This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment. The Town will make available its final Official Statement with respect to the Securities. This Preliminary Official Statement is for information purposes only and does not constitute an offer to sell or the solicitation of any offer to buy the Securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 21, 2015

MOORS & CABOT INVESTMENTS

Banking & Advisory Group

NEW ISSUE

Moody's:
S&P:

In the opinion of Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and will not be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax. Bond Counsel is also of the opinion that the interest paid on the Bonds is exempt from income tax imposed upon individuals by the State of Maine (the "State") under existing statutes, regulations and court decisions. **The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code**. See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

TOWN OF KITTERY, MAINE
$3,079,000
2015 GENERAL OBLIGATION BONDS

Dated: September 15, 2015 **Due: November 1, as shown below**

Year of Maturity	Amount	Interest Rate	Yield or Price	Year of Maturity	Amount	Interest Rate	Yield or Price
2016	$319,000			2021	$305,000		
2017	310,000			2022	305,000		
2018	310,000			2023	305,000		
2019	310,000			2024	305,000		
2020	305,000			2025	305,000		

The 2015 General Obligation Bonds (the "Bonds" or the "2015 Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof, and with one denomination of $4,000 that will mature on November 1, 2016. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by U.S. Bank, National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on May 1, 2016 and semi-annually on each November 1 and May 1 thereafter until maturity.

The legal opinion of Drummond Woodsum & MacMahon, Portland, Maine, Bond Counsel, will be provided to the initial purchaser and will indicate that the Bonds are valid general obligations of the Town of Kittery, Maine (the "Town") and unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it (see "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES–Limitation on Municipal Property Tax Levy" herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein). Bonds issued for school purposes are not subject to the property tax limit set forth in Section 5721-A of the Maine Revised Statutes, as amended. The Treasurer has certified that no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality, now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development programs adopted with respect to the districts. Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the initial purchaser.

The Bonds are not subject to redemption prior to their stated dates of maturity.

The Bonds are offered when, as and if issued, subject to the approval of legality by Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about September 15, 2015.

No dealer, broker, salesman or other person has been authorized by the Town or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Town and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Town. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Town since the date hereof. The Underwriter has included the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS ANY INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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CERTIFICATE
CONCERNING OFFICIAL STATEMENT

The information contained herein has been prepared by the Town of Kittery, Maine with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the records of the Town and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by the Town's Financial Advisor or by Drummond Woodsum & MacMahon, Bond Counsel and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Financial Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the Treasurer, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Treasurer and furnished at the closing.

This Official Statement is in a form "deemed final" by the issuer for purposes of Securities and Exchange Commission's Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Nancy Colbert Puff
Treasurer
Town of Kittery, Maine

OFFICIAL STATEMENT
TOWN OF KITTERY, MAINE
$3,079,000
2015 GENERAL OBLIGATION BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Kittery, Maine (the "Town" or "Kittery") in connection with the sale of its 2015 General Obligation Bonds (the "Bonds" or the "2015 Bonds").

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated September 15, 2015 and will be issued in fully-registered form without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York ("DTC" or the "Securities Depository"). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof, and with one denomination of $4,000 that will mature on November 1, 2016. The Bonds will bear interest, payable on May 1, 2016, and semi-annually thereafter on November 1 and May 1 of each year until maturity. The Bonds will mature annually as follows:

Amount	Nov. 1,	CUSIP	Amount	Nov. 1,	CUSIP
$319,000	2016	498206FR7	$305,000	2021	498206FW6
310,000	2017	498206FS5	305,000	2022	498206FX4
310,000	2018	498206FT3	305,000	2023	498206FY2
310,000	2019	498206FU0	305,000	2024	498206FZ9
305,000	2020	498206FV8	305,000	2025	498206GA3

It is expected that the Bonds will be available for delivery at DTC on or about September 15, 2015.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by U.S. Bank, National Association, Boston, Massachusetts, as paying agent (the "Paying Agent"). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds maturing are not subject to redemption prior to their stated dates of maturity.

RECORD DATE; PAYMENT

The principal of the Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of principal of and interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the fifteenth day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the day preceding the fifteenth day that is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest which is not timely paid or provided for shall cease to be payable to the registered

owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

AUTHORIZATION AND PURPOSE

The Bonds of this financing comply with the provisions of Article VI, Section 6.07 of the Town's Charter (as defined herein). The authority to issue the Bonds is granted under Title 30-A, Section 5772 of the Maine Revised Statutes, as amended; enactments by the Kittery Town Council at its meeting held July 13, 2015; and a Town referendum election held June 9, 2015 as displayed below:

Order #	Project	Date of Passage	Voter Approval	Amount Authorized	Amount Financed
040215-5	Road Infrastructure	April 13, 2015	June 9, 2015	$1,300,000	$1,300,000
040215-6	Municipal Facilities	April 13, 2015	June 9, 2015	958,015	958,000
040215-7	School Facilities	April 13, 2015	June 9, 2015	821,817	821,000
				$3,079,832	$3,079,000

Abandoned Projects or Excess Bond Proceeds

In the event that any proceeds of the Bonds remain unspent upon completion of the Projects, or the Town abandons any portion of the Projects, the Town reserves the right to reallocate unspent proceeds to the costs of other qualified projects approved, or to be approved, by the Town Council, or to apply unspent proceeds to the payment of debt service on the Bonds.

AMORTIZATION OF THE BONDS

FY Year	Due	Municipal Facilities	Road Infra.	School Facilities	The Bonds
2016/2017	11/01/16	$103,000	$130,000	$86,000	$319,000
2017/2018	11/01/17	95,000	130,000	85,000	310,000
2018/2019	11/01/18	95,000	130,000	85,000	310,000
2019/2020	11/01/19	95,000	130,000	85,000	310,000
2020/2021	11/01/20	95,000	130,000	80,000	305,000
2021/2022	11/01/21	95,000	130,000	80,000	305,000
2022/2023	11/01/22	95,000	130,000	80,000	305,000
2023/2024	11/01/23	95,000	130,000	80,000	305,000
2024/2025	11/01/24	95,000	130,000	80,000	305,000
2025/2026	11/01/25	95,000	130,000	80,000	305,000
Totals		$958,000	$1,300,000	$821,000	$3,079,000

SOURCE OF PAYMENT AND REMEDIES

General

The Bonds are general obligations of the Town and their payment is not limited to a particular fund or revenue source. The Bonds are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case such ad valorem taxes may be levied, subject to certain procedural limitations under Section 5721-A of the Maine Revised Statutes as amended and supplemented to date, without limit as to rate or amount upon all the property located within the territorial limits of the Issuer and taxable by it (see THE BONDS – SOURCE OF PAYMENTS AND

REMEDIES - Limitation on Municipal Property Tax Levy" herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the Town establishes or has established development districts as either tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see "TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein). Bonds issued for the School Department, including various annual School CIP purposes are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. The Treasurer has certified that a tax base sharing agreement does not now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in these districts to pay costs of the development project within the districts. Within the limits established by statute, the Town has the right to designate additional development districts or affordable housing development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims. The opinion of Bond Counsel will indicate that the enforceability of the obligations of the Town, including the Bonds, is subject to, and may be limited by, bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and is subject to general principles of equity.

The Town is subject to suit on the Bonds. The Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property of residents to satisfy debts of or judgments against a municipality is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon.

Funds to meet Town expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal of or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State of Maine (the "State").

Limitation on Municipal Property Tax Levy

Effective July 1, 2005, the Legislature enacted LD 1, codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as the "Property Tax Levy Limit". With certain exceptions, a municipality may not adopt a property tax levy that exceeds its Property Tax Levy Limit from one year to the next by more than a specified growth limitation factor. Therefore, in cases where the amount of the prior year's Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy, the Town may carry-forward that difference in establishing its future years' property tax levy. See "TOWN FINANCES - Property Tax Levy Limit" herein.

The growth limitation factor is: (a) the 10-year average real personal income growth (but no more than 2.75%) plus a property growth factor (when, as currently is the case, the state and local tax burden ranks in the highest 1/3 of all states); or (b) the 10-year average real personal income growth plus forecasted

inflation plus a property growth factor (when the state and local tax burden ranks in the middle 1/3 of all states).

In addition, a municipality is required to lower its Property Tax Levy Limit in any year by an amount equal to net new funds provided by the State for existing services funded in whole or in part by the property tax levy.

The Town may increase or exceed the Property Tax Levy Limit by a majority vote of the entire Town Council on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Title 30-A, Section 5721-A(7)(B) of the Maine Revised Statutes, as amended, this action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the council's vote. In lieu of increasing the Property Tax Levy Limit, the Town Council may vote to exceed the Property Tax Levy Limit for extraordinary circumstances. Exceeding the Property Tax Levy Limit permits the property tax levy to exceed the Property Tax Levy Limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the Property Tax Levy Limit for future years. Extraordinary circumstances are circumstances outside the control of the Town Council and include:

(1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;
(2) Unfunded or underfunded state or federal mandates;
(3) Citizens' initiatives or other referenda;
(4) Court orders or decrees; or
(5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

See also, "TOWN FINANCES – REVENUES FROM THE STATE - The 2016/2017 Biennium State Budget Proposal" herein.

The Town does not expect that the Property Tax Levy Limit will have a material adverse effect on the Town's financial condition or on the ability of the Town to pay the principal of and premiums, if any, and interest on the Bonds when due.

School Bonds

Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. The debt service of bonds issued for school projects, including the debt service on the School Facilities projects portion of the Bonds, is includable in the school budget and the Town is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on that portion of the Bonds.

TAX MATTERS

In the opinion of Drummond Woodsum & MacMahon, Portland, Maine, Bond Counsel, under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be treated as a

preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations; however, interest on the Bonds will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax.

Bond Counsel's opinion will state that the Code, establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owner thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Treasurer of the Town and the Issuer's Certificate Regarding Bank Qualified and Designated Status (collectively the "Tax Certificates") delivered concurrently with the Bonds which will contain provisions and procedures regarding compliance with the requirements of the Code. The Town, in executing the Tax Certificates, will certify to the effect that the Town will comply with the provisions and procedures set forth in the Tax Certificates and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds will be excludable from gross income of the owner thereof for federal income tax purposes. In rendering its opinion Bond Counsel will rely upon the representations of the Town set forth in the Tax Certificates and assume that the Town will comply with the provisions and procedures set forth in the Tax Certificates.

Exemption of Interest on the Bonds from Taxation Within the State of Maine

In the opinion of Bond Counsel, interest payable on the Bonds is exempt from income taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. See "Proposed Form of Legal Opinion" in APPENDIX B herein.

Qualified Tax-Exempt Obligations

The Town ***will designate*** the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Original Issue Discount

Certain maturities of the Bonds (the "Discount Bonds") may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. The appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income pursuant to Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Pursuant to Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds (the "Premium Bonds") may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences

In the case of certain corporate Holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the Holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current IRS procedures Holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

Changes in Federal Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. For example, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of these legislative proposals. If enacted into law, such proposals (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the exclusion from gross income of interest on, or the market price or marketability of, tax-exempt bonds

(including the Bonds). Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.

Extent of Opinion

Bond Counsel expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to (a) the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code, (b) interest on the Bonds not constituting an item of tax preference pursuant to Section 57 of the Code and (c) the exemption of interest on the Bonds from taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners. The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

RATINGS

The Bonds are rated "___" by Moody's Investors Service ("Moody's") and "___" by Standard & Poor's, Public Finance Ratings ("S&P"). The Town has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and their explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States' debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of, outstanding debt obligations, including the Bonds.

Except as set forth in the Continuing Disclosure Certificate set forth in APPENDIX C and referred to under "THE BONDS – CONTINUING DISCLOSURE' herein, the Town has not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in, or withdrawal of, any rating of the Bonds or to oppose any such change or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriter in complying with the Securities Exchange Commission's Rule 15c2-12 (the "Rule") the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a "Continuing Disclosure Certificate" (the "Certificate"), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

The Rule was changed such that on and after July 1, 2009, filings were no longer filed with the four formerly recognized Nationally Recognized Municipal Securities Information Repository ("NRMSIR") but were instead to be filed to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA").

The Town inadvertently continued to file with the NRMSIRs, in a timely manner but not to EMMA, for the fiscal years ended June 30, 2009, 2010 and 2011. To cure this error, the Town posted duplicate submissions to EMMA on November 28, 2011 (for fiscal years 2006 through 2010) and on February 15, 2013 for fiscal year 2011.

Also, the Town also posted financials to the NRMSIRs for the period ended June 30, 2009 on February 11, 2011, 591 days following the fiscal period; and June 30, 2004 on May 2, 2005, 306 days following the fiscal period.

Recognizing the importance of the Rule, the Town has since undertaken procedures that it believes will provide prompt compliance with the undertaking on a going forward basis. This includes (a) adoption of a Post Issuance Compliance Procedures by the Town; and (b) the Town has registered with the EMMA®

reminder system to receive email reminders to help ensure timely filing of disclosure requirements. The following is a list of Financial Filings by the Town:

Financial Statements FY ended June 30,	Filings with EMMA Date	After Fiscal Period End	Filings with NRMSIRs Date	After Fiscal Period End
2014	01/15/2015	199 days	01/12/2015	196 days
2013	01/13/2014	197 days	01/13/2014	197 days
2012	02/20/2013	235 days	02/20/2013	235 days
2011	02/15/2013	>270 days	01/09/2012	193 days
2010	11/28/2011	>270 days	02/04/2011	219 days
2009	11/28/2011	>270 days	02/11/2011	>270 days

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

FINANCIAL ADVISOR

Moors & Cabot, Inc. has acted as Financial Advisor to the Town with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid on, or participate in an underwriting syndicate for the public distribution of, the Bonds.

STATUTORY REFERENCES

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

CONDITIONS PRECEDENT TO DELIVERY

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

No Litigation

Upon delivery of the Bonds, the Town shall deliver or cause to be delivered a certificate of the Treasurer, and attested to by the Town Clerk, dated the date of delivery of the Bonds, to the effect that there is no litigation pending or, to the knowledge of such officers, threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the Town, nor the title of any of said officers to their respective offices, is being contested.

Approval of Legality

The legality of the Bonds will be approved by Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds, substantially the form attached to this Official Statement as APPENDIX B, will be delivered at the time of original delivery of the Bonds, and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the

statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also "PROPOSED FORM OF LEGAL OPINION" in APPENDIX B herein.

Certification of the Bonds

The Bonds will be certified as to their genuineness by U.S. Bank, National Association, Boston, Massachusetts, which certificate will appear on the Bonds.

Certificate With Respect to Treasurer

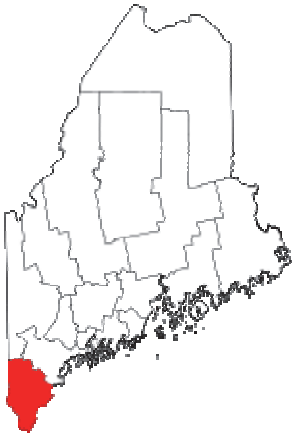
At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer of the Town which certifies that no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, now exist.

Certificate With Respect to Official Statement

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer to the effect that she has examined this Official Statement and the financial and other data contained therein and that, to the best of her knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading.

TOWN OF KITTERY

GENERAL



The Town of Kittery is located in the extreme southwestern part of the State of Maine and of the County of York, the State's southernmost county. The Town is approximately 50 miles southwest of Portland, the State's largest city, and approximately 65 miles northeast of Boston, Massachusetts. Kittery is bounded on the northwest by the Town of Eliot and the northeast by the Town of York. The Piscataqua River forms the Town's southwestern and southern borders separating Kittery from the City of Portsmouth, New Hampshire, also being a portion of the State's line. The Atlantic Ocean forms the Town's southeastern boundary. The Isle of Shoals, which lie about nine miles east of Kittery Point, are divided by the line between the states of Maine and New Hampshire, with five of the eight islands and certain adjacent rocks being part of the Town. The Town's Comprehensive Plan separates Kittery into seven planning districts comprised of: *North Kittery,* a sparsely developed residential area; *West Kittery,* with a mix of residential and commercial uses; *Route 1,* the largest commercial district; *Downtown,* the most densely developed area in Kittery and its central business and service district; *Kittery Point,* a largely residential area mostly developed with single-family houses; *Bartlett Road,* the largest of the planning districts in total acreage with land use exclusively residential and includes large tracts of undeveloped land; and *Islands,* with scattered residential land and large areas of undeveloped land.

Convenient highway access to Kittery is provided by US Interstate Route 95 which intersects the Town's western plain in North and West Kittery, with interchanges in the Town; US Route 1 crosses the river from Portmouth's to Kittery's downtowns, proceeds to Remick Corners at the northeast edge of the Downtown region, and then continues in a similar path along Interstate 95; and the US Route 1-Bypass, which originates at Portsmouth Circle in New Hampshire, crosses the river, traverses the Town and joins US Route 1 at Remick Corners. Each of the above three routes cross the Piscataqua River at separate intervals over separate bridges. Additional access to the Town is available via State Route 101, bisecting Kittery's North District and terminates at US Route 1; State Route 103 follows the Town's coastal plain from York to Kittery Point, then along the eastern bank of the Piscataqua River to South Eliot; and State Route 236 from Eliot, crossing US Interstate 95, US Route 1, and terminating at the Town's downtown.

The area encompassing Kittery was first settled in 1623, as Piscataqua Plantations, embracing Kittery, the Berwicks and Eliot. The plantation incorporated on October 20, 1647 as Maine's first town, taking the name Kittery from the manor of Kittery Court located at Kittery Point in Kingsweare, Devon, England. The inhabitants of the northern settlements of Kittery, denominated the "parish of Unity" and "the precinct of Berwick", applied for separation and, on June 9, 1713, this area became incorporated as the Town of Berwick. South Berwick was set off from Berwick on February 12, 1814 as its own town, with a further portion annexed to it, from Berwick, in 1881. Berwick was divided by a southeast line, with the part lying northeast separating and becoming incorporated as the Town of North Berwick on March 22, 1831 (the above being, collectively, the "Berwicks"). On March 1, 1810 Eliot set off and was incorporated, leaving the present Town of Kittery with its current territory.

Long famous for its quality shipbuilding, John Paul Jones' ship *Ranger* was built in Kittery in 1777. The Portsmouth Naval Shipyard was established on Seavey Island in 1800 to build ships and now refuels and overhauls nuclear submarines. Kittery is also home to the Kittery Historical and Naval Museum, the Fort Foster and Fort McClary historical sites, Fort McClary State Park, Crescent Beach and Seapoint Beach. Of recent, burgeoning groups of retail outlet stores align US Route 1.

Kittery is a coastal residential community with urban characteristics along its coastline and rural characteristics inland, encompassing 11,868 acres or 18.54 square miles. The land area comprising the territory of the Town is zoned for Mixed Use, Rural Residential, Suburban Residential, Urban Residential and Rural Conservation with small portions zoned for Local Business, Commercial and Industrial use.

GOVERNMENT

There are two basic forms of local government in Maine: the "Direct" form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passing laws, approving the spending of monies; and the "Representational" form, in which an elected council serves as the legislative body. There are five basic variations of these two forms. Three variations of the Direct form are: *Town Meeting/Selectmen* form of government, the most common in Maine currently used by 209 municipalities in the state; *Town Meeting/Selectmen/Manager*, the second most common form of local government in Maine currently used by 135 towns; and *Council/Town Meeting/Manager* variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council. The two variations of the Representational form are: *Council/Manager* (36 cities or towns) and *Council/Mayor/Administrator* (five cities in Maine).

The Town operates under a charter originally adopted on October 16, 1967, as amended most recently on November 4, 2014 (the "Charter") and, pursuant to Title 30-A, Chapter 123, Section 2631 of Maine Revised Statutes, as amended, the Town has adopted its form of government through the State's Statutory Town Manager Plan and operates as a *Council/Town Meeting/Manager* form with a seven-member Town Council, all elected at-large for three-year terms. The Charter grants to the Town Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the Town's property affairs and government, to preserve the public peace, health and safety, to establish personnel policies, and providing for an annual budget and annual audit of the Town's accounts.

Capital bond ordinances require approval by referendum vote. Certain other specific actions require approval of the annual Town Meeting. These include certain changes to the Town's comprehensive plan, the disposition of certain Town property (other than property acquired for non-payment of taxes), that part of the capital program which is proposed for the ensuing fiscal year, and certain expenditures and appropriations in excess of $125,000 which have not been fully funded by bond issues pursuant to Section 6.07 of the Charter, approved at referendum or a dedicated reserve account. The Town Manager is the chief administrative officer of the Town.

MUNICIPAL SERVICES

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, highways, streets and sidewalks, wastewater treatment, solid waste transfer, social services, parks and recreation areas. Public education is provided for grades Kindergarten through 12 under the Town's individual supervision. The Town operates its own sewer system.

Water service is provided by the Kittery Water District, a wholly separate quasi-municipal entity whose operation and obligations are not part of the Town.

Public Safety

The Police Department is located at the Town's Municipal Complex. The department is staffed by employees who include one Police Chief, currently being shared from neighboring Town of Eliot, one lieutenant, three Sergeants, two detectives, 12 Patrol Officers, one School Resource Officer, one part-time

Administrative Assistant, six dispatchers and one part-time Court Officer. The Police Department maintains 13 vehicles, which are in good repair.

Two fire stations, each constructed in 2006, serve Kittery. The Central Fire Station and the Kittery Point Fire Station are equipped with six vehicles and three vehicles, respectively. In addition to these facilities the Portsmouth Naval Shipyard has its own fire station and provides back-up to the Town. The Fire Department is operated by one Fire Chief, one Assistant Fire Chief, two Deputy Fire Chiefs, two Captains, five Lieutenants and approximately 43 call firemen.

The public safety roster also includes a part-time Animal Control Officer, a Harbor Master, a part-time Deputy Harbor Master, a Forest Fire Warden and three Deputy Forest Fire Wardens. The Town also has one Code Enforcement Officer, an Assistant Code Enforcement Officer a Planner and an Assistant Planner.

Public Works

The Public Works Department is comprised of three divisions: Highway, Parks and Solid Waste. The department provides maintenance of roads, Town properties, storm drainage systems and for capital improvement projects including road reconstruction and storm drainage improvements. The Department is staffed with one Public Works Director and approximately 20 full-time employees. The Department maintains approximately 60 vehicles and pieces of equipment, most of which are in good repair.

Residents of the Town dispose of their solid waste through curbside pick-up by a private hauler, or deposit their refuse at the Town's Waste Disposal and Recycling facility (the "Waste & Recycle Facility"). The Town has entered into a three-year Waste Handling Agreement, effective July 1, 2015, with ecomaine (formerly Regional Waste Systems, Inc.), a Maine non-profit corporation, whereby the Town is obligated to deliver certain of the solid waste produced at the Waste & Recycle Facility. The Town currently pays $57.42/ton of delivered waste until June 30, 2016 at which time and annually thereafter may be adjusted by the increase, if any of the Consumer Price Index for Urban Customers Northeast Region, Class B.

Under State law, Maine communities had until December 31, 1992 to close existing landfills under an approved plan with the State of Maine, acting by and through its Department of Environmental Protection (the "DEP"). The Town's demolition debris and materials solid waste landfill was closed and capped in the fall of 1990. In March of 1994 the Town applied to DEP, under the I.C.A.G. program, for reimbursement of 75% of the $71,775 expended by the Town for closure expenses. The Town has received the $53,831 reimbursement from DEP.

Sewer Department

Portions of the Town, representing approximately 10% of its acreage and serving approximately 25% of its residents, are presently served by a wastewater collection system consisting of 28 miles of gravity sewers or force mains and 21 pumping stations; and through the Town's Sewer Department, maintains a Wastewater Treatment Plant (the "Treatment Plant") which processes flow, total suspended solids ("TSS"), and oxygen depleting organic pollutants (Biochemical Oxygen Demand or "BOD") from municipal sewers. The Portsmouth Naval Shipyard and portions of the Town of Eliot also send wastewater to be treated at the Plant. The Sewer Department is staffed by one Superintendent and five employees.

The Treatment Plant (the "Plant") was constructed in 1970, becoming operational on May 30, 1970, and was originally designed to treat 1.225 million gallons per day ("MGD") of flow. Due to overcapacity and

in compliance with an Administrative Order from the United States Environmental Protection Agency, the Plant was expanded in 1994 to treat its current design of 2.4 MGD of flow. The Plant was relicensed by the State Department of Environmental Protection in 2006. The Portsmouth Naval Shipyard contributes an average of 67.701 MGY of flow, or 19% of total flow; the Town of Eliot contributes an average of 35.912 MGY, or 10.1% of total flow; and Kittery residents and business send an average of 251.798 MGY, or 70% of total flow; for a consolidated average flow of 973 MGD (or 41% of design capacity).

The Sewer Department is established as an Enterprise Activity in that the intent of the Town is for the department to provide wastewater treatment services on a continuing basis financed entirely through user charges.

Recreation Department; Parks Department

Recreation programs for the Town's residents are provided by the Kittery Recreation Department, managed by a Recreation General Manager & Director. The facilities are maintained by the Parks Division of the Public Works Department comprised of two full-time employees, each assisted by an additional summer seasonal employee, by the Recreation Department, or the School Department. The recreation facilities include the Town-owned Fort Foster, Crescent Beach and Seapoint Beach, Shapleigh Recreational Complex and various athletic fields throughout the Town. In addition, the Town issued $5,500,000 of its bonds, in January 2012, to provide funds to pay for the costs to construct and equip additions to and renovations of the former Frisbee Elementary School, a 50,000 square foot facility on 13 acres of land at 120 Rogers Road in the Town, that now to serves as the Kittery Community Center. The Fort McClary State Park and the Rachel Carson Wildlife Refuge, also in the Town, provide additional leisure facilities for Kittery residents.

Kittery Port Authority

The Kittery Port Authority (the "Port Authority") was established by Chapter 163 of the Private and Special Laws of Maine (1961) to, in cooperation with the Town's Planning Board, plan for the maintenance and development of the port and harbor within the jurisdiction of the Town; and to aid in the development of salt water fisheries, ship and boat building, and oversee pleasure boating, swimming and other recreational uses of these areas. The Port Authority is comprised of a seven-member board who serve five-year staggered terms. Six of the board members are appointed by the Town Council. The Chairman of the Planning Board also serves on the board as an *ex offico*, voting member. The board appoints a Harbor Master who supervises the activities of the Port Authority. Through the Port Authority the Town assigns and maintains approximately 400 moorings. The Port Authority is also responsible for the Town's wharves, the boat launch at Traip Academy and has the authority to establish, operate and maintain foreign-trade zones within its venue.

PUBLIC EDUCATION

Department of Education

The Town operates its education program for grades Kindergarten ("K") through 12 under its own supervision. Article IV of the Town's Charter, as amended, provides that the Department of Education for the Town be administered by a Superintending School Committee (the "School Committee") comprised of seven members, elected at-large for three-year staggered terms. The School Committee performs all duties and functions in regard to the care and management of the public schools of the Town and governs the affairs of the Kittery School Department. The School Committee prepares and submits its budget to the Town Manager, who includes it in the budget process. See also "TOWN FINANCES -

BUDGETARY PROCESS" section herein. The School Department's staff consists of a Superintendent, Business Manager, three full-time principals, one Assistant Principal, one Assistant Principal/Activities Director, one Special Education Director, one Director of Curriculum/Technology and approximately 202 full-time equivalent teachers and support staff. The Town's schools and enrollment trends are listed as follows:

Schools	Grade	Estimated Capacity	Enrollment
Horace Mitchell Primary School	K-3	315	393
Shapleigh Middle School	4-8	500	411
Robert W. Traip Academy	9-12	550	280

Enrollment Trends

	Grades					
Oct 1,	K-3	(*)	4 to 8	9 to 12	Other	Total
2014	393		411	280	0	1,084
2013	404		402	274	0	1,080
2012	396		405	280	0	1,081
2011	378		363	273	7	1,021
2010	375		364	276	7	1,022
2009	326		365	278	0	969
	K to 2	3 to 5	6 to 8	9 to 12	Other	Total
2008	244	218	223	309	NA	994
2007	237	229	226	360	NA	1,052
2006	238	245	243	356	NA	1,082
2005	258	225	258	341	NA	1,082

SOURCE: State of Maine, Department of Education, "Public School October 1st Attending Enrollment".
NOTE: (*) The Frisbee Elementary School was closed on September 2009. Grades were reconfigured accordingly.

Technical Education

Title 20-A, Chapter 313 of the Maine Revised Statutes, as amended, provides for "applied technology education" or a course or program of education which is designed to create or improve job-related skills that are part of a secondary school curriculum. The programs may be offered via an applied technology center (a "Center") or an applied technology region (a "Region"). A Region is a quasi-municipal corporation established by the Legislature for the delivery of applied technology programs, comprised of two or more school administrative units and governed by a cooperative board. Each school administrative unit is responsible for its proportionate share of its Region's operating expenses, including debt repayment, which is included in the respective unit's annual assessment by the Region. A Center is comprised of a single school administrative unit and its obligations are those of the unit.

Students of the Town may opt to receive applied technology education at the Sanford Regional Technical Center ("SRTC") in Sanford, Maine, 30 miles distant. The SRTC program is full-time but students, at graduation, are eligible for either a Traip Academy, a SRTC, or a dual Traip/SRTC diploma.

The Town had entered into a cooperative agreement (the "Cooperative Agreement") between the former M.S.A.D. No. 35 (Eliot and South Berwick) now RSU 35, former M.S.A.D. No. 57 (Alfred, Limerick, Lyman, Newfield, Shapleigh and Waterboro) now RSU 57, former M.S.A.D. No. 60 (Berwick, Lebanon and North Berwick) now RSU 60, former M.S.A.D. No. 71 (Kennebunk and Kennebunkport) now, with the addition of Arundel, RSU 21, Wells-Ogunquit C.S.D. and the towns of Kittery and York (collectively

the "Member Units") to allow its students to attend the Sanford Regional Technical Center. While the SRTC is owned, operated and maintained by the of the City of Sanford, acting by and through its Department of Education, the Cooperative Agreement provides for an Advisory Board, made up of representatives from the Member Units, to plan, develop, coordinate and recommend educational services for vocational students enrolled by the Member Units. The school first opened for secondary students for grades 10 to 12 in 1970. The Town currently sends seven students to the Sanford facility.

LABOR RELATIONS

The Town employs approximately 300 full-time and various part-time personnel, of which approximately 215 employees are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. Town employees not included in the below table are not represented by unions. The various contracts for employees represented by unions are effective and expire as follows:

		Date of Contract	
Union[(1)]	**Bargaining Unit**	**Effective**	**Expiration**
Teamsters	Administrative/Clerical	July 1, 2015	June 30, 2017
Teamsters	Police Dispatchers	July 1, 2015	June 30, 2017
Teamsters	Police Supervisors	July 1, 2012	June 30, 2014[(2)]
Teamsters	Police Patrolmen	July 1, 2012	June 30, 2014[(2)]
Teamsters	Professional	July 1, 2015	June 30, 2017
Teamsters	Public Works	July 1, 2015	June 30, 2017
Teamsters	Public Works Technical	July 1, 2015	June 30, 2017
KEA	Professional Teachers	Sept. 1, 2015	Aug. 31, 2018
KEA, Unit C	School Support Staff	Sept. 1, 2012	Aug. 31, 2015[(2)]
P&AT	School Custodial	July 1, 2014	June 30, 2017

NOTE: [(1)] "Teamster's" indicates Local Union No. 340 of the International Brotherhood of Teamsters, which are affiliated, as separate bargaining units; "MEA" indicates the Maine Education Association of which the Kittery Education Association ("KEA") is associated; "P&AT" indicates District Council #10 of the Painters and Allied Trades, affiliated with the American Federation of Labor & Congress of Industrial Organizations ("AFL-CIO").

[(2)] The respective unit and the Town are, or will be, negotiating the terms of a new contract. The employees continue to perform duties pursuant to the terms of the expired contract. The Town has provided in its budget amounts that it expects that the Town would incur in the successor contract.

THE RICE PUBLIC LIBRARY

The Rice Public Library (the "Library") was established in 1874 with a bequest from Miss Anabella Rice of Portsmouth, New Hampshire, who left money for a free public library in memory of her father, Robert Rice, a seaman and native of Kittery. The Rice Building was erected in 1888, being an example of the Queen Anne Style of architecture and is listed on the National Register of Historic Places. In 1989, due to the large size of the Library's collection, the Library Board of Directors purchased and renovated the Taylor Building, across the street, as an additional facility. The Rice Building houses adult non-fiction books, reference materials and back issues of magazines. The Taylor Building houses fiction books, the Children's Room, audiovisual materials and current periodicals.

The Library is a non-profit institution, not a department of the Town. However, the Library receives a major portion of its operating budget from the Town, at the Town's discretion, from year to year; and is managed by a seven-member Board of Directors (the "Board") who serve three-year staggered terms. Board members are appointed by the current Board members, with the advice of the Town Council. The

Library's staff consists of a Head Librarian, a Technical Services Librarian, a Circulation Librarian and five library assistants. The Library has enrolled over 3,000 registered borrowers. The Library's collection includes approximately 56,000 books, subscriptions to 98 periodicals, and various videotapes and audiocassettes.

BUILDING PERMITS

Fiscal Year Ended June 30,	Commercial	Residential	Total
2014	$2,606,947	$9,577,126	$12,184,073
2013	2,541,154	8,866,221	11,407,375
2012	871,416	8,735,646	9,607,062
2011	3,022,003	6,334,913	9,356,916
2010	5,934,239	11,901,643	17,835,882
2009	2,093,185	11,046,556	13,139,741
2008	4,771,962	21,734,411	26,506,373
2007	3,083,660	14,682,757	17,766,417
2006	2,482,772	19,052,242	21,535,014
2005	3,954,810	25,864,560	29,819,370

EMPLOYMENT

Former Kittery-York Labor Market Area

The U.S. Department of Commerce, Bureau of the Census formally defined a metropolitan statistical area ("MSA") as an area that includes at least one city with 50,000 or more inhabitants, or a Census Bureau-defined urbanized area (of at least 50,000 inhabitants) and a total metropolitan population of at least 75,000 (in New England). An MSA is also considered a labor market area ("LMA"). The Kittery-York LMA was comprised of five towns.

SOURCE: Maine Department of Labor, Labor Market Information Services

Representative Employers	Type of Business	Approximate Number of Employees
Portsmouth Naval Shipyard	United States Naval Facility	5,350
Kittery Outlet Stores	Retail Stores	1,000
Kittery Trading Post	Retail Store	300
Weathervane Seafoods	Restaurant	250
Kittery School Department	Town Government	248
Parker-Hannifin	Pneumatic Manufacturer	201
Wilson 5 Service	Janitorial Contractors	180
Warren's Lobster House	Restaurant	100
Greenpages	Computer Brokers	109
McDonald's	Restaurant	70

Commuter Trends

The Town is a leading labor center in Maine's South Coast region. The following table displays the residential component of the Town's workforce, the respective component of its workers as a percentage of their local (i.e., home) workforce; and the geographic place of employment for the Town's residents.

Commuters to Kittery, but live in:	Number of Workers	% Kittery Workforce
Kittery	2,012	20.71%
Eliot	703	7.23
Sanford	637	6.56
York	549	5.65
Portsmouth NH	521	5.36
South Berwick	447	4.60
Dover NH	391	4.02
Rochester NH	363	3.74
Somersworth NH	295	3.04
Wells	283	2.91
Berwick	276	2.84
North Berwick	209	2.15
Lebanon	207	2.13
Biddeford	169	1.74
Hampton NH	157	1.62
Saco	139	1.43
Newmarket NH	124	1.28
Waterboro	98	1.01
Barrington NH	96	0.99
Kennebunk	90	0.93
Old Orchard Beach	77	0.79
Exeter NH	74	0.76
All other	1,800	18.52
	9,717	100.00%

Residents of Kittery, but work in:	Number of Workers	% Kittery Workers
Kittery	2,012	39.44%
Portsmouth NH	1,056	20.70
York	386	7.57
Newington NH	161	3.16
Exeter NH	134	2.63
Dover NH	125	2.45
Eliot	115	2.25
Greenland NH	93	1.82
Biddeford	72	1.41
Wilmington MA	63	1.24
Barrington NH	49	0.96
Kennebunk	44	0.86
Hampton NH	42	0.82
Seabrook MH	42	0.82
Saco	41	0.80
Scarborough	40	0.78
South Berwick	39	0.76
Boston MA	34	0.67
Durham NH	29	0.57
Waltham MA	28	0.55
Somersworth NH	28	0.55
Ogunquit	26	0.51
All other	442	8.66
	5,101	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2010 data.

RETAIL TRADE

Mall Road Commercial District

The growing collection of shopping malls and discount factory outlets has established a definite presence in the Town in recent years, the majority of which have been built since 1980. The growth has been concentrated in a fairly well-defined area, primarily oriented along U.S. Route 1, named *Mall Road.* The Mall Road Commercial District is comprised of a variety of strip malls along both sides of this portion of U.S. Route 1. The area embraces 13 separate outlet malls and a variety of free-standing buildings, which provide approximately 575,000 square feet of consolidated retail floor space, attracting over 125 shops, bank branches and restaurants.

These stores have established Kittery as a year-round destination point for a primary market that includes southern Maine, southern New Hampshire and eastern Massachusetts. In addition, due to its proximity to and high visibility from Interstate 95 as it enters the State, Kittery attracts the multi-seasonal tourist

population as a secondary market for its sales. The following table displays the performance of certain sectors of the Town's economy, as measured in retail sales, by product group and by consumer sales:

Retail Sales by Product Group and Consumer Sales
($/000)

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2014	5,961.7	3,124.6	9,419.9	123,314.1	72,100.0	3,183.2	48,566.2	265,669.7	259,708.0
2013	7,252.7	3,099.9	8,571.7	122,677.2	74,888.5	3,053.0	45,203.6	264,746.6	257,493.9
2012	7,328.2	2,959.2	8,025.7	125,067.6	70,197.2	2,953.0	43,678.1	260,209.0	252,880.8
2011	5,966.6	2,918.7	7,786.3	126,031.9	67,477.6	2,785.7	39,831.4	252,798.2	246,831.6
2010	5,221.6	2,767.8	7,330.7	120,339.2	65,691.3	2,746.9	37,255.2	241,352.7	236,131.1
2009	4,932.8	3,005.1	6,736.5	112,288.8	65,787.3	2,784.8	34,893.3	230,428.6	225,495.8
2008	6,425.6	3,539.2	5,648.5	123,605.3	61,917.8	3,071.1	34,332.3	238,539.8	232,114.2
2007	6,073.9	3,442.6	4,688.1	123,965.0	65,342.8	4,414.9	32,864.6	240,791.9	234,718.0
2006	5,525.2	3,297.2	4,825.6	123,019.2	62,672.8	4,717.7	32,156.1	236,213.8	230,688.6
2005	5,805.6	2,212.5	5,347.3	116,189.2	60,446.4	5,018.3	28,994.6	224,013.9	218,208.3

SOURCE: State of Maine, Maine Revenue Services ("MRS"), Sales Tax Section, subject to annual revision.

PORTSMOUTH NAVAL SHIPYARD

Portsmouth Naval Shipyard ("PNSY"), Cradle of American Shipbuilding, is located in the Piscataqua River Estuary between New Hampshire and Maine where, in 1690, the first naval warship in North America was built. Established in June 1800 when President Thomas Jefferson approved the purchase of an island in the Piscataqua River as a site for a naval shipyard, PNSY is the oldest naval shipyard continuously operated by the United States Government.

The shipyard launched its first product in 1815, the 74-gun warship USS WASHINGTON. During World War I, the PNSY workforce expanded to nearly 5,000 people as it took on a new role, the construction of submarines, in addition to the overhaul and repair of surface vessels. World War II saw the civilian employment rolls swell to over 25,000 men and women. During World War II over 70 submarines were constructed at PNSY, including four submarines that were launched on the same day. Following World War II, PNSY was the Navy's center for submarine design and development. The research submarine, USS ALBACORE, with its revolutionary tear-drop shaped hull and round cross section, set the standard for all subsequent submarine hull design world-wide.

PNSY's primary mission is the overhaul, repair and modernization of *Los Angeles*-class submarines. Portsmouth Naval Shipyard provides the U.S. Navy's nuclear powered submarine fleet with quality overhaul work in a safe, timely and affordable manner. This includes a full spectrum of in-house support--from engineering services and production shops, to unique capabilities and facilities, to off-site support-all of which serves the multifaceted assortment of fleet requirements. With the commissioning of the *Virginia*-class submarine, USS *New Hampshire* (SSN 778) in 2008, the shipyard and the Seacoast Communities got their first look at the next generation of submarine technology and the future of ship repair. PNSY performed the first extended availability on the new class of submarine on USS *Virginia* (SSN 774) gaining valuable knowledge and experience for future *Virginia*-class availabilities. PNSY is committed to maximizing the material readiness of the fleet by delivering on-time, affordable quality, safely achieved.

PNSY is one of four remaining naval shipyards in the nation. Centrally located about 50 miles from Boston, Massachusetts, Portland, Maine and Manchester, New Hampshire, at the southernmost tip of Maine, the shipyard fully encompasses Seavey Island PNSY, comprised of over 297 acres as the main base, that sits at the mouth of the Piscataqua River, and a family housing site off base in Kittery. This federally-owned island is across the harbor from Portsmouth, New Hampshire, with access to the mainland by two bridges that connect to Kittery.

There are 179 buildings with over 3 million square feet of space including 49 ship repair/overhaul buildings. Many of the buildings located at the shipyard are in an historic district and 50 buildings are listed on the National Register of Historic Places. PNSY has 6,224 lineal feet of berthing and has three dry docks and is capable of docking all active classes of submarines including the *Los Angeles*, *Ohio* and *Virginia* classes. Drydock No. 2 is a state of the art submarine overhaul and refueling complex with the capability of fully enclosing a submarine in a climate controlled facility.

PNSY has a plant value for real property (structures) in excess of $1 billion, with plant equipment valued at approximately $500 million. PNSY employs approximately 5,350 civilian employees; has an active apprentice and engineer recruitment program; and approximately 100 naval officers and enlisted personnel assigned to the shipyard with a combined annual payroll of approximately $283 million. Significant investment in the PNSY infrastructure ensures state-of-the-art facilities for US Navy depot maintenance and, in recent years, a total of $152.3 million has been invested for facility upgrades such as a new Dry Dock Complex. Finally, PNSY has converted two of its four Power Plant boilers to natural gas, part of an award winning comprehensive energy management program. This project invested millions of dollars to implement a major power plant and utility distribution recapitalization effort utilizing a U.S Army Corps of Engineers Regional Energy Savings Performance Contract.

SOURCE: *http://www.navsea.navy.mil/shipyards/portsmouth*. No independent investigation or inquiry has been made by the Town and any information above reported by here is from a variety of public sources.

ECONOMIC CHARACTERISTICS

Population	Town of Kittery	----------% Change---------- Town	State	USA
1970	11,028	3.2	2.4	13.4
1980	9,314	(15.5)	13.4	11.4
1990	9,408	1.0	9.2	9.8
2000	9,543	1.4	9.2	9.8
2010	9,490	(0.6)	4.2	8.9

Population Characteristics	Town of Kittery	York County	State of Maine	USA
Median age (years)	43.2	43.0	41.7	37.2
% school age	11.8%	16.1%	18.2%	20.4%
% working age	61.3%	59.8%	63.4%	62.9%
% 65 and over	17.7%	15.4%	15.9%	13.0%
Persons/household	2.17	2.40	2.32	2.58

Income	Town of Kittery	York County	State of Maine	USA
Median family income	$63,297	$65,077	$58,185	$62,982
% below poverty level	8.5%	8.5%	12.6%	13.8%
Per capita income	$29,228	$27,137	$25,385	$27,334

Housing	Town of Kittery	York County	State of Maine	USA
% owner occupied	65.1%	75.2%	73.1%	66.6%
% Built before 1939	26.0%	23.7%	28.1%	14.1%
% Built since 2000	13.6%	11.5%	8.9%	12.8%
Owner occupied med. value	$208,400	$233,300	$176,200	$188,400
Median gross rent	$1,150	$814	$707	$841
Occupied housing units	4,209	80,299	714,270	-

SOURCE: 2010 Census; U.S. Department of Commerce, Bureau of the Census.

Unemployment	Town of Kittery	York County	State of Maine	USA
2014	4.2%	5.3%	5.7%	6.2%
2013	5.1	6.2	6.7	7.4
2012	5.1	6.6	7.3	8.1
2011	4.9	6.8	7.5	8.9
2010	5.7	7.6	7.9	9.6
2009	6.1	7.6	8.0	9.3
2008	4.1	4.9	5.4	5.8
2007	3.6	4.1	4.6	4.7
2006	3.7	3.7	4.6	4.6
2005	3.6	4.1	4.8	5.1

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

TOWN FINANCES

BUDGETARY PROCESS

Article VI of the Town's Charter provides for a budget process. The fiscal year (or "budget year") of the Town begins on the first day of July and ends on the thirtieth day of June of the following year. The Charter requires the Town Manager to submit a budget to the Town Council at least 45 days prior to the beginning of each budget year. The budget is compiled from detailed information furnished by the administrative officers and boards designated by the Town Manager. Section 4.05 of the Charter provides that the School Committee shall submit its annual school budget to the Town Manager at least 90 days prior to the next budget year; and estimated receipts not less than 50 days before the budget year. The budget provides a complete financial plan for use of all Town funds and indicates the proposed tax levy and proposed expenditures for the Town's activities. After receipt of the budget, the Town Council holds a public hearing. After the public hearing, the Town Council may adopt the budget, with or without amendment. If the Appropriation Resolve establishes a property tax levy that exceeds the Property Tax Levy Limit, then the excess of the appropriation must be approved in a separate article by a majority of the entire Town Council (i.e., a "super majority"). The Property Tax Levy Limit of one year may not exceed the Property Tax Levy Limit from the prior year by more than a specified Growth Limitation Factor. The school budget is voted on by the School Board, then presented to the Town Council at a Budget Meeting and is then subject to referendum by the voters of the Town through a Budget Validation process. The Charter directs that the Town Council adopt the budget on or before the first day of July. If it fails to adopt the budget by this date, the Town Council may, by resolution, extend the adoption deadline by one month with the amount appropriated for the previous budget year deemed adopted for the current budget year, on a pro-rata (1/12 basis) basis. If the Town Council does not adopt a budget by the first day of August, the budget shall be deemed adopted for the budget year, as presented. A copy of the final budget, as adopted, is certified by the Town Manager and filed with the Town Assessor, who establishes a property tax levy.

Budgets for Fiscal Year Ending June 30,

REVENUES	**2012**	**2013**	**2014**	**2015**	**2016**
Taxes	$22,609,494	$23,520,445	$23,734,494	$22,609,494	$23,520,445
Intergovernmental	1,657,675	1,898,665	1,582,692	1,657,675	1,898,665
Charges for services	1,738,125	1,692,691	1,795,840	1,738,125	1,692,691
Investment income	26,500	36,380	30,600	26,500	36,380
Other revenue	204,866	280,285	45,700	204,866	280,285
Transfers from other	25,000	30,000	30,000	25,000	30,000
TOTAL REVENUES	26,261,660	27,458,466	27,189,326	26,261,660	27,458,466
EXPENDITURES					
General government	1,502,633	1,501,647	1,554,750	1,502,633	1,501,647
Public safety	3,226,415	3,314,385	3,397,464	3,226,415	3,314,385
Public works	1,136,915	1,192,323	1,182,915	1,136,915	1,192,323
Recreation and culture	2,009,665	1,989,071	2,121,142	2,009,665	1,989,071
Solid waste	586,446	544,871	674,133	586,446	544,871
Social services	148,651	73,890	54,433	148,651	73,890
Education	13,504,834	14,961,185	15,461,359	13,504,834	14,961,185
County tax	902,996	908,475	912,386	902,996	908,475
Debt service	1,821,240	1,782,815	1,751,476	1,821,240	1,782,815
Overlay	128,524	143,248	145,000	128,524	143,248
Other	513,889	1,278,811	1,229,328	513,889	1,278,811
Transfers (or Misc 2010 & 2011)	1,920,825	446,251		1,920,825	446,251
TOTAL EXPENDITURES	27,403,033	$28,136,972	$28,484,386	27,403,033	$28,136,972
Use of fund balance	($1,141,373)	($678,506)	($1,295,060)	($1,141,373)	($678,506)

PROPERTY TAX LEVY LIMIT

As previous discussed, unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended the Town is limited to an increase in the Town's property tax levy from one year to the next to an amount not more than its Municipal Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The Municipal Property Tax Limit for subsequent fiscal years is the Municipal Property Tax Levy Limit for the preceding year multiplied by the Growth Limitation Factor. Therefore, in cases where the amount of the prior year's Municipal Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy ("Property Tax Levy"), the Town may carry-forward that difference in establishing its future years' property tax levy ("LD1"). The following table displays the Town's limitation on Municipal Property Tax Levy:

Fiscal year:	**2011/2012**	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**
State Personal Income Factor:	1.66%	1.43%	1.05%	1.09%	0.86%
Town Property Growth Factor:	2.57	1.90	1.62%	1.26%	1.76%
Growth Limitation Factor:	4.23%	3.33%	2.67%	2.35%	2.62%
Property Tax Levy Limit:	$5,253,087	$5,352,673	$5,412,636	$5,754,705	$5,900,648
Property Tax Levy:	5,245,736	5,753,778	6,197,792	6,072,143	6,319,946
Over/(below) Property Tax Levy Limit:	($7,351)	$401,105[(1)]	$785,792[(1)]	$317,438[(1)]	$419,298[(2)]

NOTE: [(1)] The LD1 override for the respective year was for "extraordinary circumstances", whereby the one year override did not increase the base for future years.
[(2)] The LD1 override for the respective year is carried-forward with the difference establishing future years' Property Tax Levy Limit.

CAPITAL IMPROVEMENT PLAN

Article VI, Section 6.05 of the Town's Charter provides that the Town will have a capital improvement program ("CIP") to be prepared and presented with the annual budget. The CIP includes necessary capital expenditures and infrastructural needs for the Town. The CIP includes: (1) a general summary of its contents; (2) a list of capital improvements proposed to be undertaken over the next five fiscal years; (3) cost estimates, method of financing and time schedules for the respective improvement; and (4) the estimated annual cost to operate and maintain the improvement. Section 6.08 of the Charter provides that the Town Council hold a public hearing to consider the CIP. Following the public hearing, the Town Council may adopt the CIP, with or without amendment, but must do so on or before the first day of March preceding the next budget year.

The Capital Improvement Program includes an inventory of possible capital projects, some of which may ultimately be financed through the issuance of indebtedness. The issuance of debt, however, is subject to the prior review and approval of the Town Council. Pursuant to Article VI, Section 6.07 of the Charter, the Town Council may incur indebtedness to provide funds to finance projects in the CIP, through a bond ordinance. However, the bond ordinance must be submitted to the voters of the Town for their approval at regular or special election. A Charter Change in 2003 changed the CIP from a 5-yr. plan to an annual plan that must be voted on by the Town each June. The yearly capital depreciation accounts for replacement equipment and vehicles are built within the operating budget and listed as capital.

The Town's current CIP is available to view in its entirety on the Town's website at: *http://kitteryme.gov/Pages/KitteryME_Manager/CapitalImprovementPlan2016-2020sm.pdf.*

INVESTMENT POLICY

The Town established and follows a formal Investment Policy, amended on July 28, 2002. Pursuant to its policy and applicable Maine law [Title 30-A, Section 5706 et seq. of the Maine Revised Statutes, as amended (the "Act")] all investments of the Town must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the Town's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The Town is invested principally in direct obligations of the United States government and its agencies. The Town is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

FUND BALANCE

The Town instituted a formal Fund Balance Policy, amended on July 28, 2002, recognizing the importance of maintaining an appropriate level of Unencumbered Surplus Revenue or Undesignated Fund Balance. After evaluating the Town's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues the Town establishes the goals regarding the Unencumbered Surplus Revenue or Undesignated Fund Balance of the General Fund for the Town. The policy provided that the Undesignated General Fund be the greater of $1/12^{th}$ (or 8.34%) of the Town's General Fund Budget (which is typically a floor) or an amount equal to 2½ months (or 20.83%) of monthly operating expenses (which is typically a cap).

Governmental Accounting Standards Board ("GASB") recently promulgated Statement 54 ("GASB 54"). It is expected that the Town Council will repeal all previous Fund Balance Policies and replace the General Fund Balance Policy with a General Fund – Fund Balance Policy in accordance with GASB 54 at a future date. The following table displays fund balance results over the last five audited fiscal years under its current policy:

Fund Balance as % Revenues

	Fiscal Year Ended June 30,				
	2011	**2012**	**2013**	**2014**	**2015[(2)]**
Unassigned[(1)] General Fund Balance	$4,344,502	$4,317,992	$4,157,238	$4,345,203	$5,031,527
Total Revenues (Current Year)	24,981,265	25,243,332	27,182,667	28,032,881	27,428,466
Fund Bal as % Revenues	17.39%	17.11%	15.29%	15.35%	18.34%

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

[(2)] FY 2015 as yet unaudited.

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Article II, Section 2.07(5) of the Town's Charter provide for independent annual audits of the Town's accounts and establishes procedures for such audits. The Town, in conformance with this statute and its Charter currently engages the services of RHR Smith & Company ("RHR Smith"), Certified Public Accountants for this review.

The Town's fiscal year 2014 Annual Financial Report, audited by RHR Smith is presented as APPENDIX A to this Official Statement. The Town has not requested the consent of RHR Smith for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.

FUNDS

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. The Town has the following fund types:

Governmental Funds are used to account for most governmental functions of the Town. Governmental Funds include the following fund types:

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.

Special Revenue Funds account for revenue sources (not including expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Capital Projects Fund is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting governments' programs.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Town Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's Fiduciary Funds include the following types:

Private Purpose Trust Funds are used to report any trust arrangements under which principal and income benefit individuals, private organizations, and other governments and that are not accounted for in other fiduciary funds.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

TOWN OF KITTERY
COMPARATIVE BALANCE SHEET
GENERAL FUND
(As of June 30,)

	2014	2013	2012	2011	2010
ASSETS					
Cash	$7,728,311	$5,365,181	$5,882,077	$9,670,152	$6,295,330
Investments	3,716,996	4,701,909	4,677,535	1,178,803	1,172,510
Receivables:					
Accounts	58,098	42,722			
Taxes and liens	802,272	821,969	882,384	1,017,253	986,056
Due from other governments	74,084	123,813	94,233	0	0
Inter-fund receivable	843,055	847,017	981,105	479,016	296,133
Other	21,133	22,295	0	0	1,468
Prepaid expenses	118,178	120,079	0	2,350	9,415
TOTAL ASSETS	13,362,127	12,044,985	12,517,334	12,347,574	8,760,912
LIABILITIES					
Accounts payable	349,296	343,437	281,850	159,888	232,275
Accrued payroll	1,067,808	768,376	743,277	809,022	851,575
Intergovernmental	312,970				
Inter-fund payable	4,381,140	4,197,059	5,141,012	5,320,940	1,626,193
Other	11,399	517,587	247,857	46,213	2,483
TOTAL LIABILITIES	6,122,613	5,826,459	6,413,996	6,336,063	2,712,526
DEFERRED					
Deferred tax revenue	546,094	555,842	719,885	673,589	721,255
Prepaid taxes	97,952	88,156	95,188	12,380	7,376
TOTAL DEFERRED	644,046	643,998	815,073	685,969	728,631
FUND BALANCE					
Fund balances:					
Non-spendable (Reserved)	-	-	-	-	0
Unreserved:	-	-	-	-	
Restricted (Designated)	-	-	-	-	1,136,817
Unassigned (Undesignated)	-	-	-	-	4,182,938
Non-spendable	139,312	142,374	0	2,350	-
Restricted	2,105,422	1,274,916	970,273	978,690	-
Committed	0	0	0	0	-
Assigned	3,349	0	0	0	-
Unassigned	4,345,203	4,157,238	4,317,992	4,344,502	-
TOTAL FUND BALANCE	6,593,286	5,574,528	5,288,265	5,325,542	5,319,755
TOTAL LIABILITIES AND FUND BALANCE	$13,359,945	$12,044,985	$12,517,334	$12,347,574	$8,760,912

Prepared from Audited Financial Statements

TOWN OF KITTERY
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
(For the Years Ended June 30,)

	2014	2013	2012	2011	2010
REVENUES					
Taxes	$22,800,050	$22,444,322	$21,128,812	$20,861,570	$20,226,605
Intergovernmental	2,095,744	2,156,637	1,745,857	1,934,398	2,217,942
Charges for services	1,655,862	1,407,454	905,769	803,292	761,608
Investment income	32,997	61,767	55,090	27,074	28,625
State of Maine on-behalf	1,290,811	980,928	950,856	1,195,709	1,164,450
Other	157,417	131,559	456,948	159,222	240,403
TOTAL REVENUES	28,032,881	27,182,667	25,243,332	24,981,265	24,639,633
EXPENDITURES					
General government	1,486,198	1,708,627	1,652,054	1,564,941	1,543,420
Public safety	3,227,618	3,167,252	3,202,649	3,091,473	3,084,807
Public works	1,708,263	1,141,753	1,017,302	1,089,664	1,082,750
Recreation and culture	2,009,488	1,830,315	1,029,281	992,567	1,011,292
Health and sanitation	[1]	621,094	653,819	669,727	670,734
Social services	148,650	101,696	166,480	55,722	66,905
Education	13,066,285	13,944,089	13,146,240	13,712,967	13,549,679
County tax	902,996	817,322	842,537	862,802	792,584
State of Maine on-behalf	1,290,811	980,928	950,856	1,195,709	1,164,450
Debt service	1,824,874	691,179	396,486	390,301	427,317
Overlay	0	0	0	101,600	-
Designated	520,430	302,629	250,784	156,019	0
TOTAL EXPENDITURES	26,185,613	25,306,884	23,308,488	23,883,492	23,393,938
EXCESS OF REVENUES OVER EXPENDITURES	1,847,268	1,875,783	1,934,844	1,097,773	1,245,695
OTHER FINANCING SOURCES:					
Operating transfers in	25,000	45,066	18,000	218,922	30,500
Operating transfers (out)	(1,435,914)	(1,634,586)	(1,990,121)	(1,310,908)	(1,929,310)
TOTAL OTHER FINANCING:	(1,410,914)	(1,589,520)	(1,972,121)	(1,091,986)	(1,898,810)
NET CHANGE IN FUND BAL	436,354	286,263	(37,277)	5,787	(653,115)
FUND BALANCE:					
BEGINNING OF YEAR	6,156,932	5,288,265	5,325,542	5,319,755	5,972,870
END OF YEAR	$6,593,286	$5,574,528	$5,288,265	$5,325,542	$5,319,755

Prepared from Audited Financial Statements

NOTE: [1] Health and Sanitation had been previously reported separately however, starting in FY 2014 it is reported in Public Works.

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax rate applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2015/2016 the tax due dates are September 30, 2015 and March 31, 2016. All taxes paid after the due date will be subject to interest, at the rate of 7.00% per annum.

Real Estate Taxes

Collection of real estate taxes is ordinarily enforced in the Town by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the Town.

Business Personal Property Taxes

Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, provides for an eligible business equipment tax exemption ("BETE" or the "BETE Act") for certain types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: office furniture; lamps and lighting fixtures used to provide general purpose office or worker lighting; property owned or used by public utilities and persons providing certain television/telecommunications services; telecommunications personal property subject to the tax imposed by Section 457 of Title 36; gambling machines or devices and associated equipment; property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

Through the Business Equipment Tax Exemption Program ("BETE") the State will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of two formulas, whichever is most beneficial to the municipality, as follows:

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement was 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.

2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula if it provides a higher level of reimbursement in any year than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this law in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district.

The value of all property made exempt by this law in the Town will also be considered part of that municipality's equalized State Valuation to the extent the Town is being reimbursed for its lost property taxes by the state with an additional adjustment for exempt property in a tax increment financing district effective prior to April 1, 2008. The legislation provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

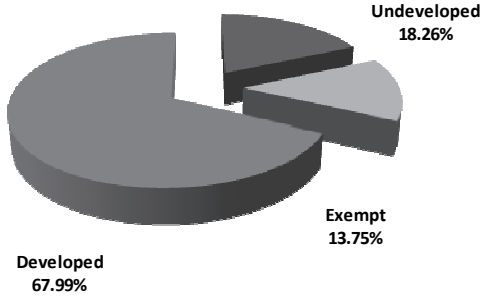
Tax Levy and Collections

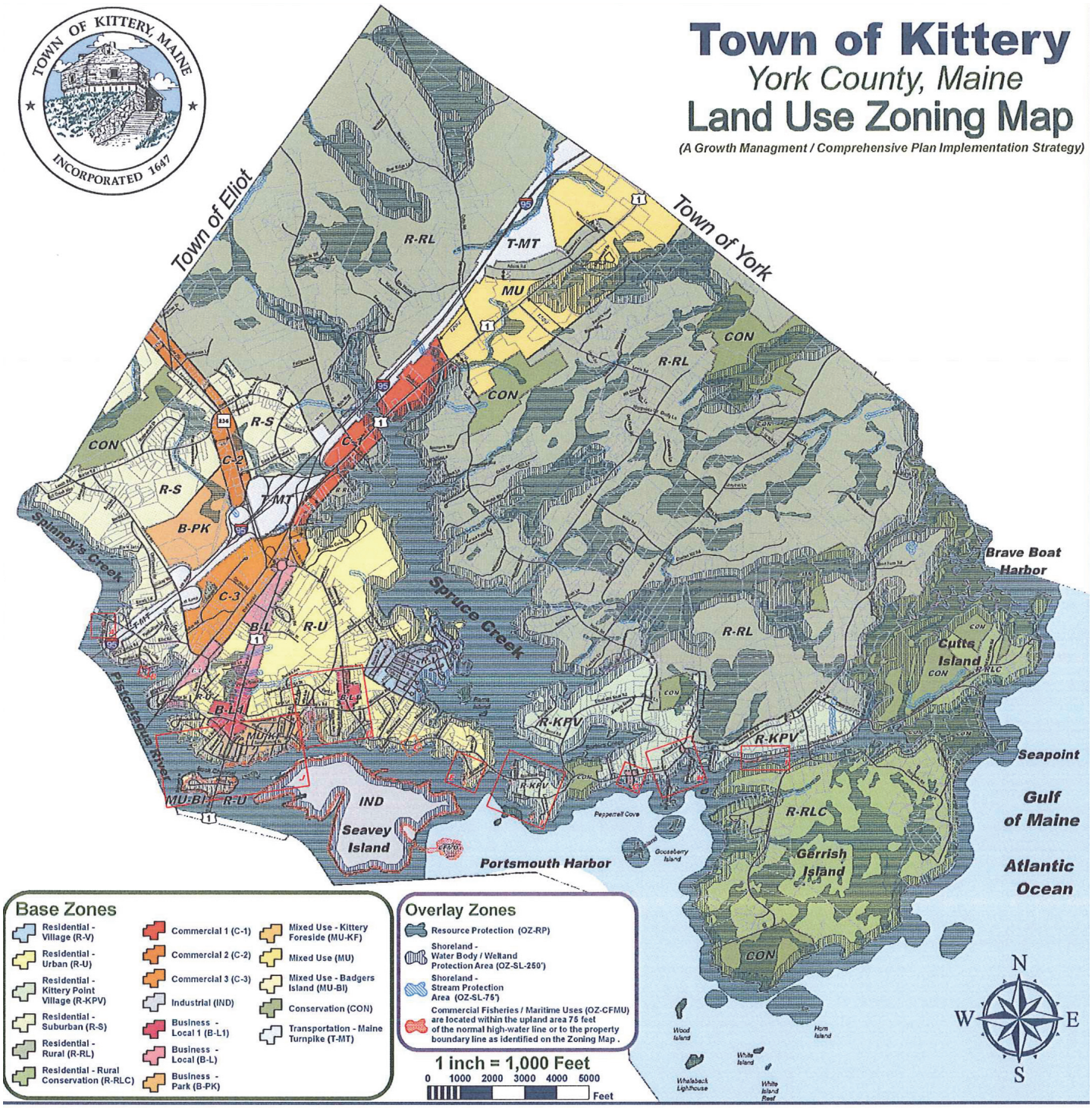
Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 8/31/14
2015	$1,498,600	$1,409,812	$15.52	$21,822	------- In Process -------		
2014	1,477,550	1,409,962	15.22	21,266	$21,888	99.98%	99.98%
2013	1,488,100	1,375,578	15.14	20,826	20,532	97.37	98.59
2012	1,509,300	1,367,134	14.45	19,755	19,720	99.82	99.72
2011	1,608,850	1,363,803	14.26	19,403	18,681	96.20	99.20
2010	1,701,400	1,355,803	14.08	18,969	18,791	99.06	99.99
2009	1,657,000	1,327,194	14.04	18,634	18,278	98.09	99.99
2008	1,623,050	1,307,079	14.00	18,310	18,138	99.06	99.99
2007	1,512,000	1,296,263	13.62	17,521	17,312	98.80	99.99
2006	1,391,100	1,251,541	13.38	16,583	16,803	99.00	99.99
2005	1,226,100	1,219,563	13.32	16,245	15,767	97.06	99.99

CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 9,969.7 acres. The below table and chart displays the composition of land area available for tax base, and the potential for future tax base by the conversion of land from undeveloped to developed.

By Land Area (acres)	
Undeveloped	1,820.3
Exempt	1,370.8
Greenspace	NA
Developed	6,778.6
Total	




Town of Kittery
York County, Maine
Land Use Zoning Map
(A Growth Managment / Comprehensive Plan Implementation Strategy)
TOWN OF KITTERY, MAINE
INCORPORATED 1647
Town of Eliot
Town of York
Spinney's Creek
Piscataqua River
Spruce Creek
Brave Boat Harbor
Cutts Island
Seapoint
Gulf of Maine
Atlantic Ocean
Seavey Island
Portsmouth Harbor
Gerrish Island
Peppercell Cove
Gooseberry Island
Wood Island
Horn Island
White Island
Whaleback Lighthouse
White Island Reef
R-RL
T-MT
MU
CON
R-S
C-1
C-2
C-3
B-PK
B-L
B-L1
R-U
MU-BI
IND
R-KPV
R-RLC
Base Zones
Residential - Village (R-V)
Residential - Urban (R-U)
Residential - Kittery Point Village (R-KPV)
Residential - Suburban (R-S)
Residential - Rural (R-RL)
Residential - Rural Conservation (R-RLC)
Commercial 1 (C-1)
Commercial 2 (C-2)
Commercial 3 (C-3)
Industrial (IND)
Business - Local 1 (B-L1)
Business - Local (B-L)
Business - Park (B-PK)
Mixed Use - Kittery Foreside (MU-KF)
Mixed Use (MU)
Mixed Use - Badgers Island (MU-BI)
Conservation (CON)
Transportation - Maine Turnpike (T-MT)
Overlay Zones
Resource Protection (OZ-RP)
Shoreland - Water Body / Welland Protection Area (OZ-SL-250')
Shoreland - Stream Protection Area (OZ-SL-75')
Commercial Fisheries / Maritime Uses (OZ-CFMU) are located within the upland area 75 feet of the normal high-water line or to the property boundary line as identified on the Zoning Map .
1 inch = 1,000 Feet
0 1000 2000 3000 4000 5000
Feet
N
W
E
S

LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2014		
		Assessed Total	Property Tax	% of Levy
CPG Kittery Holdings LLC	Retail Outlet Mall	$27,404,300	$417,093	1.9%
F/C Kittery Dev LLC	Retail Outlet Mall	23,044,000	350,730	1.6%
Tanger Properties LTD	Retail Outlet Mall	12,506,000	190,341	0.9%
Kevin Inc	Retail Outlet Mall	12,424,000	189,245	0.9%
Kittery Retirement Resid LLC	Com Sr. Housing	8,895,000	135,394	0.6%
Spruce Creek Ret Out LLC	Retail Outlet Mall	7,674,000	116,798	0.5%
Central Maine Power	Electric Utility	7,595,300	115,600	0.5%
Vernon Continuing Care LLC	Senior Housing	7,130,200	108,522	0.5%
Kittery Commons LLC	Nursing Home	5,947,400	90,519	0.4%
Ripley Road Assn LLC	Retail Outlet Mall	5,855,700	89,124	0.4%
	% Levy of Total Levy	$118,486,700	$1,803,366	8.2%

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing ("TIF") district or an affordable housing development district (a "housing development district") and for a period of up to 30 years and adopts a development program (the "Development Program") stating the means and objectives for the development of that district. The municipality may designate, or "capture", all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the "captured" assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing development districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate equalized value of property of all TIF districts and all housing development districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot each exceed 5% of the municipality's total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of $10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality's total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section 3403, Subsection 3 of the Maine Revised Statutes, as amended.

The increase in assessed value captured by the municipality is excluded from the municipality's equalized just value for each year's State valuation filed with the Secretary of State in accordance with Title 36, Sections 208 and 305 of Maine Revised Statutes, as amended, and is therefore not included in calculating that municipality's share of State educational aid, State municipal revenue sharing, the county tax or the

15% debt limitation for the municipality pursuant to Title 30-A, Section 5702 of the Maine Revised Statutes, as amended.

The Town has designated numerous TIF districts and is actively considering proposals for other districts on an ongoing basis. All districts will be evaluated based upon the Town's comprehensive plan for economic development, which includes TIF as one of its aspects. In no event will the Town's districts exceed the statutory limitation of total area to not more than 5% of the Town's acreage, and aggregate equalized value within all districts (not otherwise exempt from this calculation), determined as of their date of designation, of not more than 5% of the Town's total equalized value of taxable property.

REVENUES FROM THE STATE

The State provides revenue to the Town in a number of areas including aid to the Town in a number of areas including education and road maintenance, reimbursement for general assistance, homestead exemption and BETE and revenue sharing. The amount of revenue in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State disbursements are governed by laws that may be changed by the State Legislature are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units through the Essential Programs and Services ("EPS") model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State's budgetary process and are subject to legislative appropriation in that process. The following table displays revenue received by the Town from the State for the last five audited fiscal periods. Revenues received by the Town from the State in future years could, however, be less than any of the amounts set forth in the following table.

Fiscal Yr. End June 30,	State Revenue Sharing	Education Subsidy	Homestead Exemption	General Assistance	Other State Aid	Total From State
2014	$412,845	$939,209	$127,335	$74,270	$267,080	$1,820,739
2013	595,501	748,494	110,108	39,062	395,821	1,888,986
2012	588,402	649,676	128,828	36,929	82,147	1,485,982
2011	550,186	977,680	91,767	37,540	22,465	1,679,638
2010	607,240	982,752	130,476	23,456	190,803	1,934,727

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, "No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7 ½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt

outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set." Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply "… to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt."

On January 1, 2015 the Town's equalized state valuation ("equalized State Valuation") is $1,498,600,000. The 15% debt limit is $224,879,000. As of June 30, 2014 the Town's long-term debt was $19,043,254 or 1.27% of the equalized State Valuation.

The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed such debt limits.

DEBT SUMMARY

Series	Purpose	Date of Issue	Issue Amount	Final Mat	FY End 06/30/14	Payments 2014/2015	FY End 06/30/15[3]
2003	CWSRF[1]	4/01/2003	1,323,000	10/1/2022	$642,262	($66,919)	$575,343
2006	Mitchell School	8/15/2006	3,105,000	11/1/2015	690,000	(345,000)	345,000
2006	Fire Station	8/15/2006	2,660,000	11/1/2026	1,575,000	(155,000)	1,420,000
2010	CWSRF[1]	4/02/2010	3,268,766	4/1/2030	2,665,992	(154,480)	2,511,512
2010	PWD	7/15/2010	675,000	9/1/2031	605,000	(35,000)	570,000
2010	Mitchell School	7/15/2010	6,570,000	9/1/2031	5,875,000	(325,000)	5,550,000
2012	Com Center	1/15/2012	5,500,000	1/15/2032	4,950,000	(275,000)	4,675,000
2013	Mitchell School	4/11/2013	2,100,000	12/1/2022	1,890,000	(210,000)	1,680,000
2014	KLT	5/22/2014	150,000	11/1/2034	150,000	0	150,000
				Sub-totals	19,043,254	(1,566,399)	17,476,855
2015	CWSRF[1] [2]	9/01/2015	11,990,025	9/15/2035	0	0	11,990,025
2015	The Bonds	9/15/2015	3,079,000	11/1/2025	0	0	3,079,000
				Totals	$19,043,254	($1,566,399)	$32,545,880

NOTE: [1] Eligible wastewater facilities were financed under the State Clean Water Revolving Loan Fund Program ("CWSRF") administered jointly by the Maine Municipal Bond Bank ("MMBB") and the State of Maine, acting by and through its Department of Environmental Protection ("DEP").

[2] The Town issued a $9,000,000 2014 Bond Anticipation Note (the "BANs") that will mature on September 15, 2015. The BANs were issued to provide interim financing for a portion of the sewer and wastewater infrastructure projects (collectively, the "Wastewater Projects"). The Town has a commitment for and has submitted an application to the MMBB for permanent financing of the Wastewater Projects through the CWSRF (the "CWSRF Loan"). The proceeds of the CWSRF Loan, in the amount of $11,990,025, will be used to pay the BANs and provide additional funds for the projects and is expected to close on or before September 15, 2015.

[3] Projected, unaudited.

DEBT SUMMARY, BY FUND TYPE

Series	Purpose	By Fund Type (Projected as of June 30, 2015)			
		Tax-backed		Enterprise	Total
		General	School		
2003	CWSRF			$575,343	$575,343
2006	Mitchell School		$345,000		345,000
2006	Fire Station	$1,420,000			1,420,000
2010	CWSRF			2,511,512	2,511,512
2010	PWD	570,000			570,000
2010	Mitchell School		5,550,000		5,550,000
2012	Com Center	4,675,000			4,675,000
2013	Mitchell School		1,680,000		1,680,000
2014	KLT	150,000			150,000
2015	CWSRF			11,990,025	11,990,025
2015	The Bonds	2,258,000	821,000		3,079,000
	Totals	$9,073,000	$8,396,000	$15,076,880	$32,545,880
	% of Total Debt	27.88%	25.80%	46.33%	100.00%

DEBT RATIOS

The following table sets forth the ratio of bonded debt to equalized State Valuation and per capita debt ratios for the end of the nine most recent fiscal years and projected for the current fiscal year:

Fiscal Yr. End June 30,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2015	9,490	$1,498,600	$1,409,812	$32,545,880	2.17%	$3,429.49
2014	9,490	1,477,550	1,409,962	19,043,254	1.29	2,003.67
2013	9,490	1,488,100	1,375,578	20,457,163	1.37	2,155.65
2012	9,490	1,509,300	1,367,134	22,218,636	1.47	2,341.27
2011	9,490	1,608,850	1,363,803	17,972,728	1.12	1,893.86
2010	9,490	1,701,400	1,355,809	20,044,490	1.15	2,112.17
2009	9,543	1,657,000	1,327,194	10,760,334	0.65	1,127.56
2008	9,543	1,623,050	1,307,079	12,499,147	0.77	1,309.77
2007	9,543	1,512,000	1,296,263	14,237,256	0.94	1,491.91
2006	9,543	1,391,100	1,251,541	13,264,632	0.95	1,389.99

DEBT SERVICE COMPONENT OF OPERATING EXPENDITURES

	Audited					Budgeted
	2011	2012	2013	2014	2015	2016
Total Current Year Debt Service:	$2,145,148	$2,393,044	$2,143,014	$2,099,262	$2,052,345	$2,061,784
(less Subsidized School Debt):	(1,378,970)	(1,225,344)	(1,195,050)	(1,164,494)	(1,113,543)	(1,088,368)
(less Self Supporting Sewer Debt):	(504,026)	(475,113)	(268,552)	(268,530)	(268,530)	(268,508)
Net Tax-backed Debt:	$262,152	$692,588	$679,412	$666,238	$670,272	$704,908
Budgeted Operating Expense:	23,969,782	24,252,593	27,146,034	26,810,840	27,403,033	$28,136,972
Debt Service as % Oper. Expend.:	1.09%	2.86%	2.50%	2.48%	2.45%	2.51%

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

Yr. End June 30,	2003 CWSRF	2006 Ref'd'g	2006	2010 CWSRF	2010	2010	2012	2013 Ref'd'g	2014 KLT	2015 CWSRF	The Bonds	Total Debt
2016	67.9	345	155	156.0	35	325	275	210	6.0	0.0	0	1,575
2017	69.0		125	157.6	35	325	275	210	6.1	377.9	319	1,899
2018	70.1		125	159.2	35	325	275	210	6.1	440.1	310	1,955
2019	71.2		115	160.8	35	325	275	210	6.2	444.5	310	1,953
2020	72.4		115	162.4	35	325	275	210	6.3	449.0	310	1,960
2021	73.6		115	164.0	35	325	275	210	6.4	453.5	305	1,963
2022	74.9		115	165.6	35	325	275	210	6.5	458.1	305	1,970
2023	76.3		115	167.3	35	325	275	210	6.7	462.7	305	1,978
2024			110	169.0	35	325	275		6.9	467.3	305	1,693
2025			110	170.6	35	325	275		7.1	665.0	305	1,893
2026			110	172.3	35	325	275		7.3	671.7	305	1,901
2027			110	174.1	35	325	275		7.5	678.5		1,605
2028				175.8	30	330	275		7.8	685.3		1,504
2029				177.6	30	330	275		8.0	692.2		1,513
2030				179.3	30	330	275		8.3	699.1		1,522
2031					30	330	275		8.6	706.2		1,350
2032					30	330	275		9.0	713.3		1,357
2033									9.3	720.4		730
2034									9.7	727.7		737
2035									10.1	735.0		745
2036										742.4		742
Totals	575.3	345	1,420	2,511.5	570.0	5,550	4,675	1,680	150.0	11,990.0	3,079	32,546

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt				Projected Debt (This Issue)			Projected Total Debt Service
	Principal	Interest	Projected CWSRF	Total Debt	Principal	Interest	Total Debt	
2015	$1,566,399	$485,946	$0	$2,052,345	$0	$0	$0	$2,052,345
2016	1,574,989	445,264	0	2,020,253	0	41,531	41,531	2,061,784
2017	1,202,628	412,692	583,617	2,198,937	319,000	62,965	381,965	2,580,902
2018	1,205,346	388,420	581,744	2,175,510	310,000	56,675	366,675	2,542,185
2019	1,198,149	363,315	581,745	2,143,208	310,000	50,475	360,475	2,503,683
2020	1,201,037	336,975	581,744	2,119,756	310,000	44,275	354,275	2,474,031
2021	1,204,016	309,869	581,744	2,095,629	305,000	38,125	343,125	2,438,754
2022	1,207,087	282,219	581,744	2,071,050	305,000	32,025	337,025	2,408,075
2023	1,210,249	253,803	581,744	2,045,796	305,000	25,544	330,544	2,376,340
2024	920,826	226,410	581,744	1,728,981	305,000	18,681	323,681	2,052,662
2025	922,704	201,919	783,397	1,908,021	305,000	11,438	316,438	2,224,458
2026	924,619	175,818	783,397	1,883,833	305,000	3,813	308,813	2,192,646
2027	926,574	147,638	783,398	1,857,609				1,857,609
2028	818,569	121,892	783,397	1,723,858				1,723,858
2029	820,603	97,896	783,397	1,701,896				1,701,896
2030	822,672	73,864	783,398	1,679,934				1,679,934
2031	643,642	40,185	783,397	1,467,224				1,467,224
2032	643,981	17,196	783,397	1,444,574				1,444,574
2033	9,338	977	783,397	793,712				793,712
2034	9,715	600	783,398	793,713				793,713
2035	10,111	203	783,397	793,712				793,712
2036			783,398	783,398				783,398
TOTAL	$19,043,254	$4,383,100	$14,056,596	$37,482,950	$3,079,000	$385,546	$3,464,546	$40,947,496

OVERLAPPING DEBT

County of York

The Town is subject to an annual assessment of its proportional share of the County of York's (the "County") expenses, including debt repayment, as determined by the percentage of the Town's equalized State Valuation to the County's equalized State Valuation. At January 1, 2015 the Town's equalized State Valuation of $1,498,600,000 is 5.15% of the County's proposed equalized State Valuation of $29,117,100,000. The Town's share is 5.15%, or $103,500, of the County's $6,900,000 long-term debt projected to be outstanding as of June 30, 2015.

CONTINGENT DEBT

The Town does not have any obligations which it is responsible for on a contingent basis.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Kittery (CIP)	$9,073,000			$9,073,000
Town of Kittery (School)	8,396,000			8,396,000
Town of Kittery (Enterprise)	15,076,880			15,076,880
County of York		$103,500		103,500
Total A/O June 30, 2015	**$32,545,880**	**$103,500**	**0**	**$32,649,380**
Debt as % Eq State Valuation	2.17%	0.01%	0.00%	2.18%
Per Capita Debt	$3,429.49	$10.91	$0.00	$3,440.40

FUTURE FINANCING

The Town Manager develops a formal Capital Improvement Program that is submitted to the Town Council (see "TOWN FINANCES - CAPITAL IMPROVEMENT PROGRAM" herein). The CIP includes an inventory of possible capital projects, some of which may ultimately be included in the CIP, and is be an indication of future projects that may be financed through the issuance of debt. Capital bond ordinances require approval by referendum vote. Certain other specific actions require approval of the annual Town Meeting. These include certain changes to the Town's comprehensive plan, the disposition of certain Town property (other than property acquired for non-payment of taxes), that part of the capital program which is proposed for the ensuing fiscal year, and certain expenditures and appropriations in excess of $50,000 which have not been fully funded by bond issue approved at referendum or a dedicated reserve account. Other than is discussed below, there are no other projects that are authorized but unissued.

Wastewater Projects

The Town issued a $9,000,000 2014 Bond Anticipation Note (the "BANs") that will mature on September 15, 2015. The BANs were issued to provide interim financing for a portion of the sewer and wastewater infrastructure projects (collectively, the "Wastewater Projects"). The Town has a commitment for, and has submitted an application to, the MMBB for permanent financing of the Wastewater Projects through the CWSRF (the "CWSRF Loan"). The proceeds of the CWSRF Loan, in the amount of $11,990,025, will be used to pay the BANs and provide additional funds for the projects and is expected to close on or before September 15, 2015.

Kittery Land Trust

The following project is being contemplated by the Town Council but has not yet been authorized. The Kittery Land Trust (the "KLT") has asked the Town Council to consider asking the Town to make a contribution, in an amount not to exceed $275,000, that would match approximately $1,200,000 in federal and State funds and other private contributions, to provide funds for the purchase of land and conservation easements that will preserve open space, provide public access for walking, hunting, and recreational activities, safeguard the scenic views along State Route 103 and Bartlett Roads, provide opportunities for nature-based education and protect the headwaters of Brave Boat Harbor. Should the Town Council send the request to the voters it would be decided in the November 3, 2015 referendum vote. If approved, the Town anticipates that it will obtain financing through the Maine Municipal Bond Bank's Spring 2016 General Resolution pooled financing.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

Description of the Plan

The Town is a "participating local district" pursuant to Regular Plan AC and Special Plan 1C (Police) of the Consolidated Plan for Participating Local Districts ("CPPLD") and contributes to Maine Public Employees Retirement System's ("MainePERS") successor to the Maine State Retirement System ("MSRS"), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS, successor to the Maine State Retirement System ("MSRS"). MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. The MainePERS CPPLD provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD which may be obtained from MainePERS, 46 State House Station, Augusta, Maine 04433-0046 or by calling (800) 451-9800.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the MainePERS' Board of Trustees. The Town's Police Department employees are part of Special Plan 1C while all other Town employees are part of Plan AC and employees of each plan are required to contribute 6.5% of their annual salary.

Employer Contribution Rates

The Town is required to contribute covered payrolls to the respective plan annually to MainePERS along with a pre-determined initial unfunded un-pooled actuarial liability ("IUUAL") rate set by MainePERS are as follows:

Plan	FY 2014	FY 2015	FY 2016
Regular AC	6.5%	7.8%	8.9%
Special 1C	12.8%	13.4%	14.0%

The Town recognizes the fiscal impact of these increases and is taking these rates into consideration in its budgeting process as well as in its negotiations with collective bargaining unit(s).

As of June 30, 2013, the date of the most currently available information, the Town had an IUUAL credit computed using the actuarial method of accounting for funding purposes. This credit is used to reduce future contributions made by the Town and employees after the IUUAL credit was deducted from annual pension costs of $529,290, $451,392, and $407,315 for the years ended June 30, 2014, 2013 and 2012, respectively.

B. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

Description of the Plan

All schoolteachers, plus other qualified educators, participate in the MainePERS' teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. MainePERS provides retirement and disability benefits, annual cost-or-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. MainePERS' issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333-0046 or by calling 1-800-451-9800.

Funding Policy

These employees are required by State statute to contribute 7.65% of their compensation to MainePERS. Prior to the fiscal year ended June 30, 2013, the Town had not been required to make contributions to the Teachers Retirement Plan; beginning on July 1, 2013, as a result of the State Biennial budget, the School Department will be responsible for approximately half of the normal cost of the teachers' plan. The State Department of Education is required to pay a portion of the employer contribution, which amounted to 14.32% of the annual covered salary for fiscal year 2014. The State's cost for fiscal year ended June 30, 2014 was approximately $1,290,811. The School Department's contributions to the plan were $307,265, $216,204, and $222,699 for the years ended June 30, 2014, 2013 and 2012, respectively.

C. DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan through the International City Manager's Association Retirement Corporation ("ICMA-RC") created in accordance with Section 457(k) of the Internal Revenue Code, as amended. The plan, available to all Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In applying the provisions of Governmental Accounting Standards Board Statement ("GASB") No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Town has determined that effective July 1, 1997 it is no longer required to record assets and liability of the plan.

D. OTHER POST EMPLOYMENT BENEFITS

GASB Statement 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* was implemented, as required, by the Town for the year ended June 30, 2009. Under this pronouncement the long-term cost of retirement health care and obligations for other post employment benefits ("OPEB") must be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB 45 whereby an OPEB liability actuarial valuation was completed by the consultants based on an actuarial valuation completed in January 2014. GASB 45 advises that valuations

should be conducted at least triennially for plans with a total membership of fewer than 200 plan members. The Town has 74 active and 18 retiree/spouse members.

Plan Descriptions - In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost - GASB 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution ("ARC"), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years.

Funding Status and Funding Progress - The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2014 was:

Normal cost:	$95,919
Supplemental cost:	175,251
Interest:	5,371
Annual required contribution ("ARC"):	276,541
Interest on net OPEB obligation:	60,677
Adjustment to Annual Required Contribution:	(86,021)
Annual OPEB cost:	251,197
Expected benefit payments:	(133,777)
Increase in net OPEB obligation:	117,420
Net OPEB obligation, beginning of year:	1,516,932
Net OPEB obligation, beginning of year:	$1,634,352

The Town's OPEB cost, percentage of annual OPEB cost and the net OPEB obligation for the most current three years available are:

FY ended:	**June 30, 2012**	**June 30, 2013**	**June 30, 2014**
Annual OPEB Cost (AOC):	$282,906	$283,464	$251,197
Actual Contribution:	$121,000	$121,000	$133,777
% AOC Contributed:	42.80%	42.70%	53.26%
Net OPEB:	$1,354,468	$1,516,932	$1,634,352

The amortization method used to calculate the unfunded actuarial accrued liability ("UAAL") is as follows:

	Level Dollar
Discount rate:	4.00%
Payroll growth assumptions:	NA
Accrued liability:	$3,151,662
Value of assets:	-
Unfunded liability:	$3,151,662
Normal cost:	$95,919
Amortization of UAAL:	175,251
Interest:	5,371
Annual required contribution:	$276,541

The Town does not believe that its OPEB liabilities, as determined pursuant to GASB 45, have a material impact on its current financial condition or operations. The Town has monitored, and will continue to monitor, its OPEB liabilities as determined pursuant to GASB 45. The Town does not, however, offer any assurance as to the impact, if any, of future OPEB liabilities, as determined pursuant to GASB 45, on the Town's future financial condition or operations. For additional information about the Town's OPEB liabilities, see "Other Post Employment Benefits" in Notes to Basic Financial Statements in APPENDIX A hereto.

E. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014. The Town is currently assessing the impact of this statement on its financial statement.

ENVIRONMENTAL MATTERS

Securities and Exchange Commission Regulation 229.103 (the "Regulation") requires that issuers subject to the disclosure requirements of the Securities Exchange Act of 1934 disclose, among other things, any material pending legal proceedings, including without limitation, legal proceedings involving environmental issues. The Regulation states that no information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of the current assets of the issuer, and, if a governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the issuer reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than $100,000. Although the Town, as an issuer of municipal securities, is not subject to the provisions of the Regulation or the Securities Exchange Act of 1934, the Town is voluntarily making the following disclosure with respect to environmental liabilities:

The Town is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the Town's financial condition or ability to pay debt service on the Bonds as and when due.

LITIGATION

In the opinion of Town officials there is no litigation pending or threatened against the Town which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the Town's financial position or its ability to meet its debt service obligations.

APPENDIX A

TOWN OF KITTERY, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2014

(With Report of Independent Auditors' Thereon)

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TOWN OF KITTERY, MAINE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

TOWN OF KITTERY, MAINE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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TOWN OF KITTERY, MAINE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Town Council
Town of Kittery
Kittery, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, major fund, and aggregate remaining fund information of the Town of Kittery as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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.

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, major fund, and aggregate remaining fund information of the Town of Kittery as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, 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 (pages 3 through 9) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 45) 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 them 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 Kittery's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our reports dated December 18, 2014 on our consideration of the Town of Kittery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, passenger facility charge program, and other matters. The purpose of these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kittery's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

December 18, 2014

PLODZIK & SANDERSON
Professional Association

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

(UNAUDITED)

As management of the Town of Kittery (the Town), we offer readers of the Town's annual financial statements this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASB-34).

This section is a summary of the Town of Kittery's financial activities based on currently known facts, decisions, and conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and we encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

Financial Statement Overview

The Town of Kittery's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) this discussion and analysis. This report also includes other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the Town based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The governmental fund statements tell how the Town's services were financed in the short-term, as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in 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:

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

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.

The type of activity presented for the Town of Kittery is:

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 elementary and secondary instruction, school administration, system administration, transportation, operations, and maintenance.

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 Kittery, 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 Kittery can be divided into three categories: governmental, proprietary, and fiduciary 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 Town'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 fund balance sheet and the governmental fund 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 fund financial statement.

The Town of Kittery presents two columns in the governmental fund balance sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The Town's only major governmental fund is the general 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 Statement of Revenue, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year, which is found on Exhibit D.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Kittery. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that of proprietary funds. They use the accrual basis of accounting.

Proprietary Funds: These funds are commonly referred to as enterprise funds. Proprietary funds are presented in the same format as the business-type activities in the government-wide financial statements, only in more detail by breaking out the Sewer Department separately.

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 starting on page 22.

Other Supplementary Information

Other supplementary information follows the notes to the financial statements on pages 47 - 73. These combining and other schedules provide information in regards to nonmajor funds 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 net position for governmental activities increased by an amount of $891,826 from $31,471,948 in the prior fiscal year to $32,363,774 in the current fiscal year.

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 $5,057,176 at the end of this year.

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Table 1
Town of Kittery
Net Position
June 30, 2014 and 2013

	Governmental Activities		Increase
	2014	2013	(Decrease)
Assets:			
Current and other assets	$ 13,666,332	$ 12,433,561	$ 1,232,771
Capital assets	39,769,422	41,124,446	(1,355,024)
Total assets	53,435,754	53,558,007	(122,253)
Liabilities:			
Current liabilities	2,037,737	3,227,315	(1,189,578)
Long-term debt outstanding	18,936,291	18,770,588	165,703
Total liabilities	20,974,028	21,997,903	(1,023,875)
Deferred inflows of resources:			
Prepaid taxes	97,952	88,156	9,796
Net position:			
Net investment in capital assets	23,584,296	23,562,048	22,248
Restricted	3,722,302	3,033,147	689,155
Unrestricted	5,057,176	4,876,753	180,423
Total net position	$ 32,363,774	$ 31,471,948	$ 891,826

	Business-type Activities		Increase
	2014	2013	(Decrease)
Assets:			
Current and other assets	$ 5,956,243	$ 206,860	$ 5,749,383
Capital assets	14,435,291	13,977,570	457,721
Other assets	-	3,121	(3,121)
Total assets	20,391,534	14,187,551	6,203,983
Liabilities:			
Current liabilities	6,646,565	254,616	6,391,949
Long-term debt outstanding	3,456,757	3,408,824	47,933
Total liabilities	10,103,322	3,663,440	6,439,882
Net position:			
Net investment in capital assets	9,987,375	10,450,407	(463,032)
Restricted	-	27,500	(27,500)
Unrestricted	300,837	46,204	254,633
Total net position	$ 10,288,212	$ 10,524,111	$ (235,899)

The above fiscal year 2013 reflects the reclassification of the food service fund as a special revenue fund, see Note 17.

Table 2
Town of Kittery
Change in Net Position
For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Increase
	2014	2013	(Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 2,023,613	$ 1,442,646	$ 580,967
Operating grants and contributions	2,445,968	2,121,955	324,013
General revenues:			
Taxes	22,790,305	22,280,279	510,026
Grants and contributions not restricted to specific programs	2,136,333	1,836,919	299,414
Investment income	65,292	101,993	(36,701)
Miscellaneous	583,298	919,133	(335,835)
Total revenues	30,044,809	28,702,925	1,341,884
Expenses:			
General government	1,951,717	2,226,807	(275,090)
Public safety	3,552,089	3,626,600	(74,511)
Public works	2,445,862	2,441,839	4,023
Social servicesand welfare	148,650	101,696	46,954
Recreation and culture	2,320,589	1,840,774	479,815
Education	15,076,916	14,700,074	376,842
County tax	902,996	817,322	85,674
Capital outlay	202,457	8,399	194,058
Grant funds/misc. accounts	520,430	302,629	217,801
Unallocated depreciation (Note 17)	111,315	107,204	4,111
Interest on long-term debt	631,762	226,179	405,583
State of Maine on-behalf payments	1,290,811	980,928	309,883
Total expenses	29,155,594	27,380,451	1,775,143
Change in net position	889,215	1,322,474	(433,259)
Transfers	-	(70,197)	70,197
Beginning net position	31,474,559	30,222,282	1,252,277
Ending net position	$ 32,363,774	$ 31,474,559	$ 889,215

	Business-type Activities		Increase
	2014	2013	(Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 1,741,678	$ 1,710,271	$ 31,407
General revenues:			
Miscellaneous	2,338	-	2,338
Total revenues	1,744,016	1,710,271	33,745
Expenses:			
Enterprise funds	2,072,779	1,721,223	351,556
Change in net position	(328,763)	(10,952)	(317,811)
Transfers	-	15,145	(15,145)
Beginning net position	10,616,975	10,612,782	4,193
Ending net position	$ 10,288,212	$ 10,616,975	$ (328,763)

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 Kittery
Fund Balances - Governmental Funds
June 30, 2014 and 2013

	2014	2013
Major funds:		
General fund:		
Nonspendable	$ 139,312	$ 142,374
Restricted	2,105,422	1,274,916
Assigned	3,349	-
Unassigned	4,345,203	4,157,238
Total major funds	$ 6,593,286	$ 5,574,528
Nonmajor funds:		
Capital project funds:		
Restricted	$ 709,122	$ 631,912
Committed	2,017,644	1,862,128
Unassigned	(211,589)	(230,418)
Special revenue funds:		
Nonspendable	8,478	-
Restricted	179,654	117,187
Committed	939,524	1,243,642
Assigned	216,530	121,815
Unassigned	(208,672)	(240,406)
Permanent funds:		
Restricted	728,104	1,009,132
Committed	164,353	-
Total nonmajor funds	$ 4,543,148	$ 4,514,992

The general fund total fund balance increased by $1,018,758 from the prior fiscal year. The non-major fund balances increased by $28,156 over the prior fiscal year. As noted above in the committed fund balance amounts, the differences are attributed to the five reserve accounts being blended with the general fund that in the prior years were reported as nonmajor funds. This change reflects compliance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

Comments on General Fund Budget Comparisons

General fund actual revenues totaling $26,767,068 exceeded budgeted revenues by $505,408 (1.9%).

Income from departments totaling $11,655,862 were below the budget by $82,263 primarily due to the Star Theatre taking longer than expected to get up and running and as a result did not generate the anticipated revenues through rentals and production ticket sales.

Intergovernmental sources totaling $2,095,744 were above the budget by $438,069 due to higher than anticipated essential programs and services income and receipt of medicaid and impact aid funding.

General fund expenditures, including encumbrances to the subsequent year, totaling $26,810,840 were less than appropriations totaling $27,274,509 by $470,206 (1.7%).

Capital Assets and Debt Administration

Capital Assets

On June 30, 2014, the Town reported capital assets of $39,769,422 (net of accumulated depreciation), which consist of a broad range of capital assets, including land and improvements, construction in progress, buildings and improvements, machinery, equipment, and vehicles. Prior period adjustment was recorded to accumulated depreciation, see Note 17.

Town of Kittery
Capital Assets (Net of Depreciation)
June 30, 2014 and 2013

	2014	2013	Increase (Decrease)
Governmental activities:			
Land and improvements	$ 12,417,513	$ 12,524,379	$ (106,866)
Building and improvements	16,271,369	17,297,148	(1,025,779)
Machinery, equipment, and vehicles	2,066,949	2,362,857	(295,908)
Construction in progress	5,761,263	5,540,109	221,154
Infrastructure	3,252,328	3,480,209	(227,881)
Total historical cost	$ 39,769,422	$ 41,204,702	$ (1,435,280)
Business-type activities:			
Land and improvements	$ 284,480	$ 284,480	$ -
Building and improvements	12,627,613	13,179,716	(552,103)
Machinery, equipment, and vehicles	298,780	337,584	(38,804)
Construction in progress	1,200,712	4,900	1,195,812
Infrastructure	23,706	24,737	(1,031)
Total historical cost	$ 14,435,291	$ 13,831,417	$ 603,874

Debt

At June 30, 2014, the Town had $15,735,000 in bonds outstanding versus $16,930,000 last year. Other obligations include capital leases payable, accrued vacation and sick time, and pension benefits. Refer to Note 13 to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The Town has increased their level of unassigned fund balance to sustain government operations for a period of approximately 2 months, further within the General Fund's committed fund balance the school department's unassigned fund balance of $792,894 this period is increased to 2.35 months. The Town also maintains significant reserve accounts for future capital and program needs.

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 Finance Department at 200 Rogers Road, Kittery, Maine 03904.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF KITTERY, MAINE
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 7,767,672	$ 5,386,645	$ 13,154,317
Investments	4,415,466	-	4,415,466
Taxes receivables (net)	802,272	-	802,272
Account receivables (net)	116,744	631,638	748,382
Intergovernmental receivable	344,236	-	344,236
Prepaid items	118,803	10,113	128,916
Inventory	28,986	-	28,986
Internal balances	72,153	(72,153)	-
Capital assets:			
Land and construction in progress	16,712,169	1,485,192	18,197,361
Other capital assets, net of depreciation	23,057,253	12,950,099	36,007,352
Total assets	53,435,754	20,391,534	73,827,288
LIABILITIES			
Accounts payable	467,164	87,192	554,356
Accrued interest payable	151,888	9,201	161,089
Accrued salaries and benefits	1,067,808	-	1,067,808
Intergovernmental payable	327,758	-	327,758
Escrow and performance deposits	11,399	-	11,399
Bonds anticipation notes payable	-	6,550,172	6,550,172
Deferred revenue	11,720	-	11,720
Long-term liabilities:			
Due within one year	1,504,910	221,399	1,726,309
Due in more than one year	17,431,381	3,235,358	20,666,739
Total liabilities	20,974,028	10,103,322	31,077,350
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - prepaid taxes	97,952	-	97,952
NET POSITION			
Net investment in capital assets	23,584,296	9,987,375	33,571,671
Restricted	3,722,302	-	3,722,302
Unrestricted	5,057,176	300,837	5,358,013
Total net position	$ 32,363,774	$ 10,288,212	$ 42,651,986

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B

TOWN OF KITTERY, MAINE

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities	Net (Expense) Revenue and Change in Net Position: Business-type Activities	Total
Governmental activities:						
General government	$ 1,951,717	$ 265,921	$ 166,889	$ (1,518,907)	$ -	$ (1,518,907)
Public safety	3,552,089	167,265	19,303	(3,365,521)	-	(3,365,521)
Public works	2,445,862	291,356	201,075	(1,953,431)	-	(1,953,431)
Social Services and welfare	148,650	-	-	(148,650)	-	(148,650)
Culture and recreation	2,320,589	931,320	41,485	(1,347,784)	-	(1,347,784)
Education	15,076,916	367,751	1,078,007	(13,631,158)	-	(13,631,158)
County taxes	902,996	-	-	(902,996)	-	(902,996)
State of Maine on behalf payments	1,290,811	-	939,209	(351,602)	-	(351,602)
Grant funds & miscellaneous accounts	520,430	-	-	(520,430)	-	(520,430)
Interest on long term debt	631,762	-	-	(631,762)	-	(631,762)
Unallocated depreciation	111,315	-	-	(111,315)	-	(111,315)
Capital outlay	202,457	-	-	(202,457)	-	(202,457)
Total governmental activities	29,155,594	2,023,613	2,445,968	(24,686,013)	-	(24,686,013)
Business-type activities:						
Sewer department	2,072,779	1,741,678	-	-	(331,101)	(331,101)
Total	$ 31,228,373	$ 3,765,291	$ 2,445,968	(24,686,013)	(331,101)	(25,017,114)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				21,251,783	-	21,251,783
Excise taxes				1,512,062	-	1,512,062
Boat excise taxes				26,460	-	26,460
Grants and contributions not restricted to specific programs				2,136,333	-	2,136,333
Investment income, net of unrealized gains/(losses)				65,292	2,338	67,630
Miscellaneous				583,298	-	583,298
Total general revenues				25,575,228	2,338	25,577,566
Change in net position				889,215	(328,763)	560,452
Net position, beginning, as restated (see Note 17)				31,474,559	10,616,975	42,091,534
Net position, ending				$ 32,363,774	$ 10,288,212	$ 42,651,986

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF KITTERY, MAINE
Governmental Funds
Balance Sheet
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 7,728,311	$ 39,361	$ 7,767,672
Investments	3,716,996	698,470	4,415,466
Accounts receivable	58,098	58,646	116,744
Taxes	802,272	-	802,272
Due from other governments	74,084	270,152	344,236
Interfund receivable	843,055	4,381,140	5,224,195
Inventory	21,133	7,853	28,986
Prepaid items	118,178	625	118,803
Total assets	$ 13,362,127	$ 5,456,247	$ 18,818,374
LIABILITIES:			
Accounts payable	$ 349,296	$ 117,868	$ 467,164
Accrued salaries and benefits	1,067,808	-	1,067,808
Intergovernmental payable	312,970	14,788	327,758
Interfund payable	4,381,140	770,902	5,152,042
Escrow and performance deposits	11,399	-	11,399
Deferred revenue	2,179	9,541	11,720
Total liabilities	6,124,792	913,099	7,037,891
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - deferred tax revenues	546,097	-	546,097
Unavailable revenue - prepaid taxes	97,952	-	97,952
Total deferred inflows of resources	644,049	-	644,049
FUND BALANCES:			
Nonspendable	139,312	8,478	147,790
Restricted	2,105,422	1,616,880	3,722,302
Committed	-	3,121,521	3,121,521
Assigned	3,349	216,530	219,879
Unassigned	4,345,203	(420,261)	3,924,942
Total fund balances	6,593,286	4,543,148	11,136,434
Total liabilities, deferred inflows of resources, and fund balance	$ 13,362,127	$ 5,456,247	$ 18,818,374

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF KITTERY, MAINE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

Total fund balances of governmental funds (Exhibit C-1)		$ 11,136,434
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	$ 75,129,954	
Less accumulated depreciation	(35,360,532)	
		39,769,422
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	$ (5,152,042)	
Payables	5,152,042	
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		546,097
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(151,888)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds payable	$ 15,735,000	
Capital leases payable	450,126	
Accrued compensated absences	1,116,813	
Other postemployment benefits	1,634,352	
		(18,936,291)
Net position of governmental activities (Exhibit A)		$ 32,363,774

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF KITTERY, MAINE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total
REVENUES:			
Taxes	$ 22,800,050	$ -	$ 22,800,050
Intergovernmental	2,095,744	902,239	2,997,983
Charges for services	1,655,862	367,751	2,023,613
Investment earnings	32,997	-	32,997
State of Maine on behalf payments	1,290,811	-	1,290,811
Other income	157,417	751,684	909,101
Total revenues	28,032,881	2,021,674	30,054,555
EXPENDITURES:			
Current:			
General government	1,486,198	286,235	1,772,433
Public safety	3,227,618	71,389	3,299,007
Public works	1,708,263	217,974	1,926,237
Social Services	148,650	-	148,650
Culture and recreation	2,009,488	275,425	2,284,913
Education	13,066,285	1,459,251	14,525,536
County taxes	902,996	-	902,996
State of Maine on behalf payments	1,290,811		1,290,811
Grant funds & miscellaneous accounts	520,430	-	520,430
Debt service:			
Principal	1,345,000	-	1,345,000
Interest	479,874	-	479,874
Capital outlay	-	584,109	584,109
Total expenditures	26,185,613	2,894,383	29,079,996
Excess (deficiency) of revenues over (under) expenditures	1,847,268	(872,709)	974,559
Other financing sources (uses):			
Transfers in	25,000	1,560,382	1,585,382
Transfers out	(1,435,914)	(149,468)	(1,585,382)
Debt proceeds	-	150,000	150,000
Total other financing sources (uses)	(1,410,914)	1,560,914	150,000
Net change in fund balances	436,354	688,205	1,124,559
Fund balances, beginning, as restated (see Note 17)	6,156,932	3,854,943	10,011,875
Fund balances, ending	$ 6,593,286	$ 4,543,148	$ 11,136,434

Note: Health and Sanitation was previously reported separately, and in the current year has been reported in the Public Works function.

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF KITTERY, MAINE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Net change in fund balances of governmental funds (Exhibit C-3)		$ 1,124,559
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	$ 367,323	
Depreciation expense	(1,802,603)	
		(1,435,280)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	$ (1,585,382)	
Transfers out	1,585,382	
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Taxes and liens receivable not collected within 60 days		(9,745)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Proceeds of debt	$ (150,000)	
Repayment of bond principal	1,345,000	
Repayment of capital leases	182,272	
		1,377,272
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.		
Increase in accrued interest expense	$ (151,888)	
Decrease in compensated absences payable	101,717	
Increase in postemployment benefits payable	(117,420)	
		(167,591)
Changes in net position of governmental activities (Exhibit B)		$ 889,215

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF KITTERY, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 22,622,002	$ 22,609,494	$ 22,800,050	$ 190,556
Intergovernmental	1,657,675	1,657,675	2,095,744	438,069
Charges for services	1,738,125	1,738,125	1,655,862	(82,263)
Investment earnings	26,500	26,500	32,997	6,497
Other revenue	118,803	204,866	157,415	(47,451)
Total revenues	26,163,105	26,236,660	26,742,068	505,408
EXPENDITURES				
Current:				
General government	1,524,588	1,502,633	1,489,313	13,320
Public safety	3,208,246	3,226,415	3,226,352	63
Public works	1,816,266	1,723,361	1,708,263	15,098
Social services and welfare	54,582	148,651	148,650	1
Culture and recreation	1,967,018	2,009,665	2,009,488	177
Education	13,504,834	13,504,834	13,066,519	438,315
County tax	902,996	902,996	902,996	-
Grant funds and miscellaneous accounts	464,749	513,889	511,810	2,079
Debt service:				
Principal	1,360,000	1,345,000	1,345,000	-
Interest	476,850	476,240	479,874	(3,634)
Total expenditures	25,280,129	25,353,684	24,888,265	465,419
Excess of revenues over expenditures	882,976	882,976	1,853,803	970,827
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Transfers out	(1,272,976)	(1,920,825)	(1,916,038)	(4,787)
Total other financing sources (uses)	(1,247,976)	(1,895,825)	(1,891,038)	(4,787)
Net change in fund balances	$ (365,000)	$ (1,012,849)	(37,235)	$ 966,040
Decrease in nonspendable fund balance			36,707	
Decrease in restricted fund balance			198,377	
Unassigned fund balance, beginning, as restated (see Note 17)			4,147,354	
Unassigned fund balance, ending			$ 4,345,203	

Note: Health and Sanitation was previously reported separately, and in the current year has been reported in the Public Works function.

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF KITTERY, MAINE
Proprietary Fund
Statement of Proprietary Net Position
June 30, 2014

	Business-type Activities Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	5,386,645
Accounts receivable (net of allowance for uncollectibles)	$ 631,638
Prepaid items	10,113
Due from other funds	(72,153)
Capital assets, not being depreciated:	
Land	284,480
Construction in progress	1,200,712
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	12,627,613
Machinery, equipment, and vehicles	298,780
Infrastructure	23,706
Total assets	20,391,534
LIABILITIES	
Current liabilities:	
Accounts payable	87,192
Accrued interest payable	9,201
Bond anticipation note payable	6,550,172
Noncurrent liabilities:	
Due within one year:	
Bond	221,399
Due in more than one year:	
Bonds	3,086,854
Accrued compensated absences	148,504
Total liabilities	10,103,322
NET POSITION	
Net investment in capital assets	9,987,375
Unrestricted	300,837
Total net position	$ 10,288,212

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF KITTERY, MAINE
Proprietary Fund
Statement of Revenues, Expenses, and Change in Proprieatary Net Position
For the Fiscal Year Ended June 30, 2014

	Business-type Activities Enterprise Fund (Sewer Department)
Operating revenues:	
Charges for services	$ 1,741,679
Operating expenses:	
Salaries and wages	778,620
Operation and maintenance	636,197
Depreciation and amortization	591,938
Total operating expenses	2,006,755
Operating loss	(265,076)
Nonoperating income (expense):	
Interest income	2,337
Interest expense	(66,024)
Total nonoperating income (expense)	(63,687)
Change in net position	(328,763)
Net position, beginning, as restated (see Note 17)	10,616,975
Net position, ending	$ 10,288,212

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-3
TOWN OF KITTERY, MAINE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Cash flows from operating activities:	
Receipts from customers and users	$ 1,741,680
Payments to employees and suppliers	(1,414,817)
Net cash provided (used) by operating activities	326,863
Cash flows from capital and related financing activities:	
Principal payments on bond payable	(218,910)
Proceeds from bond anticipation note	6,542,166
Purchase sale of fixed assets	(1,195,812)
Interest paid	(69,999)
Net cash provided (used) by capital and related financing activities	5,057,445
Cash flows from investing activities:	
Interest received	2,337
Net cash provided (used) by investing activities	2,337
Net increase/decrease in cash	5,386,645
Cash increase, beginning	-
Cash, ending	$ 5,386,645

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating loss	$ (265,076)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization expense	591,938
Changes in operating assets and liabilities:	
Increase in accounts receivable	(26,646)
Increase in inventory	10,113
Decrease in bond issuance costs	(3,121)
Increase in accounts payable	52,646
Decrease in due to other funds	(88,966)
Decrease in accrued payroll	(1,160)
increase in accrued interest payable	9,201
Increase in compensated absences	47,934
Total adjustments	591,939
Net cash provided (used) by operating activities	$ 326,863

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT F-1
TOWN OF KITTERY, MAINE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	$ 15,899	$ 48,264
Investments	366,593	-
Total assets	382,492	48,264
LIABILITIES		
Due to student groups	-	48,264
NET POSITION		
Held in trust for specific purposes	$ 382,492	$ -

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT F-2
TOWN OF KITTERY, MAINE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
ADDITIONS	
New funds	$ 283,088
Interest	1,628
Total revenue	284,716
DEDUCTIONS	
Fees	45
Scholarships	5,465
Total deductions	5,510
Change in net position	279,206
Net position, beginning, as restated (see Note 17)	103,286
Net position, ending	$ 382,492

The notes to the basic financial statements are an integral part of this statement.

TOWN OF KITTERY, MAINE

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Kittery, Maine (the Town), are presented in conformity with accounting principles generally accepted in the Unites States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Kittery is a municipal corporation under the laws of the State of Maine, which operates under Town council-manager form of government and provides the following services: general government services, public safety, public works, health and sanitation, education, recreation and culture, and social services.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies, and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Town reports the following *major governmental* fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The Town reports the following *major proprietary* fund:

Sewer Fund – accounts for the operation of the sewer treatment plant, pumping station, and sewer lines.

Additionally, the Town reports the following fund types:

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

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

1-D Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-E 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 a cash equivalent. The Town Treasurer is authorized by State statutes to invest all excess funds in the following:

- Obligations of the United States government, its agencies, and instrumentalities,
- Certificates of deposit and other evidences of deposits at banks, savings, and loan associations,
- Prime bank acceptances,
- Prime commercial papers,
- Repurchase agreements whose underlying collateral consist of the foregoing,
- Money market mutual funds whose portfolios consist of the foregoing.

It is the policy of the Town of Kittery, Maine to invest public funds in a manner in which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the Town, and conforming to all State and local statutes governing the investment of public funds.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "Interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-H Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's major general and the nonmajor food service fund consist of materials and supplies held for subsequent use. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1-I Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

1-J Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained on certain receivables that historically experience collectible amounts. Allowances are based on collection experience and management's evaluation of the current status of those receivables. The allowance for uncollectible accounts is estimated to be $40,000 as of June 30, 2014. The allowance is for estimated uncollected personal property/real estate taxes in the general fund.

1-K Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) (infrastructure is not included), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances (i.e., tax-exempt bond anticipation notes (BANS) were issued to finance specific improvements).

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	Years
Capital Asset Classes:	
Buildings and building improvements	20-50
Infrastructure	50-100
Land improvements	20-50
Machinery, equipment, and vehicles	3-50

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-L Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, unavailable tax revenue, is reported only in the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

1-M Property Taxes

The Town's property tax for the current year was levied September 18, 2013 on the assessed value listed as of April 1, 2012, for all real estate and personal property located in the Town. Taxes were due on October 31, 2013, February 15, 2014, and May 31, 2014. Interest on unpaid taxes commenced after the due date, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year-end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by 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 $150,232 for the year ended June 30, 2014.

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

1-N Compensated Absences

The Town's policy allows certain employees to earn varying amounts of sick and vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-O Long-Term Obligations

In the government-wide and business-type activities financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-P Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-Q Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as "internal balances." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-R Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c) *Unrestricted net position* – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town's governmental fund financial statements are as follows:

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

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The Town of Kittery recognizes the importance of maintaining an appropriate level of unencumbered surplus reserve or unassigned fund balance. After evaluating the Town's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the Town establishes the following goals regarding the unencumbered surplus reserve or unassigned fund balance of the general fund for the Town of Kittery, Maine.

The level of fund balance that the Town strives to maintain as unassigned in amount equal to 12% (note: at least $1/12^{th}$ or 8.34%) of the Town's general fund budget (i.e., an amount equal to two and a half months of operating expenses from the then current operating budget whichever is higher).

Once the Town achieves its goal of an appropriate level of unencumbered surplus reserve or unassigned fund balance, any excess funds may be utilized for other municipal fiscal purposes including, without restriction, additional capital improvement needs or tax rate stabilization or reduction purposes. This policy has been adopted by the Town to recognize the financial importance of a stable and sufficient level of the unencumbered surplus reserve or undesignated fund balance. The Town reserves the right to appropriate funds from the unencumbered surplus reserve or unassigned fund balance for emergencies and other requirements the Town believes to be in its best interest.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general and sewer funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis, present the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	$ 26,767,070
Adjustment:	
Basis difference:	
On-behalf retirement contributions made by the State of Maine recognized as revenue on the GAAP basis, but not on the budgetary basis	1,290,811
Per Exhibit C-3 (GAAP basis)	$ 28,057,881
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	$ 26,804,303
Adjustment:	
Basis differences:	
Encumbrances, beginning	9,886
Encumbrances, ending	(3,349)
GASB Statement No. 54:	
Net effect of transfers between blended funds	(480,124)
On-behalf payments to the Maine Public Employees Retirement System made by the State of Maine	1,290,811
Per Exhibit C-3 (GAAP basis)	$ 27,621,527

DETAILED NOTES ON ALL FUNDS

NOTE 3 – 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.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5709 of the Maine Revisited Statutes. At June 30, 2014, the Town's cash balance of $13,218,480 was comprised of bank deposits amounting to $12,155,083 and petty cash held in hands of officials totaling $950. The entire amount bank deposits were insured by federal depository insurance or were collateralized with securities held by the financial institution in the Town's name, and consequently not exposed to custodial credit risk.

Account type:	
Checking	$ 702,584
Savings	5,414,073
Money market	1,019,478
Sweep	6,081,395
Cash in hands of officials	950
Total cash and cash equivalents	$ 13,218,480

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	$ 13,154,317
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	64,163
Total cash and cash equivalents	$ 13,218,480

Custodial Credit Risk – Investments - Custodial credit risk is the risk that in the event of a 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. The Town does not have a policy for custodial credit risk for investments. However, in accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories, and broker/dealers.

At June 30, 2014, this Town had the following investments and maturities:

	Fair Value	N/A	Less Than 1 Year	1-5 Years
Investments type:				
Mutual funds - fixed income	$ 588,566	$ 588,566	$ -	$ -
Equities	109,905	109,905	-	-
Certificates of deposit	4,083,588	-	3,716,996	366,592
Total fair value	$ 4,782,059	$ 698,471	$ 3,716,996	$ 366,592

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk – Statutes for the State of Maine authorize the Town to invest in obligations of the US 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.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	$ 4,415,466
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	366,593
Total investments	$ 4,782,059

NOTE 4 – TAXES RECEIVABLE

Taxes receivable of $802,272 represents the amount of current and prior year taxes which have not been collected as of June 30, 2014. The amount has been reduced by an allowance for an estimated uncollectible amount of $40,000.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2014, consisted of accounts (billings for police details, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	$ 10,950,906	$ -	$ -	$ 10,950,906
Construction in progress	5,540,109	252,885	(31,731)	5,761,263
Total capital assets not being depreciated	16,491,015	252,885	(31,731)	16,712,169
Being depreciated:				
Land improvements	2,203,634	-	-	2,203,634
Buildings and building improvements	37,394,299	87,914	-	37,482,213
Machinery, equipment, and vehicles	7,708,864	155,673	(133,189)	7,731,348
Infrastructure	10,964,819	35,771	-	11,000,590
Total capital assets being depreciated	58,271,616	279,358	(133,189)	58,417,785
Total all capital assets	74,762,631	532,243	(164,920)	75,129,954
Less accumulated depreciation:				
Land improvements	(630,161)	(106,866)	-	(737,027)
Buildings and building improvements	(20,097,151)	(1,113,693)	-	(21,210,844)
Machinery, equipment, and vehicles	(5,346,007)	(451,581)	133,189	(5,664,399)
Infrastructure	(7,484,610)	(263,652)	-	(7,748,262)
Total accumulated depreciation	(33,557,929)	(1,935,792)	133,189	(35,360,532)
Net book value, capital assets being depreciated	24,713,687	(1,656,434)	-	23,057,253
Net book value, all governmental activities capital assets	$ 41,204,702	$ (1,403,549)	$ (31,731)	$ 39,769,422

Capital assets continued:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	$ 284,480	$ -	$ -	$ 284,480
Construction in progress	4,900	1,195,812	-	1,200,712
Total capital assets not being depreciated	289,380	1,195,812	-	1,485,192
Being depreciated:				
Buildings and building improvements	18,646,324	-	-	18,646,324
Machinery, equipment, and vehicles	623,944	-	-	623,944
Infrastructure	25,768	-	-	25,768
Total capital assets being depreciated	19,296,036	-	-	19,296,036
Total all capital assets	19,585,416	1,195,812	-	20,781,228
Less accumulated depreciation:				
Buildings and building improvements	(5,466,608)	(552,103)	-	(6,018,711)
Machinery, equipment, and vehicles	(286,360)	(38,804)	-	(325,164)
Infrastructure	(1,031)	(1,031)	-	(2,062)
Total accumulated depreciation	(5,753,999)	(591,938)	-	(6,345,937)
Net book value, capital assets being depreciated	13,542,037	(591,938)	-	12,950,099
Net book value, all business-type activities capital assets	$ 13,831,417	$ 603,874	$ -	$ 14,435,291

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:	
General government	$ 112,634
Public safety	312,177
Public works	517,904
Recreation and culture	46,688
Health and sanitation	31,017
Education	804,057
Unallocated depreciation	111,315
Total depreciation expense	$ 1,935,792

Depreciation expense in the business-type activities was all charged to the sanitation function.

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor	Major - General	$ 4,381,140
Major - General	Major Proprietary - Sewer	72,153
Major - General	Nonmajor	770,902
		$ 5,224,195

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	$ -	$ 25,000	$ 25,000
Nonmajor funds	1,435,914	124,468	1,560,382
Total	$ 1,435,914	$ 149,468	$ 1,585,382

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of $327,758 at June 30, 2014 consist of the following:

General fund:	
Balance due to the Maine Public Employees Retirement System	$ 162,020
Federal payroll taxes	110,521
Various fees due to the State of Maine	40,429
Total general fund	312,970
Nonmajor funds:	
Various fees due to the State of Maine	14,788
Total intergovernmental payables due	$ 327,758

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources reported in the governmental funds as unavailable revenue are as follows:

	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	$ 546,097
Property taxes collected in advance of levy	97,952
Total deferred inflows of resources	$ 644,049

NOTE 10 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2014
Capital lease obligations:		
Mitchell equipment	3.00%	$ 21,856
Photocopier	3.49%	104,392
HVAC equipment	3.33%	323,878
Total capital lease obligations		$ 450,126

The annual requirements to amortize the capital leases payable as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2015	$ 175,347
2016	152,482
2017	152,482
Total requirements	480,311
Less: interest	30,185
Present value of remaining payments	$ 450,126

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 11 – SHORT-TERM DEBT

Changes in the Town's short-term capital borrowings during the year ended June 30, 2014 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance July 1, 2013	Issues	Redemptions	Balance June 30, 2014
Bond anticipation notes	$ 150,000	1.08%	$ -	$ 150,000	$ 150,000	$ -
Bond anticipation notes	6,500,000	1.00%	-	6,500,000	-	6,500,000 *
Total short-term borrowings	$ 6,650,000		$ -	$ 6,650,000	$ 150,000	$ 6,500,000

** Bond anticipation note included a premium of $42,166.*

The purpose of the short-time borrowings was to provide resources for various capital improvement projects. The amounts issued for capital improvements are accounted for in the Sewer Department and the Conservation Commission.

NOTE 12 – OVERLAPPING DEBT

The Town is responsible for its proportionate share of county debt. As of June 30, 2014, the Town's share was as follows:

	Outstanding Debt	Town's Percentage	Total Share
County of York	$ 8,900,000	5.13%	$ 456,500

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
General obligation bonds	$ 16,930,000	$ 150,000	$ (1,345,000)	$ 15,735,000	$ 1,345,000
Capital leases	632,398	-	(182,272)	450,126	159,910
Compensated absences	1,218,530	-	(101,717)	1,116,813	-
Net other postemployment benefits	1,516,932	117,420	-	1,634,352	-
Total long-term liabilities	$ 20,297,860	$ 267,420	$ (1,628,989)	$ 18,936,291	$ 1,504,910
Business-type activities:					
General obligation bonds	$ 3,527,163	$ -	$ (218,910)	$ 3,308,253	$ 221,399
Compensated absences	100,570	47,934	-	148,504	-
Total long-term liabilities	$ 3,627,733	$ 47,934	$ (218,910)	$ 3,456,757	$ 221,399

Long term bonds are comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2014	Current Portion
Governmental activities:					
General obligation bonds payable:					
Mitchell Shapleigh Renovations	2010	2032	2.00%	$ 6,480,000	$ 360,000
Mitchell Shapleigh (2006 Refinance)	2006	2015	5.25 - 5.75%	690,000	345,000
Fire Station	2006	2026	4.25 - 4.50 %	1,575,000	155,000
Mitchell School	2002	2022	3.25 - 4.75 %	1,890,000	210,000
Community Center Loan	2012	2032	2.0 - 3.15 %	4,950,000	275,000
Land Purchase	2014	2027	-	150,000	-
				15,735,000	1,345,000
Capital leases:					
Mitchell equipment	2004	2015		21,857	21,856
Photocopier	2011	2017		104,392	33,611
HVAC equipment	2011	2017		323,877	104,443
				450,126	159,910
Compensated absences				1,116,813	-
Total				$ 17,301,939	$ 1,504,910
Business-type activities:					
General obligation bonds payable:					
Waste Water State Revolving Loan	2003	2022	1.94%	$ 642,262	$ 66,919
Waste Water	2010	2030	1.00%	2,665,992	154,480
				3,308,254	221,399
Compensated absences				148,504	-
Total				$ 3,456,758	$ 221,399

The annual requirements to amortize all *governmental activities* general obligation bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	$ 1,345,000	$ 420,739	$ 1,765,739
2016	1,351,043	383,327	1,734,370
2017	976,076	354,082	1,330,158
2018	976,127	333,203	1,309,330
2019	966,199	311,597	1,277,796
2020-2024	4,617,818	1,208,499	5,826,317
2025-2029	3,542,624	630,856	4,173,480
2030-2034	1,950,002	166,571	2,116,573
2035	10,111	203	10,314
Totals	$ 15,735,000	$ 3,809,077	$ 19,544,077

The annual requirements to amortize all *business-type activities* general obligation bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	$ 221,399	$ 46,288	$ 267,687
2016	223,946	43,612	267,558
2017	226,552	40,948	267,500
2018	229,219	38,251	267,470
2019	231,950	35,333	267,283
2020-2024	1,125,397	119,299	1,244,696
2025-2029	870,445	80,539	950,984
2030	179,345	10,850	190,195
Totals	$ 3,308,253	$ 415,120	$ 3,723,373

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town. Principal credit represents the Town's portion of savings realized by the Maine Municipal Bond Bank upon debt refunding, amortized over the remaining life of the bond.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2014 were as follows:

Public Hearing Vote June 11, 2013	Purpose	Unissued Amount
Referendum #1	Funding improvements and upgrades to existing sewer infrastructure	$ 4,403,500
Referendum #2	Funding sewer extension project	7,586,525
		$ 11,990,025

NOTE 14 –ENCUMBRANCES

Encumbrances at June 30, 2014 are as follows:

General fund:	
General government	$ 3,115
Education	234
Total encumbrances	$ 3,349

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2014 include the following:

	Governmental Activities
Net investment in capital assets:	
Net property, buildings, and equipment	$ 39,769,422
Less:	
General obligation bonds payable	(15,735,000)
Capital leases payable	(450,126)
Total net investment in capital assets	23,584,296
Restricted net position	3,722,302
Unrestricted	5,057,176
Total net position	$ 32,363,774

(continued)

Governmental activities net position continued:

	Business-type Activities
Net investment in capital assets:	
Net property, buildings, and equipment	$ 14,435,291
Less:	
General obligation bonds payable	(3,308,253)
Bond anticipation note payable	(6,526,307)
Amount of bond ancipipation note unspent proceeds	5,386,644
Total net investment in capital assets	9,987,375
Unrestricted	300,837
Total net position	$ 10,288,212

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2014 include the following:

Nonspendable:		
Major fund:		
General:		
Inventory	$ 21,133	
Prepaid items	118,178	
Nonmajor funds:		
Special revenue funds		
Inventory	7,853	
Prepaid items	626	
Total nonspendable fund balance		$ 147,790
Restricted:		
Major fund:		
General:		
School department	$ 2,105,422	
Nonmajor funds:		
Special revenue funds	179,654	
Capital project funds	709,122	
Permanent funds	728,104	
Total restricted fund balance		3,722,302
Committed:		
Nonmajor funds:		
Special revenue funds	$ 939,524	
Capital project funds	2,017,644	
Permanent funds	164,353	
Total committed fund balance		3,121,521
Assigned:		
Major fund:		
General:		
Encumbrances	$ 3,349	
Nonmajor funds:		
Special revenue funds	216,530	
Total assigned fund balance		219,879

(Continued)

Governmental fund balances continued:

Unassigned:		
Major fund:		
General	$ 4,345,203	
Nonmajor funds:		
Special revenue funds (deficit balances)	(208,672)	
Capital project funds (deficit balances)	(211,589)	
Total unassigned fund balance		3,924,942
Total governmental fund balances		$ 11,136,434

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2014 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	Business-type Activities	General Fund	Other Governmental Funds	Private Purpose Trust Funds
To adjust beginning accounts receivable balances to actual	$ -	$ 239,017	$ -	$ -	$ -
To adjust beginning depreciation to actual	-	(146,153)	-	-	-
To record school district reserve accounts at July 1st as part of the general fund	-	-	582,404	(582,404)	-
To reclassify trusts, previously reported as permanent funds	(100,100)	-	-	(100,100)	100,100
To record Priscilla Guy Scholarship, not reported in prior years	-	-	-	-	3,186
Reclassify food service fund, now reported as a special revenue fund	22,455	(22,455)	-	22,455	-
To record noted changes in capital assets	80,256	-	-	-	-
Net position/fund balance, as previously reported	31,471,948	10,546,566	5,574,528	4,514,992	-
Net position/fund balance, as restated	$ 31,474,559	$ 10,616,975	$ 6,156,932	$ 3,854,943	$ 103,286

NOTE 18 – EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014 one expenditure account was overexpended which was for interest on long-term debt, this was due to interest costs associated with the bond anticipation note obtained and repaid during fiscal year 2014.

NOTE 19 – DEFICIT FUND BALANCES

At June 30, 2014, the Town had the following deficit fund balances, which the Town anticipates eliminating through future general fund transfers, pending grant funding, and operations:

Nonmajor funds:	
Special revenue funds:	
Spruce Creek 319 PH 3 Grant	$ 26,039
Spruce Creek 319 Grant Phase II	3,910
Town Pier Repair	174,466
Wave Mitigation	3,000
School Department - ARRA Connect Maine	3,250
School Department - Melmac Grant	124

(continued)

Deficit fund balances continued:

Capital project funds:	
Office furniture	3,463
Fire Department SCBA's	88,007
Pepperell Butterworth	14,754
Boat Infrastructure Grant	145,184
Traffic Light Route 236	105,365
Total	$ 567,562

NOTE 20 – EMPLOYEE RETIREMENT PLAN

Maine Public Employees Retirement Plan – Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost sharing multiple-employee defined benefit pension plan administered by Maine Public Employees Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLDs Consolidated Plan Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333 or by calling (800) 451-9800.

The contribution requirements of plan members and the Town are established and may be amended by the PLDs Consolidated Board of Trustees. The Town's police department employees are part of the PLDs special plan "1C" and are required to contribute 6.5% of their annual salary, while all other employees are part of the PLDs plan "AC" and are also required to contribute 6.5% of their annual salary. The Town is required to contribute 12.8% of special plan "1C" members' covered payroll and 6.5% of the plan "AC" members' payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employers' covered payroll to determine the employers actual cost.

As of June 30, 2013, the Town had an unfunded actuarial accrued liability credit computed using the actuarial method for funding purposes. (The amount of the unfunded actuarial accrued liability credit as of June 30, 2014 is not currently available.) This credit is being used to reduce future contributions made by the Town and employees after the unfunded actuarial accrued liability credit was deducted from the annual pension costs were $529,290, $451,392, and $407,315 for the years ended June 30, 2014, 2013, and 2012, respectively.

Education Employees Retirement Plan – All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System teacher program. The teacher's program is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. The program requires that both employees and the Department contribute, and provide retirement, disability, and death benefits. Employees are eligible for normal retirement upon reaching the age of sixty and early retirement after completing twenty-five or more years of credited service. The authority to establish and amend benefit provisions rests with the State Legislature. The funding status and progress for the teacher retirement program may be obtained by contacting the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046, or by calling (800) 451-9800.

Program members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine is required to contribute the employer contribution which amounts to 14.32% of compensation. Contributions paid by the State were approximately $1,290,811 for the year ended June 30, 2014. There is no contribution required by the Department, except for federally funded teachers. The Department's contributions to the plan for 2014, 2013, and 2012 were $307,265, $216,204 and $222,699, respectively.

NOTE 21 – DEFERRED COMPENSATION PLAN

International City Management Association Retirement Corporation – The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC.) The plan, available to all Town employees, permits them to defer a portion of their salary,

in addition to Town contributions, until future years. Employee participation in this plan is voluntary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, 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.

The contribution requirements of plan members and the Town are established and may be amended by the Town Council. Effective July 1, 2001, the Town agrees to expand the coverage of the IMCA-RC 457 plan currently in effect. This plan will be available for current employees who are not enrolled in the Maine State Retirement System and any newly-hired employee who wishes to enroll in the IMCA plan instead of the MSRS plan. The Town will match the employee's contribution into the 457 plan, up to a maximum Town contribution of 6%. The Town will make a contribution to either MSRS or the ICMA plan, but not both.

The Town's contributions to the plan including employee contributions for 2014, 2013, and 2012 were $71,855, $82,538, and $81,979, respectively.

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403. The plan, available to all School Department employees as part of a collective bargaining agreement, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

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

NOTE 22 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* GASB Statement No. 45, was implemented by the Town during fiscal year 2011, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the Town and the various unions representing the Town employees. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the Town's medical benefits program.

Funding policy – The Town currently funds claims and administrative costs for postemployment benefits through its health insurance company or through current year expenditures.

The following is the current census of the Town benefit participants as of June 30, 2014:

Active members	74
Retireees and spouses	18
	92

The Town is considering its valuation of other postemployment benefits and a strategy to, not only disclose a cost of the benefit, but to also comply with GASB Statement No. 45. The most recent available other postemployment benefit information follows:

Annual OPEB Cost and Net OPEB Obligations – The Town of Kittery's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Normal cost	$ 95,919
Supplemental cost	175,251
Interest	5,371
Annual required contribution	276,541
Interest on net OPEB obligation	60,677
Adjustment to annual required contribution	(86,021)
Annual OPEB cost (expense)	251,197
Expected benefit payments	(133,777)
Increase in net OPEB obligation	117,420
Net OPEB obligation - beginning of year	1,516,932
Net OPEB Obligation - end of year	$ 1,634,352

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2011	$ 291,507	$ 115,000	39.50%	$ 1,192,562
June 30, 2012	$ 282,906	$ 121,000	42.80%	$ 1,354,468
June 30, 2013	$ 283,464	$ 121,000	42.70%	$ 1,516,932
June 30, 2014	$ 251,197	$ 133,777	53.26%	$ 1,634,352

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, projected unit credit (PUC) method was used. The actuarial assumption included a 4.00% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

An annual healthcare cost trend rate of 3.00% for pre 65 and 0.00% for post 65 were used initially, decreasing at a variable rate per year to an ultimate rate of 4.00% for 2029 and later. The remaining amortization period at June 30, 2014 was 29 years. As of June 30, 2014, the most recent actuarial valuation date, the plan was 0.00% funded. The actuarial accrued liability for benefits was approximately $3,151,662, and the actuarial value of the assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $3,151,662.

These numbers are based on information that was presented for the year ending June 30, 2014. The amortization method that was used to calculate the numbers is presents below:

Discount rate	4.00%
Payroll growth assumption	N/A
Accrued liability	$ 3,151,662
Value of assets	-
Unfunded liability	$ 3,151,662
Normal cost	$ 95,919
Amortization of unfunded	175,251
Interest	5,371
Annual required contribution	$ 276,541

NOTE 23 – 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 or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the purchased insurance, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2014. There were no significant reductions or modifications in the insurance coverage from that of the prior year and the amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 24 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 25 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended June 30, 2014, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 66, ***Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,*** issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

GASB Statement No. 67, ***Financial Reporting for Pension Plans,*** issued in June 2012. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 68, ***Accounting and Financial Reporting for Pensions,*** issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 69, ***Government Combinations and Disposals of Government Operations,*** issued in January 2013, will be effective for the Town beginning with its fiscal year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, ***Accounting and Financial Reporting for Nonexchange Financial Guarantees,*** issued in April 2013, will be effective for the Town beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, ***Pension Transition for Contributions Made Subsequent to the Measurement Date,*** issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending June 30, 2015. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defend benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

NOTE 26 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 18, 2014, the date the June 30, 2014 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G

TOWN OF KITTERY, MAINE

Schedule of Funding Progress for Other Postemployment Benefit Plan

For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2011	$ -	$ 3,146,751	$ 3,146,751	0.00%	N/A	N/A
July 1, 2012	$ -	$ 3,146,751	$ 3,146,751	0.00%	N/A	N/A
July 1, 2013	$ -	$ 3,151,662	$ 3,151,662	0.00%	$ 4,118,570	76.50%
July 1, 2014	$ -	$ 3,057,203	$ 3,057,203	0.00%	$ 4,200,941	69.80%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF KITTERY, MAINE

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit G represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended June 30, 2014.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF KITTERY, MAINE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Estimated	Actual	Variance Positive (Negative)
General tax revenues:			
Property taxes	$ 21,264,726	$ 21,261,528	$ (3,198)
Vehicle excise taxes	1,460,000	1,512,062	52,062
Boat excise taxes	35,000	26,460	(8,540)
Overlay	(150,232)	-	150,232
Total from taxes	22,609,494	22,800,050	190,556
Intergovernmental revenues:			
Education subsidy	670,864	939,209	268,345
State revenue sharing	398,491	412,845	14,354
Homestead exemption	123,598	127,335	3,737
GMH housing	267,800	275,005	7,205
General assistance	26,922	74,270	47,348
Other	170,000	266,216	96,216
Tree growth	-	864	864
Total from licenses, permits, and fees	1,657,675	2,095,744	438,069
Charges for services:			
Income from departments	1,738,125	1,655,862	(82,263)
Investment income	26,500	32,997	6,497
Other income:			
Interest/fees on taxes	80,000	67,068	(12,932)
Other income	106,867	57,103	(49,764)
Other education	17,999	33,244	15,245
Total from miscellaneous	204,866	157,415	(47,451)
Other financing sources:			
Transfers in	25,000	25,000	-
Total revenues and other financing sources	26,261,660	$ 26,767,068	$ 505,408
Use of available fund balance	1,012,849		
Total revenues, other financing sources, and use of fund balance	$ 27,274,509		

SCHEDULE 2
TOWN OF KITTERY, MAINE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Carryforward Balance Prior Year	Appropriations	Expenditures	Carryforward Balance Current Year	Variance Positive (Negative)
Current:					
General government:					
Administration	$ -	$ 916,511	$ 916,381	$ -	$ 130
Code enforcement	-	116,356	116,297	-	59
Town planner	-	240,820	240,819	-	1
Planning board	-	46,501	31,382	2,000	13,119
Elections	-	7,701	6,579	1,115	7
Council	-	7,396	7,392	-	4
Total general government	-	1,502,633	1,486,198	3,115	13,320
Public safety:					
Police department	1,266	2,640,241	2,641,497	-	10
Fire department	-	260,234	260,232	-	2
Street lights	-	109,030	109,026	-	4
Hydrants	-	215,320	215,288	-	32
Civil emergency preparedness	-	1,590	1,575	-	15
Total public safety	1,266	3,226,415	3,227,618	-	63
Public works:					
Highways	-	1,136,915	1,136,850	-	65
Solid waste	-	586,446	571,413	-	15,033
Total public works	-	1,723,361	1,708,263	-	15,098
Social services and welfare:					
General assistance	-	135,783	135,783	-	-
Community agencies		12,275	12,275	-	-
Public health services	-	593	592	-	1
Total social services and welfare	-	148,651	148,650	-	1
Culture and recreation:					
Parks	-	303,534	303,404	-	130
Recreation	-	1,160,230	1,160,204	-	26
Library	-	434,400	434,400	-	-
Port authority	-	111,501	111,480	-	21
Total culture and recreation	-	2,009,665	2,009,488	-	177
Education	-	13,504,834	13,066,285	234	438,315
County tax	-	902,996	902,996	-	-
Debt service:					
Principal of long-term debt	-	1,345,000	1,345,000	-	-
Interest on long-term debt	-	476,240	479,874	-	(3,634)
Total debt service	-	1,821,240	1,824,874	-	(3,634)
Grant funds & miscellaneous accounts	8,620	513,889	520,430	-	2,079
Other financing uses:					
Transfers out	-	1,920,825	1,916,038	-	4,787
Total appropriations, expenditures, other financing uses, and encumbrances	$ 9,886	$ 27,274,509	$ 26,810,840	$ 3,349	$ 470,206

Note: Solid Waste was previously reported as Health and Sanitation, in the current year has been reported in the Public Works function.

SCHEDULE 3
TOWN OF KITTERY, MAINE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2014

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		$ 4,147,354
Changes:		
Unassigned fund balance used to reduce 2014 tax rate		(1,012,849)
2014 Budget summary:		
Revenue surplus (Schedule 1)	$ 505,408	
Unexpended balance of appropriations (Schedule 2)	470,206	
2014 Budget surplus		975,614
Decrease in nonspendable fund balance		36,707
Decrease in restricted fund balance		198,377
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		$ 4,345,203

SCHEDULE 4
TOWN OF KITTERY, MAINE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Fund	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 131	$ -	$ 39,230	$ 39,361
Investments	-	-	698,470	698,470
Accounts receivable	58,195	451	-	58,646
Due from other governments	270,152	-	-	270,152
Interfund receivable	1,312,635	2,892,448	176,057	4,381,140
Inventory	7,853	-	-	7,853
Prepaid items	625	-	-	625
Total assets	$ 1,649,591	$ 2,892,899	$ 913,757	$ 5,456,247
LIABILITIES:				
Accounts payable	$ 29,552	$ 85,766	$ 2,550	$ 117,868
Intergovernmental payable	-	14,788	-	14,788
Interfund payable	474,984	277,168	18,750	770,902
Deferred revenue	9,541	-	-	9,541
Total liabilities	514,077	377,722	21,300	913,099
FUND BALANCES (DEFICIT):				
Nonspendable	8,478	-	-	8,478
Restricted	179,654	709,122	728,104	1,616,880
Committed	939,524	2,017,644	164,353	3,121,521
Assigned	216,530	-	-	216,530
Unassigned	(208,672)	(211,589)	-	(420,261)
Total fund balances	1,135,514	2,515,177	892,457	4,543,148
Total liabilities and fund balance	$ 1,649,591	$ 2,892,899	$ 913,757	$ 5,456,247

SCHEDULE 5

TOWN OF KITTERY, MAINE

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES:				
Intergovernmental	$ 737,267	$ 164,972	$ -	$ 902,239
Charges for services	367,751	-	-	367,751
Other income	612,980	85,585	53,119	751,684
Total revenues	1,717,998	250,557	53,119	2,021,674
EXPENDITURES:				
Current:				
General government	204,992	56,549	24,694	286,235
Public safety	1,503	69,886	-	71,389
Public works	13,812	204,162	-	217,974
Culture and recreation	13,642	261,783	-	275,425
Education	1,316,184	143,067	-	1,459,251
Capital outlay	307,954	262,405	13,750	584,109
Total expenditures	1,858,087	997,852	38,444	2,894,383
Excess (deficiency) of revenues over (under) expenditures	(140,089)	(747,295)	14,675	(872,709)
Other financing sources (uses):				
Transfers in	177,549	1,382,833	-	1,560,382
Transfers out	(38,439)	(79,779)	(31,250)	(149,468)
Debt proceeds	150,000	-	-	150,000
Total other financing sources (uses)	289,110	1,303,054	(31,250)	1,560,914
Net change in fund balances	149,021	555,759	(16,575)	688,205
Fund balances, beginning	986,493	1,959,418	909,032	3,854,943
Fund balances, ending	$ 1,135,514	$ 2,515,177	$ 892,457	$ 4,543,148

SCHEDULE 6
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2014

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police/Fire Rescue	Storm Damage/ FEMA	Fire Hazmat Spill Cleanup	Munis Loan	Oil & More	Special Events
ASSETS:								
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts receivable	-	21,672	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Interfund receivable	339,832	43,730	1,032	39,636	2,972	-	45,275	931
Inventory	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total assets	$ 339,832	$ 65,402	$ 1,032	$ 39,636	$ 2,972	$ -	$ 45,275	$ 931
LIABILITIES:								
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 129	$ -
Interfund payable	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	129	-
FUND BALANCES (DEFICITS):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	1,032	39,636	2,972	-	-	-
Committed	339,832	65,402	-	-	-	-	45,146	-
Assigned	-	-	-	-	-	-	-	931
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	339,832	65,402	1,032	39,636	2,972	-	45,146	931
Total liabilities and fund balance	$ 339,832	$ 65,402	$ 1,032	$ 39,636	$ 2,972	$ -	$ 45,275	$ 931

SCHEDULE 6
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Spruce Creek 319 PH 3 Grant	Shore and Harbor Master Plan	Compensated Absences	Channel 22	Self Insurance Claim	Ballot Counting Machines	Legal Ads	Tax Increment Financing
ASSETS:								
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Interfund receivable	-	-	80,752	233,336	-	13,216	297	65,168
Inventory	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total assets	$ -	$ -	$ 80,752	$ 233,336	$ -	$ 13,216	$ 297	$ 65,168
LIABILITIES:								
Accounts payable	$ 4,713	$ -	$ -	$ 1,783	$ -	$ -	$ -	$ -
Interfund payable	21,326	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	26,039	-	-	1,783	-	-	-	-
FUND BALANCES (DEFICITS):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	65,168
Committed	-	-	-	231,553	-	13,216	-	-
Assigned	-	-	80,752	-	-	-	297	-
Unassigned	(26,039)	-	-	-	-	-	-	-
Total fund balances	(26,039)	-	80,752	231,553	-	13,216	297	65,168
Total liabilities and fund balance	$ -	$ -	$ 80,752	$ 233,336	$ -	$ 13,216	$ 297	$ 65,168

SCHEDULE 6
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Spruce Creek 319 Grant Phase II	ASA Applicant Code	Town Pier Repair	York Hospital Scholarship	Concert in the Park	Open Space	Conservation Committee	Wetland Mitigation
ASSETS:								
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Interfund receivable	-	21,197	-	9,103	2,747	84,047	988	7,400
Inventory	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total assets	$ -	$ 21,197	$ -	$ 9,103	$ 2,747	$ 84,047	$ 988	$ 7,400
LIABILITIES:								
Accounts payable	$ -	$ 1,414	$ -	$ -	$ -	$ -	$ -	$ -
Interfund payable	3,910	-	174,466	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	3,910	1,414	174,466	-	-	-	-	-
FUND BALANCES (DEFICITS):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	9,103	-	-	-	-
Committed	-	-	-	-	2,747	84,047	988	7,400
Assigned	-	19,783	-	-	-	-	-	-
Unassigned	(3,910)	-	(174,466)	-	-	-	-	-
Total fund balances	(3,910)	19,783	(174,466)	9,103	2,747	84,047	988	7,400
Total liabilities and fund balance	$ -	$ 21,197	$ -	$ 9,103	$ 2,747	$ 84,047	$ 988	$ 7,400

SCHEDULE 6
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Property Revaluation	Defibrillators	Block Party	Harbor Pier Planning Grant	Other School Grants	Tree Planting Grant	D.A.R.E.	Wave Mitigation	Total
ASSETS:									
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 131	$ -	$ -	$ -	$ 131
Accounts receivable	-	-	-	-	36,523	-	-	-	58,195
Due from other governments	-	-	-	-	270,152	-	-	-	270,152
Interfund receivable	5,847	690	24,732	1,928	287,563	-	216	-	1,312,635
Inventory	-	-	-	-	7,853	-	-	-	7,853
Prepaid items	-	-	-	-	625	-	-	-	625
Total assets	$ 5,847	$ 690	$ 24,732	$ 1,928	$ 602,847	$ -	$ 216	$ -	$ 1,649,591
LIABILITIES:									
Accounts payable	$ -	$ -	$ 2,935	$ -	$ 15,578	$ -	$ -	$ 3,000	$ 29,552
Interfund payable	-	-	-	-	275,282	-	-	-	474,984
Deferred revenue	-	-	-	-	9,541	-	-	-	9,541
Total liabilities	-	-	2,935	-	300,401	-	-	3,000	514,077
FUND BALANCES (DEFICITS):									
Nonspendable	-	-	-	-	8,478	-	-	-	8,478
Restricted	-	-	-	-	61,743	-	-	-	179,654
Committed	5,847	-	21,797	-	121,549	-	-	-	939,524
Assigned	-	690	-	1,928	114,933	-	216	(3,000)	216,530
Unassigned	-	-	-	-	(4,257)	-	-	-	(208,672)
Total fund balances	5,847	690	21,797	1,928	302,446	-	216	(3,000)	1,135,514
Total liabilities and fund balance	$ 5,847	$ 690	$ 24,732	$ 1,928	$ 602,847	$ -	$ 216	$ -	$ 1,649,591

SCHEDULE 7

TOWN OF KITTERY, MAINE

Nonmajor Special Revenue Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police/Fire Rescue	Storm Damage/ FEMA	Fire Hazmat Spill Cleanup	Munis Loan	Oil & More	Special Events
REVENUES:								
Intergovernmental	$ -	$ -	$ -	$ 10,862	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-	-	-	-	-
Other income	27,120	1,693	-	-	2,823	-	62,490	500
Total revenues	27,120	1,693	-	10,862	2,823	-	62,490	500
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	18,497	34,533	-
Public safety	-	-	-	-	1,503	-	-	-
Public works	-	-	-	-	-	-	-	362
Culture and recreation	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	1,503	18,497	34,533	362
Excess (deficiency) of revenues over (under) expenditures	27,120	1,693	-	10,862	1,320	(18,497)	27,957	138
Other financing sources (uses):								
Transfers in	-	-	-	-	-	37,110	-	-
Transfers out	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-
Premium on debt proceeds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	37,110	-	-
Net change in fund balances	27,120	1,693	-	10,862	1,320	18,613	27,957	138
Fund balances (deficits), beginning, as restated (see Note 17)	312,712	63,709	1,032	28,774	1,652	(18,613)	17,189	793
Fund balances, ending	$ 339,832	$ 65,402	$ 1,032	$ 39,636	$ 2,972	$ -	$ 45,146	$ 931

SCHEDULE 7

TOWN OF KITTERY, MAINE

Nonmajor Special Revenue Funds (Continued)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Spruce Creek 319 PH 3 Grant	Shore and Harbor Master Plan	Compensated Absences	Channel 22	Self Insurance Claim	Ballot Counting Machines	Legal Ads	Tax Increment Financing
REVENUES:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-	-	-	-	-
Other income	22,272	10,000	-	84,011	547	-	-	11,790
Total revenues	22,272	10,000	-	84,011	547	-	-	11,790
EXPENDITURES:								
Current:								
General government	-	-	-	14,953	547	2,356	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	13,642	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	43,880	-	-	-	-	-	-	-
Total expenditures	43,880	13,642	-	14,953	547	2,356	-	-
Excess (deficiency) of revenues over (under) expenditures	(21,608)	(3,642)	-	69,058	-	(2,356)	-	11,790
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-
Premium on debt proceeds	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	(21,608)	(3,642)	-	69,058	-	(2,356)	-	11,790
Fund balances (deficits), beginning, as restated (see Note 17)	(4,431)	3,642	80,752	162,495	-	15,572	297	53,378
Fund balances, ending	$ (26,039)	$ -	$ 80,752	$ 231,553	$ -	$ 13,216	$ 297	$ 65,168

SCHEDULE 7
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Spruce Creek 319 Grant Phase II	ASA Applicant Code	Town Pier Repair	York Hospital Scholarship	Concert in the Park	Open Space	Conservation Committee	Wetland Mitigation
REVENUES:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-	-	-	-	-
Other income	-	42,042	35,646	18,500	2,400	-	3,852	-
Total revenues	-	42,042	35,646	18,500	2,400	-	3,852	-
EXPENDITURES:								
Current:								
General government	-	33,570	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	9,770	1,760	-	252,544	-
Total expenditures	-	33,570	-	9,770	1,760	-	252,544	-
Excess (deficiency) of revenues over (under) expenditures	-	8,472	35,646	8,730	640	-	(248,692)	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	38,000	-	-
Transfers out	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	150,000	-
Premium on debt proceeds	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	38,000	150,000	-
Net change in fund balances	-	8,472	35,646	8,730	640	38,000	(98,692)	-
Fund balances (deficits), beginning, as restated (see Note 17)	(3,910)	11,311	(210,112)	373	2,107	46,047	99,680	7,400
Fund balances, ending	$ (3,910)	$ 19,783	$ (174,466)	$ 9,103	$ 2,747	$ 84,047	$ 988	$ 7,400

SCHEDULE 7

TOWN OF KITTERY, MAINE

Nonmajor Special Revenue Funds (Continued)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Property Revaluation	Defibrillators	Block Party	Harbor Pier Planning Grant	Other School Grants	Tree Planting Grant	D.A.R.E.	Wave Mitigation	Total
REVENUES:									
Intergovernmental	$ -	$ -	$ -	$ -	$ 726,405	$ -	$ -	$ -	$ 737,267
Charges for services	-	-	-	-	367,751	-	-	-	367,751
Other income	-	-	37,764	1,928	236,936	10,450	216	-	612,980
Total revenues	-	-	37,764	1,928	1,331,092	10,450	216	-	1,717,998
EXPENDITURES:									
Current:									
General government	65,897	-	34,639	-	-	-	-	-	204,992
Public safety	-	-	-	-	-	-	-	-	1,503
Public works	-	-	-	-	-	10,450	-	3,000	13,812
Culture and recreation	-	-	-	-	-	-	-	-	13,642
Education	-	-	-	-	1,316,184	-	-	-	1,316,184
Capital outlay	-	-	-	-	-	-	-	-	307,954
Total expenditures	65,897	-	34,639	-	1,316,184	10,450	-	3,000	1,858,087
Excess (deficiency) of revenues over (under) expenditures	(65,897)	-	3,125	1,928	14,908	-	216	(3,000)	(140,089)
Other financing sources (uses):									
Transfers in	-	-	-	-	102,439	-	-	-	177,549
Transfers out	-	-	-	-	(38,439)	-	-	-	(38,439)
Debt proceeds	-	-	-	-	-	-	-	-	150,000
Premium on debt proceeds	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	64,000	-	-	-	289,110
Net change in fund balances	(65,897)	-	3,125	1,928	78,908	-	216	(3,000)	149,021
Fund balances (deficits), beginning, as restated (see Note 17)	71,744	690	18,672	-	223,538	-	-	-	986,493
Fund balances, ending	$ 5,847	$ 690	$ 21,797	$ 1,928	$ 302,446	$ -	$ 216	$ (3,000)	$ 1,135,514

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2014

	Capital Improvement	State Aid to Roads	Drainage Projects	Road Construction	Sidewalk Program	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Recreational Vehicle
ASSETS:								
Accounts receivable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interfund receivable	6,397	699,987	61,313	7,534	6,131	7,649	130,810	-
Total assets	$ 6,397	$ 699,987	$ 61,313	$ 7,534	$ 6,131	$ 7,649	$ 130,810	$ -
LIABILITIES:								
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental payable	-	14,788	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-
Total liabilities	-	14,788	-	-	-	-	-	-
FUND BALANCES (DEFICITS):								
Restricted	-	685,199	-	-	-	-	-	-
Committed	6,397	-	61,313	7,534	6,131	7,649	130,810	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	6,397	685,199	61,313	7,534	6,131	7,649	130,810	-
Total liabilities and fund balance	$ 6,397	$ 699,987	$ 61,313	$ 7,534	$ 6,131	$ 7,649	$ 130,810	$ -

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Highway Vehicle	Fire Department Vehicle	Fort Foster Management	Parks Department Vehicle	Kittery Community Center	Storm Drain Mapping	Port Authority Boat	Computer
ASSETS:								
Accounts receivable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interfund receivable	201,524	100,340	-	56,738	16,398	48,441	14,185	14,698
Total assets	$ 201,524	$ 100,340	$ -	$ 56,738	$ 16,398	$ 48,441	$ 14,185	$ 14,698
LIABILITIES:								
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,207	$ -
Intergovernmental payable	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	1,207	-
FUND BALANCES (DEFICITS):								
Restricted	-	-	-	-	-	-	-	-
Committed	201,524	100,340	-	56,738	16,398	48,441	12,978	14,698
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	201,524	100,340	-	56,738	16,398	48,441	12,978	14,698
Total liabilities and fund balance	$ 201,524	$ 100,340	$ -	$ 56,738	$ 16,398	$ 48,441	$ 14,185	$ 14,698

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Police Vehicle Equipment	Police Drug Forfeiture	Solid Waste Equipment	Public Safety	Fire Fighter Protective Clothing	Traffic Light Route 236	Crockett Neck Road Culvert	Boat Infrastructure Grant
ASSETS:								
Accounts receivable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interfund receivable	26,869	10,012	298,648	50,692	978	-	25,195	-
Total assets	$ 26,869	$ 10,012	$ 298,648	$ 50,692	$ 978	$ -	$ 25,195	$ -
LIABILITIES:								
Accounts payable	$ -	$ 3,321	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental payable	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	105,365	-	145,184
Total liabilities	-	3,321	-	-	-	105,365	-	145,184
FUND BALANCES (DEFICITS):								
Restricted	-	-	-	-	-	-	-	-
Committed	26,869	6,691	298,648	50,692	978	-	25,195	(145,184)
Unassigned	-	-	-	-	-	(105,365)	-	-
Total fund balances	26,869	6,691	298,648	50,692	978	(105,365)	25,195	(145,184)
Total liabilities and fund balance	$ 26,869	$ 10,012	$ 298,648	$ 50,692	$ 978	$ -	$ 25,195	$ -

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Buildings and Grounds	Pepperrell Cove Utilities	Fort Foster Bench	Sewer Vehicle Reserve	Sewer Depreciation	Records Preservation	Pepperell Butterworth	Fire Department SCBA's
ASSETS:								
Accounts receivable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interfund receivable	11,259	8,505	12,933	84,438	512,231	1,912	-	-
Total assets	$ 11,259	$ 8,505	$ 12,933	$ 84,438	$ 512,231	$ 1,912	$ -	$ -
LIABILITIES:								
Accounts payable	$ -	$ -	$ -	$ -	$ 1,633	$ -	$ -	$ 79,605
Intergovernmental payable	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	14,754	8,402
Total liabilities	-	-	-	-	1,633	-	14,754	88,007
FUND BALANCES (DEFICITS):								
Restricted	-	-	-	-	-	-	-	-
Committed	11,259	8,505	12,933	84,438	510,598	1,912	-	-
Unassigned	-	-	-	-	-	-	(14,754)	(88,007)
Total fund balances	11,259	8,505	12,933	84,438	510,598	1,912	(14,754)	(88,007)
Total liabilities and fund balance	$ 11,259	$ 8,505	$ 12,933	$ 84,438	$ 512,231	$ 1,912	$ -	$ -

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Highway Equipment Reserve	Fort Foster Pier	Recreation Equipment	Office Furniture	Municipal Roof Replacement	Public Safety Base Station	Kittery Community Center 5 Year Plan	Kittery Port Authority Float and Ramp Program
ASSETS:								
Accounts receivable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interfund receivable	15,914	25,000	1,841	-	60,538	45,319	25,000	20,000
Total assets	$ 15,914	$ 25,000	$ 1,841	$ -	$ 60,538	$ 45,319	$ 25,000	$ 20,000
LIABILITIES:								
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental payable	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	3,463	-	-	-	-
Total liabilities	-	-	-	3,463	-	-	-	-
FUND BALANCES (DEFICITS):								
Restricted	-	-	-	-	-	-	-	-
Committed	15,914	25,000	1,841	-	60,538	45,319	25,000	20,000
Unassigned	-	-	-	(3,463)	-	-	-	-
Total fund balances	15,914	25,000	1,841	(3,463)	60,538	45,319	25,000	20,000
Total liabilities and fund balance	$ 15,914	$ 25,000	$ 1,841	$ -	$ 60,538	$ 45,319	$ 25,000	$ 20,000

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Pepperrell Cove Wharf	Port Authority Equipment	School Capital Project Funds	Total
ASSETS:				
Accounts receivable	$ -	$ -	$ 451	$ 451
Interfund receivable	-	14,815	268,204	2,892,448
Total assets	$ -	$ 14,815	268,655.00	$ 2,892,899
LIABILITIES:				
Accounts payable	$ -	$ -	$ -	$ 85,766
Intergovernmental payable	-	-	-	14,788
Interfund payable	-	-	-	277,168
Total liabilities	-	-	-	377,722
FUND BALANCES (DEFICITS):				
Restricted	-	-	23,923	709,122
Committed	-	14,815	244,732	2,017,644
Unassigned	-	-	-	(211,589)
Total fund balances	-	14,815	268,655	2,515,177
Total liabilities and fund balance	$ -	$ 14,815	$ 268,655	$ 2,892,899

SCHEDULE 9

TOWN OF KITTERY, MAINE

Nonmajor Capital Projects Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Capital Improvement	State Aid to Roads	Drainage Projects	Road Construction	Sidewalk Program	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Recreational Vehicle
REVENUES:								
Intergovernmental	$ -	$ 164,972	$ -	$ -	$ -	$ -	$ -	$ -
Other income	-	-	-	-	-	-	-	-
Total revenues	-	164,972	-	-	-	-	-	-
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	92,896	36,701	-	13,023	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	3,500	-	-	-	-	-	-	-
Total expenditures	3,500	92,896	36,701	-	13,023	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(3,500)	72,076	(36,701)	-	(13,023)	-	-	-
Other financing sources (uses):								
Transfers in	-	-	67,500	-	-	-	46,827	3,000
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	67,500	-	-	-	46,827	3,000
Net change in fund balances	(3,500)	72,076	30,799	-	(13,023)	-	46,827	3,000
Fund balances (deficits), beginning, as restated (see Note 17)	9,897	613,123	30,514	7,534	19,154	7,649	83,983	(3,000)
Fund balances, ending	$ 6,397	$ 685,199	$ 61,313	$ 7,534	$ 6,131	$ 7,649	$ 130,810	$ -

SCHEDULE 9

TOWN OF KITTERY, MAINE

Nonmajor Capital Projects Funds (Continued)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Highway Vehicle	Fire Department Vehicle	Fort Foster Management	Parks Department Vehicle	Kittery Community Center	Storm Drain Mapping	Port Authority Boat	Computer
REVENUES:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other income	-	7,290	-	-	20,850	-	-	-
Total revenues	-	7,290	-	-	20,850	-	-	-
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	-	23,124
Public safety	-	-	-	-	-	-	-	-
Public works	58,448	-	-	-	-	3,094	-	-
Culture and recreation	-	-	-	12,085	4,271	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	23,707	-
Total expenditures	58,448	-	-	12,085	4,271	3,094	23,707	23,124
Excess (deficiency) of revenues over (under) expenditures	(58,448)	7,290	-	(12,085)	16,579	(3,094)	(23,707)	(23,124)
Other financing sources (uses):								
Transfers in	109,991	100,000	-	12,983	-	30,000	20,000	-
Transfers out	-	(45,594)	-	-	-	-	-	-
Total other financing sources (uses)	109,991	54,406	-	12,983	-	30,000	20,000	-
Net change in fund balances	51,543	61,696	-	898	16,579	26,906	(3,707)	(23,124)
Fund balances (deficits), beginning, as restated (see Note 17)	149,981	38,644	-	55,840	(181)	21,535	16,685	37,822
Fund balances, ending	$ 201,524	$ 100,340	$ -	$ 56,738	$ 16,398	$ 48,441	$ 12,978	$ 14,698

SCHEDULE 9

TOWN OF KITTERY, MAINE

Nonmajor Capital Projects Funds (Continued)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Police Vehicle Equipment	Police Drug Forfeiture	Solid Waste Equipment	Public Safety	Fire Fighter Protective Clothing	Traffic Light Route 236	Crockett Neck Road Culvert	Boat Infrastructure Grant
REVENUES:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other income	-	-	-	8,974	-	-	-	17,307
Total revenues	-	-	-	8,974	-	-	-	17,307
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	31,255	12,097	-	-	16,098	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	230.080
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	31,255	12,097	-	-	16,098	-	-	230,080
Excess (deficiency) of revenues over (under) expenditures	(31,255)	(12,097)	-	8,974	(16,098)	-	-	(212,773)
Other financing sources (uses):								
Transfers in	43,000	-	247,173	3,103	16,225	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	43,000	-	247,173	3,103	16,225	-	-	-
Net change in fund balances	11,745	(12,097)	247,173	12,077	127	-	-	(212,773)
Fund balances (deficits), beginning, as restated (see Note 17)	15,124	18,788	51,475	38,615	851	(105,365)	25,195	67,589
Fund balances, ending	$ 26,869	$ 6,691	$ 298,648	$ 50,692	$ 978	$ (105,365)	$ 25,195	$ (145,184)

SCHEDULE 9

TOWN OF KITTERY, MAINE

Nonmajor Capital Projects Funds (Continued)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Buildings and Grounds	Pepperrell Cove Utilities	Fort Foster Bench	Sewer Vehicle Reserve	Sewer Depreciation	Records Preservation	Pepperell Butterworth	Fire Department SCBA's
REVENUES:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other income	2,668	-	900	27,500	96	-	-	-
Total revenues	2,668	-	900	27,500	96	-	-	-
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	29,962	-
Public safety	-	-	-	-	-	10,436	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	11,585	-	603	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	35,813	-	-	199,385	-	-	-
Total expenditures	11,585	35,813	603	-	199,385	10,436	29,962	-
Excess (deficiency) of revenues over (under) expenditures	(8,917)	(35,813)	297	27,500	(199,289)	(10,436)	(29,962)	-
Other financing sources (uses):								
Transfers in	15,000	48,185	-	-	-	10,000	-	30,000
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	15,000	48,185	-	-	-	10,000	-	30,000
Net change in fund balances	6,083	12,372	297	27,500	(199,289)	(436)	(29,962)	30,000
Fund balances (deficits), beginning, as restated (see Note 17)	5,176	(3,867)	12,636	56,938	709,887	2,348	15,208	(118,007)
Fund balances, ending	$ 11,259	$ 8,505	$ 12,933	$ 84,438	$ 510,598	$ 1,912	$ (14,754)	$ (88,007)

SCHEDULE 9

TOWN OF KITTERY, MAINE

Nonmajor Capital Projects Funds (Continued)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Highway Equipment Reserve	Fort Foster Pier	Recreation Equipment	Office Furniture	Municipal Roof Replacement	Public Safety Base Station	Kittery Community Center 5 Year Plan	Kittery Port Authority Float and Ramp Program
REVENUES:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other income	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-	-	-
EXPENDITURES:								
Current:								
General government	-	-	-	3,463	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	3,159	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	3,159	3,463	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	(3,159)	(3,463)	-	-	-	-
Other financing sources (uses):								
Transfers in	15,914	25,000	5,000	-	60,538	45,319	25,000	20,000
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	15,914	25,000	5,000	-	60,538	45,319	25,000	20,000
Net change in fund balances	15,914	25,000	1,841	(3,463)	60,538	45,319	25,000	20,000
Fund balances (deficits), beginning, as restated (see Note 17)	-	-	-	-	-	-	-	-
Fund balances, ending	$ 15,914	$ 25,000	$ 1,841	$ (3,463)	$ 60,538	$ 45,319	$ 25,000	$ 20,000

SCHEDULE 9

TOWN OF KITTERY, MAINE

Nonmajor Capital Projects Funds (Continued)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Pepperrell Cove Wharf	Port Authority Equipment	School Capital Project Funds	Total
REVENUES:				
Intergovernmental	$ -	$ -	$ -	$ 164,972
Other income	-	-	-	85,585
Total revenues	-	-	-	250,557
EXPENDITURES:				
Current:				
General government	-	-	-	56,549
Public safety	-	-	-	69,886
Public works	-	-	-	204,162
Culture and recreation	-	-	-	261,783
Education	-	-	143,067	143,067
Capital outlay	-	-	-	262,405
Total expenditures	-	-	143,067	997,852
Excess (deficiency) of revenues over (under) expenditures	-	-	(143,067)	(747,295)
Other financing sources (uses):				
Transfers in	14,000	35,000	334,075	1,382,833
Transfers out	(14,000)	(20,185)	-	(79,779)
Total other financing sources (uses)	-	14,815	334,075	1,303,054
Net change in fund balances	-	14,815	191,008	555,759
Fund balances (deficits), beginning, as restated (see Note 17)	-	-	77,647	1,959,418
Fund balances, ending	$ -	$ 14,815	$ 268,655	$ 2,515,177

SCHEDULE 10
TOWN OF KITTERY, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2014

	Cemetery	Public Health Trust	Mary Safford Wildes Trust	Lester Rayner Fund	Recycling Scholarship	Connie Samuels Beautification	Total
ASSETS:							
Cash and cash equivalents	$ -	$ -	$ 39,230	$ -	$ -	$ -	$ 39,230
Investments	-	-	698,470	-	-	-	698,470
Interfund receivable	66,002	27,275	-	9,154	15,142	58,484	176,057
Total assets	$ 66,002	$ 27,275	$ 737,700	$ 9,154	$ 15,142	$ 58,484	$ 913,757
LIABILITIES:							
Accounts payable	$ 2,550	$ -	$ -	$ -	$ -	$ -	$ 2,550
Interfund payable	-	-	18,750	-	-	-	18,750
Total liabilities	2,550	-	18,750	-	-	-	21,300
FUND BALANCES:							
Restricted	-	-	718,950	9,154	-	-	728,104
Committed	63,452	27,275	-	-	15,142	58,484	164,353
Total fund balances	63,452	27,275	718,950	9,154	15,142	58,484	892,457
Total liabilities and fund balance	$ 66,002	$ 27,275	$ 737,700	$ 9,154	$ 15,142	$ 58,484	$ 913,757

SCHEDULE 11

TOWN OF KITTERY, MAINE

Nonmajor Permanent Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	Cemetery	Public Health Trust	Mary Safford Wildes Trust	Lester Rayner Fund	Recycling Scholarship	Connie Samuels Beautification	Total
REVENUES:							
Other income	$ 500	$ -	$ 36,755	$ 145	$ 14,791	$ 928	$ 53,119
EXPENDITURES:							
Current:							
General government	18,500	-	6,194	-	-	-	24,694
Capital outlay	-	-	-	-	13,750	-	13,750
Total expenditures	18,500	-	6,194	-	13,750	-	38,444
Excess (deficiency) of revenues over (under) expenditures	(18,000)	-	30,561	145	1,041	928	14,675
Other financing sources (uses):							
Transfers out	-	-	(31,250)	-	-	-	(31,250)
Net change in fund balances	(18,000)	-	(689)	145	1,041	928	(16,575)
Fund balances, beginning, as restated (see Note 17)	81,452	27,275	719,639	9,009	14,101	57,556	909,032
Fund balances, ending	$ 63,452	$ 27,275	$ 718,950	$ 9,154	$ 15,142	$ 58,484	$ 892,457

SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS

PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

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

To the Members of the Town Council
Town of Kittery
Kittery, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *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 aggregate remaining fund information of the Town of Kittery, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Kittery's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Kittery'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 Kittery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Kittery'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 combination or deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kittery's financial statements are free of 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.

Sheryl A. Platt, CPA

December 18, 2014

PLODZIK & SANDERSON
Professional Association

PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of the Town Council
Town of Kittery
Kittery, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Kittery's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Kittery's major federal programs for the year ended June 30, 2014. The Town of Kittery's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Kittery's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kittery's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Kittery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town of Kittery is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Kittery's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kittery's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sheryl A. Piatt, CPA

December 18, 2014

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF KITTERY, MAINE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes __X__ no
- Significant deficiency(ies) identified? ____ yes __X__ none reported

Noncompliance material to financial statements noted? ____ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes __X__ no
- Significant deficiency(ies) identified? ____ yes __X__ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ____ yes __X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
12.558	Department of Defense Impact Aid (Supplement, CWSD, BRAC)
84.027 and 84.173	Special Education Cluster
84.041	Impact Aid

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ____ yes __X__ no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF KITTERY, MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of Maine Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	N/A	$ 39,950
National School Lunch Program *(note 3)*	10.555	N/A	190,283
CLUSTER TOTAL			230,233
U.S. DEPARTMENT OF COMMERCE			
Passed Through the State of Maine ConnectME Authority			
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557	23-50-M09062	1,000
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the State of Maine Department of Environmental Protection			
Nonpoint Source Implementation Grants	66.460	2013RT06	22,272
U.S. DEPARTMENT OF EDUCATION			
Passed Through the State of Maine Department of Education			
Title I Grants to Local Educational Agencies:			
Title I	84.010	N/A	131,044
Title I CIPS	84.010	N/A	12,752
PROGRAM TOTAL			143,796
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States	84.027	N/A	246,199
Special Education - Preschool Grants	84.173	N/A	3,490
CLUSTER TOTAL			249,689
Improving Teacher Quality State Grants	84.367	N/A	43,193
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State of Maine Department of Defense, Veterans and Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4108-DR-ME	10,862
DIRECT FUNDING			
U.S. DEPARTMENT OF DEFENSE			
Department of Defense Impact Aid (Supplement, CWSD, BRAC)	12.558	N/A	67,914
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041	N/A	151,025
Total Expenditures of Federal Awards			$ 919,984

The accompanying notes are an integral part of this schedule.

TOWN OF KITTERY, MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the Town of Kittery under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Kittery it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Kittery.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities on the date received.

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MAINE STATE STATUTE REQUIREMENTS

December 15, 2014

Town of Kittery
200 Rogers Road
Kittery, ME 03904

To the Management of the Town of Kittery School Department:

We have audited the financial statement audit of the Town of Kittery School Department as of and for the year ended June 30, 2014, and have issued our report thereon dated December 15, 2014.

The management of the Town of Kittery School Department is responsible for the School Department's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the School Department's compliance with laws, regulations, noncompliance with which could have a material effect on the financial statements of the Town of Kittery School Department.

Title 20-A Sec 6051 requires certain written assurances with respect to school audits. Our audit of compliance with laws and regulations consisted of, at a minimum, the following:

1. A determination of whether or not the School Department has complied with budget content requirements pursuant to section 15693.
2. A determination of whether or not the School Department has complied with transfer limitations between budget cost centers pursuant to section 1485.
3. A determination of whether or not the School Department has exceeded its authority to expend funds.
4. A determination of whether or not the annual financial data submitted to the School Department is correct.
5. A determination of whether or not the School Department was in compliance with applicable provisions of the Essential Programs and Services Funding Act.

The results of our tests indicate that, for the items tested, the Town of Kittery School Department complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, the Town of Kittery School Department was not in compliance with Maine Laws and regulations.

Sincerely,

Plodzik & Sanderson

PLODZIK & SANDERSON
Professional Association

KITTERY SCHOOL DEPARTMENT

Reconciliation of MEDMS Annual Report to Financial Statements

For the Fiscal Year Ended June 30, 2014

	General Fund 1000	Special Revenue Funds 2000	Capital Project Funds 3000/4000	Proprietary Funds 6000	Private Purpose Trust Funds 8000	Other	Total
June 30, 2014 Balance per MEDMS Financial System	$ 826,227	$ 1,275,136	$ 268,655	$ 34,314	$ -	$ 14,393	$ 2,418,725
Revenue Adjustments - Increase (Decrease):							
Reverse use of fund balance posting	(365,000)	-	-	-	-	-	(365,000)
Other audit adjustments	-	4,048	-	-	-	-	4,048
State of Maine On-Behalf Payments	1,290,811	-	-	-	-	-	1,290,811
Expenditure Adjustments - (Increase) Decrease:							
Record credit memos receivable	546	-	-	-	-	-	546
Other audit adjustments	-	(24,985)	-	-	-	-	(24,985)
State of Maine On-Behalf Payments	(1,290,811)	-	-	-	-	-	(1,290,811)
Other Adjustments:							
Entries posted directly to fund balance	615,000	21,551	-	-	-	-	636,551
Reserves blended into general fund for GASB #54 reporting:							
Special Education Reserve - Fund 2910	451,700	(451,700)	-	-	-	-	-
School Maintenance Reserve - Fund 2920	486,479	(486,479)	-	-	-	-	-
Technology Reserve - Fund 2940	10,000	(10,000)	-	-	-	-	-
Unfunded Liabilities Reserve - Fund 2990	99,349	(99,349)	-	-	-	-	-
Extra-curricular Reserves - Fund 2008	15,000	(15,000)	-	-	-	-	-
Ending fund balances not reported on MEDMS:							
Mitchell Fund - Fund 9010	-	4,824	-	-	-	-	4,824
Shapleigh Fund - Fund 9020	-	18,853	-	-	-	-	18,853
Traip Fund - Fund 9030	-	16,777	-	-	-	-	16,777
Central Office Fund - Fund 9040	-	63	-	-	-	-	63
Food Service - Fund 6000, reported as a special revenue fund	-	34,314	-	(34,314)	-	-	-
Reported as special revenue funds - Funds 0950, 1500 and 6010	-	14,393	-	-	-	(14,393)	-
Funds not recorded in general ledger or reported in MEDMS	-	-	-	-	382,492	-	382,492
Audited GAAP Basis Fund Balance	$ 2,139,301	$ 302,446	$ 268,655	$ -	$ 382,492	$ -	$ 3,092,894

APPENDIX B

PROPOSED FORM
OF
LEGAL OPINION

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DrummondWoodsum
ATTORNEYS AT LAW 1965-2015
YEARS OF SERVICE TO OUR CLIENTS AND COMMUNITIES

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Upon delivery of the Town of Kittery, Maine, $3,079,000 2015 General Obligation Bonds, Bond Counsel to the Town of Kittery proposes to issue its approving opinion in substantially the following form:

September 15, 2015

Town of Kittery
200 Rogers Road
Kittery, Maine 03904-1478

RE: Town of Kittery, Maine
$3,079,000 2015 General Obligation Refunding Bonds
Dated September 15, 2015

Ladies and Gentlemen:

We have acted as Bond Counsel for the Town of Kittery, Maine (the "Town"), in connection with the issue and sale of the above-described bonds (the "Bonds"). In such capacity, we have examined the applicable law, including the Charter of the Town and section 5772 of Title 20-A of the Maine Revised Statutes, as amended, as well as a record of proceedings submitted to us by the Town in connection with the issuance and sale of the Bonds, including certified copies of a Ordinance adopted by the Town Council on April 13, 2015 (the "Bond Authorization").

The Bonds are dated as of September 15, 2015, bear interest from their date payable semi-annually each year commencing May 1, 2016, until maturity, and have been issued in the following denominations and principal amounts to mature as of November 1 of each year as reflected hereinbelow:

Year of Maturity	Principal Amount[1]	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2016	$319,000	___%	2021	$305,000	___%
2017	$310,000	___%	2022	$305,000	___%
2018	$310,000	___%	2023	$305,000	___%
2019	$310,000	___%	2024	$305,000	___%
2020	$305,000	___%	2025	$305,000	___%

The Bonds are not subject to redemption prior to their stated dates of maturity.

[1] Preliminary, subject to change as to final issue amount or annual principal amounts.

Each of the Bonds should be signed by the Town Treasurer, countersigned by the Chairperson of the Town Council, and attested to by the Town Clerk and should bear the signed certificate of the authenticating agent identified thereon. The Bonds are issued by means of a book-entry system evidencing ownership and transfer of Bonds on the records of The Depository Trust Company and its participants.

In expressing the opinions set forth in paragraphs 3 and 5 below, we have examined and relied upon the Arbitrage and Use of Proceeds Certificate and the Certificate Regarding Qualified and Designated Status (collectively the "Tax Certificates") all delivered concurrently with the Bonds, which contain representations, certifications, warranties, provisions, and procedures regarding compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Town, in executing the Tax Certificates, has certified to the effect that the information therein is true and accurate and that the Town will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to ensure that interest paid on the Bonds shall be excludable from the gross income of the owners thereof for federal income tax purposes. In rendering the opinions set forth in paragraphs 3 and 5 below, we have relied upon the representations of the Town set forth in the Tax Certificates, and we have assumed that the Town will comply with the representations, certifications, warranties, provisions and procedures set forth in the Tax Certificates.

We note that the Code establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

We also note that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

With reference to the Bonds, we are further of the opinion that under existing law:

1. The Bonds, executed as above described and subject to due authentication, have been duly authorized and are valid and binding general obligations of the Town, enforceable in accordance with their terms.

2. Unless paid from other sources, the Bonds are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural

requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes are met, in which case such ad valorem taxes may be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it, except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality; and except to the extent that the Town establishes or has established development districts as either tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapter 206 and former (now repealed) Chapter 207 of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds.

3. Based on existing statutes, regulations and court decisions, interest on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax imposed upon corporations and will be taken into account for purposes of the foreign branch profits tax.

4. Interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals under existing statutes, regulations, and court decisions.

5. The Bonds will constitute "qualified tax-exempt obligations" under Section 265(b) of the Code.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the Town, including the Bonds, may be limited by bankruptcy, moratorium or insolvency or other laws affecting the rights and remedies of creditors generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have not examined and assume no responsibility for the financial condition of the Town and nothing set forth herein shall be construed as an assurance as to the Town's financial condition or ability to make payment on the Bonds.

The opinions rendered herein are given as of the date hereof and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

_____

Drummond Woodsum & MacMahon

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APPENDIX C

PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE

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TOWN OF KITTERY, MAINE
PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE

In connection with the issuance by the Town of Kittery, Maine (the "Issuer") of its $_____,000 2015 General Obligation Bonds, dated as of _____ (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated _____ relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto ("MSRB"): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2016, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner not in excess of ten (10) business days after the occurrence of an event listed in this Section 2 to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

    a. Principal and interest payment delinquencies;
    b. Non-payment related defaults, if material;
    c. Unscheduled draws on debt service reserves reflecting financial difficulties;
    d. Unscheduled draws on credit enhancements reflecting financial difficulties;
    e. Substitution of credit or liquidity providers, or their failure to perform;
    f. Adverse tax opinions, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or events affecting the tax-exempt status of the Bonds;
    g. Modifications to the rights of securities holders, if material;
    h. Bond calls, if material, and tender offers;
    i. Defeasances;
    j. The release, substitution, or sale of property securing repayment of the Bonds;
    k. Rating changes;
    l. Bankruptcy, insolvency, receivership or similar event of the Issuer; (Note: For the purposes of the event identified in paragraph l, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.)

m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer from time to time may choose to provide notice of the occurrence of any other events, in addition to those listed above, but the Issuer does not undertake to provide any such notice of the occurrence of any event except those listed above.

3. The Issuer will provide~~,~~ in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.

4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.

5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.

6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: *http://emma.msrb.org/submission* or such other location or address as the MSRB shall require.

7. Except as disclosed in its Official Statement dated August __, 2015, the Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure in connection with the Rule.

8. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Nancy Colbert Puff, Treasurer, Town of Kittery, 200 Rogers Road, Kittery, ME 03904-0808; Telephone: (207) 439-1633.

TOWN OF KITTERY, MAINE

Dated: _____, 2015

By:_____

Its: Treasurer

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