Trust, and include the Comprehensive Point of Service Plan C and the PPO 500 Value Plan.

Funding policy – Retirees contribute all of the premiums as determined by the Town, but the remainder of the costs as derived from the implicit subsidy are paid by the Town on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligations**

The Town of Kennebunk's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The Town's annual OPEB cost for the fiscal year ended June 30, 2016 including the amount actually contributed to the plan and the change in the Town's net OPEB obligation using the level of funding amortization method is as follows:

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Normal cost	\$ 16,481
Amortization of unfunded liability	14,392
Interest	611
Annual required contribution	31,484
Interest on net OPEB obligation	10,531
Adjustment to annual required contribution	(15,225)
Annual OPEB cost	26,790
Contributions made	(3,919)
Increase in net OPEB obligation	22,871
Net OPEB obligation, beginning of year	263,271
 Net OPEB obligation, end of year	 \$ 286,142

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2016, June 30, 2015, June 30, 2014, June 30, 2013 and June 30, 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
06/30/12	\$ 33,771	\$ -	0.0%	\$ 192,546
06/30/13	\$ 26,088	\$ -	0.0%	\$ 216,634
06/30/14	\$ 25,658	\$ -	0.0%	\$ 240,292
06/30/15	\$ 27,200	\$ -	0.0%	\$ 263,271
06/30/16	\$ 26,790	\$ -	0.0%	\$ 286,142

The funded status of the plan as of June 30, 2016, was as follows:

Actuarial Accrued Liability	\$ 258,827
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	\$ 258,827
 Funded Ratio (Actuarial Value of Plan Assets/AAL)	 0.0%
 Covered Payroll of Active Plan Members (Estimated)	 \$ 3,157,444
 UAAL as a percentage of Covered Payroll	 8.2%

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Methods of Assumptions – The projected unit credit (PUC) cost method was used for the valuation. The amortization method is the level dollar open, amortized over 30 years. Under the PUC method, benefits are projected for life, and their present value is determined. The present value is divided into equal parts, which are earned from date of hire to each decrement age. An open 30 year amortization period was used. The amortization method is a level dollar amortization method. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information of the latest actuarial valuation is as follows:

Valuation Date	1/1/2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Open
Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate	4.00%
Rate of Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.25%

The required schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 18 - DEFICIT FUND BALANCES/NET POSITION

At June 30, 2016, the Town has the following funds with deficit fund balances or net position:

Deficit Fund Balance:	
Lower Village TIF	<u>\$ 74,290</u>
Deficit Net Position:	
Pay-As-You-Throw Trash Program	<u>\$ 81,616</u>



TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS

Under Maine law, the Town has established three Tax Increment Financing (TIF) Districts to build or improve public infrastructure, to repay principal and interest on any indebtedness incurred to fund such infrastructure, and expenditures to promote economic development within each TIF as prescribed by the underlying state-approved TIF agreements. The West Kennebunk TIF Utility Corridor amendment also allows for the acquisition of emergency and maintenance vehicles and equipment, and the repayment of a portion of the West Kennebunk Fire Station bond principal and interest.

There was activity in all of the TIFs for fiscal year 2016. The revenue for each TIF is determined based on the so-called "captured assessed value." Revenues and expenditures for each district are accounted for as Special Revenue Funds. During 2012, the Route 1 TIF and the West Kennebunk TIF were amended to allow for Credit Enhancement Agreements (CEAs). As of June 30, 2016, one CEA existed for the property identified as Lot 59 on Tax Map 51 of the Town, within the Route 1 District. This CEA was authorized at a Special Town Meeting held on January 31, 2012.

The status of the Tax Increment Financing Districts is summarized below.

	Route 1 TIF	West Kennebunk TIF - Original Area	West Kennebunk TIF - Utility Corridor	Total West Kennebunk TIF	Lower Village TIF
Expiration Date	03/29/36			03/29/36	03/30/40
Original assessed value	\$27,581,200	\$ 4,978,400	\$ 10,641,700	\$15,620,100	\$4,599,600
Total captured assessed value at 6/30/16	\$45,242,600	\$ 7,306,000	\$ 7,630,732	\$14,936,732	\$6,283,572

NOTE 20 - COLLATERALIZATION

At June 30, 2016, 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 December 8, 2017, authorizes one draw only up to the amount of \$1,000,000. There were no draws for the year ended June 30, 2016.

At June 30, 2016, the Town has two outstanding irrevocable standby letters of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People's United Bank. These letters of credit, which expire at the close of business on July 15, 2016 and July 21, 2016, authorize one draw each only up to the amount of \$10,000,000 and \$8,500,000, respectively. There were no draws for the year ended June 30, 2016.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 20 - COLLATERALIZATION (CONTINUED)

At June 30, 2016, 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. This pledge, which expires at the close of business on July 1, 2021, authorizes securities to be held up to the amount of \$300,000. There were no draws for the year ended June 30, 2016.

NOTE 21 - COMPARATIVE DATA/RECLASSIFICATIONS

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

## Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government 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
- Notes to Required Supplementary Information
- Schedule of Funding Progress for Retiree Healthcare Plan

## TOWN OF KENNEBUNK, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 9,633,142	\$ 9,633,142	\$ 9,633,142	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	31,267,376	31,267,376	31,329,155	61,779
Excise Taxes	1,914,500	1,914,500	2,311,889	397,389
Intergovernmental Revenues:				
State Revenue Sharing	395,972	395,972	427,435	31,463
Homestead Reimbursement	164,173	164,173	160,112	(4,061)
Local Road Assistance	140,000	140,000	149,764	9,764
Other	253,459	253,459	235,977	(17,482)
Interest Income	30,000	30,000	79,232	49,232
Interest on Taxes/Lien Costs	45,000	45,000	78,887	33,887
Charges for Services	1,789,750	1,789,750	2,067,053	277,303
Miscellaneous Revenues	35,000	35,000	78,051	43,051
Transfers from Other Funds	4,000	4,000	4,000	-
Amounts Available for Appropriation	<u>45,672,372</u>	<u>45,672,372</u>	<u>46,554,697</u>	<u>882,325</u>
Charges to Appropriations (Outflows):				
General Government	1,993,671	1,998,504	1,946,233	52,271
Public Safety	4,090,386	4,090,386	3,939,144	151,242
Public Works	1,238,867	1,238,867	1,135,193	103,674
Education	21,698,081	21,698,081	21,698,081	-
County Tax	1,312,678	1,312,678	1,312,678	-
Recreation and Culture	1,364,338	1,364,338	1,412,686	(48,348)
Health and Welfare	344,855	344,855	333,348	11,507
Employee Benefits	1,835,900	1,835,900	1,825,977	9,923
Agency Requests	32,100	32,100	30,900	1,200
Unclassified	491,862	605,862	206,552	399,310
Transfers to Other Funds	1,636,492	3,026,605	2,988,692	37,913
Total Charges to Appropriations	<u>36,039,230</u>	<u>37,548,176</u>	<u>36,829,484</u>	<u>718,692</u>
Budgetary Fund Balance, June 30	<u>\$ 9,633,142</u>	<u>\$ 8,124,196</u>	<u>\$ 9,725,213</u>	<u>\$ 1,601,017</u>
Utilization of Committed Fund Balance	<u>\$ -</u>	<u>\$ 1,508,946</u>	<u>\$ -</u>	<u>\$ (1,508,946)</u>
	<u>\$ -</u>	<u>\$ 1,508,946</u>	<u>\$ -</u>	<u>\$ (1,508,946)</u>

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

## TOWN OF KENNEBUNK, MAINE

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

<u>PLD Plan:</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.42%	0.40%	0.40%
Proportionate share of the net pension liability	\$ 1,346,371	\$ 615,939	\$ 1,223,496
Covered-employee payroll	\$ 2,033,359	\$ 2,161,447	\$ 1,869,664
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	66.21%	28.50%	65.44%
Plan fiduciary net position as a percentage of the total pension liability	88.27%	94.10%	87.50%

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

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

## TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>			
Contractually required contribution	\$ 180,969	\$ 172,498	\$ 138,759
Contributions in relation to the contractually required contribution	<u>(180,969)</u>	<u>(172,498)</u>	<u>(138,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,033,359	\$ 2,161,447	\$ 1,869,664
Contributions as a percentage of covered- employee payroll	8.90%	7.98%	7.42%

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

TOWN OF KENNEBUNK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

**Changes of Assumptions**

There was a change in the investment rate of return assumption this year from 7.25% to 7.125%. This change was made in the other MainePERS Programs with the 2014 valuation, but is first being recognized in the PLD Consolidated Plan in 2015. In addition to this change, the cost of living benefit increase assumption was changed from 3.12% to 2.55%. Further, those PLDs who had an IUUAL Surplus account received a refund of that account. As a result, there will be no more IUUAL surplus payments reflected beginning with the 2015 valuation. Finally, the amortization methodology for the Pooled Unfunded Actuarial Liability (PUAL) was changed from a fifteen-year open level dollar method to a method where a separate twenty-year closed period is established annually for the gain or loss in that year with these amortizations being developed as a level percentage of payroll and amortizing the existing PUAL at the time of this change, July 1, 2015, over a closed fifteen-year period beginning on this date.

## TOWN OF KENNEBUNK, MAINE

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTHCARE PLAN  
FOR THE YEARS ENDED JUNE 30,

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial (UAL) Liability (AAL) (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
06/30/09	\$ -	\$ 463,005	0.0%	\$ 2,904,791	15.9%
06/30/10	\$ -	\$ 463,005	0.0%	\$ 3,056,808	15.1%
06/30/11	\$ -	\$ 322,225	0.0%	\$ 3,218,664	10.0%
06/30/12	\$ -	\$ 322,225	0.0%	\$ 3,159,958	10.2%
06/30/13	\$ -	\$ 277,670	0.0%	\$ 2,934,139	9.5%
06/30/14	\$ -	\$ 277,670	0.0%	\$ 2,976,194	9.3%
06/30/15	\$ -	\$ 258,827	0.0%	\$ 3,065,480	8.4%
06/30/16	\$ -	\$ 258,827	0.0%	\$ 3,157,444	8.2%

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



## Other Supplementary Information

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

- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund 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, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General Government Expenses	\$ 620,900	\$ -	\$ 620,900	\$ 647,505	\$ (26,605)
Selectmen	30,729	-	30,729	26,790	3,939
Town Manager	263,678	-	263,678	262,444	1,234
Town Clerk	100,703	-	100,703	79,816	20,887
Ballot Clerks	31,000	-	31,000	24,651	6,349
Assessors	180,455	-	180,455	175,575	4,880
Community Development	347,007	-	347,007	341,266	5,741
Town Hall	175,100	-	175,100	147,551	27,549
Computer Department	192,404	-	192,404	188,056	4,348
Conservation Commission	-	-	-	1,916	(1,916)
Site Plan Review Board	5,523	-	5,523	7,832	(2,309)
Zoning Board of Appeals	1,200	-	1,200	1,471	(271)
Board of Assessment Review	1,000	-	1,000	170	830
Dog Advisory Committee	200	-	200	-	200
Historic Preservation Committee	3,200	-	3,200	5,432	(2,232)
Lower Village Committee	2,500	-	2,500	-	2,500
Downtown Committee	4,900	-	4,900	1,753	3,147
Economic Development Committee	4,250	-	4,250	3,429	821
West Kennebunk Village Committee	2,000	-	2,000	1,764	236
Energy Efficiency Committee	2,100	-	2,100	3,141	(1,041)
Tree Committee	2,000	-	2,000	300	1,700
Affordable Housing Committee	200	-	200	-	200
Bicentennial Committee	500	4,833	5,333	-	5,333
Community Garden Committee	4,000	-	4,000	9,108	(5,108)
Planning Board	18,122	-	18,122	16,263	1,859
	<u>1,993,671</u>	<u>4,833</u>	<u>1,998,504</u>	<u>1,946,233</u>	<u>52,271</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public Works - Highway	1,238,867	-	1,238,867	1,135,193	103,674
	<u>1,238,867</u>	<u>-</u>	<u>1,238,867</u>	<u>1,135,193</u>	<u>103,674</u>
Education	21,698,081	-	21,698,081	21,698,081	-
County Tax	1,312,678	-	1,312,678	1,312,678	-
Recreation and Culture - Life Guards	53,017	-	53,017	50,858	2,159
Parks	45,000	-	45,000	43,944	1,056
Recreation	723,361	-	723,361	774,924	(51,563)
Kennebunk Free Library	542,960	-	542,960	542,960	-
	<u>1,364,338</u>	<u>-</u>	<u>1,364,338</u>	<u>1,412,686</u>	<u>(48,348)</u>
Health and Welfare - Recycling	289,300	-	289,300	289,300	-
Solid Waste	9,000	-	9,000	-	9,000
Social Services	46,555	-	46,555	44,048	2,507
	<u>344,855</u>	<u>-</u>	<u>344,855</u>	<u>333,348</u>	<u>11,507</u>
Employee Benefits - Health Benefits	934,190	-	934,190	930,769	3,421
FICA	392,807	-	392,807	390,113	2,694
Retirement	266,736	-	266,736	265,136	1,600
Workers Comp	223,051	-	223,051	221,750	1,301
Unemployment Comp	19,116	-	19,116	18,209	907
	<u>1,835,900</u>	<u>-</u>	<u>1,835,900</u>	<u>1,825,977</u>	<u>9,923</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Agency Requests -					
Biddeford Free Clinic	1,000	-	1,000	-	1,000
Day One	1,000	-	1,000	1,000	-
York County Child Abuse Council	2,000	-	2,000	2,000	-
York County Community Action	4,900	-	4,900	4,900	-
Counseling Services, Inc.	1,000	-	1,000	1,000	-
Caring Unlimited	2,600	-	2,600	2,600	-
Catholic Charities	500	-	500	500	-
So. Maine Area Agency on Aging	1,500	-	1,500	1,500	-
Sexual Assault Response Services	1,000	-	1,000	1,000	-
Senior Center at Lower Village	1,500	-	1,500	1,500	-
American Red Cross	500	-	500	500	-
Home Health Visiting Nurses	5,000	-	5,000	5,000	-
Community Outreach Services	4,700	-	4,700	4,700	-
York County Food Pantry	200	-	200	-	200
Community Harvest	4,700	-	4,700	4,700	-
	<u>32,100</u>	<u>-</u>	<u>32,100</u>	<u>30,900</u>	<u>1,200</u>
Public Safety -					
Police	1,810,994	-	1,810,994	1,715,824	95,170
Ambulance	878,696	-	878,696	862,424	16,272
Communications	294,243	-	294,243	291,485	2,758
Civil Emergency Preparedness	5,448	-	5,448	3,076	2,372
Hydrants & Street Lights	455,058	-	455,058	443,421	11,637
Fire Department	645,947	-	645,947	622,914	23,033
	<u>4,090,386</u>	<u>-</u>	<u>4,090,386</u>	<u>3,939,144</u>	<u>151,242</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Historian	500	-	500	-	500
Harbormaster	16,200	-	16,200	16,196	4
Tree Warden	5,000	-	5,000	3,332	1,668
Matching Grant Funds	-	44,000	44,000	-	44,000
Open Space Funding	-	70,000	70,000	70,000	-
Memorial Day	800	-	800	800	-
Stevens Comm	-	-	-	49	(49)
Facilities	100,246	-	100,246	98,759	1,487
Overlay	369,116	-	369,116	17,416	351,700
	<u>491,862</u>	<u>114,000</u>	<u>605,862</u>	<u>206,552</u>	<u>399,310</u>
Transfers to Other Funds -					
Special Revenue Funds	1,016,882	-	1,016,882	978,969	37,913
Capital Projects Funds	560,997	1,390,113	1,951,110	1,951,110	-
Proprietary Funds	58,613	-	58,613	58,613	-
	<u>1,636,492</u>	<u>1,390,113</u>	<u>3,026,605</u>	<u>2,988,692</u>	<u>37,913</u>
Totals	<u>\$ 36,039,230</u>	<u>\$ 1,508,946</u>	<u>\$ 37,548,176</u>	<u>\$ 36,829,484</u>	<u>\$ 718,692</u>

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

## TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 12,247	\$ 12,247
Investments	-	-	55,650	55,650
Due from other funds	1,099,254	2,717,484	-	3,816,738
<b>TOTAL ASSETS</b>	<b>\$ 1,099,254</b>	<b>\$ 2,717,484</b>	<b>\$ 67,897</b>	<b>\$ 3,884,635</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 80,243	\$ -	\$ -	\$ 80,243
Due to other funds	74,290	-	6,170	80,460
<b>TOTAL LIABILITIES</b>	<b>154,533</b>	<b>-</b>	<b>6,170</b>	<b>160,703</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	887,430	277,980	61,727	1,227,137
Committed	-	2,405,191	-	2,405,191
Assigned	131,581	34,313	-	165,894
Unassigned	(74,290)	-	-	(74,290)
<b>TOTAL FUND BALANCES</b>	<b>944,721</b>	<b>2,717,484</b>	<b>61,727</b>	<b>3,723,932</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,099,254</b>	<b>\$ 2,717,484</b>	<b>\$ 67,897</b>	<b>\$ 3,884,635</b>

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

## TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Charges for services	\$ -	\$ 12,110	\$ -	\$ 12,110
Interest income	-	-	429	429
Other	157,900	48,886	-	206,786
<b>TOTAL REVENUES</b>	<u>157,900</u>	<u>60,996</u>	<u>429</u>	<u>219,325</u>
<b>EXPENDITURES</b>				
Administration	306,137	138,406	-	444,543
Public works	-	11,334	-	11,334
Public safety	-	34,841	-	34,841
Debt service:				
Principal	350,915	627,353	-	978,268
Interest	123,894	168,001	-	291,895
Capital outlay	102,740	799,233	-	901,973
<b>TOTAL EXPENDITURES</b>	<u>883,686</u>	<u>1,779,168</u>	<u>-</u>	<u>2,662,854</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(725,786)</u>	<u>(1,718,172)</u>	<u>429</u>	<u>(2,443,529)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	412,000	1,250,000	-	1,662,000
Premiums on bond issuance	-	144,703	-	144,703
Transfers in	1,016,883	1,790,047	-	2,806,930
Transfers (out)	(37,914)	(21,337)	(4,000)	(63,251)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,390,969</u>	<u>3,163,413</u>	<u>(4,000)</u>	<u>4,550,382</u>
<b>NET CHANGE IN FUND BALANCES</b>	665,183	1,445,241	(3,571)	2,106,853
<b>FUND BALANCES, JULY 1</b>	<u>279,538</u>	<u>1,272,243</u>	<u>65,298</u>	<u>1,617,079</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 944,721</u>	<u>\$ 2,717,484</u>	<u>\$ 61,727</u>	<u>\$ 3,723,932</u>

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

## Special Revenue Funds

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



TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	3,430	33,198	94,953	719,192	248,481	-	1,099,254
<b>TOTAL ASSETS</b>	<u>\$ 3,430</u>	<u>\$ 33,198</u>	<u>\$ 94,953</u>	<u>\$ 719,192</u>	<u>\$ 248,481</u>	<u>\$ -</u>	<u>\$ 1,099,254</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 80,243	\$ -	\$ -	\$ 80,243
Due to other funds	-	-	-	-	-	74,290	74,290
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,243</u>	<u>-</u>	<u>74,290</u>	<u>154,533</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	638,949	248,481	-	887,430
Committed	-	-	-	-	-	-	-
Assigned	3,430	33,198	94,953	-	-	-	131,581
Unassigned	-	-	-	-	-	(74,290)	(74,290)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>3,430</u>	<u>33,198</u>	<u>94,953</u>	<u>638,949</u>	<u>248,481</u>	<u>(74,290)</u>	<u>944,721</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 3,430</u>	<u>\$ 33,198</u>	<u>\$ 94,953</u>	<u>\$ 719,192</u>	<u>\$ 248,481</u>	<u>\$ -</u>	<u>\$ 1,099,254</u>

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

SCHEDULE E

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
REVENUES							
Other	\$ -	\$ -	\$ 16,374	\$ 141,526	\$ -	\$ -	\$ 157,900
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>16,374</u>	<u>141,526</u>	<u>-</u>	<u>-</u>	<u>157,900</u>
EXPENDITURES							
Administration	30,000	1,800	33,375	226,759	8,877	5,326	306,137
Debt service:							
Principal	-	-	-	219,045	92,941	38,929	350,915
Interest	-	-	-	93,305	15,099	15,490	123,894
Capital outlay	-	-	-	-	102,740	-	102,740
TOTAL EXPENDITURES	<u>30,000</u>	<u>1,800</u>	<u>33,375</u>	<u>539,109</u>	<u>219,657</u>	<u>59,745</u>	<u>883,686</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(30,000)</u>	<u>(1,800)</u>	<u>(17,001)</u>	<u>(397,583)</u>	<u>(219,657)</u>	<u>(59,745)</u>	<u>(725,786)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	300,000	112,000	-	412,000
Transfers in	-	-	-	692,212	228,532	96,139	1,016,883
Transfers (out)	-	-	-	-	(37,914)	-	(37,914)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>992,212</u>	<u>302,618</u>	<u>96,139</u>	<u>1,390,969</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	<u>(30,000)</u>	<u>(1,800)</u>	<u>(17,001)</u>	<u>594,629</u>	<u>82,961</u>	<u>36,394</u>	<u>665,183</u>
FUND BALANCES (DEFICITS), JULY 1	<u>33,430</u>	<u>34,998</u>	<u>111,954</u>	<u>44,320</u>	<u>165,520</u>	<u>(110,684)</u>	<u>279,538</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 3,430</u>	<u>\$ 33,198</u>	<u>\$ 94,953</u>	<u>\$ 638,949</u>	<u>\$ 248,481</u>	<u>\$ (74,290)</u>	<u>\$ 944,721</u>

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

## Capital Projects Funds

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2016

	Fire/Ambulance Projects		Dorothy Stevens Center	Public Works Equipment	Police Vehicles & Equipment	Town Hall Roof Repair	Signs
	West Kennebunk Fire Station	Dry Hydrants					
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	31,926	9,969	258	332,333	3,530	1,927	24,918
<b>TOTAL ASSETS</b>	<b>\$ 31,926</b>	<b>\$ 9,969</b>	<b>\$ 258</b>	<b>\$ 332,333</b>	<b>\$ 3,530</b>	<b>\$ 1,927</b>	<b>\$ 24,918</b>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	31,926	9,969	258	332,333	3,530	1,927	24,918
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>31,926</b>	<b>9,969</b>	<b>258</b>	<b>332,333</b>	<b>3,530</b>	<b>1,927</b>	<b>24,918</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 31,926</b>	<b>\$ 9,969</b>	<b>\$ 258</b>	<b>\$ 332,333</b>	<b>\$ 3,530</b>	<b>\$ 1,927</b>	<b>\$ 24,918</b>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2016

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Skateboard Park	Park St. & Cousens Sch. Purchase	Ordinance Rewrites & Codification, Comp Plan & Public Safety Building Study	Storage Area at Town Garage
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	9,246	888,465	83,900	97,050	384,932	89,700	15,231
<b>TOTAL ASSETS</b>	<u>\$ 9,246</u>	<u>\$ 888,465</u>	<u>\$ 83,900</u>	<u>\$ 97,050</u>	<u>\$ 384,932</u>	<u>\$ 89,700</u>	<u>\$ 15,231</u>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	97,050	-	-	-
Committed	9,246	888,465	83,900	-	384,932	89,700	15,231
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>9,246</u>	<u>888,465</u>	<u>83,900</u>	<u>97,050</u>	<u>384,932</u>	<u>89,700</u>	<u>15,231</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 9,246</u>	<u>\$ 888,465</u>	<u>\$ 83,900</u>	<u>\$ 97,050</u>	<u>\$ 384,932</u>	<u>\$ 89,700</u>	<u>\$ 15,231</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2016

	Budget Board	Public Works Projects		West Kennebunk Field	Town Garage & Transfer Station	Fire Ambulance Equipment	HVAC Systems & Insulation
		Bicycle Impact	Parking Lots				
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	137,439	165,031	5,746	15,899	75,000	51,336	35,218
<b>TOTAL ASSETS</b>	<b>\$ 137,439</b>	<b>\$ 165,031</b>	<b>\$ 5,746</b>	<b>\$ 15,899</b>	<b>\$ 75,000</b>	<b>\$ 51,336</b>	<b>\$ 35,218</b>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	165,031	-	15,899	-	-	-
Committed	137,439	-	5,746	-	75,000	51,336	35,218
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>137,439</b>	<b>165,031</b>	<b>5,746</b>	<b>15,899</b>	<b>75,000</b>	<b>51,336</b>	<b>35,218</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 137,439</b>	<b>\$ 165,031</b>	<b>\$ 5,746</b>	<b>\$ 15,899</b>	<b>\$ 75,000</b>	<b>\$ 51,336</b>	<b>\$ 35,218</b>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2016

	Town Hall Computer Hardware & Software	Land - Municipal Employee Parking	Parks & Recreation Projects	Capital Reserve/Impr.	Communications	April 16th Storm	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	34,313	100,000	52,742	71,375	-	-	2,717,484
<b>TOTAL ASSETS</b>	<b>\$ 34,313</b>	<b>\$ 100,000</b>	<b>\$ 52,742</b>	<b>\$ 71,375</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,717,484</b>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	277,980
Committed	-	100,000	52,742	71,375	-	-	2,405,191
Assigned	34,313	-	-	-	-	-	34,313
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>34,313</b>	<b>100,000</b>	<b>52,742</b>	<b>71,375</b>	<b>-</b>	<b>-</b>	<b>2,717,484</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 34,313</b>	<b>\$ 100,000</b>	<b>\$ 52,742</b>	<b>\$ 71,375</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,717,484</b>

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Fire/Ambulance Projects		Dorothy Stevens Center	Public Works Equipment	Police Vehicles & Equipment	Town Hall Roof Repair	Signs
	West Kennebunk Fire Station	Dry Hydrants					
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	21,775	-	-
TOTAL REVENUES	-	-	-	-	21,775	-	-
EXPENDITURES							
Administration	-	-	-	-	-	-	5,082
Public works	-	-	-	4,815	-	-	-
Public safety	-	-	-	-	12,946	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	105,255	-	-	122,807	60,752	132,305	-
TOTAL EXPENDITURES	105,255	-	-	127,622	73,698	132,305	5,082
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,255)	-	-	(127,622)	(51,923)	(132,305)	(5,082)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	50,000	-	-	770,000	-	-	-
Premiums on bond issuance	-	-	-	-	-	-	-
Transfers in	20,000	-	-	144,000	47,783	64,232	20,000
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	70,000	-	-	914,000	47,783	64,232	20,000
NET CHANGE IN FUND BALANCES	(35,255)	-	-	786,378	(4,140)	(68,073)	14,918
FUND BALANCES, JULY 1	67,181	9,969	258	(454,045)	7,670	70,000	10,000
FUND BALANCES, JUNE 30	\$ 31,926	\$ 9,969	\$ 258	\$ 332,333	\$ 3,530	\$ 1,927	\$ 24,918



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, 2016

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Skateboard Park	Park St. & Cousens Sch. Purchase	Ordinance Rewrites & Codification, Comp Plan & Public Safety Building Study	Storage Area at Town Garage
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	25,611	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>25,611</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
EXPENDITURES							
Administration	-	32,319	19,404	-	-	20,300	1,171
Public works	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Debt service:							
Principal	-	627,353	-	-	-	-	-
Interest	-	168,001	-	-	-	-	-
Capital outlay	29,654	49,998	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>29,654</b>	<b>877,671</b>	<b>19,404</b>	<b>-</b>	<b>-</b>	<b>20,300</b>	<b>1,171</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,654)	(852,060)	(19,404)	-	-	(20,300)	(1,171)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Premiums on bond issuance	-	144,703	-	-	-	-	-
Transfers in	8,500	1,058,432	35,000	-	-	110,000	18,000
Transfers (out)	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,500</b>	<b>1,203,135</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>110,000</b>	<b>18,000</b>
NET CHANGE IN FUND BALANCES	(21,154)	351,075	15,596	-	-	89,700	16,829
FUND BALANCES, JULY 1	30,400	537,390	68,304	97,050	384,932	-	(1,598)
FUND BALANCES, JUNE 30	\$ 9,246	\$ 888,465	\$ 83,900	\$ 97,050	\$ 384,932	\$ 89,700	\$ 15,231

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budget Board	Public Works Projects		West Kennebunk Field	Town Garage & Transfer Station	Fire Ambulance Equipment	HVAC Systems & Insulation
		Bicycle Impact	Parking Lots				
<b>REVENUES</b>							
Charges for services	\$ -	\$ 12,110	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-	1,500	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>12,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>-</b>
<b>EXPENDITURES</b>							
Administration	1,375	-	-	-	-	-	5,550
Public works	6,519	-	-	-	-	-	-
Public safety	20,363	-	-	-	-	1,532	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	254,371	-
<b>TOTAL EXPENDITURES</b>	<b>28,257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>255,903</b>	<b>5,550</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(28,257)</b>	<b>12,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(254,403)</b>	<b>(5,550)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Bond proceeds	-	-	50,000	-	-	185,000	-
Premiums on bond issuance	-	-	-	-	-	-	-
Transfers in	50,000	-	-	-	75,000	84,100	-
Transfers (out)	(10,000)	-	-	-	-	-	(4,232)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>40,000</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>75,000</b>	<b>269,100</b>	<b>(4,232)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,743</b>	<b>12,110</b>	<b>50,000</b>	<b>-</b>	<b>75,000</b>	<b>14,697</b>	<b>(9,782)</b>
<b>FUND BALANCES, JULY 1</b>	<b>125,696</b>	<b>152,921</b>	<b>(44,254)</b>	<b>15,899</b>	<b>-</b>	<b>36,639</b>	<b>45,000</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 137,439</b>	<b>\$ 165,031</b>	<b>\$ 5,746</b>	<b>\$ 15,899</b>	<b>\$ 75,000</b>	<b>\$ 51,336</b>	<b>\$ 35,218</b>

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, 2016

	Town Hall Computer Hardware & Software	Land - Municipal Employee Parking	Parks & Recreation Projects	Capital Reserve/Impr.	Communications	April 16th Storm	Total
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,110
Other	-	-	-	-	-	-	48,886
TOTAL REVENUES	-	-	-	-	-	-	60,996
EXPENDITURES							
Administration	30,735	-	-	22,470	-	-	138,406
Public works	-	-	-	-	-	-	11,334
Public safety	-	-	-	-	-	-	34,841
Debt service:							
Principal	-	-	-	-	-	-	627,353
Interest	-	-	-	-	-	-	168,001
Capital outlay	-	-	-	44,091	-	-	799,233
TOTAL EXPENDITURES	30,735	-	-	66,561	-	-	1,779,168
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,735)	-	-	(66,561)	-	-	(1,718,172)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	100,000	95,000	-	-	-	1,250,000
Premiums on bond issuance	-	-	-	-	-	-	144,703
Transfers in	55,000	-	-	-	-	-	1,790,047
Transfers (out)	-	-	-	-	(283)	(6,822)	(21,337)
TOTAL OTHER FINANCING SOURCES (USES)	55,000	100,000	95,000	-	(283)	(6,822)	3,163,413
NET CHANGE IN FUND BALANCES	24,265	100,000	95,000	(66,561)	(283)	(6,822)	1,445,241
FUND BALANCES, JULY 1	10,048	-	(42,258)	137,936	283	6,822	1,272,243
FUND BALANCES, JUNE 30	\$ 34,313	\$ 100,000	\$ 52,742	\$ 71,375	\$ -	\$ -	\$ 2,717,484

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

## Permanent Funds

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2016

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 2,550	\$ 3,527	\$ 6,170	\$ 12,247
Investments	55,650	-	-	-	55,650
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 55,650</u>	<u>\$ 2,550</u>	<u>\$ 3,527</u>	<u>\$ 6,170</u>	<u>\$ 67,897</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 6,170	\$ 6,170
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,170</u>	<u>6,170</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	55,650	2,550	3,527	-	61,727
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>55,650</u>	<u>2,550</u>	<u>3,527</u>	<u>-</u>	<u>61,727</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 55,650</u>	<u>\$ 2,550</u>	<u>\$ 3,527</u>	<u>\$ 6,170</u>	<u>\$ 67,897</u>

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

## TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
REVENUES					
Interest income	\$ 425	\$ 2	\$ 2	\$ -	\$ 429
TOTAL REVENUES	<u>425</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>429</u>
EXPENDITURES					
Other	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>425</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>429</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(4,000)	-	-	-	(4,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
NET CHANGE IN FUND BALANCES	(3,575)	2	2	-	(3,571)
FUND BALANCES, JULY 1	<u>59,225</u>	<u>2,548</u>	<u>3,525</u>	<u>-</u>	<u>65,298</u>
FUND BALANCES, JUNE 30	<u>\$ 55,650</u>	<u>\$ 2,550</u>	<u>\$ 3,527</u>	<u>\$ -</u>	<u>\$ 61,727</u>

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

### General Capital Assets

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Administration	\$ 2,091	\$ 701,019	\$ 1,051,636	\$ -	\$ 1,754,746
Police	75,100	1,650,222	1,664,830	-	3,390,152
Fire	97,900	2,244,199	4,400,065	-	6,742,164
Public Works	124,300	396,316	3,312,002	23,729,269	27,561,887
Recreation and Culture	79,100	406,385	764,346	-	1,249,831
Town-wide	<u>2,148,845</u>	<u>4,851,852</u>	<u>211,307</u>	<u>576,131</u>	<u>7,788,135</u>
Total General Capital Assets	2,527,336	10,249,993	11,404,186	24,305,400	48,486,915
Less: Accumulated Depreciation	<u>-</u>	<u>(6,176,779)</u>	<u>(8,074,115)</u>	<u>(10,656,104)</u>	<u>(24,906,998)</u>
Net General Capital Assets	<u>\$ 2,527,336</u>	<u>\$ 4,073,214</u>	<u>\$ 3,330,071</u>	<u>\$ 13,649,296</u>	<u>\$ 23,579,917</u>

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



TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
Administration	\$ 1,495,483	\$ 259,263	\$ -	\$ 1,754,746
Police	3,329,400	60,752	-	3,390,152
Fire	6,363,042	379,122	-	6,742,164
Public Works	26,870,975	690,912	-	27,561,887
Recreation and Culture	1,241,072	8,759	-	1,249,831
Town-wide	<u>7,731,652</u>	<u>56,483</u>	<u>-</u>	<u>7,788,135</u>
Total General Capital Assets	47,031,624	1,455,291	-	48,486,915
Less: Accumulated Depreciation	<u>(22,952,414)</u>	<u>(1,954,584)</u>	<u>-</u>	<u>(24,906,998)</u>
Net General Capital Assets	<u><u>\$ 24,079,210</u></u>	<u><u>\$ (499,293)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,579,917</u></u>

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



*Proven Expertise and Integrity*

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

Board of Selectmen  
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, 2016, 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 February 17, 2017.

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*.

#### 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  
February 17, 2017

## Statistical Information

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

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

TOWN OF KENNEBUNK, MAINE  
REGIONAL SCHOOL UNIT (RSU) 21'S SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2016

School	Location	Grades
Kennebunk Elementary	Kennebunk	K-3
Mildred L Day	Arundel	K-5
Kennebunkport Consolidated	Kennebunkport	K-5
Sea Road School	Kennebunk	4-5
Middle School of the Kennebunks	Kennebunk	6-8
Kennebunk High School	Kennebunk	9-12

TOWN OF KENNEBUNK, MAINE

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

Actual Enrollment in RSU21 Schools

Oct. 1, <sup>(1)</sup>	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 Students <sup>(2)</sup>
	Students	%	Students	%	Students	%	
2015	288	12.9%	1,555	69.4%	397	17.7%	2,240
2014	312	13.4%	1,615	69.4%	399	17.2%	2,326
2013	313	13.2%	1,646	69.5%	409	17.3%	2,368
2012	313	13.2%	1,640	69.1%	419	17.7%	2,372
2011	308	13.1%	1,625	68.9%	423	18.0%	2,356
2010	321	13.3%	1,665	69.0%	428	17.7%	2,414
2009	317	12.8%	1,727	69.4%	442	17.8%	2,486
2008	340	13.4%	1,751	69.0%	446	17.6%	2,537
2007	343	13.4%	1,760	68.7%	457	17.9%	2,560
2006	326	12.5%	1,825	69.9%	461	17.6%	2,612

- (1) State of Maine Department of Education's October 1 Annual Census
- (2) For years 2008 and prior, the RSU 21 member municipalities were not consolidated into RSU 21. During those years Kennebunk and Keenebunkport were members of MSAD 71; Arundel was a separate school administrative unit.

Total Pupils Residing in RSU21 District Attending Any School

Fiscal Yr Avg No of Pupils <sup>(1)</sup>	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 Students <sup>(2)</sup>
	Students	%	Students	%	Students	%	
2016	582.0	22.3%	1,628.0	62.3%	401.5	15.4%	2,611.5
2015	589.5	22.3%	1,642.5	62.0%	416.5	15.7%	2,648.5
2014	592.5	22.4%	1,630.5	61.6%	424.5	16.0%	2,647.5
2013	601.5	22.6%	1,635.5	61.4%	426.5	16.0%	2,663.5
2012	606.5	22.2%	1,692.0	62.0%	430.5	15.8%	2,729.0
2011	624.5	22.3%	1,728.5	61.7%	444.0	15.9%	2,797.0
2010	633.0	22.4%	1,749.5	61.8%	449.0	15.9%	2,831.5
2009	NA	NA	1,783.5	79.4%	459.5	20.5%	2,243.0
2008	NA	NA	1,844.0	79.7%	469.0	20.3%	2,313.0
2007	NA	NA	1,888.0	79.1%	498.0	20.9%	2,386.0
2006	NA	NA	1,895.0	79.0%	504.5	21.0%	2,399.5

- (1) State of Maine Department of Education's ED279 Report (ED281 for 2006, 2007 & 2008) Calendar year average counts are two years behind the fiscal year.
- (2) For years 2008 and prior, the RSU 21 member municipalities were not consolidated into RSU 21. During those years Kennebunk and Kennebunkport were members of MSAD 71; Arundel was a separate school administrative unit.

## TOWN OF KENNEBUNK, MAINE

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

Fiscal Year	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 ESV(000) <sup>(1)</sup>
	ESV (000)	%	ESV (000)	%	ESV (000)	%	
2016	\$ 438,000	9.5%	\$ 2,245,800	48.6%	\$ 1,938,350	41.9%	\$ 4,622,150
2015	420,600	9.1%	2,159,200	46.7%	1,831,600	39.6%	4,411,400
2014	411,950	9.5%	2,085,300	48.2%	1,832,450	42.3%	4,329,700
2013	413,500	9.6%	2,097,550	48.5%	1,810,500	41.9%	4,321,550
2012	415,950	9.6%	2,128,300	49.0%	1,801,850	41.4%	4,346,100
2011	429,150	9.6%	2,126,200	47.3%	1,938,250	43.1%	4,493,600
2010	449,900	9.6%	2,288,950	49.1%	1,923,750	41.3%	4,662,600
2009	433,350	9.5%	2,360,650	51.5%	1,784,950	39.0%	4,578,950
2008	NA	NA	2,326,650	56.0%	1,828,650	44.0%	4,155,300
2007	NA	NA	2,239,800	57.2%	1,677,500	42.8%	3,917,300

NOTE: "NA" indicates the period for which Arundel was an individual SAU.

(1) Years 2007 – 2008 include only data for the former MSAD No. 71.

TABLE 4

## TOWN OF KENNEBUNK, MAINE

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

Municipality	2010/2011		2011/2012		2012/2013		2013/2014		2014/2015		2015/2016	
	Assessment	% Total	Assessment	% Total	Assessment	% Total	Assessment	% Total	Assessment	% Total	Assessment	% Total
Arundel	\$ 3,693,011	12.6%	\$ 3,918,960	13.3%	\$ 4,109,823	13.5%	\$ 4,071,486	12.6%	\$ 4,126,255	12.6%	\$ 4,307,675	12.7%
Kennebunk	19,252,939	65.9%	19,503,442	66.0%	19,544,108	64.4%	20,660,409	64.1%	20,829,596	63.5%	21,698,081	63.8%
Kennebunkport	<u>6,260,773</u>	<u>21.5%</u>	<u>6,107,648</u>	<u>20.7%</u>	<u>6,677,507</u>	<u>22.1%</u>	<u>7,521,509</u>	<u>23.3%</u>	<u>7,837,533</u>	<u>23.9%</u>	<u>8,015,486</u>	<u>23.6%</u>
Total	\$ 29,206,723	100.0%	\$ 29,530,050	100.0%	\$ 30,331,438	100.0%	\$ 32,253,404	100.0%	\$ 32,793,384	100.0%	\$ 34,021,242	100.0%



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

Fiscal Year	Commercial		Residential		Total	
	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost
2016	195	\$ 44,410,905	370	\$ 23,706,571	565	\$ 68,117,476
2015	119	6,632,868	432	21,691,928	551	28,324,796
2014	221	2,612,550	391	18,608,385	612	21,220,935
2013	193	3,296,267	311	22,791,353	504	26,087,620
2012	237	46,144,062	402	24,674,584	639	70,818,646
2011	152	3,861,200	412	17,592,841	564	24,454,041
2010	182	4,144,062	419	18,330,806	601	22,474,868
2009	180	8,732,861	435	23,625,470	615	32,358,331
2008	119	6,871,227	483	24,229,907	602	31,101,134
2007	135	10,469,441	511	22,899,732	646	33,369,173

SOURCE: Town of Kennebunk, Maine Code Enforcement Office

TOWN OF KENNEBUNK, MAINE  
EMPLOYMENT  
FOR THE YEAR ENDED JUNE 30, 2016

Representative Employer	Type of Business	Approximate Number of Employees
RSU 21	School Administrative Unit	475
Corning	Medical Lab Equipment Manufacturer	360
Kennebunk Savings Bank	Bank & Insurance	289
Home Instead Care Services	Home Care Services	170
Sunrise Senior Living	Assisted Living Facility	150
Southern Maine Medical / PrimeCare	Health Care	150
Town of Kennebunk	Town Government	130
RiverRidge Center	Brain Injury Rehab Center	122
Kennebunk Ctr for Health & Rehab	Assisted Living Facility & Rehabilitation	110
HMS Host	Turnpike Service	100
Northeast Coatings	Surface Coatings	97
The Hissong Group	Construction & Property Management	94
Plixer	Software	85
Hannaford	Food & Pharmacy	60
Atria	Assisted Living Facility	50
Downeast Energy	Petroleum Distributor	50
Garrett Pillsbury	Plumbing, Heating and Petroleum Distrib	45
KKW Water District	Water Utility	41
Tom's of Maine	Consumer Products	40
Bergen & Parkinson	Law Firm	37

## TOWN OF KENNEBUNK, MAINE

FUND BALANCE  
FOR THE YEARS ENDED JUNE 30,

	2011	2012	2013	2014	2015	2016
Assigned and Unassigned <sup>(1)</sup> General Fund Balance	\$ 7,091,796	\$ 7,138,394	\$ 7,576,962	\$ 8,254,400	\$ 7,857,723	\$ 8,428,902
Total Revenues (Current Year)	32,338,176	32,371,733	33,365,015	35,121,495	35,361,083	36,944,282
Fund Balance as % Revenues	21.93%	22.05%	22.71%	23.50%	22.22%	22.82%
Unassigned <sup>(2)</sup> General Fund Balance	\$ 6,873,273	\$ 7,011,232	\$ 7,444,341	\$ 8,154,810	\$ 7,724,589	\$ 8,218,687
Budgeted Revenue	31,609,916	32,213,394	32,031,797	34,269,730	34,877,723	36,035,230
Fund Balance as % Budgeted Revenue	21.74%	21.76%	23.24%	23.80%	22.15%	22.81%

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

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

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

Fiscal Year	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (After Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy a/o 08/31/16
2016	\$ 2,245,800	\$ 2,043,619	\$ 15.30	\$ 31,267	\$ 30,567	97.8%	99.0%
2015	2,159,200	2,029,269	14.90	30,236	29,337	97.0%	99.4%
2014	2,085,300	1,991,757	14.95	29,777	29,067	97.6%	99.8%
2013	2,097,550	1,944,205	14.40	27,997	27,257	97.4%	99.8%
2012	2,128,300	1,936,881	14.40	27,891	27,085	97.1%	99.8%
2011	2,126,200	1,922,409	14.30	27,490	26,816	97.6%	99.8%
2010	2,288,950	1,897,950	13.95	26,476	25,781	97.4%	99.8%
2009	2,360,650	1,886,460	13.85	26,135	25,360	97.4%	99.9%
2008	2,326,650	1,866,643	12.85	23,986	23,290	97.1%	99.9%
2007	2,239,800	1,840,781	12.05	22,181	21,506	97.0%	99.9%

TOWN OF KENNEBUNK, MAINE  
TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2016

Taxpayer	Business	As of April 1, 2016				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Central Maine Power Co	Electric Utility	\$ 51,768,100	\$ 8,300	\$ 51,776,400	\$ 823,245	2.51%
Corning Inc	Lab Equipment Manf	10,228,200	11,331,600	21,559,800	342,801	1.05%
Shape Drive Medical Ctr LLC	Medical Facility	19,464,400	-	19,464,400	309,484	0.94%
Sunrise Kennebunk Sr Lvg LLC	Ass'td Living Facility	17,855,500	-	17,855,500	283,902	0.87%
Kennebunk Savings Bank	Bank & Insurance	13,390,500	1,870,300	15,260,800	242,647	0.74%
Maritimes & Northeast Pipeline	Natural Gas Pipeline	8,320,000	-	8,320,000	132,288	0.40%
VTR Kennebunk LLC	Ass'td Living Facility	7,604,400	-	7,604,400	120,910	0.37%
Hannaford	Comm Prop/Grocery	4,585,700	1,294,900	5,880,600	93,502	0.29%
HMS Host Family Restaurant	Turnpike Service Ctr	4,645,800	1,014,800	5,660,600	90,004	0.27%
Farley, William F	Private Residence	5,575,700	-	<u>5,575,700</u>	<u>88,654</u>	<u>0.27%</u>
<b>Top Ten Taxpayers</b>				<b>\$ 158,958,200</b>	<b>\$ 2,527,437</b>	<b>7.71%</b>

## TOWN OF KENNEBUNK, MAINE

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

<b>Fiscal Year</b>	<b>Population<sup>(1)</sup></b>	<b>Equalized State Val. (000)</b>	<b>Assessed Valuation (000)</b>	<b>Total Debt</b>	<b>Debt as % Eq. Val.</b>	<b>Per Capita Debt</b>
2016	10,798	\$ 2,245,800	\$ 2,043,619	\$ 11,609,000	0.52%	\$ 1,075.11
2015	10,798	2,159,200	2,029,269	9,535,000	0.44%	883.03
2014	10,798	2,085,300	1,991,757	10,764,000	0.52%	996.85
2013	10,798	2,097,550	1,944,205	6,685,000	0.32%	619.10
2012	10,798	2,128,300	1,936,881	7,445,000	0.35%	689.48
2011	10,798	2,126,200	1,922,409	8,200,000	0.39%	759.40
2010	10,798	2,288,950	1,897,950	8,957,000	0.39%	829.51
2009	10,476	2,360,650	1,886,460	3,075,000	0.13%	293.53
2008	10,476	2,326,650	1,866,643	3,445,000	0.15%	328.85
2007	10,476	2,239,800	1,840,781	3,810,000	0.17%	363.69

NOTE: <sup>(1)</sup> U.S. Census

## TOWN OF KENNEBUNK, MAINE

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

	Actual					Budgeted
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Debt Service from Capital Fund:	\$ 858,674	\$ 777,486	\$ 1,202,982	\$ 1,069,507	\$ 795,354	\$ 1,096,466
Debt Service from TIF Funds:	<u>223,582</u>	<u>221,362</u>	<u>260,610</u>	<u>484,490</u>	<u>474,809</u>	<u>528,468</u>
Total Current Year Debt Service:	\$ 1,082,256	\$ 998,848	\$ 1,463,592	\$ 1,553,997	\$ 1,270,163	\$ 1,624,934
Budgeted Operating Expense:	\$ 31,156,555	\$ 31,405,898	\$ 33,518,096	\$ 34,325,416	\$ 35,110,955	\$ 36,272,906
Debt Service as % Operating Expense:	3.47%	3.18%	4.37%	4.53%	3.62%	4.48%

## TOWN OF KENNEBUNK, MAINE

PROPERTY TAX LEVY LIMIT  
FOR THE YEARS ENDED JUNE 30,

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
State Personal Income Factor:	1.78%	1.66%	1.43%	1.05%	1.09%	0.86%
Local Property Growth Factor:	<u>1.26%</u>	<u>1.27%</u>	<u>0.75%</u>	<u>0.80%</u>	<u>2.53%</u>	<u>2.04%</u>
Growth Limitation Factor:	3.04%	2.93%	2.18%	1.85%	3.62%	2.90%
Property Tax Levy Limit:	\$ 6,499,627	\$ 6,690,067	\$ 6,767,007	\$ 6,892,197	\$ 7,141,695	\$ 7,348,804
Property Tax Levy:	<u>6,065,431</u>	<u>6,050,698</u>	<u>6,120,059</u>	<u>6,313,472</u>	<u>6,584,061</u>	<u>6,870,620</u>
Over/(below) Prop Tax Levy Limit:	\$ (434,196)	\$ (639,369)	\$ (646,948)	\$ (578,725)	\$ (557,634)	\$ (478,184)