

Audited Financial Statements
and Other Financial Information

Town of Kennebunk, Maine

June 30, 2018



Proven Expertise and Integrity

TOWN OF KENNEBUNK, MAINE

CONTENTS

JUNE 30, 2018

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 12
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT- WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	13 - 14
STATEMENT B - STATEMENT OF ACTIVITIES	15 - 16
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	17
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	18
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	19
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT G - STATEMENT OF NET POSITION - PROPRIETARY FUNDS	21
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	22
STATEMENT I - STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	23
NOTES TO FINANCIAL STATEMENTS	24 - 72
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	73

SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	74
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	75
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS - PENSIONS	76
SCHEDULE 4 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - GROUP LIFE	77
SCHEDULE 5 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY - HEALTH PLAN	78
SCHEDULE 6 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - HEALTH PLAN	79
SCHEDULE 7 - SCHEDULE OF CONTRIBUTIONS - OPEB	80
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	81
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	82
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	83 - 86
SCHEDULE B - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	87
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	88
SPECIAL REVENUE FUNDS DESCRIPTION	89
SCHEDULE D - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	90
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	91
CAPITAL PROJECTS FUNDS DESCRIPTION	92
SCHEDULE F - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS	93 - 96

SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS	97 - 100
PERMANENT FUNDS DESCRIPTION	101
SCHEDULE H - COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS	102
SCHEDULE I - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS	103
GENERAL CAPITAL ASSETS DESCRIPTION	104
SCHEDULE J - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	105
SCHEDULE K - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	106

FEDERAL COMPLIANCE

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 <i>GOVERNMENT AUDITING STANDARDS</i>	107 - 108
--	-----------

STATISTICAL INFORMATION

STATISTICAL INFORMATION DESCRIPTION	109
TABLE 1 - REGIONAL SCHOOL UNIT (RSU) 21'S SCHOOLS	110
TABLE 2 - ENROLLMENT DATA OF THE MUNICIPALITIES IN THE RSU	111
TABLE 3 - STATE VALUATION OF THE MUNICIPALITIES IN THE RSU	112
TABLE 4 - HISTORICAL ALLOCATION FOR THE RSU'S LOCAL COSTS	113
TABLE 5 - BUILDING PERMITS	114
TABLE 6 - EMPLOYMENT	115
TABLE 7 - FUND BALANCE	116
TABLE 8 - TAX LEVY AND COLLECTIONS	117
TABLE 9 - TEN LARGEST TAXPAYERS	118

TABLE 10 - RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND GENERAL BONDED DEBT PER CAPITA	119
TABLE 11 - DEBT SERVICE COMPONENT OF OPERATING EXPENSES	120
TABLE 12 - PROPERTY TAX LEVY LIMIT	121



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, 2018, 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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 through 12 and 74 through 81 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 March 26, 2019, 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
March 26, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(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, 2018. 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, recreation and culture, health and welfare, public works, education, employee benefits, agency request and unclassified.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Kennebunk include Pay-As-You-Throw (PAYT) trash program and electrical inspection program.

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in 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 \$896,889 from \$25,812,629 to \$26,709,518. The Town's total business-type net position increased by \$19,478 from a deficit of \$55,609 to a deficit of \$36,131.

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 \$15,227,829 at the end of this year. Unrestricted net position for business-type activities increased to a deficit balance of \$37,467.

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

	Governmental Activities		Business-type Activities	
	2018	2017 (Restated)	2018	2017
Assets				
Current assets	\$ 21,427,816	\$ 17,118,967	\$ (36,131)	\$ (55,609)
Capital assets	23,243,629	22,939,668	-	-
Total assets	<u>44,671,445</u>	<u>40,058,635</u>	<u>(36,131)</u>	<u>(55,609)</u>
Deferred outflows of resources				
Deferred outflows related to OPEB	23,209	-	-	-
Deferred outflows related to pensions	1,005,936	1,237,749	-	-
Total deferred outflows of resources	<u>1,029,145</u>	<u>1,237,749</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities	3,933,702	3,255,309	-	-
Long-term debt outstanding	14,012,625	11,430,250	-	-
Total liabilities	<u>17,946,327</u>	<u>14,685,559</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Deferred revenue	250,587	252,270	-	-
Deferred inflows related to OPEB	29,159	-	-	-
Deferred inflows related to pensions	764,999	545,926	-	-
Total deferred inflows of resources	<u>1,044,745</u>	<u>798,196</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	9,498,629	12,609,668	-	-
Restricted	1,983,060	1,607,689	1,336	1,993
Unrestricted (deficit)	15,227,829	11,595,272	(37,467)	(57,602)
Total net position	<u>\$ 26,709,518</u>	<u>\$ 25,812,629</u>	<u>\$ (36,131)</u>	<u>\$ (55,609)</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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 2,146,587	\$ 2,111,829	\$ 492,732	\$ 446,347
Operating grants and contributions	151,536	149,156	-	-
Capital grants and contributions	-	178,608	-	-
<i>General Revenues:</i>				
Taxes	36,854,619	35,174,514	-	-
Grants and contributions not restricted to specific programs	971,995	933,823	-	-
Miscellaneous	699,864	436,678	-	-
Bond premium	581,062	-	-	-
Total revenues	<u>41,405,663</u>	<u>38,984,608</u>	<u>492,732</u>	<u>446,347</u>
Expenses				
General government	2,489,860	2,530,712	-	-
Public safety	4,897,257	4,643,360	-	-
Recreation and culture	1,515,120	1,514,250	-	-
Health and welfare	351,220	336,913	553,254	508,991
Public works	2,826,963	2,729,722	-	-
Education	23,965,655	22,708,581	-	-
County tax	1,382,926	1,347,775	-	-
Employee benefits	2,105,329	2,119,234	-	-
Agency requests	33,100	32,100	-	-
Interest on long-term debt	299,040	345,933	-	-
Capital outlay	-	-	-	-
Unclassified	230,623	127,357	-	-
Bond issuance costs	72,539	-	-	-
Unallocated depreciation (Note 4)	259,142	192,406	-	-
Total expenses	<u>40,428,774</u>	<u>38,628,343</u>	<u>553,254</u>	<u>508,991</u>
Transfers	<u>(80,000)</u>	<u>(87,000)</u>	<u>80,000</u>	<u>87,000</u>
Change in net position	896,889	269,265	19,478	24,356
Net position - July 1, Restated	<u>25,812,629</u>	<u>25,543,364</u>	<u>(55,609)</u>	<u>(79,965)</u>
Net position - June 30	<u>\$ 26,709,518</u>	<u>\$ 25,812,629</u>	<u>\$ (36,131)</u>	<u>\$ (55,609)</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 6.21%, while total expenses increased by 11.23%. The main increases in revenues were in taxes and bond premium, while the largest increases in expenses were in education and capital outlay.

Proprietary fund revenues increased 10.39%, while total expenses increased 8.70%.

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,

	2018	2017
Major Funds:		
General fund:		
Nonspendable	\$ 373,453	\$ 339,338
Committed	1,184,516	1,106,486
Assigned	171,942	163,729
Unassigned	8,755,452	8,587,397
Subtotal General Fund	10,485,363	10,196,950
Roads and paving capital fund		
Committed	2,114,114	1,146,574
Unassigned	-	(259,904)
Total Major Funds	\$ 12,599,477	\$ 11,083,620
Nonmajor Funds:		
Special revenue funds:		
Restricted	\$ 1,592,805	\$ 1,239,095
Committed	1,375,000	-
Assigned	134,794	144,395
Unassigned	(57,044)	(55,872)
Capital projects funds:		
Restricted	335,851	310,530
Committed	2,553,736	1,962,556
Unassigned	(6,608)	(287,997)
Permanent funds:		
Restricted	54,404	58,064
Total Nonmajor Funds	\$ 5,982,938	\$ 3,370,771

The general fund total fund balance increased by \$288,413 from the prior fiscal year mainly due to revenues exceeding expenditures and transfers out, while the roads and paving capital fund increased by \$1,227,444. The nonmajor governmental fund balances also increased by \$2,612,227 from the prior fiscal year. The roads and paving capital fund balance and various nonmajor special revenue funds and capital projects fund balances were replenished when bonds totaling \$5,145,000 were issued in May 2018.

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 \$37,467. The electrical inspection program realized operating income for the current year of \$1,336. The Town is reviewing the PAYT program for future periods. At the June 2017 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, 2017 deficit of \$57,602. This transfer helped reduce the deficit balance, but the fund is still operating at a deficit as of June 30, 2018.

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

Budgetary Highlights

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

The general fund actual revenues exceeded the budget by \$866,517. This was a result of nearly all revenue categories being receipted in excess of budgeted amounts with the exception of property taxes and the homestead reimbursement.

The general fund actual expenditures were over budget by \$398,104. All expenditure categories were under budget with the exception of public works and transfers to other funds.

Please see Schedule 1 on page 74 for more detailed information.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town decreased by \$2,234,201. This decrease was the result of current year depreciation. 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,

	2018	2017
Land and improvements	\$ 3,310,683	\$ 3,382,032
Buildings and building improvements	2,492,756	2,795,621
Furniture and fixtures	12,616	19,242
Machinery, equipment and vehicles	3,825,581	3,535,390
Art work and historical treasures	41,000	41,000
Construction in progress	7,688	7,688
Infrastructure	13,553,305	13,158,695
Total	\$ 23,243,629	\$ 22,939,668

Long-Term Debt Activity

At June 30, 2018, the Town had \$13,745,000 in bonds outstanding versus \$10,330,000 last year. Other obligations include accrued compensated absences, net OPEB liability and net pension liability. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The local economy and housing market continues to improve. For fiscal year 2019 the Town's net municipal budget increased by 6.97%. The increase can be broken down between an operating increase of 5.32% and a 1.65% increase due to funding required for existing debt service on the Town's long-term bonds. The Town's assessment for public education by Regional School Unit No. 21 (RSU 21), of which the Town is a member municipality, increased 7.71% for fiscal year 2019.

For fiscal year 2018, the Town's tax mil rate was \$16.55; for fiscal year 2019, the rate will be \$17.50, a 5.74% 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.

STATEMENT A

TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 18,266,707	\$ -	\$ 18,266,707
Investments	1,749,066	-	1,749,066
Accounts receivable (net of allowance for uncollectibles):			
Taxes	566,461	-	566,461
Liens	144,532	-	144,532
Other	240,220	51,246	291,466
Tax acquired property	373,453	-	373,453
Internal balances	87,377	(87,377)	-
Total current assets	<u>21,427,816</u>	<u>(36,131)</u>	<u>21,391,685</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	2,527,336	-	2,527,336
Depreciable assets, net of accumulated depreciation	20,716,293	-	20,716,293
Total noncurrent assets	<u>23,243,629</u>	<u>-</u>	<u>23,243,629</u>
TOTAL ASSETS	<u>44,671,445</u>	<u>(36,131)</u>	<u>44,635,314</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	23,209	-	23,209
Deferred outflows related to pensions	1,005,936	-	1,005,936
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,029,145</u>	<u>-</u>	<u>1,029,145</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 45,700,590</u>	<u>\$ (36,131)</u>	<u>\$ 45,664,459</u>

STATEMENT A (CONTINUED)
TOWN OF KENNEBUNK, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 804,401	\$ -	\$ 804,401
Accrued payroll	569,936	-	569,936
Other liabilities	396,384	-	396,384
Current portion of long-term obligations	2,162,981	-	2,162,981
Total current liabilities	<u>3,933,702</u>	<u>-</u>	<u>3,933,702</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	11,990,000	-	11,990,000
Net OPEB liability	363,672	-	363,672
Net pension liability	1,658,953	-	1,658,953
Total noncurrent liabilities	<u>14,012,625</u>	<u>-</u>	<u>14,012,625</u>
TOTAL LIABILITIES	<u>17,946,327</u>	<u>-</u>	<u>17,946,327</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	250,587	-	250,587
Deferred inflows related to OPEB	29,159	-	29,159
Deferred inflows related to pensions	764,999	-	764,999
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,044,745</u>	<u>-</u>	<u>1,044,745</u>
NET POSITION			
Net investment in capital assets	9,498,629	-	9,498,629
Restricted	1,983,060	1,336	1,984,396
Unrestricted (deficit)	15,227,829	(37,467)	15,190,362
TOTAL NET POSITION	<u>26,709,518</u>	<u>(36,131)</u>	<u>26,673,387</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 45,700,590</u>	<u>\$ (36,131)</u>	<u>\$ 45,664,459</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, 2018

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	\$ 2,489,860	\$ 289,120	\$ -	\$ -	\$ (2,200,740)	\$ -	\$ (2,200,740)
Public safety	4,897,257	928,146	-	-	(3,969,111)	-	(3,969,111)
Recreation and culture	1,515,120	929,321	-	-	(585,799)	-	(585,799)
Health and welfare	351,220	-	-	-	(351,220)	-	(351,220)
Public works	2,826,963	-	151,536	-	(2,675,427)	-	(2,675,427)
Education	23,965,655	-	-	-	(23,965,655)	-	(23,965,655)
County tax	1,382,926	-	-	-	(1,382,926)	-	(1,382,926)
Employee benefits	2,105,329	-	-	-	(2,105,329)	-	(2,105,329)
Agency requests	33,100	-	-	-	(33,100)	-	(33,100)
Interest on long-term debt	299,040	-	-	-	(299,040)	-	(299,040)
Capital outlay	-	-	-	-	-	-	-
Unclassified	230,623	-	-	-	(230,623)	-	(230,623)
Bond issuance costs	72,539	-	-	-	(72,539)	-	(72,539)
Unallocated depreciation (Note 4)*	259,142	-	-	-	(259,142)	-	(259,142)
Total governmental activities	40,428,774	2,146,587	151,536	-	(38,130,651)	-	(38,130,651)
Business-type activities:							
Pay-As-You-Throw Trash Program	499,398	439,533	-	-	-	(59,865)	(59,865)
Electrical Inspection Program	53,856	53,199	-	-	-	(657)	(657)
Total business-type activities	553,254	492,732	-	-	-	(60,522)	(60,522)
Total government	\$ 40,982,028	\$ 2,639,319	\$ 151,536	\$ -	(38,130,651)	(60,522)	(38,191,173)

* 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, 2018

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(38,130,651)	(60,522)	(38,191,173)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	34,306,541	-	34,306,541
Excise taxes	2,548,078	-	2,548,078
Grants and contributions			
not restricted to specific programs	971,995	-	971,995
Miscellaneous	699,864	-	699,864
Bond premium	581,062	-	581,062
Transfers	(80,000)	80,000	-
Total general revenues and transfers	39,027,540	80,000	39,107,540
Change in net position	896,889	19,478	916,367
NET POSITION - JULY 1, RESTATED	25,812,629	(55,609)	25,757,020
NET POSITION - JUNE 30	\$ 26,709,518	\$ (36,131)	26,673,387

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

STATEMENT C

TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Roads and Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,254,424	\$ -	\$ 12,283	\$ 18,266,707
Investments	1,692,744	-	56,322	1,749,066
Accounts receivables (net of allowance for uncollectibles):				
Taxes	566,461	-	-	566,461
Liens	144,532	-	-	144,532
Other	240,220	-	-	240,220
Tax acquired property	373,453	-	-	373,453
Due from other funds	166,566	2,114,114	5,992,186	8,272,866
TOTAL ASSETS	<u>\$ 21,438,400</u>	<u>\$ 2,114,114</u>	<u>\$ 6,060,791</u>	<u>\$ 29,613,305</u>
LIABILITIES				
Accounts payable	\$ 804,401	\$ -	\$ -	\$ 804,401
Accrued payroll	569,936	-	-	569,936
Other liabilities	396,384	-	-	396,384
Due to other funds	8,107,636	-	77,853	8,185,489
TOTAL LIABILITIES	<u>9,878,357</u>	<u>-</u>	<u>77,853</u>	<u>9,956,210</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	250,587	-	-	250,587
Deferred tax revenue	824,093	-	-	824,093
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,074,680</u>	<u>-</u>	<u>-</u>	<u>1,074,680</u>
FUND BALANCES				
Nonspendable - tax acquired property	373,453	-	-	373,453
Restricted	-	-	1,983,060	1,983,060
Committed	1,184,516	2,114,114	3,928,736	7,227,366
Assigned	171,942	-	134,794	306,736
Unassigned	8,755,452	-	(63,652)	8,691,800
TOTAL FUND BALANCES	<u>10,485,363</u>	<u>2,114,114</u>	<u>5,982,938</u>	<u>18,582,415</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 21,438,400</u>	<u>\$ 2,114,114</u>	<u>\$ 6,060,791</u>	<u>\$ 29,613,305</u>

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, 2018

	Total Governmental Funds
	Funds
Total Fund Balances	\$ 18,582,415
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	23,243,629
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	824,093
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	23,209
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	1,005,936
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	(13,745,000)
Accrued compensated absences	(407,981)
Net OPEB liability	(363,672)
Net pension liability	(1,658,953)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(29,159)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(764,999)
	\$ 26,709,518

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, 2018

	General Fund	Roads and Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 34,294,231	\$ -	\$ -	\$ 34,294,231
Excise taxes	2,548,078	-	-	2,548,078
Intergovernmental revenues	1,123,531	-	-	1,123,531
Charges for services	2,146,587	-	-	2,146,587
Miscellaneous revenues	494,176	25,117	180,571	699,864
TOTAL REVENUES	40,606,603	25,117	180,571	40,812,291
EXPENDITURES				
Current:				
General government	2,032,505	13,978	331,202	2,377,685
Public safety	4,314,067	45,022	-	4,359,089
Public works	1,507,536	-	31,594	1,539,130
Education	23,965,655	-	-	23,965,655
County tax	1,382,926	-	-	1,382,926
Recreation and culture	1,445,043	-	-	1,445,043
Health and welfare	351,220	-	-	351,220
Employee benefits	2,006,118	-	-	2,006,118
Agency request	33,100	-	-	33,100
Unclassified	183,219	-	47,404	230,623
Capital outlay	-	1,288,673	1,249,488	2,538,161
Debt service:				
Principal	-	-	1,280,000	1,280,000
Interest	-	-	299,040	299,040
TOTAL EXPENDITURES	37,221,389	1,347,673	3,238,728	41,807,790
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,385,214	(1,322,556)	(3,058,157)	(995,499)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	2,480,000	2,665,000	5,145,000
Premiums on bond issuance	-	-	581,062	581,062
Bond payoff	-	-	(450,000)	(450,000)
Bond issuance costs	-	-	(72,539)	(72,539)
Transfers in	4,000	70,000	2,950,801	3,024,801
Transfers (out)	(3,100,801)	-	(4,000)	(3,104,801)
TOTAL OTHER FINANCING SOURCES (USES)	(3,096,801)	2,550,000	5,670,324	5,123,523
NET CHANGE IN FUND BALANCES	288,413	1,227,444	2,612,167	4,128,024
FUND BALANCES - JULY 1	10,196,950	886,670	3,370,771	14,454,391
FUND BALANCES - JUNE 30	\$ 10,485,363	\$ 2,114,114	\$ 5,982,938	\$ 18,582,415

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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 4,128,024</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:	
Depreciation expense	<u>(2,234,201)</u>
Deferred outflows of resources related to OPEB are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>23,209</u>
Deferred outflows of resources related to pensions are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(231,813)</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>1,730,000</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	<u>(5,145,000)</u>
Deferred inflows of resources related to OPEB are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(29,159)</u>
Deferred inflows of resources related to pensions are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(219,073)</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	(33,195)
Net OPEB liability	(19,003)
Net pension liability	<u>376,628</u>
	<u>324,430</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>12,310</u>
Change in net position of governmental activities (Statement B)	<u>\$ 896,889</u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
ASSETS			
Accounts receivable (net of allowance for uncollectibles)	\$ 51,246	\$ -	\$ 51,246
Due from other funds	-	1,336	1,336
TOTAL ASSETS	<u>\$ 51,246</u>	<u>\$ 1,336</u>	<u>\$ 52,582</u>
LIABILITIES			
Due to other funds	\$ 88,713	\$ -	\$ 88,713
TOTAL LIABILITIES	<u>88,713</u>	<u>-</u>	<u>88,713</u>
NET POSITION			
Restricted	-	1,336	1,336
Unrestricted (deficit)	(37,467)	-	(37,467)
TOTAL NET POSITION	<u>(37,467)</u>	<u>1,336</u>	<u>(36,131)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 51,246</u>	<u>\$ 1,336</u>	<u>\$ 52,582</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, 2018

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
OPERATING REVENUES			
Charges for services	\$ 439,533	\$ 53,199	\$ 492,732
TOTAL OPERATING REVENUES	<u>439,533</u>	<u>53,199</u>	<u>492,732</u>
OPERATING EXPENSES			
Program supplies	499,398	53,856	553,254
TOTAL OPERATING EXPENSES	<u>499,398</u>	<u>53,856</u>	<u>553,254</u>
OPERATING INCOME (LOSS)	<u>(59,865)</u>	<u>(657)</u>	<u>(60,522)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers in	80,000	-	80,000
Transfers (out)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>80,000</u>	<u>-</u>	<u>80,000</u>
CHANGE IN NET POSITION	20,135	(657)	19,478
NET POSITION - JULY 1	<u>(57,602)</u>	<u>1,993</u>	<u>(55,609)</u>
NET POSITION - JUNE 30	<u>\$ (37,467)</u>	<u>\$ 1,336</u>	<u>\$ (36,131)</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, 2018

	Enterprise Funds		
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 434,638	\$ 53,199	\$ 487,837
Internal activity - receipts (payments) from/to other funds	(15,240)	657	(14,583)
Payments to suppliers	(499,398)	(53,856)	(553,254)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from general fund	80,000	-	80,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>80,000</u>	<u>-</u>	<u>80,000</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)	\$ (59,865)	\$ (657)	\$ (60,522)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(4,895)	-	(4,895)
(Increase) decrease in due from other funds	-	657	657
Increase (decrease) in due to other funds	(15,240)	-	(15,240)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (80,000)</u>	<u>\$ -</u>	<u>\$ (80,000)</u>

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, recreation and culture, health and welfare, public works, education, employee benefits, agency requests, capital outlay and unclassified.

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "*Omnibus 2017.*" The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "*Certain Debt Extinguishment Issues.*" The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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 OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Town's net position are reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

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, 2018

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 and Paving Capital Fund is used to account for financial resources to be used for the acquisition, construction or improvement of roads and sidewalks.

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Basis of Accounting

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

1. Accrual

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

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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

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

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

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

Deposits and Investments

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

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

- 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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables include amounts due from governmental agencies, ambulance and pay-as-you-throw trash program receivables. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$291,466 for the year ended June 30, 2018. The allowance for uncollectible accounts for ambulance receivables is estimated to be \$138,385 as of June 30, 2018.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

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

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimated useful lives are as follows:

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

Long-term Obligations

The accounting treatment of long-term 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, accrued compensated absences, net OPEB liability and net pension liability.

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

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, 2018, the Town's liability for compensated absences is \$407,981.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)

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

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

Pensions

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

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

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 25, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on in two installments on October 6, 2017 and April 6, 2018. Interest on unpaid taxes commenced on October 7, 2017 and April 7, 2018, at 7% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$381,376 for the year ended June 30, 2018.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018, the Town reported deposits of \$18,266,707 with a bank balance of \$18,409,305. Of the Town's bank balances, \$530,054 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$6,201 was collateralized with securities held by the financial institution in the Town's name and \$17,873,050 was collateralized with irrevocable stand-by letters of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 372,794
Savings accounts	36,255
Money market accounts	18,000,257
	\$ 18,409,305

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 \$1,749,066, \$469,946 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$297,302 was collateralized with securities held by the financial institution in the Town's name and \$981,818 was collateralized with an irrevocable stand-by letter of credit.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2018, 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	\$ 1,749,066	\$ 573,570	\$ 1,175,496	\$ -
Total - Governmental Funds	<u>\$ 1,749,066</u>	<u>\$ 573,570</u>	<u>\$ 1,175,496</u>	<u>\$ -</u>

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

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 166,566	\$ 8,107,636
Roads and paving capital fund	2,114,114	-
Enterprise funds	1,336	88,713
Nonmajor special revenue funds	3,102,599	57,044
Nonmajor capital projects funds	2,889,587	6,608
Nonmajor permanent funds	-	14,201
Totals	<u>\$ 8,274,202</u>	<u>\$ 8,274,202</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 2,478,648	\$ -	\$ -	\$ 2,478,648
Art works and historical treasures	41,000	-	-	41,000
Construction in progress	7,688	-	-	7,688
	<u>2,527,336</u>	<u>-</u>	<u>-</u>	<u>2,527,336</u>
Depreciated assets:				
Land improvements	1,631,142	-	-	1,631,142
Buildings	1,465,055	-	-	1,465,055
Building improvements	7,153,796	-	-	7,153,796
Furniture and fixtures	255,248	-	-	255,248
Machinery and equipment	4,830,771	85,648	-	4,916,419
Vehicles	7,269,335	1,009,754	-	8,279,089
Infrastructure:				
Bridges	56,197	5,000	-	61,197
Drainage system	523,296	35,406	-	558,702
Roads	21,519,262	1,326,073	-	22,845,335
Sewer lines	316,306	76,281	-	392,587
Sidewalks	2,405,089	-	-	2,405,089
	<u>47,425,497</u>	<u>2,538,162</u>	<u>-</u>	<u>49,963,659</u>
Less: accumulated depreciation	<u>(27,013,165)</u>	<u>(2,234,201)</u>	<u>-</u>	<u>(29,247,366)</u>
	<u>20,412,332</u>	<u>303,961</u>	<u>-</u>	<u>20,716,293</u>
Net capital assets	<u>\$ 22,939,668</u>	<u>\$ 303,961</u>	<u>\$ -</u>	<u>\$ 23,243,629</u>
<u>Current year depreciation</u>				
Administration				\$ 94,024
Police				219,320
Fire				306,141
Public works				1,285,497
Recreation and culture				70,077
Town-wide				259,142
Total depreciation expense				<u>\$ 2,234,201</u>

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2018:

	Balance, 7/1/17 (Restated)	Additions	Deletions	Balance, 6/30/18	Current Portion
<u>Governmental Activities</u>					
Bonds payable	\$ 10,330,000	\$ 5,145,000	\$ (1,730,000)	\$ 13,745,000	\$ 1,755,000
Accrued compensated absences	374,786	33,195	-	407,981	407,981
Net OPEB liability	344,669	22,223	(3,220)	363,672	-
Net pension liability	2,035,581	-	(376,628)	1,658,953	-
	<u>\$ 13,085,036</u>	<u>\$ 5,200,418</u>	<u>\$ (2,109,848)</u>	<u>\$ 16,175,606</u>	<u>\$ 2,162,981</u>

The following is a summary of the outstanding bonds payable:

	<u>Governmental Activities</u>
\$6,252,000, 2010 General Obligation bond due in annual installments and semi-annual interest installments through October of 2029. The interest rate varies from 1.50% to 4.00% per annum. Annual principal installments vary from \$120,000 to \$382,000.	\$ 3,210,000
\$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.	3,000,000
\$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.	2,390,000
\$5,145,000, 2018 General Obligation Bond due in annual installments and semiannual interest installments through October 2022. Interest is charged at a rate from 3.00% to 5.00% per annum. Annual principal installments vary from \$585,000 to \$590,000.	<u>5,145,000</u>
	<u>\$ 13,745,000</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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
2019	\$ 1,755,000	\$ 429,373	\$ 2,184,373
2020	1,660,000	407,624	2,067,624
2021	1,650,000	349,774	1,999,774
2022	1,610,000	293,621	1,903,621
2023	1,485,000	238,481	1,723,481
2024-2028	4,840,000	530,010	5,370,010
2029-2033	745,000	40,581	785,581
	\$ 13,745,000	\$ 2,289,464	\$ 16,034,464

NOTE 6 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the Town had no overspent appropriations.

NOTE 7 - NONSPENDABLE FUND BALANCE

At June 30, 2018, the Town had the following nonspendable fund balance:

General fund:	
Tax acquired property	\$ 373,453

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

Nonmajor special revenue funds (See Schedule D)	\$ 1,592,805
Nonmajor capital projects funds (See Schedule F)	335,851
Nonmajor permanent funds (See Schedule H)	54,404
	\$ 1,983,060

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2018, the Town has the following committed fund balances:

General fund:	
Matching grant funds	\$ 41,200
Bicentennial celebration committee	5,069
Capital assets/projects	770,100
Debt service during 2019	100,000
2020 bicentennial celebration	25,000
Police department vehicles	75,000
Friends of Hope cemetery	100,000
Emergency spending reserve	68,147
Roads and paving capital fund	2,114,114
Nonmajor special revenue funds (See Schedule D)	1,375,000
Nonmajor capital projects funds (See Schedule F)	2,553,736
	<u>\$ 7,227,366</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town had the following assigned fund balances:

General fund:	
Heating assistance	33,570
Assessors office	2,243
Printing and advertising	5,000
Conservation commission	4,419
West Kennebunk Village committee	3,761
Bus revenues	27,880
Committee on aging	210
Tree committee	1,650
Community garden	4,631
General government training	6,891
Computer training	14,685
Community development training	10,594
Property tax assistance	22,882
Donations	13,928
Dog park	6,253
Operational contingency	13,344
Nonmajor special revenue funds (See Schedule D)	134,794
	<u><u>\$ 306,736</u></u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 carries commercial insurance.

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

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

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

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2018. There were no reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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, 2018, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 3,900,000	7.56%	\$ 294,840
RSU No. 21	60,834,938	51.33%	31,229,351
			\$ 31,524,191

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.mainebers.org or by contacting the System at (800) 451-9800.

Benefits Provided

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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45% as of June 30, 2017.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police department employees are part of the PLD's special plan "2C" and are required to contribute 8.0% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute 8.0% of their annual salary. The Town was required to contribute at the actuarially determined rates of 10.1% for special plan "2C" members' covered payroll and 9.6% 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, 2018 was \$219,851.

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

At June 30, 2018, the Town reported a liability of \$1,658,953 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2017, 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, 2017, the Town's proportion was 0.405178%, which was an increase of 0.022068% from its proportion measured as of June 30, 2016.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2018, the Town recognized total pension expense of \$74,258. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 79,701
Changes of assumptions	141,167	-
Net difference between projected and actual earnings on pension plan investments	571,723	617,339
Changes in proportion and differences between contributions and proportionate share of contributions	73,195	67,959
Contributions subsequent to the measurement date	<u>219,851</u>	<u>-</u>
Total	<u>\$ 1,005,936</u>	<u>\$ 764,999</u>

\$219,851 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>PLD Plan</u>
Plan year ended June 30:	
2018	\$ (21,859)
2019	144,762
2020	11,130
2021	(112,947)
2022	-
Thereafter	-

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

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

Amortization

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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

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

Cost of Living Benefit Increases – 2.20% for participating local districts.

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, 2017 are summarized in the following table.

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2017. 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, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
 Town's proportionate share of the net pension liability	 \$ 3,328,370	 \$ 1,658,953	 \$ 402,141

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2017, this was three years for the PLD Consolidated Plan; prior to 2017, this was four years for the PLD Consolidated Plan.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

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. The actuarial assumptions used for the year ended June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

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' 2017 Comprehensive Annual Financial Report available online at www.mainepers.org or by contacting the System at (207) 512-3100.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED CONTRIBUTION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION -
RETIREMENT CORPORATION

Plan Description

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

Funding Policy

Plan provisions and contribution requirements are established and may be amended by the 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, 2018, employee contributions totaled \$88,476 and the Town recognized pension expense of \$90,334.

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

Plan Description

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 - DEFERRED COMPENSATION PLAN (CONTINUED)

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

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

Funding Policy

Under the defined contribution plan, employees may elect to participate. Participating members may contribute up to federal statutory limits of their annual covered salary. The employee's contribution is tax deferred for federal and state taxes until the withdrawal date. The employee's contribution vests 100% with the employee when contributed. The employees' contributions for the plan for the years ended June 30, 2018 and 2017 were: \$118,448 and \$108,858 respectively.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$417,974, \$410,870 and \$390,113, for the years ended June 30, 2018, 2017 and 2016, respectively.

NOTE 16 - CONTINGENCIES

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

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

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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

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

Benefits Provided

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

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period. The Town's contribution to the Plan for the year ended June 30, 2018 was \$0.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

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

At June 30, 2018, the Town reported a liability of \$6,584 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liabilities were based on a projection of the Town's long-term share of contributions to the Plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2017, the Town's proportion was 0.039374%, which was a decrease of 0.00398% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized net OPEB revenue of \$320. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PLD Life Insurance	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	1,835
Net difference between projected and actual earnings on pension plan investments	-	315
Changes in proportion and differences between contributions and proportionate share of contributions	-	750
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 2,900

\$0 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

	<u>PLD Life Insurance</u>	
Plan year ended June 30:		
2018	\$	(596)
2019		(596)
2020		(596)
2021		(596)
2022		(516)
Thereafter		-

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

Investments are reported at fair value.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Amortization

The net OPEB liability of the Plan is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2017, there were 13 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually.

Inflation Rate - 2.75%

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

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

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

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

Form of Benefit Payment - Lump sum

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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.00%	6.00%
Real estate	5.00%	5.20%
Traditional credit	16.00%	3.00%
US Government securities	9.00%	2.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the collective total OPEB liability was 5.41% for 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

The following table shows how the collective net OPEB liability/(asset) as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 5.41% for the PLD Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance: Discount rate	4.41%	5.41%	6.41%
Town's proportionate share of the net OPEB benefits liability	\$ 8,836	\$ 6,584	\$ 4,806

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Changes in Net OPEB Liability

Each employer's share of the collective net OPEB liability is equal to the collective net OPEB liability multiplied by the employer's proportionate share as of June 30, 2017 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2017 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no differences between expected and actual experience as of June 30, 2017.

Differences between Projected and Actual Investment Earnings on OPEB Plan Investments

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period for the PLD Plan was six years for 2017. For the fiscal year ended June 30, 2017, there were no changes in assumptions with the exception of the use of a blended discount rate for the PLD Plan. Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions Plans*, requires the use of a blended discount rate for determining

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

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

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

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2017.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2017 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

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

Employees Covered by Benefit Terms

At January 1, 2018, the following employees were covered by the benefit terms:

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

Contributions

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

Retiree Premium Amounts:

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

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

At June 30, 2018, the Town reported a liability of \$357,088 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$33,423. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>MMEHT</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 26,259
Changes of assumptions	23,209	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 23,209</u>	<u>\$ 26,259</u>

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

	<u>MMEHT</u>
Plan year ended December 31:	
2019	\$ (435)
2020	(435)
2021	(435)
2022	(435)
2023	(435)
Thereafter	(875)

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2018. The discount rate determination is based on the high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.44% per annum for December 31, 2018 was based upon a measurement date of December 31, 2017. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	2.44%	3.44%	4.44%
Total OPEB liability	\$ 417,967	\$ 357,088	\$ 307,834
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 417,967</u>	<u>\$ 357,088</u>	<u>\$ 307,834</u>

Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 309,693	\$ 357,088	\$ 417,511
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 309,693</u>	<u>\$ 357,088</u>	<u>\$ 417,511</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
---	-------	-------	-------

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

Amortization

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

Assumptions

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

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

Discount Rate - 3.44% per annum.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Trend Assumptions:

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

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

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

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

Administrative and claims expense - 3% per annum.

Medical and drug trends were blended to develop non-Medicare and Medicare trends based on experience weight as listed below.

FYE	Non-Medicare		Medicare		Non-Medicare	Medicare
	Medical	Drug	Medical	Drug	Blended	Blended
2018	8.20%	9.60%	4.93%	9.60%	8.46%	8.27%
2019	7.90%	9.20%	4.87%	9.20%	8.15%	8.00%
2020	7.60%	8.80%	4.80%	8.80%	7.83%	7.72%
2021	7.30%	8.40%	4.73%	8.40%	7.51%	7.44%
2022	7.00%	8.00%	4.67%	8.00%	7.20%	7.15%
2023	6.70%	7.60%	4.60%	7.60%	6.88%	6.85%
2024	6.40%	7.20%	4.53%	7.20%	6.56%	6.55%
2025	6.10%	6.80%	4.47%	6.80%	6.24%	6.24%
2026	5.80%	6.40%	4.40%	6.40%	5.92%	5.93%
2027	5.50%	6.00%	4.33%	6.00%	5.60%	5.61%
2028	5.20%	5.60%	4.27%	5.60%	5.28%	5.29%
2029	4.90%	5.20%	4.20%	5.20%	4.96%	4.97%
2030	4.60%	4.80%	4.13%	4.80%	4.64%	4.65%
2031	4.30%	4.40%	4.07%	4.40%	4.32%	4.33%
2032	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

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

Age	Tier 1 (Those hired before 7/1/14)		Tier 2 (Those hired on or after 7/1/14)	
	No Additional Employer Payment	With Additional Employer Payment	No Additional Employer Payment	With Additional Employer Payment
55	5%	5%	5%	5.5%
56	5%	5%	5%	5.5%
57	5%	5%	5%	5.5%
58	5%	5%	5%	5.5%
59	20%	20%	5%	5.5%
60	20%	25%	5%	5.5%
61	20%	25%	5%	5.5%
62	20%	25%	5%	5.5%
63	20%	25%	5%	5.5%
64	20%	25%	20%	25%
65	25%	45%	20%	40%
66	25%	30%	20%	25%
67	25%	30%	20%	25%
68	25%	30%	20%	25%
69	25%	30%	20%	25%
70	100%	100%	100%	100%

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

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

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

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Administrative expenses - Included in the per capita claims cost.

Rates of Turnover - Termination rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Years of Service	Revised
0	25.0%
1	20.0%
2	15.0%
3	12.0%
4	10.0%
5	9.0%
6	6.0%
7+	4.0%

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

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

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

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

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Participation Rates -

Age	No Additional Employer Payment	With Additional Employer Payment
55	5%	80%
56	8%	80%
57	11%	80%
58	14%	80%
59	17%	80%
60	20%	80%
61	22%	90%
62	24%	90%
63	26%	90%
64	29%	90%
65	32%	90%
66	34%	90%
67	36%	90%
68	38%	90%
69	40%	90%
70	50%	90%

Retiree Continuation Percentage:

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

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

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

Significant actuarial assumptions employed by the actuary for Claim and Expense Assumptions as of January 1, 2018 are as follows

Monthly Per Capita Claims and Expense Cost - For all medical and prescription drug benefits for the year 2018 is expressed per adult covered beneficiary.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	POS A				POS 200			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$311	\$565	\$99	\$122	\$296	\$538	\$95	\$118
45	\$411	\$585	\$128	\$146	\$391	\$557	\$123	\$141
50	\$539	\$674	\$163	\$173	\$513	\$641	\$157	\$166
55	\$694	\$824	\$203	\$202	\$660	\$784	\$195	\$195
60	\$878	\$971	\$248	\$234	\$835	\$923	\$239	\$226
64	\$1,045	\$986	\$288	\$262	\$993	\$938	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	POS C				PPO 500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$306	\$556	\$99	\$122	\$289	\$524	\$95	\$118
45	\$404	\$575	\$128	\$146	\$381	\$542	\$123	\$141
50	\$530	\$662	\$163	\$173	\$499	\$624	\$157	\$166
55	\$683	\$811	\$203	\$202	\$643	\$764	\$195	\$195
60	\$863	\$955	\$248	\$234	\$813	\$899	\$239	\$226
64	\$1,027	\$969	\$288	\$262	\$968	\$913	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	PPO 1000				PPO 1500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$281	\$510	\$95	\$118	\$273	\$495	\$95	\$118
45	\$371	\$528	\$123	\$141	\$360	\$512	\$123	\$141
50	\$486	\$608	\$157	\$166	\$472	\$589	\$157	\$166
55	\$627	\$744	\$195	\$195	\$608	\$722	\$195	\$195
60	\$792	\$876	\$239	\$226	\$768	\$850	\$239	\$226
64	\$943	\$890	\$278	\$253	\$914	\$863	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	PPO 2500			
	Medical		Rx	
	Male	Female	Male	Female
40	\$261	\$474	\$95	\$118
45	\$345	\$491	\$123	\$141
50	\$452	\$565	\$157	\$166
55	\$583	\$692	\$195	\$195
60	\$737	\$815	\$239	\$226
64	\$877	\$828	\$278	\$253
65	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432

Claims reflect all medical and prescription plans offered based on completed incurred experience through June 30, 2017 and projected to 2018 and associate enrollment in the various programs options offered.

Annual administrative and claims adjudication expenses are assumed to be \$430 per period for the year 2018.

Claims below age 65 have been loaded 4.3% for medical and 2.8% for drugs for the cost of children enrolled as dependent of eligible retirees. This figure is based on the expected cost for children of the current retirees. This assumption implicitly assumes that future retirees will have the same child distribution as current retirees.

No covered persons under 65 are assumed to be on Medicare and participants age 65 or older are assumed to be enrolled in Medicare.

Affordable Care Act (ACA) and Healthcare Marketplace - A 2.5% load has been built in to reflect the potential impact of changes from the ACA and its impact on the marketplace and program costs. Some key items are PCORI fees, the extra government subsidies for Medicare Part D that can be enrolled in through an Employer Group Waiver Program, minimum loss ratio requirements that impacted some fully insured programs, federal premium taxes, taxes and requirements on providers in the healthcare system, dynamics of the marketplace with Exchanges, Accountable Care Organizations, etc, and the potential impact of the Excise Tax associated with high-costs employer sponsored health plans.

Medical Plan Election - employees will continue in their current medical plan for their entire career.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Second-to-Die Spousal Life Insurance - not explicitly valued and was estimated to impact roughly 0.2% of the Plan's total liability.

Dependent Children - no liability assumed for dependent children's benefits.

Changes in Net OPEB Liability

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

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2018 was \$26,259.

Changes in Assumptions

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

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

OPEB Plan Fiduciary Net Position

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

NOTE 19 - DEFICIT FUND BALANCES/NET POSITION

At June 30, 2018, the Town has the following funds with deficit fund balances or net position:

Deficit Fund Balance:	
Lower Village TIF	\$ 57,044
Police Vehicles and Equipment	3,798
Signs	2,810
	<u>\$ 63,652</u>
Deficit Net Position:	
Pay-As-You-Throw Trash Program	<u>\$ 37,467</u>

NOTE 20 - TAX INCREMENT FINANCING DISTRICTS

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

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 20 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

individual basis. For 2018, there was one agreement in place. The following is a brief description of and total amount of taxes abated for each tax increment financing district:

TIF District	Original Assessed Value	Current Assessed Value at 4/1/2017 for 6/30/2018	Total Captured Assessed Value at 4/1/2017 for 6/30/2018	Property Captured by TIF	New Taxes	Taxes Abated
Route 1 (expires 3/29/2036)	\$27,581,200	\$73,792,800	\$46,211,600	100% Real Property	\$764,802	\$0
West Kennebunk	\$4,978,400	\$17,911,300	\$12,932,900	100% Real Property	\$214,040	\$0
West Kennebunk - Utility Corridor	\$10,641,700	\$42,088,530	\$10,377,454	33% Real Property	\$171,747	\$0
Total West Kennebunk (expires 3/29/2036)	\$15,620,100	\$59,999,830	\$23,310,354		\$385,786	\$0
Lower Village (expires 3/30/2040)	\$4,599,600	\$11,859,772	\$7,260,172	100% Real Property	\$120,156	\$0

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

NOTE 21 - COLLATERALIZATION

At June 30, 2018, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at Camden National Bank. This letter of credit, which expires at the close of business on October 9, 2018, authorizes one draw only up to the amount of \$1,000,000. There were no draws for the year ended June 30, 2018.

At June 30, 2018, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People's United Bank. This letter of credit, which expires at the close of business on September 20, authorizes one draw only up to the amount of \$22,000,000. There were no draws for the year ended June 30, 2018.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 21 - COLLATERALIZATION (CONTINUED)

At June 30, 2018, the Town has a third-party securities pledge issued by the Federal Reserve Bank of Boston serving as collateral for its deposits held at Kennebunk Savings Bank that exceed FDIC insurance limits. Securities pledged by the Kennebunk Savings Bank in the Town's name total \$300,357 at June 30, 2018. The third-party securities pledge expires at the close of business on July 1, 2021.

NOTE 22 - RELATED PARTY TRANSACTIONS

One of the Town's Selectmen owns a business that provides television broadcasting services for Board meetings. The Town requests contract proposals for these services periodically. The Selectman recuses himself from this contract award process. During the fiscal year ended June 30, 2018, payments to this vendor for television broadcasting services totaled \$8,316.

Another Selectman is general manager/part owner of a market in Town. During the fiscal year ended June 30, 2018, payments to this vendor for various items totaled \$1,439.

NOTE 23 - 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.

NOTE 24 - RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2017 to account for the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an amendment of GASB Statement No. 45, as amended (issued 06/04), and GASB Statement No. 57 (issued 12/09). The beginning net position was restated by \$31,146. The resulting restatement decreased net position by \$31,146 from \$25,843,775 to \$25,812,629.

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 - Pensions
- Schedule of Proportionate Share of the OPEB Liability - Group Life
- Schedule of Changes in Net OPEB Liability - Health Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF KENNEBUNK, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 10,196,950	\$ 10,196,950	\$ 10,196,950	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	34,320,208	34,320,208	34,294,231	(25,977)
Excise Taxes	2,187,500	2,187,500	2,548,078	360,578
Intergovernmental Revenues:				
State Revenue Sharing	398,110	398,110	404,884	6,774
Homestead Reimbursement	319,332	319,332	298,110	(21,222)
Local Road Assistance	145,000	145,000	151,536	6,536
Other	245,336	245,336	269,001	23,665
Interest Income	60,000	60,000	140,487	80,487
Interest on Taxes/Lien Costs	60,000	60,000	66,238	6,238
Charges for Services	1,832,100	1,832,100	2,146,587	314,487
Miscellaneous Revenues	172,500	172,500	287,451	114,951
Transfers from Other Funds	4,000	4,000	4,000	-
Amounts Available for Appropriation	<u>49,941,036</u>	<u>49,941,036</u>	<u>50,807,553</u>	<u>866,517</u>
Charges to Appropriations (Outflows):				
General Government	2,082,860	2,082,860	2,032,505	50,355
Public Safety	4,407,409	4,407,409	4,314,067	93,342
Public Works	1,357,698	1,357,698	1,507,536	(149,838)
Education	23,965,655	23,965,655	23,965,655	-
County Tax	1,382,926	1,382,926	1,382,926	-
Recreation and Culture	1,467,348	1,467,348	1,445,043	22,305
Health and Welfare	357,352	357,352	351,220	6,132
Employee Benefits	2,041,493	2,041,493	2,006,118	35,375
Agency Requests	33,100	33,100	33,100	-
Unclassified	518,444	518,444	183,219	335,225
Transfers to Other Funds	2,309,801	2,309,801	3,100,801	(791,000)
Total Charges to Appropriations	<u>39,924,086</u>	<u>39,924,086</u>	<u>40,322,190</u>	<u>(398,104)</u>
Budgetary Fund Balance, June 30	<u>\$ 10,016,950</u>	<u>\$ 10,016,950</u>	<u>\$ 10,485,363</u>	<u>\$ 468,413</u>
Utilization of Committed Fund Balance	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ (180,000)</u>
	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ (180,000)</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*

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

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

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

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

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

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

TOWN OF KENNEBUNK, MAINE

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

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

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

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 334,865	\$ -	\$ 334,865
Changes for the year:			
Service cost	20,575	-	20,575
Interest	13,283	-	13,283
Changes of benefits	-	-	-
Differences between expected and actual experience	(30,010)	-	(30,010)
Changes of assumptions	26,525	-	26,525
Contributions - employer	-	8,150	(8,150)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(8,150)	(8,150)	-
Administrative expense	-	-	-
Net changes	<u>22,223</u>	<u>-</u>	<u>22,223</u>
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 357,088</u>	<u>\$ -</u>	<u>\$ 357,088</u>

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

TOWN OF KENNEBUNK, MAINE

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

	2018
<u>Total OPEB liability</u>	
Service cost (BOY)	20,575
Interest (includes interest on service cost)	13,283
Changes of benefit terms	-
Differences between expected and actual experience	(30,101)
Changes of assumptions	26,525
Benefit payments, including refunds of member contributions	(8,150)
Net change in total OPEB liability	\$ 22,132
Total OPEB liability - beginning	\$ 334,865
Total OPEB liability - ending	\$ 357,088
<u>Plan fiduciary net position</u>	
Contributions - employer	8,150
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(8,150)
Administrative expense	-
Net change in fiduciary net position	-
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	\$ -
Net OPEB liability - ending	\$ 357,088
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 2,708,061
Net OPEB liability as a percentage of covered payroll	13.2%

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

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

TOWN OF KENNEBUNK, MAINE

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

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

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

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

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

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

TOWN OF KENNEBUNK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Assumptions

Maine Municipal Health Trust

The funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

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, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General Government Expenses	\$ 609,261	\$ -	\$ 609,261	\$ 594,762	\$ 14,499
Selectmen	31,058	-	31,058	26,538	4,520
Town Manager	314,265	-	314,265	280,385	33,880
Town Clerk	103,306	-	103,306	104,644	(1,338)
Ballot Clerks	33,000	-	33,000	29,465	3,535
Assessors	192,863	-	192,863	190,664	2,199
Community Development	336,581	-	336,581	349,201	(12,620)
Town Hall	170,505	-	170,505	179,835	(9,330)
Computer Department	244,487	-	244,487	243,393	1,094
Conservation Commission	-	-	-	1,810	(1,810)
Site Plan Review Board	6,994	-	6,994	4,442	2,552
Zoning Board of Appeals	2,200	-	2,200	650	1,550
Board of Assessment Review	1,000	-	1,000	-	1,000
Dog Advisory Committee	200	-	200	-	200
Historic Preservation Committee	6,450	-	6,450	4,837	1,613
Lower Village Committee	2,500	-	2,500	-	2,500
West Kennebunk Village Committee	2,000	-	2,000	3,943	(1,943)
Energy Efficiency Committee	2,100	-	2,100	1,825	275
Tree Committee	2,000	-	2,000	350	1,650
Affordable Housing Committee	200	-	200	-	200
Dog Park Committee	-	-	-	(6,019)	6,019
Community Garden Committee	4,000	-	4,000	7,138	(3,138)
Committee on Aging	-	-	-	210	(210)
Planning Board	17,890	-	17,890	14,432	3,458
	<u>2,082,860</u>	<u>-</u>	<u>2,082,860</u>	<u>2,032,505</u>	<u>50,355</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public Works -					
Highway	1,357,698	-	1,357,698	1,507,536	(149,838)
	<u>1,357,698</u>	<u>-</u>	<u>1,357,698</u>	<u>1,507,536</u>	<u>(149,838)</u>
Education	23,965,655	-	23,965,655	23,965,655	-
County Tax	1,382,926	-	1,382,926	1,382,926	-
Recreation and Culture -					
Life Guards	63,978	-	63,978	50,037	13,941
Parks	45,000	-	45,000	46,673	(1,673)
Recreation	793,474	-	793,474	783,437	10,037
Kennebunk Free Library	564,896	-	564,896	564,896	-
	<u>1,467,348</u>	<u>-</u>	<u>1,467,348</u>	<u>1,445,043</u>	<u>22,305</u>
Health and Welfare -					
Recycling	295,406	-	295,406	295,405	1
Solid Waste	9,000	-	9,000	5,932	3,068
Social Services	52,946	-	52,946	49,883	3,063
	<u>357,352</u>	<u>-</u>	<u>357,352</u>	<u>351,220</u>	<u>6,132</u>
Employee Benefits -					
Health Benefits	1,091,212	-	1,091,212	1,022,072	69,140
FICA	417,991	-	417,991	417,974	17
Retirement	306,129	-	306,129	321,172	(15,043)
Workers Comp	207,032	-	207,032	228,930	(21,898)
Unemployment Comp	19,129	-	19,129	15,970	3,159
	<u>2,041,493</u>	<u>-</u>	<u>2,041,493</u>	<u>2,006,118</u>	<u>35,375</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Agency Requests -					
Day One	500	-	500	500	-
York County Child Abuse Council	1,700	-	1,700	1,700	-
York County Community Action	3,000	-	3,000	3,000	-
Counseling Services, Inc.	1,500	-	1,500	1,500	-
Caring Unlimited	2,400	-	2,400	2,400	-
Catholic Charities	1,000	-	1,000	1,000	-
So. Maine Area Agency on Aging	1,500	-	1,500	1,500	-
Sexual Assault Response Services	500	-	500	500	-
Senior Center at Lower Village	2,000	-	2,000	2,000	-
American Red Cross	500	-	500	500	-
Home Health Visiting Nurses	2,500	-	2,500	2,500	-
Community Outreach Services	8,000	-	8,000	8,000	-
Community Harvest	7,000	-	7,000	7,000	-
A Place to Start	1,000	-	1,000	1,000	-
	<u>33,100</u>	<u>-</u>	<u>33,100</u>	<u>33,100</u>	<u>-</u>
Public Safety -					
Police	1,921,100	-	1,921,100	1,892,094	29,006
Ambulance	939,230	-	939,230	918,876	20,354
Communications	298,538	-	298,538	298,538	-
Civil Emergency Preparedness	6,550	-	6,550	5,770	780
Hydrants & Street Lights	459,472	-	459,472	442,804	16,668
Fire Department	782,519	-	782,519	755,985	26,534
	<u>4,407,409</u>	<u>-</u>	<u>4,407,409</u>	<u>4,314,067</u>	<u>93,342</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Operational Contingency	-	-	-	31	(31)
Historian	500	-	500	-	500
Harbormaster	17,257	-	17,257	17,257	-
Tree Warden	5,000	-	5,000	4,250	750
Memorial Day	800	-	800	1,000	(200)
Facilities	113,511	-	113,511	102,139	11,372
Overlay	381,376	-	381,376	58,542	322,834
	<u>518,444</u>	<u>-</u>	<u>518,444</u>	<u>183,219</u>	<u>335,225</u>
Transfers to Other Funds -					
Special Revenue Funds	1,270,744	-	1,270,744	1,270,744	-
Capital Projects Funds	959,057	-	959,057	1,750,057	(791,000)
Proprietary Funds	80,000	-	80,000	80,000	-
	<u>2,309,801</u>	<u>-</u>	<u>2,309,801</u>	<u>3,100,801</u>	<u>(791,000)</u>
Totals	<u>\$ 39,924,086</u>	<u>\$ -</u>	<u>\$ 39,924,086</u>	<u>\$ 40,322,190</u>	<u>\$ (398,104)</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 12,283	\$ 12,283
Investments	-	-	56,322	56,322
Due from other funds	3,102,599	2,889,587	-	5,992,186
TOTAL ASSETS	<u>\$ 3,102,599</u>	<u>\$ 2,889,587</u>	<u>\$ 68,605</u>	<u>\$ 6,060,791</u>
LIABILITIES				
Due to other funds	\$ 57,044	\$ 6,608	\$ 14,201	\$ 77,853
TOTAL LIABILITIES	<u>57,044</u>	<u>6,608</u>	<u>14,201</u>	<u>77,853</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	1,592,805	335,851	54,404	1,983,060
Committed	1,375,000	2,553,736	-	3,928,736
Assigned	134,794	-	-	134,794
Unassigned	(57,044)	(6,608)	-	(63,652)
TOTAL FUND BALANCES (DEFICITS)	<u>3,045,555</u>	<u>2,882,979</u>	<u>54,404</u>	<u>5,982,938</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 3,102,599</u>	<u>\$ 2,889,587</u>	<u>\$ 68,605</u>	<u>\$ 6,060,791</u>

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

SCHEDULE C

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Interest income	\$ -	\$ -	\$ 340	\$ 340
Other	29,549	150,682	-	180,231
TOTAL REVENUES	<u>29,549</u>	<u>150,682</u>	<u>340</u>	<u>180,571</u>
EXPENDITURES				
Administration	262,761	68,441	-	331,202
Public works	-	31,594	-	31,594
Debt service:				
Principal	405,098	874,902	-	1,280,000
Interest	109,760	189,280	-	299,040
Capital outlay	132,333	1,117,155	-	1,249,488
Unclassified	47,404	-	-	47,404
TOTAL EXPENDITURES	<u>957,356</u>	<u>2,281,372</u>	<u>-</u>	<u>3,238,728</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(927,807)</u>	<u>(2,130,690)</u>	<u>340</u>	<u>(3,058,157)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	1,375,000	1,290,000	-	2,665,000
Premiums on bond issuance	-	581,062	-	581,062
Bond payoff	-	(450,000)	-	(450,000)
Bond issuance costs	-	(72,539)	-	(72,539)
Transfers in	1,270,744	1,680,057	-	2,950,801
Transfers (out)	-	-	(4,000)	(4,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,645,744</u>	<u>3,028,580</u>	<u>(4,000)</u>	<u>5,670,324</u>
NET CHANGE IN FUND BALANCES	1,717,937	897,890	(3,660)	2,612,167
FUND BALANCES, JULY 1	<u>1,327,618</u>	<u>1,985,089</u>	<u>58,064</u>	<u>3,370,771</u>
FUND BALANCES, JUNE 30	<u>\$ 3,045,555</u>	<u>\$ 2,882,979</u>	<u>\$ 54,404</u>	<u>\$ 5,982,938</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, 2018

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
ASSETS							
Due from other funds	\$ 3,430	\$ 20,148	\$ 111,216	\$ 2,430,276	\$ 537,529	\$ -	\$ 3,102,599
TOTAL ASSETS	\$ 3,430	\$ 20,148	\$ 111,216	\$ 2,430,276	\$ 537,529	\$ -	\$ 3,102,599
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,044	\$ 57,044
TOTAL LIABILITIES	-	-	-	-	-	57,044	57,044
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	1,055,276	537,529	-	1,592,805
Committed	-	-	-	1,375,000	-	-	1,375,000
Assigned	3,430	20,148	111,216	-	-	-	134,794
Unassigned	-	-	-	-	-	(57,044)	(57,044)
TOTAL FUND BALANCES (DEFICITS)	3,430	20,148	111,216	2,430,276	537,529	(57,044)	3,045,555
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 3,430	\$ 20,148	\$ 111,216	\$ 2,430,276	\$ 537,529	\$ -	\$ 3,102,599

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, 2018

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
REVENUES							
Other	\$ -	\$ -	\$ 12,549	\$ 17,000	\$ -	\$ -	\$ 29,549
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>12,549</u>	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>29,549</u>
EXPENDITURES							
Administration	-	13,050	-	155,435	24,198	70,078	262,761
Debt service:							
Principal	-	-	-	250,897	115,322	38,879	405,098
Interest	-	-	-	87,692	9,697	12,371	109,760
Capital outlay	-	-	9,100	123,233	-	-	132,333
Unclassified	-	-	-	47,404	-	-	47,404
TOTAL EXPENDITURES	<u>-</u>	<u>13,050</u>	<u>9,100</u>	<u>664,661</u>	<u>149,217</u>	<u>121,328</u>	<u>957,356</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(13,050)</u>	<u>3,449</u>	<u>(647,661)</u>	<u>(149,217)</u>	<u>(121,328)</u>	<u>(927,807)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	1,375,000	-	-	1,375,000
Transfers in	-	-	-	764,802	385,786	120,156	1,270,744
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,139,802</u>	<u>385,786</u>	<u>120,156</u>	<u>2,645,744</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(13,050)	3,449	1,492,141	236,569	(1,172)	1,717,937
FUND BALANCES (DEFICITS), JULY 1	<u>3,430</u>	<u>33,198</u>	<u>107,767</u>	<u>938,135</u>	<u>300,960</u>	<u>(55,872)</u>	<u>1,327,618</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 3,430</u>	<u>\$ 20,148</u>	<u>\$ 111,216</u>	<u>\$ 2,430,276</u>	<u>\$ 537,529</u>	<u>\$ (57,044)</u>	<u>\$ 3,045,555</u>

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, 2018

	Fire/Ambulance Projects		Dorothy Stevens Center	Public Works Equipment	Police Vehicles & Equipment	Signs
	West Kennebunk Fire Station	Dry Hydrants				
ASSETS						
Due from other funds	\$ 31,926	\$ 9,969	\$ 258	\$ 77,512	\$ -	\$ -
TOTAL ASSETS	<u>\$ 31,926</u>	<u>\$ 9,969</u>	<u>\$ 258</u>	<u>\$ 77,512</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 3,798	\$ 2,810
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,798</u>	<u>2,810</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	31,926	9,969	258	77,512	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(3,798)	(2,810)
TOTAL FUND BALANCES (DEFICITS)	<u>31,926</u>	<u>9,969</u>	<u>258</u>	<u>77,512</u>	<u>(3,798)</u>	<u>(2,810)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 31,926</u>	<u>\$ 9,969</u>	<u>\$ 258</u>	<u>\$ 77,512</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Town Hall Equipment	Debt Service & 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
ASSETS							
Due from other funds	\$ 20,804	\$ 1,329,578	\$ 59,499	\$ 97,050	\$ 384,932	\$ 72,205	\$ 15,231
TOTAL ASSETS	\$ 20,804	\$ 1,329,578	\$ 59,499	\$ 97,050	\$ 384,932	\$ 72,205	\$ 15,231
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	97,050	-	-	-
Committed	20,804	1,329,578	59,499	-	384,932	72,205	15,231
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	20,804	1,329,578	59,499	97,050	384,932	72,205	15,231
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 20,804	\$ 1,329,578	\$ 59,499	\$ 97,050	\$ 384,932	\$ 72,205	\$ 15,231

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Budget Board	Public Works Projects		West Kennebunk Holand Road Field	Town Garage & Transfer Station	Fire Ambulance Equipment	HVAC Systems & Insulation
		Bicycle Impact	Parking Lots				
ASSETS							
Due from other funds	\$ 118,448	\$ 211,365	\$ 11,616	\$ 27,436	\$ 71,333	\$ 96,063	\$ 42,068
TOTAL ASSETS	<u>\$ 118,448</u>	<u>\$ 211,365</u>	<u>\$ 11,616</u>	<u>\$ 27,436</u>	<u>\$ 71,333</u>	<u>\$ 96,063</u>	<u>\$ 42,068</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	211,365	-	27,436	-	-	-
Committed	118,448	-	11,616	-	71,333	96,063	42,068
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>118,448</u>	<u>211,365</u>	<u>11,616</u>	<u>27,436</u>	<u>71,333</u>	<u>96,063</u>	<u>42,068</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 118,448</u>	<u>\$ 211,365</u>	<u>\$ 11,616</u>	<u>\$ 27,436</u>	<u>\$ 71,333</u>	<u>\$ 96,063</u>	<u>\$ 42,068</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Town Hall Computer Hardware & Software	Land - Municipal Employee Parking	Parks & Recreation Projects	Capital Reserve/Impr.	Total
ASSETS					
Due from other funds	\$ 14,012	\$ 100,000	\$ 31,000	\$ 67,282	\$ 2,889,587
TOTAL ASSETS	<u>\$ 14,012</u>	<u>\$ 100,000</u>	<u>\$ 31,000</u>	<u>\$ 67,282</u>	<u>\$ 2,889,587</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 6,608
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,608</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	335,851
Committed	14,012	100,000	31,000	67,282	2,553,736
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(6,608)
TOTAL FUND BALANCES (DEFICITS)	<u>14,012</u>	<u>100,000</u>	<u>31,000</u>	<u>67,282</u>	<u>2,882,979</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 14,012</u>	<u>\$ 100,000</u>	<u>\$ 31,000</u>	<u>\$ 67,282</u>	<u>\$ 2,889,587</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Fire/Ambulance Projects		Dorothy Stevens Center	Public Works Equipment	Police Vehicles & Equipment	Signs
	West Kennebunk Fire Station	Dry Hydrants				
REVENUES						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-	-
EXPENDITURES						
Administration	-	-	-	-	-	-
Public works	-	-	-	11,324	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	196,319	96,573	-
TOTAL EXPENDITURES	-	-	-	207,643	96,573	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(207,643)	(96,573)	-
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	340,000	-	-
Premiums on bond issuance	-	-	-	50,000	-	-
Bond payoff	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Transfers in	-	-	-	25,000	82,500	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	415,000	82,500	-
NET CHANGE IN FUND BALANCES	-	-	-	207,357	(14,073)	-
FUND BALANCES (DEFICITS), JULY 1	31,926	9,969	258	(129,845)	10,275	(2,810)
FUND BALANCES (DEFICITS), JUNE 30	\$ 31,926	\$ 9,969	\$ 258	\$ 77,512	\$ (3,798)	\$ (2,810)

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, 2018

	Town Hall Equipment	Debt Service & 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							
Other	\$ -	\$ 79,898	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>79,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Administration	11,668	-	-	-	-	4,995	-
Public works	8,913	-	5,901	-	-	-	-
Debt service:							
Principal	-	874,902	-	-	-	-	-
Interest	-	189,280	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>20,581</u>	<u>1,064,182</u>	<u>5,901</u>	<u>-</u>	<u>-</u>	<u>4,995</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,581)</u>	<u>(984,284)</u>	<u>(5,901)</u>	<u>-</u>	<u>-</u>	<u>(4,995)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Premiums on bond issuance	-	531,062	-	-	-	-	-
Bond payoff	-	(450,000)	-	-	-	-	-
Bond issuance costs	-	(72,539)	-	-	-	-	-
Transfers in	-	1,459,057	16,500	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1,467,580</u>	<u>16,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(20,581)	483,296	10,599	-	-	(4,995)	-
FUND BALANCES (DEFICITS), JULY 1	<u>41,385</u>	<u>846,282</u>	<u>48,900</u>	<u>97,050</u>	<u>384,932</u>	<u>77,200</u>	<u>15,231</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 20,804</u>	<u>\$ 1,329,578</u>	<u>\$ 59,499</u>	<u>\$ 97,050</u>	<u>\$ 384,932</u>	<u>\$ 72,205</u>	<u>\$ 15,231</u>

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Board	Public Works Projects		West Kennebunk Holand Road Field	Town Garage & Transfer Station	Fire Ambulance Equipment	HVAC Systems & Insulation
		Bicycle Impact	Parking Lots				
REVENUES							
Other	\$ -	\$ 28,784	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>28,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Administration	28,995	-	3,130	3,463	-	-	-
Public works	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	25,000	-	-	799,263	-
TOTAL EXPENDITURES	<u>28,995</u>	<u>-</u>	<u>28,130</u>	<u>3,463</u>	<u>-</u>	<u>799,263</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(28,995)</u>	<u>28,784</u>	<u>(28,130)</u>	<u>(3,463)</u>	<u>-</u>	<u>(799,263)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	770,000	-
Premiums on bond issuance	-	-	-	-	-	-	-
Bond payoff	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Transfers in	-	-	25,000	-	-	72,000	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>842,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(28,995)</u>	<u>28,784</u>	<u>(3,130)</u>	<u>(3,463)</u>	<u>-</u>	<u>42,737</u>	<u>-</u>
FUND BALANCES (DEFICITS), JULY 1	<u>147,443</u>	<u>182,581</u>	<u>14,746</u>	<u>30,899</u>	<u>71,333</u>	<u>53,326</u>	<u>42,068</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 118,448</u>	<u>\$ 211,365</u>	<u>\$ 11,616</u>	<u>\$ 27,436</u>	<u>\$ 71,333</u>	<u>\$ 96,063</u>	<u>\$ 42,068</u>

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Town Hall Computer Hardware & Software	Land - Municipal Employee Parking	Parks & Recreation Projects	Capital Reserve/Impr.	Total
REVENUES					
Other	\$ -	\$ -	\$ 42,000	\$ -	\$ 150,682
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>42,000</u>	<u>-</u>	<u>150,682</u>
EXPENDITURES					
Administration	16,190	-	-	-	68,441
Public works	-	-	5,456	-	31,594
Debt service:					
Principal	-	-	-	-	874,902
Interest	-	-	-	-	189,280
Capital outlay	-	-	-	-	1,117,155
TOTAL EXPENDITURES	<u>16,190</u>	<u>-</u>	<u>5,456</u>	<u>-</u>	<u>2,281,372</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(16,190)</u>	<u>-</u>	<u>36,544</u>	<u>-</u>	<u>(2,130,690)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	44,000	-	136,000	-	1,290,000
Premiums on bond issuance	-	-	-	-	581,062
Bond payoff	-	-	-	-	(450,000)
Bond issuance costs	-	-	-	-	(72,539)
Transfers in	-	-	-	-	1,680,057
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,000</u>	<u>-</u>	<u>136,000</u>	<u>-</u>	<u>3,028,580</u>
NET CHANGE IN FUND BALANCES	27,810	-	172,544	-	897,890
FUND BALANCES (DEFICITS), JULY 1	<u>(13,798)</u>	<u>100,000</u>	<u>(141,544)</u>	<u>67,282</u>	<u>1,985,089</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 14,012</u>	<u>\$ 100,000</u>	<u>\$ 31,000</u>	<u>\$ 67,282</u>	<u>\$ 2,882,979</u>

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

Permanent Funds

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2018

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,552	\$ 3,530	\$ 6,201	\$ 12,283
Investments	56,322	-	-	-	56,322
TOTAL ASSETS	\$ 56,322	\$ 2,552	\$ 3,530	\$ 6,201	\$ 68,605
LIABILITIES					
Due to other funds	\$ 8,000	\$ -	\$ -	\$ 6,201	\$ 14,201
TOTAL LIABILITIES	8,000	-	-	6,201	14,201
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	48,322	2,552	3,530	-	54,404
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	48,322	2,552	3,530	-	54,404
TOTAL LIABILITIES AND FUND BALANCES	\$ 56,322	\$ 2,552	\$ 3,530	\$ 6,201	\$ 68,605

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, 2018

	Littlefield	Cemetery Trust		Martha	Total
	Educational Trust	Monument Lot	Centennial Lot	Bragdon Trust	
REVENUES					
Interest income	\$ 337	\$ 1	\$ 2	\$ -	\$ 340
TOTAL REVENUES	<u>337</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>340</u>
EXPENDITURES					
Other	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>337</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>340</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	(3,663)	1	2	-	(3,660)
FUND BALANCES, JULY 1	<u>51,985</u>	<u>2,551</u>	<u>3,528</u>	<u>-</u>	<u>58,064</u>
FUND BALANCES, JUNE 30	<u>\$ 48,322</u>	<u>\$ 2,552</u>	<u>\$ 3,530</u>	<u>\$ -</u>	<u>\$ 54,404</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, 2018

	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	1,896,758	25,000	3,647,080
Fire	97,900	2,244,199	5,222,048	5,854	7,570,001
Public Works	124,300	396,316	4,088,558	23,729,269	28,338,443
Recreation and Culture	79,100	406,385	924,300	-	1,409,785
Town-wide	<u>2,148,845</u>	<u>4,851,852</u>	<u>267,456</u>	<u>2,502,787</u>	<u>9,770,940</u>
Total General Capital Assets	2,527,336	10,249,993	13,450,756	26,262,910	52,490,995
Less: Accumulated Depreciation	<u>-</u>	<u>(6,925,202)</u>	<u>(9,612,559)</u>	<u>(12,709,605)</u>	<u>(29,247,366)</u>
Net General Capital Assets	<u>\$ 2,527,336</u>	<u>\$ 3,324,791</u>	<u>\$ 3,838,197</u>	<u>\$ 13,553,305</u>	<u>\$ 23,243,629</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, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
Administration	\$ 1,754,746	\$ -	\$ -	\$ 1,754,746
Police	3,525,507	121,573	-	3,647,080
Fire	6,770,738	799,263	-	7,570,001
Public Works	28,142,123	196,320	-	28,338,443
Recreation and Culture	1,409,785	-	-	1,409,785
Town-wide	<u>8,349,934</u>	<u>1,421,006</u>	<u>-</u>	<u>9,770,940</u>
Total General Capital Assets	49,952,833	2,538,162	-	52,490,995
Less: Accumulated Depreciation	<u>(27,013,165)</u>	<u>(2,234,201)</u>	<u>-</u>	<u>(29,247,366)</u>
Net General Capital Assets	<u>\$ 22,939,668</u>	<u>\$ 303,961</u>	<u>\$ -</u>	<u>\$ 23,243,629</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, 2018, 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 March 26, 2019.

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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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
March 26, 2019

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, 2018

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

Total pupils residing in RSU21 district attending any school

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

(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.

TABLE 3

TOWN OF KENNEBUNK, MAINE

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

Fiscal Year	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 ESV(000) ⁽¹⁾
	ESV (000)	%	ESV (000)	%	ESV (000)	%	
2018	\$ 466,350	9.4%	\$ 2,380,350	47.8%	\$ 2,127,950	42.8%	\$ 4,974,650
2017	450,400	9.4%	2,316,900	48.4%	2,018,400	42.2%	4,785,700
2016	438,000	9.5%	2,245,800	48.6%	1,938,350	41.9%	4,622,150
2015	420,600	9.5%	2,159,200	49.0%	1,831,600	41.5%	4,411,400
2014	411,950	9.5%	2,085,300	48.2%	1,832,450	42.3%	4,329,700
2013	413,500	9.6%	2,097,550	48.5%	1,810,500	41.9%	4,321,550
2012	415,950	9.6%	2,128,300	49.0%	1,801,850	41.4%	4,346,100
2011	429,150	9.6%	2,126,200	47.3%	1,938,250	43.1%	4,493,600
2010	449,900	9.6%	2,288,950	49.1%	1,923,750	41.3%	4,662,600
2009	433,350	9.5%	2,360,650	51.5%	1,784,950	39.0%	4,578,950
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		2016/2017		2017/2018	
	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%	\$ 4,529,366	12.5%	\$ 4,778,572	12.4%
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	63.7%	22,708,581	62.5%	23,965,655	61.9%
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>	<u>9,055,448</u>	<u>25.0%</u>	<u>9,939,712</u>	<u>25.7%</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%	\$ 36,293,395	100.0%	\$ 38,683,939	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
2018	159	\$ 6,545,001	429	\$ 29,508,911	588	\$ 36,053,912
2017	167	7,423,915	418	20,854,934	585	28,278,849
2016	195	44,410,905	370	23,706,571	565	68,117,476
2015	119	6,632,868	432	21,691,928	551	28,324,796
2014	221	2,612,550	391	18,608,385	612	21,220,935
2013	193	3,296,267	311	22,791,353	504	26,087,620
2012	237	46,144,062	402	24,674,584	639	70,818,646
2011	152	3,861,200	412	17,592,841	564	24,454,041
2010	182	4,144,062	419	18,330,806	601	22,474,868
2009	180	8,732,861	435	23,625,470	615	32,358,331
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, 2018

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

TABLE 7

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

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

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

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

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

Fiscal Year	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (After Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy a/o 08/31/18
2018	\$ 2,380,350	\$ 2,073,728	\$ 16.55	\$ 34,320	\$ 33,725	98.3%	98.9%
2017	2,316,900	2,061,351	15.90	32,775	32,619	97.9%	99.5%
2016	2,245,800	2,043,619	15.30	31,267	30,567	97.8%	99.8%
2015	2,159,200	2,029,269	14.90	30,236	29,337	97.0%	99.9%
2014	2,085,300	1,991,757	14.95	29,777	29,067	97.6%	99.9%
2013	2,097,550	1,944,205	14.40	27,997	27,257	97.4%	99.9%
2012	2,128,300	1,936,881	14.40	27,891	27,085	97.1%	99.9%
2011	2,126,200	1,922,409	14.30	27,490	26,816	97.6%	99.9%
2010	2,288,950	1,897,950	13.95	26,476	25,781	97.4%	99.9%
2009	2,360,650	1,886,460	13.85	26,135	25,360	97.4%	99.9%

TOWN OF KENNEBUNK, MAINE
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2018

Taxpayer	Business	As of April 1, 2018				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Central Maine Power Co	Electric Utility	\$ 50,770,500	\$ 29,800	\$ 50,800,300	\$ 889,005	2.43%
Corning Inc	Lab Equipment Manf	10,245,100	9,564,500	19,809,600	346,668	0.95%
Shape Drive Medical Ctr LLC	Medical Facility	19,464,400	-	19,464,400	340,627	0.93%
Sunrise Kennebunk Sr Lvg LLC	Ass'td Living Facility	17,855,500	-	17,855,500	312,471	0.85%
Kennebunk Savings Bank	Bank & Insurance	12,456,100	2,486,600	14,942,700	261,497	0.71%
Maritimes & Northeast Pipeline	Natural Gas Pipeline	7,800,000	-	7,800,000	136,500	0.37%
VTR Kennebunk LLC	Assisted Living Facility	7,604,400	-	7,604,400	133,077	0.36%
HIOS Hospitality	Hospitality	6,574,100	505,400	7,079,500	123,891	0.34%
Kennebunk Port Hotel LLC	Hospitality	5,868,200	577,500	6,445,700	112,800	0.31%
Farley, William F	Private Residence	5,815,600	-	5,815,600	101,773	0.28%
		Top Ten Taxpayers		\$ 157,617,700	\$ 2,758,309	7.53%

TOWN OF KENNEBUNK, MAINE

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

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

TOWN OF KENNEBUNK, MAINE

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

	Actual							Budgeted
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Debt Service from Capital Fund: \$	858,674	\$ 777,486	\$ 1,202,982	\$ 1,069,507	\$ 795,354	\$ 1,096,038	\$ 1,064,182	\$ 1,566,403
Debt Service from TIF Funds: _____	223,582	221,362	260,610	484,490	474,809	528,897	514,858	673,931
Total Current Year Debt Service: \$	1,082,256	\$ 998,848	\$ 1,463,592	\$ 1,553,997	\$ 1,270,163	\$ 1,624,934	\$ 1,579,040	\$ 2,240,334
Budgeted Operating Expense: \$	31,156,555	\$ 31,405,898	\$ 33,518,096	\$ 34,325,416	\$ 35,110,955	\$ 37,055,782	\$ 38,800,429	\$ 40,713,239
Debt Service as % Operating Expense:	3.47%	3.18%	4.37%	4.53%	3.62%	4.39%	4.07%	5.50%

TOWN OF KENNEBUNK, MAINE

PROPERTY TAX LEVY LIMIT
FOR THE YEARS ENDED JUNE 30,

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
State Personal Income Factor:	1.78%	1.66%	1.43%	1.05%	1.09%	0.86%	0.75%	1.03%
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>	<u>2.67%</u>	<u>2.84%</u>
Growth Limitation Factor:	3.04%	2.93%	2.18%	1.85%	3.62%	2.90%	3.42%	3.87%
Property Tax Levy Limit: \$	6,499,627	\$ 6,690,067	\$ 6,767,007	\$ 6,892,197	\$ 7,141,695	\$ 7,348,804	\$ 7,577,302	\$ 7,934,058
Property Tax Levy:	<u>6,065,431</u>	<u>6,050,698</u>	<u>6,120,059</u>	<u>6,313,472</u>	<u>6,584,061</u>	<u>6,870,620</u>	<u>7,163,063</u>	<u>7,319,507</u>
Over/(below) Prop Tax Levy Limit: \$	(434,196)	\$ (639,369)	\$ (646,948)	\$ (578,725)	\$ (557,634)	\$ (478,184)	\$ (414,239)	\$ (614,551)