

**TOWN OF HARPSWELL, MAINE**

**Annual Financial Report**

**For the Year Ended December 31, 2009**



**TOWN OF HARPSWELL, MAINE**  
**Annual Financial Report**  
**For the Year Ended December 31, 2009**

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Certified Public Accountants and Business Consultants

## Independent Auditor's Report

Board of Selectmen  
Town of Harpswell, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Harpswell, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of December 31, 2009, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010 on our consideration of the Town of Harpswell, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Board of Selectmen

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The additional information included in Exhibits A-1 through B-2, and Schedule 1, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Harpswell, Maine. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Raymond Hudson Ouellette".

February 1, 2010  
South Portland, Maine

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis**  
**December 31, 2009**

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As management of the Town of Harpswell, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2009. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

### **Financial Highlights**

- ❖ Total assets of the Town of Harpswell exceed its liabilities by \$12,136,193. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$9,711,147 at December 31, 2009. Capital assets include the Town's infrastructure assets, i.e. roads and dry hydrants.
- ❖ In 2009, the Town purchased 4 emergency vehicles at a cost of \$533,315. The Town entered into long-term lease agreements with each of the three fire and rescue departments for its respective vehicle.
- ❖ The Statement of Activities shows an increase in net assets of \$335,483 for the fiscal year.
- ❖ During 2009, the Town repaid \$538,333 of the principal of its long-term debt as scheduled and paid interest of \$118,782 on its long and short-term borrowings. Additionally, the Town borrowed \$690,000 for the rehabilitation of Ash Point Road (\$650,000) and for the purchase of emergency communication equipment (\$40,000) to be placed on the new communication tower.
- ❖ The ending fund balance for all governmental funds is \$4,161,215.
- ❖ The ending fund balance for the general fund is \$3,761,192, a decrease of \$76,403 from the previous year. Of this balance, \$405,042 is designated for specific purposes or reserved for a long-term note receivable. This leaves an undesignated balance of \$3,356,150, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain an undesignated fund balance of 3 times the average of the previous year's monthly general fund expenditures.
- ❖ In addition to its general funds, the Town has a fund designated for capital projects, which includes an interest-bearing dedicated fund for emergency vehicle purchases (\$276,059) and a fund for road projects (\$101,361). The Town also has a fund for its special revenue activities, which includes recreation programs (\$19,842) and activities funded through grants (\$2,761).

### **Overview of Financial Statements**

The Town of Harpswell's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The *government-wide financial statements* provide a broad overview of the Town of Harpswell's finances, in a manner similar to private-sector business. Financial information is presented in two statements – *statement of net assets* and *statement of activities*.

The *statement of net assets* presents information about the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information about how the Town's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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Both of the government-wide financial statements distinguish functions of the Town of Harpswell that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town of Harpswell include general government, public works (roads, solid waste disposal), protection and safety (law enforcement, fire protection), health and welfare, culture and recreation, debt service and capital planning expenses.

**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 Harpswell, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 Town'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*.

The Town of Harpswell maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The Town of Harpswell adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-16 of this report.

**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 fund financial statements. The notes to the financial statements can be found on pages 19-30 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 33-43 of this report.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Statement of Net Assets Information**

The following information is a condensed version of the Statement of Net Assets.

<b>Town of Harpswell</b>		<b>Net Assets</b>	
		<b>Governmental</b>	
		<b>Activities</b>	
		<u>2009</u>	<u>2008</u>
<b>Assets:</b>			
Current & other assets		\$ 4,549,726	\$ 4,978,598
Capital assets		9,711,147	8,822,492
<b>Total Assets</b>		<u>\$14,260,873</u>	<u>\$13,801,090</u>
<b>Liabilities:</b>			
Long-term debt outstanding		(2,038,334)	(1,886,667)
Other liabilities		(86,346)	(113,713)
<b>Total Liabilities</b>		<u>(2,124,680)</u>	<u>(2,000,380)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of debt		7,720,613	7,091,425
Restricted		380,181	811,606
Unrestricted		4,035,399	3,897,679
<b>Total Net Assets</b>		<u>\$12,136,193</u>	<u>\$11,800,710</u>

The Town's Total Net Assets increased by \$335,483 during 2009.

Asset changes included a decrease in cash balances (\$569,456) as 2008 cash balances were high as a result of the borrowing of \$500,000 for the purchase of emergency vehicles, which purchases were completed in 2009. Taxes receivable, including those for which liens have been placed, increased \$124,042. This increase may be a result of the Town not sending a reminder notice of the due date of the second installment payment, showing that taxpayers may not be accustomed to the 2 installment payment system. In 2008, the Town sent a reminder notice in November regarding the second installment due date, which proved very successful. The Town's Note Receivable from Harpswell Neck Fire & Rescue (HNF&R) decreased by \$25,000 in accordance with its repayment schedule.

Long-term Debt obligations increased during 2009 by \$151,667 as scheduled principal repayments of \$538,333 were offset by two new borrowings in the amounts of \$650,000 and \$40,000 for the rehabilitation of Ash Point Road and emergency communication equipment, respectively.

63.6 % of the Town's Net Assets at December 31, 2009 is represented by its capital assets less any debt outstanding that was used to acquire those assets. Although the Town's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$380,181 of the 2009 Net Assets (3.1%) is restricted for capital projects and grants. This includes \$276,059 for the purchase of emergency services vehicles.

Unrestricted Net Assets includes amounts designated to be expended for certain purposes in subsequent years.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

**Statement of Activities Information**

The following information is a condensed version of the Statement of Activities.

<b>Town of Harpswell</b>		<b>Governmental</b>	
<b>Changes in Net Assets</b>		<b>Activities</b>	
		<u>2009</u>	<u>2008</u>
<b>Revenues:</b>			
Program Revenues			
Charges for services		\$235,827	\$274,462
Operating grants & contributions		105,724	172,649
General Revenues			
Property and excise taxes		11,709,164	11,613,591
Subsidies, grants & entitlements		221,858	234,772
Interest earned		46,804	93,357
Other		308,162	378,211
<b>Total revenues</b>		<b>\$12,627,539</b>	<b>\$12,767,042</b>
		<u>2009</u>	<u>2008</u>
<b>Expenses:</b>			
General government		1,180,774	1,221,385
Public works		990,449	1,059,040
Protection and safety		843,501	818,565
Health and welfare		33,990	29,885
Culture and recreation		280,083	283,939
Education		7,522,773	7,445,553
County taxes		1,086,760	1,031,777
Overlay/abatements		4,136	9,209
Interest on long-term debt		118,782	117,803
Capital and special projects		230,808	174,480
<b>Total expenses</b>		<b>\$12,292,056</b>	<b>\$12,191,636</b>
<b>Increase (decrease) in net assets</b>		<b>\$335,483</b>	<b>\$575,406</b>

**Governmental Activities**

Governmental activities increased the Town's net assets by \$335,483. Total program revenues decreased by \$105,560 (23.6%) on a year to year basis, with decreases occurring in both charges for services and in grants and contributions. In the public works area, there was a decrease in charges for services (\$28,680), despite the increase in fees at the Transfer Station, as a result of the volatility of the market for recyclable materials and a reduction in volumes. There was a decrease in revenues (\$9,955) generated by recreational programs as a result of a late billing cycle for sign fees at Trufant-Summerton Ballfield and a general reduction in program enrollment.

Operating grants and contributions decreased by \$66,925. The Town continued to actively seek grants in 2009 as it did in 2008, however, State budget reductions have significantly impacted many grant resources. The Town did receive in 2009 reimbursement from the Federal Emergency Management Agency for certain supply costs (\$11,125) associated with multiple snow storms in December 2008. Grants received in 2009 included awards for replacement of the Town's vault door (\$5,000) and for infrastructure at Hamilton Place (\$38,000). The Town has been awarded two grants in 2009 that will be expended in 2010: one to hire a consultant to assist with developing zoning and performance standards at Mitchell Field (\$25,000) and another to hire a consultant to assist with the creation of a Harbor Management Plan (\$20,000).

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

Property and excise tax revenues increased by \$95,573 from 2008 as an increase in property tax was offset by a decrease in excise tax collections. While excise taxes declined, the decrease was not as great as anticipated as the Cash for Clunkers Program stimulated demand for new vehicles. Interest earned decreased by \$46,553 as a result of substantially lower rates.

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Please note that the format differs from that of the Statement of Revenues, Expenditures, and Changes in Fund Balance. Expenses for each activity are listed in the left-most column with revenues generated by that particular activity reported to the right. Subtracting one from the other results in a Net (Expense)/Revenue. This format provides information about the relative financial burden on the Town's taxpayers of each activity. It should be noted, however, that while these revenues may be generated by specific activities, the Town does not have dedicated revenue sources, except for recreation programs whose revenues, to the extent they exceed program costs, are retained for future programs. Accordingly, revenues from specific activities are deposited to the Town's general fund, as are all tax payments received. From this fund, the Town makes all its expenditures.

Examples of activities which produce some level of revenue are:

<i>Public works</i>	Transfer Station fees and recycling revenues Local Road Assistance
<i>Health and welfare</i>	General Assistance state reimbursement
<i>Cultural and recreational</i>	Fees for recreation programs
<i>Capital and special projects</i>	Grants for restricted projects

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**Net Cost of Governmental Activities**

The following information is a breakdown of each of the Town's major functional activities.

<b>Function / Program</b>	<b>Town of Harpswell</b>			
	<b>Net Cost of Governmental Activities</b>			
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General government	\$1,180,774	\$1,221,385	\$1,180,774	\$1,221,385
Public works	990,449	1,059,040	753,696	793,607
Protection and safety	843,501	818,565	843,501	818,565
Health and welfare	33,990	29,885	22,298	23,497
Culture and recreation	280,083	283,939	235,709	229,610
Education	7,522,773	7,445,553	7,522,773	7,445,553
County taxes	1,086,760	1,031,777	1,086,760	1,031,777
Overlay/abatement	4,136	9,209	4,136	9,209
Interest on long-term debt	118,782	117,803	118,782	117,803
Capital and special projects	230,808	174,480	182,076	53,519
Total governmental activities	\$12,292,056	\$12,191,636	\$11,950,505	\$11,744,525

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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Total Cost of Services and Net Cost of Services increased from 2008 to 2009 by .82% and 1.75%, respectively.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As of December 31, 2009, the Town's governmental funds balance totaled \$4,161,215.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the Town as a whole is reflected in its governmental funds.

**Governmental funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets and liabilities as fund balances. Reserved amounts reflect that which is not available to be spent while undesignated amounts reflect amounts that are.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's General Fund balance decreased 2% from \$3,837,595 in 2008 to \$3,761,192 in 2009. The decrease of \$76,403 in the 2009 General Fund balance was attributable to (1) an excess of revenues over expenditures of \$41,481, (2) \$690,000 in new borrowing, and (3) the net transfer to other funds of \$807,884 (\$650,000 of which went to the capital road reserve, \$151,421 to the emergency vehicle fund, and \$7,250 to recreation programs; an additional \$787 was transferred to the general fund from restricted grant funds as those purposes had been completed).

The 2009 Town Meeting approved the use of \$285,000 of fund balance to reduce the 2009 tax commitment. Consistent with the Town's policy of maintaining three months of expenses in its year-end General Fund balance, the 2009 year-end level will allow for \$265,000 to be used to reduce the 2010 tax commitment.

**Revenues:** The property tax commitment increased by \$110,156 because total appropriations net of non-property tax revenues were higher. The 2009 mil rate remained constant, however, as a result of having an expanded property tax base and a lower overlay. Despite the increase in the tax commitment, property tax revenues remained flat as slower collections caused deferred tax revenue to increase by \$119,000. Absent the increase in deferred taxes, the fund balance would have been higher.

As a result of general economic difficulties, the Town experienced lower levels of revenue from excise taxes and interest earned in 2009 compared to 2008. Receipts from the State of Maine for revenue sharing, homestead exemptions and other programs also declined. Compared to 2008, revenues from transfer station fees and the sale of recyclable materials decreased by \$28,680, despite disposal fee increases, as prices for certain recyclables dropped significantly. All of these declines were anticipated in the 2009 budget process.

**Unexpended Appropriations.** Notable unexpended appropriation lapsing to the 2009 general fund occurred in the areas of general administration (\$29,838), employee benefits (\$13,376), snow removal (\$31,356), road maintenance (\$17,101), recycling (\$26,195) and shellfish conservation (\$13,200). A portion of the unexpended funds in the planner's budget (\$18,965) were carried over for use in 2010. With respect to general administration, a part-time position was vacant for a considerable period of time. The underspending in the employee benefit area was the result of budgeting for additional employee participation in the Town's retirement plan, which did not occur. The Town entered into a winter road maintenance contract with a new vendor under terms, favorable to the Town, that resulted in the unexpended appropriation. As a result of reduced need for culvert replacements, not all of the road maintenance funds were spent. The costs associated with the recycling center and transfer center were below those budgeted, primarily reflecting lower volumes of material accepted at the transfer station. A change in a Shellfish Conservation Warden, with lower seniority, resulted in unexpended funds.

**Overlay.** Of the \$36,523 raised for overlay, only \$4,136 was used for the purpose of providing abatements. The remaining \$32,387 lapsed to the general fund balance.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

*Contingency.* The use of contingency was limited to one instance in 2009. The appropriation for Health & Welfare was exceeded as requests for general assistance were greater than anticipated, consistent with current economic conditions. The total amount approved by the Selectmen for this purpose was \$2,260.

Harpswell maintains a healthy General Fund balance that is used to fund first quarter expenditures until such time as a tax anticipation note is needed to fund expenditures up to the time when property tax revenue is collected.

The annual Town Meeting, which is held in March of each year, votes on the budget as recommended by the Selectmen.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of 2009, the Town had \$9,711,147 in net investment in capital assets, and outstanding debt of \$2,038,334. Of this outstanding debt, \$47,800 was used for non-capital asset purposes. Of the \$1,990,534 invested in capital assets, \$650,000 was borrowed in 2009 to rehabilitate Ash Point Road and \$40,000 for the purchase of emergency communication equipment. In 2008, \$500,000 was borrowed to fund the purchase of emergency vehicles for the Town's three independent fire and rescue departments. The remainder of the debt was borrowed to acquire, build or renovate land, buildings and equipment at the Town offices, the old Town Meetinghouse and in the earlier years the Town's solid waste facility or to complete major road projects.

**Town of Harpswell**  
**Capital Assets, net of depreciation**

	Capital Assets		Accumulated Depreciation		Capital Assets, net of depreciation	
	2009	2008	2009	2008	2009	2008
	Land	\$2,028,423	\$2,023,023			\$2,028,423
Construction in progress	24,480	52,805			24,480	52,805
Buildings and building improvements	4,058,168	4,029,233	(1,517,103)	(1,392,318)	2,541,065	2,636,915
Equipment and furniture	1,149,608	614,207	(369,323)	(340,569)	780,285	273,638
Infrastructure	6,642,781	6,150,984	(2,305,887)	(2,314,872)	4,336,894	3,836,112
<b>Total capital assets</b>	<b>\$13,903,460</b>	<b>\$12,870,252</b>	<b>\$4,192,313</b>	<b>\$4,047,759</b>	<b>\$9,711,147</b>	<b>\$8,822,493</b>

During 2009, the Town completed a capital road project at a total cost of \$697,401, which was capitalized as infrastructure. Building improvements in 2009 include the cost of installing a new fire-rated door for the Town's vault at the Town Office. The Town reconstructed portions of its wharf at Pott's Point at a cost of \$29,750. Added to equipment in 2009 were four emergency vehicles purchased for use by the Town's three independent fire and rescue departments. Additionally, the Town upgraded its accounting system at a cost of \$30,839. The Town is purchasing emergency communication equipment for placement on the new communication tower and the costs shown in the construction in progress represent what has been completed on this project as of December 31, 2009.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town of Harpswell has weathered the effects of the lingering recession with little change to the levels of service it has customarily provided. While revenue reductions from the State of Maine have put added stress on the local property tax needed to support municipal services, the Town has been able to make budgetary adjustments to absorb those reductions in large part because the revenue sharing it receives from the State is such a relatively small percentage of the Town's overall municipal budget.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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As a result, the municipal officers have been able to keep the tax rate flat from 2008 to 2009, and may be able to avoid any significant increase in 2010 depending upon the budget that is developed by MSAD # 75. Currently, the proposed 2010 municipal budget is lower than the prior year, as is the County assessment. The MSAD # 75 school budget, an area that remains outside the control of the municipal officers, has yet to be determined. Therefore, it is not clear at this time if the tax rate will remain constant for the third consecutive year. If not constant, it is expected that the tax increase may be modest.

With interest rates at such low rates over the past couple of years and the Town's debt obligation decreasing considerably after 2010, the Town borrowed for a major capital road project in 2009 and expects to borrow again in 2010 for another major capital matter, the purchase of emergency services vehicles. The repayment of these bonds will be spread over time to avoid burdening taxpayers in any one year for funding long-term capital items.

The recession has certainly had a negative effect on the largest source of non-property tax revenue, the excise tax, received by the Town. Whereas the Town could once project year-to-year increases in that revenue line, over the past several years, these projections have been lowered to account for decisions by consumers to hold onto their current cars longer and not purchase new vehicles as frequently as they had done in the past. In 2009, the federal cash for clunkers program helped provide more excise than initially anticipated, however, in 2010, it is expected that the excise tax will not match 2009 actuals, and the Town has taken that likelihood into account for 2010 budgeting purposes.

A recent report indicated that the gradual closure of the Brunswick Naval Air Station has not had as negative of an impact on the regional economy as some of the earlier predictors had thought. The Bath-Brunswick economic region is apparently weathering the recessionary time period similarly to other economic areas of the State. Redevelopment efforts are moving forward methodically with the opportunity for economic development and job creation on this prime site very real possibilities in the not too distant future. In addition, there has been federal stimulus money injected into bringing passenger rail service to Brunswick by 2012 which could have positive economic spin-off opportunities for the economic region of which Harpswell is a part.

Although the housing market has declined in 2009, the values identified from the 2005 revaluation and ongoing assessment updates have not been fully reflected, leaving assessments, as a whole, slightly under market. This allows the Town to maintain current values. In 2009, the Town added over \$17 million dollars worth of new value, and expects in 2010 to add at least another \$10 million dollars of new value to its overall valuation base.

The Town continues to maintain a healthy undesignated fund balance at the level of three month's worth of prior year expenditures. Consistent with this policy, \$265,000 is available in 2010 compared to \$285,000 in 2009, to offset the collection of property taxes, still leaving a balance of over \$3 million dollars. Careful monitoring of revenues will be necessary in 2010 to ensure that expenditures do not outpace revenues and erode the level of fund balance.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designated to provide our citizens, taxpayers, customers, 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 information, contact the Selectmen's Office at P. O. Box 39, 263 Mountain Road, Harpswell, Maine 04079-0039 or by phone at (207) 833-5771.

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF HARPSWELL, MAINE**  
**Statement of Net Assets**  
**December 31, 2009**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,781,642
Receivables:	
Taxes	586,173
Liens	84,220
Accounts	59,333
Notes receivable	25,000
Prepaid items	13,358
Capital assets:	
Capital assets, not being depreciated	2,052,903
Other capital assets, net of accumulated depreciation	7,658,244
Total assets	14,260,873
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	54,511
Accrued interest	12,658
Noncurrent liabilities:	
Due within one year	553,333
Due in more than one year	1,504,178
Total liabilities	2,124,680
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	7,720,613
Restricted for:	
Capital projects and grants	380,181
Unrestricted	4,035,399
Total net assets	\$ 12,136,193

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Activities**  
**For the year ended December 31, 2009**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
General government	\$ 1,180,774	-	-	-	(1,180,774)
Public works	990,449	191,453	45,300	-	(753,696)
Protection and safety	843,501	-	-	-	(843,501)
Health and welfare	33,990	-	11,692	-	(22,298)
Cultural and recreation	280,083	44,374	-	-	(235,709)
Education	7,522,773	-	-	-	(7,522,773)
County taxes	1,086,760	-	-	-	(1,086,760)
Overlay/abatements	4,136	-	-	-	(4,136)
Interest on long-term debt	118,782	-	-	-	(118,782)
Capital and special projects	230,808	-	48,732	-	(182,076)
<b>Total governmental activities</b>	<b>12,292,056</b>	<b>235,827</b>	<b>105,724</b>	<b>-</b>	<b>(11,950,505)</b>

General revenues:	
Property taxes, levied for general purposes	10,750,704
Excise taxes	958,460
Interest and fees on property taxes	29,717
Intergovernmental	221,858
Investment earnings	46,804
Miscellaneous	278,445
<b>Total general revenues</b>	<b>12,285,988</b>
Change in net assets	335,483
Net assets - beginning	11,800,710
<b>Net assets - ending</b>	<b>\$ 12,136,193</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2009**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,781,642	-	3,781,642
Receivables:			
Taxes	586,173	-	586,173
Liens	84,220	-	84,220
Other	59,333	-	59,333
Notes receivable	25,000	-	25,000
Interfund receivables	-	400,023	400,023
Prepaid expenditures	13,358	-	13,358
<b>Total assets</b>	<b>\$ 4,549,726</b>	<b>400,023</b>	<b>4,949,749</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and payroll withholdings	50,805	-	50,805
Taxes paid in advance	856	-	856
Deferred revenues	336,850	-	336,850
Interfund payables	400,023	-	400,023
<b>Total liabilities</b>	<b>788,534</b>	<b>-</b>	<b>788,534</b>
Fund balances:			
Reserved for long-term receivable	25,000	-	25,000
Unreserved, reported in:			
Designated for subsequent years expenditures	380,042	-	380,042
Undesignated:			
General fund	3,356,150	-	3,356,150
Special revenue	-	22,603	22,603
Capital projects	-	377,420	377,420
<b>Total fund balances</b>	<b>3,761,192</b>	<b>400,023</b>	<b>4,161,215</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,549,726</b>	<b>400,023</b>	
Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			9,711,147
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			334,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
Bonds payable			(2,038,334)
Compensated absences payable			(19,177)
Accrued interest			(12,658)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>12,136,193</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2009**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 11,619,881	-	11,619,881
Intergovernmental	293,110	-	293,110
Fines and violations	171	-	171
Miscellaneous	492,836	102,540	595,376
<b>Total revenues</b>	<b>12,405,998</b>	<b>102,540</b>	<b>12,508,538</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,093,359	-	1,093,359
Public works	793,477	-	793,477
Protection and safety	821,208	-	821,208
Health and welfare	33,990	-	33,990
Cultural and recreation	208,419	56,373	264,792
Education	7,522,773	-	7,522,773
County taxes	1,086,760	-	1,086,760
Overlay/abatements	4,136	-	4,136
Debt service	654,568	-	654,568
Capital and special projects	145,827	1,290,225	1,436,052
<b>Total expenditures</b>	<b>12,364,517</b>	<b>1,346,598</b>	<b>13,711,115</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>41,481</b>	<b>(1,244,058)</b>	<b>(1,202,577)</b>
<b>Other financing sources (uses):</b>			
Proceeds from long-term debt	690,000	-	690,000
Transfers (to) from other funds	(807,884)	807,884	-
<b>Total other financing sources (uses)</b>	<b>(117,884)</b>	<b>807,884</b>	<b>690,000</b>
<b>Net change in fund balances</b>	<b>(76,403)</b>	<b>(436,174)</b>	<b>(512,577)</b>
<b>Fund balances, beginning of year</b>	<b>3,837,595</b>	<b>836,197</b>	<b>4,673,792</b>
<b>Fund balances, end of year</b>	<b>\$ 3,761,192</b>	<b>400,023</b>	<b>4,161,215</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended December 31, 2009**

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Net change in fund balances - total governmental funds (from Statement 4) \$ (512,577)

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 1,382,175	
Depreciation expense	(316,590)	
Non-depreciated value of disposed assets	(176,931)	888,654

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 119,000

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This represents the net proceeds (\$690,000) net of the repayments (\$538,333). (151,667)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in accrued compensated absences. (5,381)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund financial statements since future repayment does not require the used of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (2,546)

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**Change in net assets of governmental activities (see Statement 2) \$ 335,483**

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the year ended December 31, 2009**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 11,687,970	11,687,970	11,619,881	(68,089)
Intergovernmental	264,377	264,377	293,110	28,733
Fines and violations	3,000	3,000	171	(2,829)
Miscellaneous	452,000	452,000	492,836	40,836
Total revenues	12,407,347	12,407,347	12,405,998	(1,349)
<b>Expenditures:</b>				
Current:				
General government	1,182,844	1,212,558	1,093,359	119,199
Public works	869,297	869,297	793,477	75,820
Protection and safety	842,631	848,341	821,208	27,133
Health and welfare	31,730	31,730	33,990	(2,260)
Cultural and recreation	213,545	213,545	208,419	5,126
Education	7,522,773	7,522,773	7,522,773	-
County taxes	1,086,760	1,086,760	1,086,760	-
Overlay/abatements	36,523	36,523	4,136	32,387
Debt service	677,072	677,072	654,568	22,504
Capital and special projects	148,839	478,236	145,827	332,409
Total expenditures	12,612,014	12,976,835	12,364,517	612,318
Excess (deficiency) of revenues over (under) expenditures	(204,667)	(569,488)	41,481	610,969
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt	690,000	690,000	690,000	-
Transfer to / from other funds	(797,250)	(808,671)	(807,884)	787
Budgeted use of undesignated fund balance	311,917	311,917	-	(311,917)
Budgeted use of carryforward balances	-	428,123	-	(428,123)
Budgeted use of contingency	-	(51,881)	-	51,881
Total other financing sources (uses)	204,667	569,488	(117,884)	(687,372)
Net change in fund balance	-	-	(76,403)	(76,403)
Fund balance, beginning of year			3,837,595	
Fund balance, end of year			\$ 3,761,192	

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements**

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**THE REPORTING ENTITY**

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The Town of Harpswell, incorporated on January 25, 1758, currently operates under a Town Meeting-Selectmen form of government with a Town Administrator as the chief administrator of the Town. The Board consists of three members elected by the registered voters for three year terms.

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. In accordance with GASB No. 14, as amended by GASB No. 39, the Town (the primary government) is financially accountable if it appoints a voting majority of the organizations governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. 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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds (if any) are reported as separate columns in the fund financial statements.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**B. 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. Revenues are recorded when earned and expenses are recorded when a 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental fund:

The general fund is the Town's primary operating fund and is always classified as a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Town reports several nonmajor funds in the following fund categories:

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

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary or trust funds).

**C. Budgetary Accounting**

Each year a budget is adopted for the General Fund only, and is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The level of control (level at which expenditures may not exceed budget) is the Town meeting warrant article level.

Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, portions of the General Fund fund equity can be designated for future periods by the Selectmen. A comparison of budget to actual is presented in the financial statements on Statement 6. The difference between original budget and final budget amounts represent approved carryovers from prior years.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Cash and Cash Equivalents**

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. Town policy is that deposits can only be made in financial institutions insured by the F.D.I.C. or collateralized by the depository institution in the Town's name. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines approved by the Board of Selectmen.

**E. Inventories of Supplies**

Inventories of supplies are considered to be expenditures at the time of purchase rather than when consumed, and are not included in the general fund balance sheet.

**F. Short-term Interfund Receivables/Payables**

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables or payables" on the balance sheet.

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide resources, construct assets and service debt. These transactions, if any, are reported as transfers.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Straight-line depreciation is used based on the following estimated useful lives:

Buildings and building improvements	25 and 50 years
Infrastructure	20 to 50 years
Equipment, vehicles and furniture	5 to 30 years

**H. Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. The face amount of debt is reported as other financing sources.

**I. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**J. Comparative Data**

Comparative total data for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**K. Compensated Absences**

Under terms of personnel policies of the Town, vacation leave is granted in varying amounts according to length of service. No sick leave is granted at the time of employee termination. Unused vacation leave is reported in the government-wide financial statements. No expenditure is reported for this amount on the fund financial statements unless due and payable.

**L. Use of Estimates**

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**

**Deposits**

*Custodial Credit Risk-Town 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 formal policy with respect to custodial credit risk. As of December 31, 2009, the Town reported deposits of \$3,781,642 with a bank balance of \$3,856,451. None of the Town's bank balances were exposed to custodial credit risk, as \$9.0 million was collateralized by an irrevocable stand-by letter of credit.

**PROPERTY TAX**

The Town's property taxes for the current year were committed on July 31, 2009, on the assessed value listed as of April 1 for all real and personal property located in the Town. Taxes were due on September 15, 2009 and December 15, 2009; interest was charged at 8% on all unpaid taxes after those dates. Assessed values are periodically established by the Assessor at 100% of assumed market value. The Town has a certified ratio of 96%. The following summarizes the 2009 and 2008 levy:

	<u>2009</u>	<u>2008</u>
Assessed value:		
Real property	\$ 1,731,814,700	1,713,732,380
Personal property	<u>3,236,800</u>	<u>3,574,500</u>
Total valuation	1,735,051,500	1,717,306,880
Tax rate (per \$1,000)	6.19	6.19
Tax commitment	10,739,970	10,630,131
Less: collections and abatements	<u>(10,153,797)</u>	<u>(10,188,233)</u>
<b>Taxes receivable at December 31</b>	<b>\$ 586,173</b>	<b>441,898</b>

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

**PROPERTY TAX, CONTINUED**

Due date(s)	½ September 15, 2009 ½ December 15, 2009	½ September 15, 2008 ½ December 15, 2008
Interest rate on delinquent taxes	8.00%	10.00%
Collection rate	94.54%	95.80%

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$36,523 for the year ended December 31, 2009. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as deferred revenues.

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

Property acquired by foreclosure for nonpayment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same period are not included as part of the tax acquired property account until expiration of statutory time limits.

**INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivables and payables balances at December 31, 2009, were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	400,023
Special Revenue Funds:		
Restricted grants	2,761	-
Recreation	19,842	-
Capital Projects Fund:		
Emergency vehicle	276,059	-
Road projects	101,361	-
<b>Totals</b>	<b>\$ 400,023</b>	<b>400,023</b>

**NOTES RECEIVABLES**

The Town entered into an agreement with Harpswell Neck Fire and Rescue, Inc. (HNFR) on May 4, 2007, in which the Town borrowed \$75,000 on HNFR's behalf to assist with the purchase of a new pumper truck. HNFR is responsible for all principal and interest on this general obligation bond and the related note is to be repaid as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2010	\$ 25,000	960	25,960
<b>Total</b>	<b>\$ 25,000</b>	<b>960</b>	<b>25,960</b>

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**CAPITAL ASSETS**

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Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance December 31, <u>2008</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2009</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,023,023	5,400	-	2,028,423
Construction in progress	52,805	24,480	52,805	24,480
Total capital assets not being depreciated	2,075,828	29,880	52,805	2,052,903
Capital assets, being depreciated:				
Buildings and improvements	4,029,233	37,935	9,000	4,058,168
Equipment, vehicles and furniture	614,207	564,154	28,753	1,149,608
Infrastructure	6,150,984	750,206	258,409	6,642,781
Total capital assets being depreciated	10,794,424	1,352,295	296,162	11,850,557
Less accumulated depreciation for:				
Buildings and improvements	1,392,318	133,785	9,000	1,517,103
Equipment, vehicles and furniture	340,569	52,255	23,501	369,323
Infrastructure	2,314,872	130,550	139,535	2,305,887
Total accumulated depreciation	4,047,759	316,590	172,036	4,192,313
Total capital assets being depreciated, net	6,746,665	1,035,705	124,126	7,658,244
<b>Governmental activities capital assets, net</b>	<b>\$ 8,822,493</b>	<b>1,065,585</b>	<b>176,931</b>	<b>9,711,147</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 82,034
Public works	196,972
Protection and safety	22,293
Cultural and recreation	15,291
<b>Total depreciation expense – governmental activities</b>	<b>\$ 316,590</b>

\$533,315 of the equipment purchased during 2009 has been leased to three independent fire and rescue departments under 10 or 20 year agreements. The cost of insuring and maintaining the vehicles is borne by the departments.

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**SHORT-TERM DEBT**

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**Tax Anticipation Note**

Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Board of Selectmen at the April 16, 2009 meeting to authorize the Treasurer to borrow up to \$3,025,000 on an "as needed" basis to be due on or before December 31, 2009. A total of \$3,000,000 was drawn in May 2009, and the outstanding principal and interest was paid before December 31, 2009. The total interest paid on this note was \$29,173. Since there is no beginning or ending balance at December 31, 2008 and 2009, respectively, it has not been included on the debt note below.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

**LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 1,886,667	690,000	538,333	2,038,334	553,333
Compensated absences payable	13,796	37,416	32,035	19,177	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 1,900,463</b>	<b>727,416</b>	<b>570,368</b>	<b>2,057,511</b>	<b>553,333</b>

**Bonds Payable**

Bonds payable at December 31, 2009 are comprised of the following:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Balance December 31, 2009</u>
<b>Governmental activities:</b>					
2000 Town office renovations, Waste disposal center and land purchase:	05/25/00	11/01/10	1,209,800	5.281-5.406%	110,000
2003 Town office renovations, land purchase, Contrib. to HHT land purchase:	05/22/03	11/01/10	840,000	2.291-3.166%	190,000
2004 Capital Roads, Old Town Meetinghouse restoration:	10/28/04	11/01/16	700,000	1.00-9.00%	408,334
2006 Capital Road projects	10/26/06	11/01/11	350,000	2.05-5.45%	140,000
2007 Loan to HNFRR	05/04/07	05/04/10	75,000	3.84%	25,000
2008 Emergency vehicles	10/30/08	11/01/18	500,000	2.075-5.575%	475,000
2009 Ash Point road rehab	05/28/09	11/01/19	650,000	2.08-5.58%	650,000
2009 Emergency Comm Equip	11/04/09	11/04/12	40,000	2.850%	40,000
<b>Total bonds payable</b>					<b>\$ 2,038,334</b>

The annual requirements to amortize all debt outstanding as of December 31, 2009 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 553,333	76,934	630,267
2011	283,333	54,161	337,494
2012	213,333	44,408	257,741
2013	173,333	37,489	210,822
2014	173,333	27,697	201,030
2015-2019	641,669	42,670	684,339
<b>Total</b>	<b>\$ 2,038,334</b>	<b>283,359</b>	<b>2,321,693</b>

All governmental activities long-term debt requirements are paid by the general fund.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**STATUTORY DEBT LIMIT**

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The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2009, the Town was in compliance with these restrictions.

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**OVERLAPPING DEBT**

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The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town is summarized as follows:

<u>Units</u>	<u>Net debt outstanding at December 31, 2009</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$ 5,720,000	4.90%	280,177
MSAD 75 / RSU 75	17,122,826	39.60%	6,780,639

The Town's proportionate share of the County and District debt is paid through annual assessments.

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**INTERFUND TRANSFERS**

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Individual fund transfers for the year ended December 31, 2009 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General fund</u>	<u>\$ -</u>	<u>807,884</u>
Special revenue funds:		
Restricted grants	-	787
Recreation	7,250	-
<u>Total special revenue funds</u>	<u>7,250</u>	<u>787</u>
Capital projects fund:		
Emergency vehicle	151,421	-
Road projects	650,000	-
<u>Total capital projects fund</u>	<u>801,421</u>	<u>-</u>
 <b><u>Total transfers</u></b>	 <b><u>\$ 808,671</u></b>	 <b><u>808,671</u></b>

These transfers were budgeted transfers to fund certain activities.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**RESTRICTED GRANTS**

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The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2009 fund balance restricted grants consisted of the following awards, at December 31, 2009:

<u>Grant Award</u>	Balance beginning of year	<u>Revenues</u>	<u>Expenditures</u>	Transfers (to)/from General Fund	Balance end of year
Small community block grant	\$ -	56	56	-	-
Overboard discharge	515	3,402	2,972	(347)	598
CDBG Septic replacement	12,928	979	12,031	-	1,876
Mitchell Community Garden	-	855	855	-	-
Planning brochures	252	-	-	-	252
Handicap access/vault	586	5,000	5,586	-	-
Right of way	44	-	9	-	35
MMA safety	-	440	-	(440)	-
CDBG - Hamilton	-	38,000	38,000	-	-
<b>Total restricted grants</b>	<b>\$ 14,325</b>	<b>48,732</b>	<b>59,509</b>	<b>(787)</b>	<b>2,761</b>

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**DESIGNATED FUND BALANCES**

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At December 31, 2009, portions of the general fund balance were designated for future periods and are reported as a component of unreserved fund balance. They consist of the following:

<u>Fund</u>	<u>Designated balance</u>
Appropriation carryovers:	
Mitchell Field - Planning/zoning/performance	\$ 5,000
Dry hydrants development reserve	15,690
Contracted Services: Town Planner	18,965
Community development	3,480
Legislative assistance agent	4,000
Land acquisition	1,279
Vehicles replacement	10,500
HCBC digital conversion	25,000
Cemetery restoration	950
Boat/motor replacement	26,000
Voting machines	12,300
Heating assistance reserve	9,775
Generator replacement	29,000
Town Office improvements	12,000
Self-insurance reserve	3,534
Marine hazards	3,522
Failed septic system reserve	7,232
Recycling	79,378
Vision/assessing	20,235

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

**DESIGNATED FUND BALANCES, CONTINUED**

Emergency services equipment	\$ 20,620
Vehicle equipment - general	3,000
Mitchell Field - deeds	1,500
Mitchell Field - other	3,684
Mitchell Field - legal	5,000
Mitchell Field – gift	50
Designated revenues:	
Heating assistance	4,936
Swim donations	3,791
Plus contingency	<u>49,621</u>
<b>Total designated fund balance – General Fund</b>	<b><u>\$ 380,042</u></b>

**BUDGETED USE OF SURPLUS**

During the year ended December 31, 2009, the Town budgeted to utilize prior year undesignated fund balance as a budgeted use of surplus. The amount consists of the following:

2008 carry forward balance	\$ 428,124
Use of surplus – current year	285,000
<u>Use of prior loan proceeds</u>	<u>26,917</u>
<b>Total</b>	<b><u>\$ 740,041</u></b>

**NET ASSETS**

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at December 31, 2009:

Capital assets	\$ 13,903,460
Accumulated depreciation	(4,192,313)
Bonds payable	(2,038,334)
Add back non-capital items:	
2003 General Obligation Bond (12% was for Land trust contribution)	22,800
<u>2007 General Obligation Bond (loan to HNFR)</u>	<u>25,000</u>
<b>Total invested in capital assets net of related debt</b>	<b><u>\$ 7,720,613</u></b>

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2009.

**CONTINGENT LIABILITIES**

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**Litigation** - The Town is subject to certain legal proceedings which arise in the normal course of business. In the opinion of management, the Town has defensible positions in any/all pending cases. Further, any future liabilities are covered by insurance or will not materially affect the financial position of the Town.

**State and Federal Grants** - The Town participates in numerous state and federal programs which are governed by various rules and regulations imposed by the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any moneys received may be required. There are no material contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN**

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**Description of the Plan** - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The contribution rates of plan members and the Town of Harpswell are established and may be amended by the Maine Public Employees Retirement Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended December 31, 2009 and 2008 were \$3,874 and \$3,689, respectively, equal to the required contributions.

Effective March 14, 1998, this benefit is no longer available to new Town employees. Those employees already in the plan may continue under the same terms or may terminate and join the deferred compensation plan.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**DEFERRED COMPENSATION PLAN**

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The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all full and regular part time employees of the Town who work 20 hours or more per week on a regularly scheduled basis and who are not already participating in another plan. Under the plan, employees may elect to defer a portion of their salary and avoid paying income taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contribution to this plan for the year ended December 31, 2009 and 2008 was approximately \$16,288 and \$15,130, respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

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**RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES**

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The Town offers its recycling center employees a pension plan through the I.A.M. National Pension Fund.

The Town contributes on behalf of eligible employees of the recycling center who have worked during the plan year. There are no voluntary contributions by the employees allowed in this plan. The Town's expense under the plan for the year ended December 31, 2009 and 2008 was \$15,662 and \$15,618, respectively.

The funds contributed by the Town to the plan are held in trust by the I.A.M. National Pension Fund for the exclusive use of benefit participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

## **GENERAL FUND**

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.



**TOWN OF HARPSWELL, MAINE**  
**Comparative Balance Sheets**  
**General Fund**  
**December 31, 2009 and 2008**

	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,781,642	4,351,098
Receivables:		
Taxes	586,173	441,899
Tax liens and acquired properties	84,220	61,876
Other	59,333	42,576
Notes receivable	25,000	50,000
Prepaid items	13,358	31,149
<b>Total assets</b>	<b>\$ 4,549,726</b>	<b>4,978,598</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	50,805	67,210
Taxes paid in advance	856	19,326
Deferred revenues	336,850	218,270
Interfund payables:		
Special Revenue	22,603	38,916
Capital Projects	377,420	797,281
<b>Total liabilities</b>	<b>788,534</b>	<b>1,141,003</b>
Fund balance:		
Reserved for long-term receivable	25,000	50,000
Unreserved:		
Designated for subsequent years expenditures	380,042	428,123
Undesignated	3,356,150	3,359,472
<b>Total fund balance</b>	<b>3,761,192</b>	<b>3,837,595</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,549,726</b>	<b>4,978,598</b>

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting)**  
**For the year ended December 31, 2009**

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 10,739,970	10,739,970	10,750,704	10,734
Change in deferred taxes	-	-	(119,000)	(119,000)
Interest and fees on property taxes	28,000	28,000	29,717	1,717
Excise taxes and registration fees	920,000	920,000	958,460	38,460
Total taxes	11,687,970	11,687,970	11,619,881	(68,089)
Intergovernmental:				
State revenue sharing	150,000	150,000	155,467	5,467
Local road assistance URIP	45,300	45,300	45,300	-
Homestead exemption and BETE	57,377	57,377	57,204	(173)
Tree growth	6,700	6,700	5,625	(1,075)
General assistance	2,000	2,000	11,692	9,692
Veterans exemption	1,500	1,500	3,562	2,062
Federal - FEMA	-	-	11,125	11,125
Other	1,500	1,500	3,135	1,635
Total intergovernmental	264,377	264,377	293,110	28,733
Fines and violations	3,000	3,000	171	(2,829)
Miscellaneous:				
Interest earned	65,000	65,000	46,804	(18,196)
Copies and records	4,000	4,000	3,053	(947)
Cable TV franchise fee	55,000	55,000	64,404	9,404
Licenses, fees and permits	142,200	142,200	156,778	14,578
Recycling center and disposal fees	170,000	170,000	191,453	21,453
Donations and gifts	8,000	8,000	15,371	7,371
Sale of property	4,000	4,000	4,651	651
Unclassified	3,800	3,800	10,322	6,522
Total miscellaneous	452,000	452,000	492,836	40,836
Total revenues	12,407,347	12,407,347	12,405,998	(1,349)

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting), Continued**  
**For the year ended December 31, 2009**

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures:							
<i>General government:</i>							
9	Elected officials	\$ -	117,738	117,738	116,961	777	-
General administration:							
10	Administration	3,351	273,360	276,711	246,873	29,838	-
10	Public information	-	9,500	9,500	6,258	3,242	-
10	Risk management	-	50,600	50,600	46,979	3,621	-
10	Legal services	-	40,000	40,000	30,269	9,731	-
11	Memberships	-	17,338	17,338	17,152	186	-
12	Assessing	-	79,972	79,972	77,372	2,600	-
13	Tax collector's office	-	33,065	33,065	31,493	1,572	-
14	Town clerk's office	2,843	49,700	52,543	42,909	9,634	-
15	Treasurer	-	1,750	1,750	1,057	693	-
16	Code enforcement	-	87,598	87,598	82,080	5,518	-
17	Planning	23,520	70,920	94,440	69,738	24,702	18,965
18	Employee benefits	-	258,653	258,653	245,277	13,376	-
19	Committees and commissions	-	4,650	4,650	3,712	938	-
Operations and maintenance:							
20	Municipal buildings and property	-	74,250	74,250	64,107	10,143	-
20	Old town house and commons	-	4,500	4,500	3,550	950	-
20	Town dock	-	3,250	3,250	2,795	455	-
20	Town landings	-	6,000	6,000	4,777	1,223	-
Total general government		29,714	1,182,844	1,212,558	1,093,359	119,199	18,965
<i>Public works:</i>							
21	Snow removal	-	439,000	439,000	407,644	31,356	-
21	Maintenance	-	50,000	50,000	32,899	17,101	-
21	Road, street signs	-	2,500	2,500	1,332	1,168	-
22	Recycling and transfer station	-	377,797	377,797	351,602	26,195	-
Total public works		-	869,297	869,297	793,477	75,820	-
<i>Protection and safety:</i>							
23,24	Emergency services	5,710	203,500	209,210	200,852	8,358	-
25	Street lighting	-	28,500	28,500	26,603	1,897	-
26	Harbor management	-	38,870	38,870	35,600	3,270	-
27	Animal control	-	23,419	23,419	22,748	671	-
28	Law enforcement and communication	-	357,343	357,343	357,606	(263)	-
28	Shellfish conservation enforcement	-	190,999	190,999	177,799	13,200	-
Total protection and safety		5,710	842,631	848,341	821,208	27,133	-
<i>Health and welfare:</i>							
29	Health and welfare	-	31,730	31,730	33,990 *	(2,260)	-
Total health and welfare		-	31,730	31,730	33,990	(2,260)	-
<i>Cultural and recreation:</i>							
30	Cultural and education programs	-	30,500	30,500	30,467	33	-
31	Curtis Memorial Library	-	116,000	116,000	116,000	-	-
32	Harpswell community broadcasting	-	36,500	36,500	36,500	-	-
33	Recreation - general	-	30,545	30,545	25,452	5,093	-
Total cultural and recreation		-	213,545	213,545	208,419	5,126	-

\* Contingency transfer approved by selectmen to cover Health and Welfare overage (\$2,260)

TOWN OF HARPSWELL, MAINE  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Budgetary Basis of Accounting), Continued  
For the year ended December 31, 2009

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures, continued:							
CF A.	Dennis Moore Recycling / Transfer St.	84,778	-	84,778	5,400	79,378	79,378
<i>Other capital / carryovers / reserves:</i>							
35	Joyce Brown Swim fund	3,861	-	3,861	90	3,771	3,791
37	Dry hydrant development	11,690	4,000	15,690	-	15,690	15,690
CF	OBI fire capital	30	-	30	30	-	-
CF	Land acquisition	1,279	-	1,279	-	1,279	1,279
CF, 37	Vehicle replacement	500	10,000	10,500	-	10,500	10,500
CF	Update of assessing records	20,235	-	20,235	-	20,235	20,235
CF	HCBC digital conversion	25,000	-	25,000	-	25,000	25,000
CF	Cemetery restoration	950	-	950	-	950	950
CF	Emergency communication equipment	5,100	40,000	45,100	24,480	20,620	20,620
49	Orr's Island Library	-	10,000	10,000	10,000	-	-
CF, 37	Vehicle equipment	3,000	3,000	6,000	3,000	3,000	3,000
CF, 37	Boat and motor replacement	20,000	6,000	26,000	-	26,000	26,000
CF, 37	Voting machines	12,300	-	12,300	-	12,300	12,300
CF, 37	Generator replacement	21,000	8,000	29,000	-	29,000	29,000
CF, 37	T/O Improvements	6,000	6,000	12,000	-	12,000	12,000
CF	Cribstone Bridge	35,000	-	35,000	12,955	22,045	-
CF	Legislative agent	4,000	-	4,000	-	4,000	4,000
CF	Water septic study	1,609	-	1,609	1,559	50	-
CF	Community development	3,762	-	3,762	282	3,480	3,480
CF	Town landing signage	2,273	-	2,273	135	2,138	-
CF	Self insurance reserve	3,742	-	3,742	208	3,534	3,534
CF	Handicap access / vault	2,599	-	2,599	2,599	-	-
CF, 37	Heating assistance	10,308	10,000	20,308	10,533	9,775	14,711
43	Municipal software upgrade	-	30,839	30,839	30,839	-	-
CF	GIS	1,476	-	1,476	-	1,476	-
CF, 44	Marine hazards / Potts Point Dock	18,522	15,000	33,522	29,750	3,772	3,522
CF	Failed septic systems	14,272	-	14,272	7,040	7,232	7,232
CF, 41	Mitchell Field - other	9,611	1,000	10,611	6,927	3,684	3,684
CF	Mitchell Field - deeds	1,500	-	1,500	-	1,500	1,500
CF	Mitchell Field - legal	5,000	-	5,000	-	5,000	5,000
45	Mitchell Field - zoning / performance	-	5,000	5,000	-	5,000	5,000
	Mitchell Field - gifts	-	-	-	-	-	50
Total capital and special projects		329,397	148,839	478,236	145,827	332,409	311,456
40	Debt service	-	677,072	677,072	654,568	22,504	-
CF	Contingency	51,881	-	51,881	-	51,881	49,621
Total budgeted expenditures		416,702	3,965,958	4,382,660	3,750,848	631,812	380,042
Other expenditures:							
	Educational appropriation	-	7,522,773	7,522,773	7,522,773	-	-
	County tax	-	1,086,760	1,086,760	1,086,760	-	-
	Overlay / abatements	-	36,523	36,523	4,136	32,387	-
Total other expenditures		-	8,646,056	8,646,056	8,613,669	32,387	-
Excess (deficiency) of revenues over (under) expenditures		(416,702)	(204,667)	(621,369)	41,481	662,850	(380,042)
Other financing sources (uses):							
39	Proceeds from long-term debt	-	650,000	650,000	650,000	-	-
CF	Proceeds from long-term debt	-	40,000	40,000	40,000	-	-
38	Transfer to Capital Projects - emergency vehicle	(11,421)	(140,000)	(151,421)	(151,421)	-	-
39	Transfer to Capital Projects - road projects	-	(650,000)	(650,000)	(650,000)	-	-
	Transfer from Grant fund	-	-	-	787	787	-
34	Transfer to Recreation fund - programs	-	(7,250)	(7,250)	(7,250)	-	-
59	Use of undesign. fund balance - budget	-	285,000	285,000	-	(285,000)	-
	Use of undesign. fund balance - loan repayments	-	26,917	26,917	-	(26,917)	-
	Use of carryforward balances	428,123	-	428,123	-	(428,123)	-
Total other financing sources (uses)		416,702	204,667	621,369	(117,884)	(739,253)	-
Net change in fund balance		-	-	-	(76,403)	(76,403)	(380,042)
Fund balance, beginning of year					3,837,595		
Fund balance, end of year					\$ 3,761,192		

\* Contingency transfer approved by selectmen to cover Health and Welfare overage (\$2,260)

## **OTHER GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE FUNDS**

Special revenue funds account for specific resources, the expenditure of which are restricted by law or administrative action for particular purposes.

Special revenue funds are established for the following purposes:

#### ***Restricted Grants***

The purpose of this fund is segregate state, federal and private awards whose purpose is restricted by the agency providing the funds.

#### ***Recreation***

To account for various recreation fees and related expenditures.

### **NONMAJOR CAPITAL PROJECT FUNDS**

Capital projects funds are established to account for resources obtained and expended for the acquisition of major capital facilities and projects.

The Town's individual capital project funds were established for the following purposes:

#### ***Emergency Vehicle***

To accumulate funds in a dedicated interest bearing account to ultimately purchase emergency vehicles.

#### ***Road Projects***

To account for various funds appropriated by Town Meeting for the reconstruction of existing roadways.



**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2009**

	Special Revenues		Capital Projects		Totals
	Restricted Grants	Recreation	Emergency Vehicle	Road Projects	
<b>ASSETS</b>					
Interfund receivables	\$ 2,761	19,842	276,059	101,361	400,023
<b>Total assets</b>	<b>\$ 2,761</b>	<b>19,842</b>	<b>276,059</b>	<b>101,361</b>	<b>400,023</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Deferred revenues	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:					
Unreserved, reported in:					
Special revenue fund	2,761	19,842	-	-	22,603
Capital project fund	-	-	276,059	101,361	377,420
<b>Total fund balances</b>	<b>2,761</b>	<b>19,842</b>	<b>276,059</b>	<b>101,361</b>	<b>400,023</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,761</b>	<b>19,842</b>	<b>276,059</b>	<b>101,361</b>	<b>400,023</b>

**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended December 31, 2009**

	Special Revenues		Capital Projects		Totals
	Restricted Grants	Recreation	Emergency Vehicle	Road Projects	
Revenues:					
Intergovernmental	\$ 48,732	-	-	-	48,732
Interest earned	-	-	9,434	-	9,434
Charges for services	-	44,374	-	-	44,374
<b>Total revenues</b>	<b>48,732</b>	<b>44,374</b>	<b>9,434</b>	<b>-</b>	<b>102,540</b>
Expenditures:					
For designated purpose	59,509	56,373	-	-	115,882
Capital outlay	-	-	533,315	697,401	1,230,716
<b>Total expenditures</b>	<b>59,509</b>	<b>56,373</b>	<b>533,315</b>	<b>697,401</b>	<b>1,346,598</b>
Excess (deficiency) of revenues over (under) expenditures	(10,777)	(11,999)	(523,881)	(697,401)	(1,244,058)
Other financing sources (uses):					
Transfers (to) from general fund	(787)	7,250	151,421	650,000	807,884
<b>Total other financing sources (uses)</b>	<b>(787)</b>	<b>7,250</b>	<b>151,421</b>	<b>650,000</b>	<b>807,884</b>
Net change in fund balances	(11,564)	(4,749)	(372,460)	(47,401)	(436,174)
Fund balances, beginning of year	14,325	24,591	648,519	148,762	836,197
<b>Fund balances, end of year</b>	<b>\$ 2,761</b>	<b>19,842</b>	<b>276,059</b>	<b>101,361</b>	<b>400,023</b>

## **SCHEDULES**



**TOWN OF HARPSWELL, MAINE**  
**Statement of Taxes and Liens Receivable**  
**December 31, 2009**

Year	Balance at 12/31/08	2009 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/09
pre 2002 *	\$ 630	-	-	-	-	630
2003	41	-	-	-	-	41
2004	154	-	-	-	-	154
2005	1,357	-	-	(314)	-	1,043
2006	4,121	-	77	(2,232)	-	1,966
2007	55,573	-	79	(51,844)	-	3,808
2008	441,581	-	10,577	(373,415)	(2,165)	76,578
2009	-	10,739,970	-	(10,151,826)	(1,971)	586,173
	<b>503,457</b>	<b>10,739,970</b>	<b>10,733</b>	<b>(10,579,631)</b>	<b>(4,136)</b>	<b>670,393</b>
					Taxes receivable	586,173
					Tax liens and acquired properties	84,220
					<b>Total</b>	<b>\$ 670,393</b>

\* includes tax acquired property

