

TOWN OF HARPSWELL, MAINE

Annual Financial Report

For the Year Ended December 31, 2012

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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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinions. 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, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of December 31, 2012, and the respective changes in financial position and 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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013, on our consideration of the Town of Harpswell, Maine's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

Board of Selectmen

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harpswell, Maine's financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

January 31, 2013

South Portland, Maine



TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis
December 31, 2012

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, 2012. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

Financial Highlights

- ❖ The total net position (total assets less liabilities) of the Town of Harpswell is \$13,337,054. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$10,183,448 at December 31, 2012. Capital assets include the Town's infrastructure assets, i.e., roads and dry hydrants, as well as Town-owned lands, buildings and equipment, including the former West Harpswell School.
- ❖ The Statement of Activities shows a decrease in net position of \$44,784 for the fiscal year. Expenditures increased while revenues decreased in relation to 2011. Additionally, in 2011, the former West Harpswell School was donated to the Town and therefore, was considered a general revenue.
- ❖ During 2012, the Town repaid \$353,333 of the principal of its long-term debt as scheduled and paid interest of \$88,324 on its long and short-term borrowings.
- ❖ The ending fund balance for all governmental funds is \$5,104,329.
- ❖ The ending fund balance for the General Fund is \$3,989,484, an increase of \$192,019 from the previous year. Of this balance, \$524,843 is assigned for specific purposes and \$16,089 is nonspendable. This leaves an unassigned balance of \$3,448,552, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain a fund balance, exclusive of restricted amounts, of 3 times the average of the previous year's monthly General Fund expenditures.
- ❖ In addition to its General Fund, the Town has a fund restricted for capital projects, which includes an interest-bearing dedicated fund for emergency vehicle purchases (\$619,048) and a fund for road projects (\$469,198). The Town also has a fund for its special revenue activities, which includes recreation programs (\$22,892) and grants (\$3,707).

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 position* and *statement of activities*.

The *statement of net position* presents information about the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position has changed during the most recent fiscal year. All changes in net position 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

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 ensure 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 for the General Fund and the Road Project Fund are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other three 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 16-17 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 20-32 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 35-45 of this report.

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

Statement of Net Position Information

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

	Net Position	
	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Assets:		
Current & other assets	\$ 5,530,239	5,978,642
Capital assets	10,183,448	10,060,466
Total Assets	\$15,713,687	\$16,039,108
Liabilities:		
Long-term debt outstanding	(2,230,335)	(2,541,668)
Other liabilities	(146,298)	(115,602)
Total Liabilities	(2,376,633)	(2,657,270)
Net Position:		
Invested in capital assets, net of debt	8,289,257	8,611,187
Restricted	1,091,953	1,744,973
Unrestricted	3,955,844	3,025,678
Total Net Position	\$13,337,054	\$13,381,838

The Town's Total Net Position decreased by \$44,784 during 2012.

Asset changes included a decrease in cash balances (\$316,901) as 2011 cash balances were high as a result of the borrowing of \$800,000 for capital road projects that were not completed until 2012. Taxes receivable, including those for which liens have been placed, decreased \$131,226 primarily due to a positive result in a reminder notice sent to taxpayers.

Long-term debt obligations decreased during 2012 by \$311,333 as the scheduled principal repayments of \$353,333 were offset by a new capital lease obligation totaling \$42,000. The Town entered into a capital lease to fund, in part, the purchase of certain media equipment. Other liabilities increased primarily because of services provided to the Town in December that were invoiced in January, an increase in taxes paid in advance and an increase in unavailable revenue (the holder of the Town's cable franchise, paid a technology grant, required in the Agreement, in advance of the due date).

62.2% of the Town's Net Position at December 31, 2012 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.

\$1,091,953 of the 2012 Net Assets (8.19%) is restricted for capital projects and grants. This includes \$619,048 for the purchase of emergency services vehicles and \$469,198 for capital road projects.

Unrestricted Net Position includes amounts assigned for expenditures of 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.

Changes in Net Position		Governmental Activities	
		<u>2012</u>	<u>2011</u>
Revenues:			
Program Revenues			
Charges for services		\$ 216,860	\$ 249,390
Operating grants & contributions		122,160	169,174
General Revenues			
Property and excise taxes		11,148,389	11,143,966
Subsidies, grants & entitlements		171,412	183,617
Interest earned		9,550	10,725
Donation –West Harpswell School		-	485,900
Other		309,581	322,131
Total revenues		<u>\$11,977,952</u>	<u>\$12,564,903</u>
Governmental Activities			
		<u>2012</u>	<u>2011</u>
Expenses:			
General government		\$1,258,267	1,231,685
Public works		1,009,250	1,033,349
Protection and safety		950,294	837,326
Health and welfare		29,197	31,943
Culture and recreation		306,712	295,669
Education		6,566,900	6,769,941
County taxes		1,113,601	1,113,908
Overlay/abatements		5,699	6,363
Interest on long-term debt		88,324	85,747
Capital and special projects		694,492	340,967
Total expenses		<u>\$12,022,736</u>	<u>\$11,746,898</u>
Increase/(decrease) in net position		<u>(\$44,784)</u>	<u>\$818,005</u>

Governmental Activities

Governmental activities decreased the Town's net position by \$44,784. Total program revenues decreased by \$79,544 (19.0%) on a year to year basis, with significant decreases occurring both in sales of recyclable materials (\$35,201) and in operating grants and contributions (\$47,014). While many grant sources no longer offer funding, the Town was able to obtain funds from the State and other sources. Grants received in 2012 include awards for a new pump out float system located in the New Meadows River (\$26,931), for a review of the Town's shoreland zoning (\$20,000), for the community gardens at Mitchell Field (\$9,333), and for economic development planning (\$6,000). Additionally, the Town received \$52,800 from the State in local road assistance.

Property and excise tax revenues increased slightly from 2011. The mil rate declined from 5.80 to 5.76 while collections (net of supplements and abatements) increased by 1.45%.

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

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 Balances. 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.

Net Cost of Governmental Activities

Function / Program	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General government	\$1,258,267	\$1,231,685	\$1,258,267	\$1,231,685
Public works	1,009,250	1,033,349	781,708	774,356
Protection and safety	950,294	837,326	950,294	837,326
Health and welfare	29,197	31,943	23,473	22,129
Culture and recreation	306,712	295,669	264,594	256,222
Education	6,566,900	6,769,941	6,566,900	6,769,941
County taxes	1,113,601	1,113,908	1,113,601	1,113,908
Overlay/abatements	5,699	6,363	5,699	6,363
Interest on long-term debt	88,324	85,747	88,324	85,747
Capital and special projects	694,492	340,967	630,856	230,657
Total governmental activities	\$12,022,736	\$11,746,898	\$11,683,716	\$11,328,334

Total Cost of Services and Net Cost of Services increased from 2011 to 2012 by 2.3% and 3.1%, respectively.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of December 31, 2012, the Town's governmental funds balance totaled \$5,104,329.

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.

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

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. Nonspendable, restricted and assigned amounts reflect that which is not available to be spent while unassigned amounts reflect amounts that are.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's General Fund balance increased from \$3,797,465 in 2011 to \$3,989,484 in 2012. The increase was attributable to (1) an excess of revenues over expenditures of \$261,139, (2) proceeds from a new capital lease of \$42,000, and (3) transfers to other funds of \$111,120. Of these transfers, \$100,000 went to the emergency vehicle reserve and \$11,120 to recreation programs.

The 2012 Town Meeting approved the use of \$350,000 of fund balance to reduce the 2012 tax commitment. Additionally, a special Town Meeting voted to appropriate \$25,000 from the General Fund Balance to perform emergency repairs to the pier at Mitchell Field. Consistent with the Town's policy of maintaining three months of expenses in its year-end General Fund balance, the 2012 year-end level will allow for up to \$540,000 to be used to reduce the 2013 tax commitment or to establish capital reserves.

Revenues: The 2012 property tax commitment decreased by \$16,209 relative to 2011. Total appropriations increased by \$203,286 as a decline in assessment by MSAD 75 of \$203,041 (3.0%) was offset by increases in total municipal appropriations of \$335,321 (8.3%). Additionally, overlay increased in 2012 by \$71,313. Revenues other than property tax were expected to decline in 2012 and therefore the use of fund balance increased by \$175,000.

The 2012 mil rate declined to \$5.76 from \$5.80 as the property tax base expanded by approximately \$9.4 million (0.5%) and the property tax commitment declined. Of the 2012 commitment, 96.32% was collected prior to year-end. A healthy collection rate has been experienced for approximately three years and, accordingly, unavailable revenue – property taxes declined by \$20,000 increasing the General Fund balance by the same amount.

The Town experienced significant decline in non-property tax revenue sources in 2012, primarily in fees to dispose of material at the transfer station and in the sale of recyclable materials. Smaller declines were experienced in permits, mooring fees and licenses. Excise tax receipts, the Town's single largest source of non-property tax revenue, were stable. While homestead exemption payments from the State also remained stable, revenue sharing payments declined.

Unexpended Appropriations. Notable unexpended appropriations lapsing to the General Fund in 2012 occurred in the areas of assessing (\$13,035), employee benefits (\$26,725), town lands and landings (\$15,493), snow removal (\$23,729), road maintenance (60,557), recycling and transfer station (\$30,231), former West Harpswell School (\$28,167), and contracted paramedic services (\$41,000). With respect to assessing, budgeted contract labor was not used and the office was restructured. The employee benefits budget was not fully utilized for a number of reasons, including the departure of one employee, and changes in employee health insurance elections. The Town undertook several land and landing improvement projects that came in under budget after utilizing a public bid process. Winter sand and salt budgets were underspent due to a decrease in usage of material. In 2012, plans with respect to road maintenance changed and therefore, some budgeted plans were not undertaken. An unplanned change in workforce at the recycling center resulted in costs being lower than budgeted. Additionally, volumes of material disposed at the transfer station and municipal solid waste at the recycling center were less than budgeted. 2012 was the first complete year the Town has owned the former West Harpswell School, allowing for improved budgeting relating to minimal use. In 2012, a dedicated paramedic service was implemented in May although an entire year was included in the budget.

Overlay. Of the \$188,353 raised for overlay, \$5,699 was used for the purpose of providing abatements. The remaining \$182,654 lapsed to the General Fund balance.

Contingency. The use of contingency was limited to three instances in 2012 totaling \$2,246.

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

Harpswell maintains a healthy General Fund balance that is used to fund first quarter expenditures until such time as tax anticipation note financing 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 2012, the Town's investment in capital assets, net of accumulated depreciation was \$10,183,448 and its outstanding debt \$2,230,335. All outstanding debt was incurred for capital purposes. \$2,188,335 of the outstanding debt primarily funded either road projects (\$1,375,002) or the emergency services vehicles account (\$780,000). During 2012, the Town entered into a capital lease in the amount of \$42,000 to fund, in part, the purchase of certain media equipment. The principal payments (\$6,000) will be funded by annual grants to the Town by the holder of its cable franchise.

Capital Assets, net of depreciation

	Capital Assets		Accumulated Depreciation		Capital Assets, net of depreciation	
	2012	2011	2012	2011	2012	2011
	Land	\$2,187,901	\$2,178,423			\$2,187,901
Construction in progress	11,201	38,835			11,201	38,835
Other non-depreciable assets	335,900	335,900			335,900	335,900
Buildings and building improvements	3,979,668	4,146,070	(1,896,426)	(1,789,708)	2,083,242	2,356,362
Equipment and furniture	1,861,370	1,582,564	(548,046)	(507,419)	1,313,324	1,075,145
Infrastructure	6,860,177	6,652,881	(2,608,297)	(2,577,080)	4,251,880	4,075,801
Total capital assets	\$15,236,217	\$14,934,673	\$(5,052,769)	\$(4,874,207)	\$10,183,448	\$10,060,466

Construction in progress at the end of 2012 represents engineering costs incurred for a capital road project on Bethel Point Road to replace a wide-span culvert in the waterway. The work is expected to be completed in 2013.

Additions to infrastructure in 2012 include \$574,855 in improvements to three Town roads, Lowell's Cove, Little Island and Lane.

2012 additions to Buildings and Building Improvements include \$29,277 for a new building at the Transfer Station that houses the station's attendant, as well as \$26,741 for a new pump out float located in New Meadows River and \$13,180 for additional floats at the Town's public wharf at Pott's Point. The pump out float was funded with State grant monies and a portion of the additional float system was funded with donations.

Equipment, vehicles and furniture increased during 2012 as the Town purchased a tanker truck for \$209,022, which it leased to the Orr's/Bailey Islands Volunteer Fire Department. The lease provides for no payments to the Town, however, the Department is obligated to pay for the maintenance of and insurance for the vehicle. The Town also purchased a new marine patrol boat and motor for \$59,757 and media equipment totaling \$81,902. A portion of the funds for the media equipment was funded through a capital lease obligation.

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

During 2012, the Town disposed of capital assets totaling \$468,343, net of accumulated depreciation. Those assets included two houses located at Mitchell Field with net asset values of \$202,616 and the estimated remaining original cost of the roads rehabilitated in 2012.

While all outstanding debt was incurred for the purchase of capital assets, \$336,144 is unexpended as of December 31, 2012. Capital road work originally anticipated to be performed in 2012 on Bethel Point Road was delayed until 2013 although a portion of the engineering work for the project has been completed and is included as construction in progress. The 2012 Town Meeting approved the borrowing of up to \$1,000,000 for capital road projects, which borrowing was delayed to 2013 for a 5-road project. \$118,739 of unexpended debt is included in the Emergency Services Vehicles account, an account designated for the purchase of replacement fire and rescue vehicles which are then leased to one of the Town's three volunteer fire and rescue services.

The Town's programs for road rehabilitation and for purchasing fire and rescue vehicles are ongoing and multi-year. Looking forward, the Town will continue to assess the needs to upgrade the infrastructure at Mitchell Field, a major asset with business development possibilities. During 2012, a portion of the pier structure at Mitchell Field collapsed, and it is believed that certain of the remaining supports have been eroded. The Town's 2013 Town Meeting will determine whether the pier should be replaced, demolished or partially rehabilitated. The cost of any of these alternatives has been estimated by an independent consultant to be in the \$1.7 to \$2 million range. Additionally, the 2013 Town Meeting may determine the disposition of the former West Harpswell School property. Finally in 2013, the Town will be constructing a garage and living space for the contracted paramedic.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy is showing signs of continued improvement albeit at a slow pace. Since the recession, Harpswell's tax rate has not increased, in large part because of its decreasing payment to MSAD # 75 and the availability of fund balance to offset any municipal increases.

State revenue sources affecting the 2013 tax rate are in flux given the Governor's recent budget proposal which recommends the elimination of revenue sharing for the next two years, an alteration to the homestead program, and significant changes to educational funding, among other items. Since Harpswell does not rely heavily on state revenue sharing, the proposed changes may not be as detrimental to Harpswell taxpayers as to those in other higher-receiving municipalities. However, the impact on the education side is yet to be determined. Because Harpswell is on a calendar fiscal year, the implementation of a state budget effective July 1 will affect Harpswell for a six-month period, thus mitigating the impact on Harpswell's 2013 tax rate.

The largest single source of non-property tax revenue that Harpswell receives is excise tax. This amount is projected to remain stable in 2013, with other municipally generated revenues, particularly sales of recyclable materials, decreasing—in part because of fluctuating market conditions, but also because of the Town's possible move (in the fourth quarter of 2013) to single-stream recycling. While the move to single-stream recycling will eliminate revenue from the sale of recyclables, it should increase recycling rates and position the Town to benefit from future savings as a result of decreased solid waste tonnages, staff attrition, and less capital investment needed for equipment and facility purposes.

Real estate is holding value, particularly on the waterfront. The Town added over \$9 million dollars in new taxable value in 2012, a target which it is likely to be reached again in 2013.

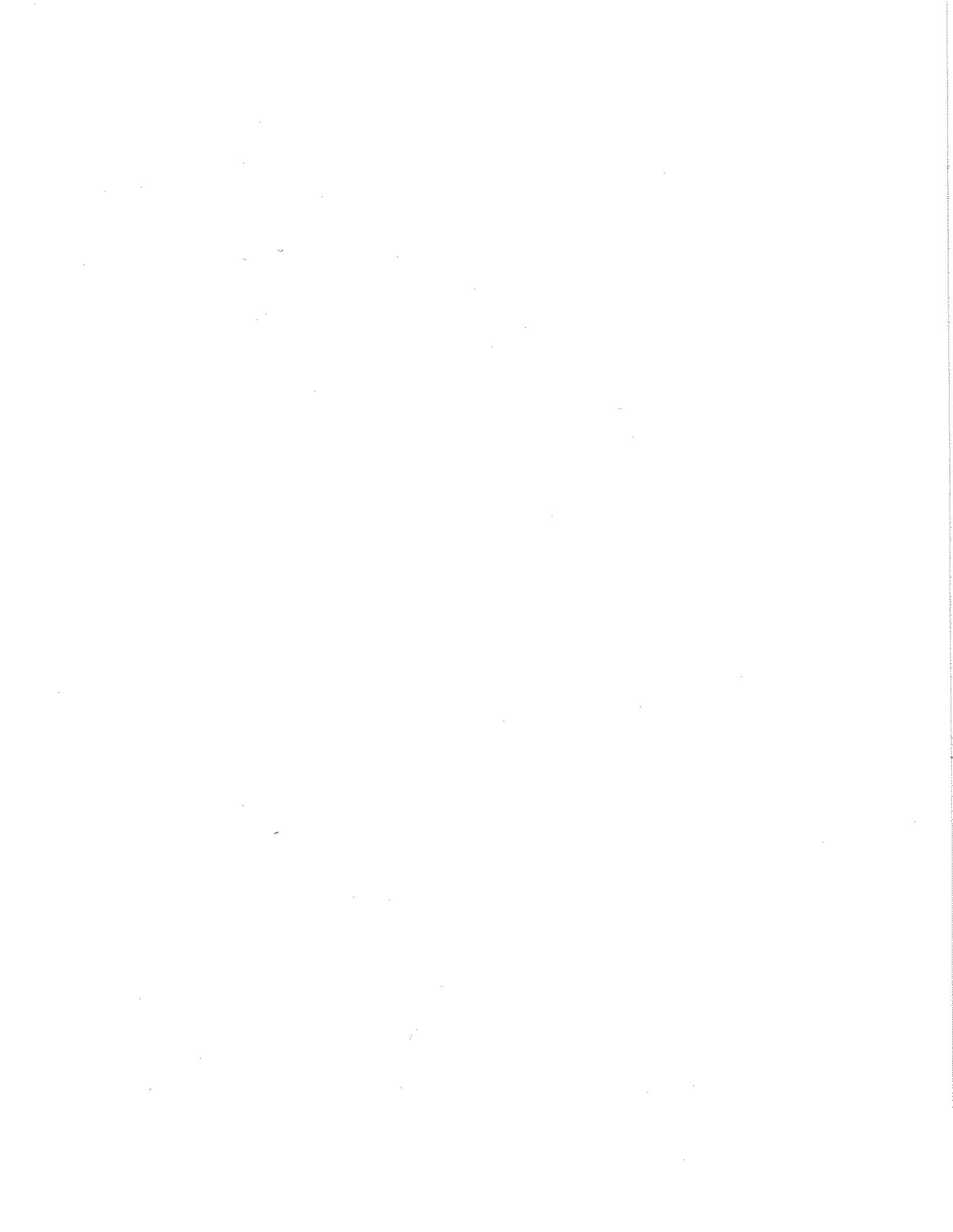
In 2013, the Town will consider borrowing to address the disposition of the Mitchell Field pier, a section of which collapsed in 2012. With interest rates at historically low levels, it is a good time to fund major projects and long-term investments through bonding. While the proposed borrowing will not greatly affect the 2013 tax rate, its principal and interest payments will impact subsequent year tax rates for a number of years.

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

The Town's unassigned fund balance ended the year at a very healthy level. The use of fund balance is again available to help offset any significant increase in the tax rate.

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 Position
December 31, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,984,508
Receivables:	
Taxes	374,372
Liens	84,330
Accounts	70,940
Prepaid items	16,089
Capital assets:	
Capital assets, not being depreciated	2,535,002
Other capital assets, net of accumulated depreciation	7,648,446
Total assets	15,713,687
LIABILITIES	
Accounts payable and other current liabilities	80,046
Unearned revenue	31,864
Accrued interest	11,278
Noncurrent liabilities:	
Due within one year	319,333
Due in more than one year	1,934,112
Total liabilities	2,376,633
NET POSITION	
Invested in capital assets, net of related debt	8,289,257
Restricted for:	
Capital projects and grants	1,091,953
Unrestricted	3,955,844
Total net position	\$ 13,337,054

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Activities
For the year ended December 31, 2012

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
General government	\$ 1,258,267	-	-	-	(1,258,267)
Public works	1,009,250	174,742	52,800	-	(781,708)
Protection and safety	950,294	-	-	-	(950,294)
Health and welfare	29,197	-	5,724	-	(23,473)
Cultural and recreation	306,712	42,118	-	-	(264,594)
Education	6,566,900	-	-	-	(6,566,900)
County taxes	1,113,601	-	-	-	(1,113,601)
Overlay/abatements	5,699	-	-	-	(5,699)
Interest expense	88,324	-	-	-	(88,324)
Capital and special projects	694,492	-	63,636	-	(630,856)
Total governmental activities	12,022,736	216,860	122,160	-	(11,683,716)
General revenues:					
Property taxes, levied for general purposes					10,183,376
Excise taxes					965,013
Interest and fees on property taxes					20,154
Intergovernmental					171,412
Interest earned					9,550
Miscellaneous					289,427
Total general revenues					11,638,932
Change in net position					(44,784)
Net position - beginning					13,381,838
Net position - ending				\$	13,337,054

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Balance Sheet
Governmental Funds
December 31, 2012

	General	Road Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,984,508	-	-	4,984,508
Receivables:				
Taxes	374,372	-	-	374,372
Liens	84,330	-	-	84,330
Other	70,940	-	-	70,940
Interfund receivables	-	469,198	645,647	1,114,845
Prepaid items	16,089	-	-	16,089
Total assets	\$ 5,530,239	469,198	645,647	6,645,084
LIABILITIES				
Accounts payable and other liabilities	80,046	-	-	80,046
Unearned revenue - taxes paid in advance	15,574	-	-	15,574
Unearned revenue - other	16,290	-	-	16,290
Interfund payables	1,114,845	-	-	1,114,845
Total liabilities	1,226,755	-	-	1,226,755
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	314,000	-	-	314,000
Total deferred inflows of resources	314,000	-	-	314,000
FUND BALANCE				
Nonspendable:				
Prepaid Insurance	16,089	-	-	16,089
Restricted:				
Capital projects and grants	-	469,198	622,755	1,091,953
Assigned:				
General fund	524,843	-	-	524,843
Recreation	-	-	22,892	22,892
Unassigned	3,448,552	-	-	3,448,552
Total fund balances	3,989,484	469,198	645,647	5,104,329
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,530,239	469,198	645,647	
Amounts reported for governmental activities in the Statement of Net Position (Statement 1) are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				10,183,448
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.				314,000
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 and capital lease obligation				(2,230,335)
Compensated absences payable				(23,110)
Accrued interest				(11,278)
Net position of governmental activities				\$ 13,337,054

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, 2012

	General	Road Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 11,188,543	-	-	11,188,543
Intergovernmental	229,936	-	63,636	293,572
Miscellaneous	471,666	-	44,171	515,837
Total revenues	11,890,145	-	107,807	11,997,952
Expenditures:				
Current:				
General government	1,171,216	-	-	1,171,216
Public works	799,017	-	-	799,017
Protection and safety	877,052	-	-	877,052
Health and welfare	29,197	-	-	29,197
Cultural and recreation	238,576	-	51,699	290,275
Education	6,566,900	-	-	6,566,900
County taxes	1,113,601	-	-	1,113,601
Overlay/abatements	5,699	-	-	5,699
Debt service	443,730	-	-	443,730
Capital and special projects	384,018	547,222	271,487	1,202,727
Total expenditures	11,629,006	547,222	323,186	12,499,414
Excess (deficiency) of revenues over (under) expenditures	261,139	(547,222)	(215,379)	(501,462)
Other financing sources (uses):				
Proceeds from capital lease	42,000	-	-	42,000
Transfers (to) from other funds	(111,120)	-	111,120	-
Total other financing sources (uses)	(69,120)	-	111,120	42,000
Net change in fund balances	192,019	(547,222)	(104,259)	(459,462)
Fund balances, beginning of year	3,797,465	1,016,420	749,906	5,563,791
Fund balances, end of year	\$ 3,989,484	469,198	645,647	5,104,329

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, 2012

Net change in fund balances - total governmental funds (from Statement 4)	\$	(459,462)
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>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:</p>		
Capital outlays		976,578
Disposals of capital assets, net		(468,343)
Depreciation expense.		(385,253)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the decrease in unavailable revenue - property taxes in the funds.</p>		
		(20,000)
<p>Proceeds from long-term borrowing or capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This represents the proceeds (\$42,000) net of the repayments (\$353,333).</p>		
		311,333
<p>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.</p>		
		(1,710)
<p>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 use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		2,073
Change in net position of governmental activities (see Statement 2)		\$ (44,784)

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, 2012

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 11,166,956	11,166,956	11,188,543	21,587
Intergovernmental	222,716	222,716	229,936	7,220
Miscellaneous	473,400	473,400	471,666	(1,734)
Total revenues	11,863,072	11,863,072	11,890,145	27,073
Expenditures:				
Current:				
General government	1,282,594	1,283,784	1,171,216	112,568
Public works	913,086	913,086	799,017	114,069
Protection and safety	925,679	925,679	877,052	48,627
Health and welfare	37,930	37,930	29,197	8,733
Cultural and recreation	239,809	239,809	238,576	1,233
Education	6,566,900	6,566,900	6,566,900	-
County taxes	1,113,601	1,113,601	1,113,601	-
Overlay/abatements	188,353	188,353	5,699	182,654
Debt service	460,000	460,000	443,730	16,270
Capital and special projects	399,000	872,369	384,018	488,351
Total expenditures	12,126,952	12,601,511	11,629,006	972,505
Excess (deficiency) of revenues over (under) expenditures	(263,880)	(738,439)	261,139	999,578
Other financing sources (uses):				
Proceeds from capital lease	-	42,000	42,000	-
Transfer to / from other funds	(111,120)	(111,120)	(111,120)	-
Budgeted use of unassigned fund balance	375,000	375,000	-	(375,000)
Budgeted use of carryforward balances	-	481,335	-	(481,335)
Budgeted use of contingency	-	(48,776)	-	48,776
Total other financing sources (uses)	263,880	738,439	(69,120)	(807,559)
Net change in fund balance	-	-	192,019	192,019
Fund balance, beginning of year			3,797,465	
Fund balance, end of year			\$ 3,989,484	

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

THE REPORTING ENTITY

The Town of Harpswell, Maine, 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. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 funds:

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

The road projects fund accounts for financial resources used in major road rehabilitation projects.

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

Special revenue funds 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 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.

The Town Meeting adopts the annual budget in March of that budget year and, accordingly, the previous year's Town Meeting authorizes the Board of Selectmen to spend 25% of the previous year's budget in the first three months of the current year.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, portions of the General Fund fund equity can be assigned 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.

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, and infrastructure 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 to 50 years
Infrastructure	20 to 50 years
Equipment, vehicles and furniture	5 to 30 years

Capital assets, not being depreciated includes land, construction in progress and the West Harpswell School property. The West Harpswell School building and other assets are not being depreciated as they are not exhaustible assets. The building will be depreciated only if there is a Town Meeting decision to retain ownership and utilize it.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the statement of financial 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 Town has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

I. 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.

J. Fund Equity

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.

Assigned – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Committed fund balance amounts are determined by the legislative body which also would be required to modify or rescind those commitments. For assigned fund balance, management determines amounts to be carried forward for uncompleted projects previously authorized by the legislative body for specific purposes in the General Fund at year end. The select board votes to authorize assigned amounts.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the Town's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. Fund Balance Policy

It is the Town's policy that its year end general fund balance equal 25% of the expenditures of the previous year. Any amount in excess of this fund balance may be used to reduce the following year's tax commitment. Further, any restricted fund balance shall not be expended for other than the stated restricted purpose.

L. 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.

M. 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.

N. 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, 2012, the Town reported deposits of \$4,984,508 with a bank balance of \$5,040,384. All of the Town's bank balances were collateralized by FDIC insurance and therefore, none were exposed to custodial credit risk.

PROPERTY TAX

The Town's property taxes for the current year were committed on August 1, 2012, on the assessed value listed as of April 1 for all real and personal property located in the Town. Taxes were due on September 17, 2012 and December 17, 2012; interest was charged at 6% 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 97%. The following summarizes the 2012 and 2011 levy:

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX, CONTINUED

	<u>2012</u>	<u>2011</u>
Assessed value:		
Real property	\$1,761,678,700	1,754,017,800
Personal property	5,848,400	4,114,100
Total valuation	1,767,527,100	1,758,131,900
Tax rate (per \$1,000)	5.76	5.80
Tax commitment	10,180,956	10,197,165
Less: collections and abatements (net of supplements)	(9,806,584)	(9,673,762)
Taxes receivable at December 31	\$ 374,372	523,403
Due dates	½ September 17, 2012 ½ December 17, 2012	½ September 15, 2011 ½ December 15, 2011
Interest rate on delinquent taxes	6.00%	6.00%
Collection rate	96.32%	94.87%

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 \$188,353 for the year ended December 31, 2012. 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 unavailable revenues. Tax payments received in advance of a levy are reported as unearned revenue.

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, 2012, were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	1,114,845
Special Revenue Funds:		
Restricted grants	3,707	-
Recreation	22,892	-
Capital Projects Fund:		
Emergency vehicles	619,048	-
Road projects	469,198	-
Totals	\$1,114,845	1,114,845

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	December 31, <u>2011</u>	<u>Increase</u>	<u>Decrease</u>	December 31, <u>2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,178,423	9,478	-	2,187,901
Construction in progress	38,835	16,317	43,951	11,201
Other non-depreciable assets	335,900	-	-	335,900
Total capital assets not being depreciated	2,553,158	25,795	43,951	2,535,002
Capital assets, being depreciated:				
Buildings and improvements	4,146,070	69,198	235,600	3,979,668
Equipment, vehicles and furniture	1,582,564	350,681	71,875	1,861,370
Infrastructure	6,652,881	574,855	367,559	6,860,177
Total capital assets being depreciated	12,381,515	994,734	675,034	12,701,215
Less accumulated depreciation for:				
Buildings and improvements	1,789,708	139,702	32,984	1,896,426
Equipment, vehicles and furniture	507,419	107,502	66,875	548,046
Infrastructure	2,577,080	138,049	106,832	2,608,297
Total accumulated depreciation	4,874,207	385,253	206,691	5,052,769
Total capital assets being depreciated, net	7,507,308	609,481	468,343	7,648,446
Governmental activities capital assets, net	\$10,060,466	635,276	512,294	10,183,448

During 2012, the Town disposed of capital assets totaling \$468,343, net of accumulated depreciation. Those assets included two houses located at Mitchell Field with net asset values of \$202,616 and the estimated remaining original cost of the roads rehabilitated in 2012.

In August 2011, the Town voted to accept the West Harpswell School property from M.S.A.D. 75 after previously having voted to close this school. The property, which consists of land, buildings and certain other assets, primarily artwork, has been recorded in the Statement of Net Position at the estimated fair market values of those assets at the time of the acceptance; \$150,000, \$229,000 and \$106,900, respectively. The land and other assets are not being depreciated as they are not exhaustible assets. The building will be depreciated only if there is a Town meeting decision to retain ownership and utilize it.

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

Governmental activities:	
General government	\$ 85,341
Public works	210,233
Protection and safety	73,242
Cultural and recreation	16,437
Total depreciation expense – governmental activities	\$ 385,253

Equipment with a cost of \$1,104,672 and accumulated depreciation of \$177,202 has been leased under 10 or 20 year agreements to one of the three independent fire and rescue departments serving the Town. The cost of insuring and maintaining the vehicles is borne by the departments.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SHORT-TERM DEBT

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 their May 10, 2012 meeting authorizing the Treasurer to borrow \$2,635,000 to be due on or before December 31, 2012. The total amount was drawn in May, and the outstanding principal and interest was paid before December 31, 2012. The total interest paid on this note was \$11,431. Since there is no beginning or ending balance at December 31, 2011 and 2012, it has not been included in the debt note which follows.

LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2012, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 2,541,668	-	353,333	2,188,335	313,333
Capital lease obligation	-	42,000	-	42,000	6,000
Compensated absences payable	21,400	39,224	37,514	23,110	-
Governmental activity long-term liabilities	\$ 2,563,068	81,224	390,847	2,253,445	319,333

Bonds Payable

Bonds payable at December 31, 2012 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, 2012</u>
Governmental activities:					
2004 Capital Roads, Old Town					
Meetinghouse restoration:	10/28/04	11/01/16	700,000	1.00-9.00%	233,335
2008 Emergency vehicles	10/30/08	11/01/18	500,000	2.075-5.575%	300,000
2009 Ash Point road rehab	05/28/09	11/01/19	650,000	2.08-5.58%	455,000
2010 Emergency vehicles	10/28/10	11/01/20	600,000	2.00-5.50%	480,000
2011 Capital road project	05/26/11	11/01/21	800,000	2.12-5.62%	720,000
Total bonds payable					\$ 2,188,335

During 2012, the Town entered into a capital lease with Androscoggin Bank to fund, in part, the purchase of certain media equipment. The cost of this equipment was \$81,902 of which \$39,902 had been previously appropriated. The remaining balance of \$42,000 represents the principal obligation under the capital lease and will be repaid in seven equal installments of \$6,000. Interest accrues at a rate per annum of 3.02% and is payable annually. The principal payments will be funded by annual grants to the Town by the holder of its cable franchise.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

LONG-TERM LIABILITIES, CONTINUED

The annual requirements to amortize outstanding debt, including capital lease obligations, as of December 31, 2012 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	319,333	62,653	381,986
2014	319,334	46,983	366,317
2015	319,334	44,734	364,068
2016	319,334	34,853	354,187
2017	261,000	26,646	287,646
<u>2018-2021</u>	<u>692,000</u>	<u>38,872</u>	<u>730,872</u>
Total	\$2,230,335	254,741	2,485,076

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

STATUTORY DEBT LIMIT

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, 2012, the Town was in compliance with these restrictions.

OVERLAPPING DEBT

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, 2012</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$ 37,220,000	4.83%	1,798,616
MSAD 75 / RSU 75	11,127,316	39.34%	4,377,486

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

INTERFUND TRANSFERS

Individual fund transfers for the year ended December 31, 2012 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	111,120
Special revenue funds:		
Recreation	11,120	-
Total special revenue funds	11,120	-
Capital projects fund:		
Emergency vehicles	100,000	-
Total capital projects fund	100,000	-
Total transfers	\$111,120	111,120

These transfers were budgeted transfers to fund certain activities.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

BUDGETED USE OF SURPLUS

During the year ended December 31, 2012, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2011 carry forward balance	\$481,335
Use of surplus – current year:	
Mitchell Field Pier	25,000
Reduction of tax commitment	350,000
Total	\$856,335

RESTRICTED GRANTS

The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2012 fund balance of restricted grants consisted of the following awards:

<u>Grant Award</u>	<u>Balance beginning of year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance end of year</u>
Planning brochures	\$ 252	-	-	252
Right of way	1,374	-	-	1,374
Harbor Management Plan	360	-	-	360
Davis Conservation Fund	550	-	-	550
Maine DEP – pump out float	-	26,931	26,931	-
Shoreland Zoning Review	-	20,000	18,829	1,171
Mitchell Field Community Garden	-	9,333	9,333	-
CDBG – Economic Development	-	6,000	6,000	-
MMA safety	-	905	905	-
Access Health – Town brochure	-	467	467	-
Total restricted grants	\$2,536	63,636	62,465	3,707

ASSIGNED FUND BALANCES

At December 31, 2012, assigned fund balance consisted of the following:

<u>Fund</u>	<u>Assigned balance</u>
Appropriation carryovers:	
Dry hydrants development reserve	\$15,590
Legislative assistance agent	1,800
Land acquisition	1,279
Vehicles & equipment replacement	43,463
Boat/motor replacement	13,243
Voting machines	12,300
Heating assistance reserve	11,121
Generator replacement	41,000
Town Office & facilities improvements	54,000

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES, CONTINUED

Self-insurance reserve	\$1,254
Marine hazards	3,522
Failed septic system reserve	22,649
Recycling	48,342
Assessing records update	20,235
Mitchell Field - other	1,478
Mitchell Field – Infrastructure	8,373
Mitchell Field – Pier	7,773
FEMA assistance	3,529
Energy Conservation	2,502
Emergency communication equipment	6,521
Town Landings (Devil’s Back)	4,993
Property tax assistance program	25,652
Conservation Fund	5,000
Office equipment	7,705
Hildreth Road property	3,650
Economic Development	9,813
Emergency Services Garage	74,000
Assigned revenues:	
Heating assistance	13,515
Swim donations	3,211
Cable related technology	10,800
Plus contingency	46,530
Total assigned fund balance – General Fund	\$524,843

NET POSITION

Net Position - Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bond and capital leases obligations used for this purpose and adding back any unspent proceeds. The Town’s net position invested in capital assets, net of related debt was calculated as follows at December 31, 2012:

Capital assets	\$ 15,236,217
Accumulated depreciation	(5,052,769)
Bonds payable and capital lease obligation	(2,230,335)
Unspent bond proceeds	336,144
Total invested in capital assets net of related debt	\$ 8,289,257

Net position is 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.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

RISK MANAGEMENT

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, 2012.

CONTINGENT LIABILITIES

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.

Mitchell Field Pier - In 2001, the US Navy transferred to the Town a 116 acre parcel of land now known as Mitchell Field. The Navy had used this property to offload, store and transport fuel for a nearby air station. While the Navy's facility was largely dismantled prior to the transfer, the pier used to access the fuel tankers remained and is currently owned by the Town. During 2012, a portion of the pier structure collapsed, and it is believed that certain of the remaining supports have been eroded. The Town's 2013 Town Meeting will determine whether the pier should be replaced, demolished or partially rehabilitated. The cost of any of these alternatives has been estimated by an independent consultant to be in the \$1.7 to \$2 million range. If the Town takes no action and there is a further collapse, specific action may be required by regulatory agencies.

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

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 years ended December 31, 2012, 2011 and 2010 were \$6,473, \$5,709 and \$4,472, 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

DEFERRED COMPENSATION PLAN

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 years ended December 31, 2012, 2011 and 2010 was \$19,129, \$18,307 and \$18,054, 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.

RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES

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 years ended December 31, 2012, 2011 and 2010 was \$13,909, \$15,437 and \$15,475, 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.

COMMITMENTS

On May 14, 2012, the Town contracted for the construction of a 2,000 gallon pumper/tanker truck for the amount of \$279,290. The vehicle is expected to be completed early 2013 and will be leased to the Cundy's Harbor Fire & Rescue Department. The purchase of this vehicle is part of an ongoing effort by the Town to fund the emergency vehicle purchases for the three independent fire and rescue departments serving the Town.

Additionally, at December 31, 2012, the Town was obligated under contracts for law enforcement, marine patrol, emergency dispatch and snow removal services in amounts totaling \$396,715.

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, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 4,984,508	5,301,409
Receivables:		
Taxes	374,372	523,403
Tax liens and acquired properties	84,330	66,525
Other	70,940	64,265
Prepaid items	16,089	23,040
Total assets	\$ 5,530,239	5,978,642
LIABILITIES		
Accounts payable and other liabilities	80,046	64,521
Unearned revenue - taxes paid in advance	15,574	11,780
Unearned revenue - other	16,290	4,550
Interfund payables:		
Special Revenue	26,599	23,889
Capital Projects	1,088,246	1,742,437
Total liabilities	1,226,755	1,847,177
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	314,000	334,000
Total deferred inflows of resources	314,000	334,000
FUND BALANCE		
Nonspendable:		
Prepaid Insurance	16,089	23,040
Committed:		
West Harpswell School	-	4,647
Assigned	524,843	476,688
Unassigned	3,448,552	3,293,090
Total fund balance	3,989,484	3,797,465
Total liabilities, deferred inflows of resources, and fund balance	\$ 5,530,239	5,978,642

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, 2012

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 10,180,956	10,180,956	10,183,376	2,420
Change in unavailable revenue	-	-	20,000	20,000
Interest and fees on property taxes	24,000	24,000	20,154	(3,846)
Excise taxes and registration fees	962,000	962,000	965,013	3,013
Total taxes	11,166,956	11,166,956	11,188,543	21,587
Intergovernmental:				
State revenue sharing	120,000	120,000	113,039	(6,961)
Local road assistance URIP	50,000	50,000	52,800	2,800
Homestead exemption and BETE	40,716	40,716	40,716	-
Tree growth	2,000	2,000	11,005	9,005
General assistance	6,000	6,000	5,724	(276)
Veterans exemption	2,000	2,000	3,239	1,239
Other	2,000	2,000	3,413	1,413
Total intergovernmental	222,716	222,716	229,936	7,220
Miscellaneous:				
Interest earned	8,900	8,900	9,550	650
Copies and records	3,000	3,000	4,537	1,537
Cable TV franchise fee	65,000	65,000	71,297	6,297
Cable technology & capital equipment	11,400	11,400	11,400	-
Licenses, fees and permits	156,400	156,400	147,233	(9,167)
Recycling center and disposal fees	196,500	196,500	174,742	(21,758)
Donations and gifts	10,000	10,000	27,663	17,663
Sale of property	2,000	2,000	3,435	1,435
Tower lease	18,500	18,500	19,383	883
Unclassified	1,700	1,700	2,426	726
Total miscellaneous	473,400	473,400	471,666	(1,734)
Total revenues	11,863,072	11,863,072	11,890,145	27,073

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, 2012

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
<i>Expenditures:</i>							
<i>General government:</i>							
9	Elected officials	\$ -	122,622	122,622	121,552	1,070	-
<i>General administration:</i>							
10	Administration	-	258,173	258,173	250,941	7,232	-
10	Public information	-	9,000	9,000	7,089	1,911	-
10	Risk management	-	57,205	57,205	51,919	5,286	-
10	Legal services	-	40,000	40,000	31,829	8,171	-
11	Memberships	-	15,766	15,766	15,864 *	(98)	-
12	Assessing	-	80,552	80,552	67,517	13,035	-
14	Tax collector's office	-	34,963	34,963	32,521	2,442	-
15	Town clerk's office	-	53,433	53,433	47,182	6,251	-
16	Treasurer	-	2,150	2,150	1,999	151	-
17	Code enforcement	-	104,075	104,075	97,197	6,878	-
18	Planning	1,190	74,624	75,814	67,286	8,528	-
19	Employee benefits	-	306,020	306,020	279,295	26,725	-
20	Boards and committees	-	5,111	5,111	3,044	2,067	-
<i>Operations and maintenance:</i>							
21	Municipal buildings and property	-	64,900	64,900	58,001	6,899	-
21	Old town house and commons	-	5,500	5,500	6,468	(968)	-
21	Town dock	-	11,500	11,500	10,005	1,495	-
21, 24	Town lands and landings	-	37,000	37,000	21,507	15,493	4,993
Total general government		1,190	1,282,594	1,283,784	1,171,216	112,568	4,993
<i>Public works:</i>							
25	Snow removal	-	412,663	412,663	388,934	23,729	-
25	Maintenance	-	125,000	125,000	64,423	60,577	-
25	Road, street signs	-	2,000	2,000	2,468	(468)	-
27	Recycling and transfer station	-	373,423	373,423	343,192	30,231	-
Total public works		-	913,086	913,086	799,017	114,069	-
<i>Protection and safety:</i>							
30,31	Emergency services	-	194,390	194,390	189,881	4,509	-
28	Contracted paramedic services	-	123,000	123,000	82,000	41,000	-
32	Street lighting	-	22,500	22,500	24,036 *	(1,536)	-
33	Harbor management	-	41,682	41,682	39,963	1,719	-
34	Animal control	-	24,623	24,623	25,235 *	(612)	-
35	Law enforcement and communication	-	336,394	336,394	336,394	-	-
35	Shellfish conservation enforcement	-	183,090	183,090	179,543	3,547	-
Total protection and safety		-	925,679	925,679	877,052	48,627	-
<i>Health and welfare:</i>							
36	Health and welfare	-	37,930	37,930	29,197	8,733	-
Total health and welfare		-	37,930	37,930	29,197	8,733	-
<i>Cultural and recreation:</i>							
37	Cultural and education programs	-	35,820	35,820	35,398	422	-
38	Curtis Memorial Library	-	119,484	119,484	119,484	-	-
39	Harpswell Community Broadcasting	-	58,000	58,000	58,000	-	-
40	Recreation - general	-	26,505	26,505	25,694	811	-
Total cultural and recreation		-	239,809	239,809	238,576	1,233	-

* Contingency transfer approved by selectmen to cover memberships (\$98), animal control (\$612) and street lights (\$1,536)

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, 2012

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures, continued:							
CF, 50	A. Dennis Moore Recycling / Transfer St.	\$ 47,619	30,000	77,619	29,277	48,342	48,342
<i>Other capital / carryovers / reserves:</i>							
CF	Joyce Brown Swim fund	3,491	-	3,491	-	3,491	3,211 **
CF, 50	Dry hydrant development	5,590	10,000	15,590	-	15,590	15,590
CF	Land acquisition	1,279	-	1,279	-	1,279	1,279
CF, 50	Vehicle replacement & vehicle equipment	66,500	25,000	91,500	48,037	43,463	43,463
CF	Update of assessing records	20,235	-	20,235	-	20,235	20,235
CF	HCBC digital conversion	25,000	-	25,000	25,000	-	-
CF, 50	Emergency communication equipment	1,521	5,000	6,521	-	6,521	6,521
51	Orr's Island Library	-	10,000	10,000	10,000	-	-
CF, 50	Boat and motor replacement	38,000	35,000	73,000	59,757	13,243	13,243
CF	Voting machines	12,300	-	12,300	-	12,300	12,300
CF	Generator replacement	41,000	-	41,000	-	41,000	41,000
CF, 50	T/O & Facilities Improvements	44,000	10,000	54,000	-	54,000	54,000
29	Emergency Services Garage	-	74,000	74,000	-	74,000	74,000
CF, 50	Office equipment	2,705	5,000	7,705	-	7,705	7,705
CF	Conservation fund	5,000	-	5,000	-	5,000	5,000
CF, 56	Cable related technology account	5,400	5,400	10,800	-	10,800	10,800 ***
CF, 57	Public, educational & governmental equipment	8,902	6,000	56,902	56,902	-	-
CF	Legislative agent	1,800	-	1,800	-	1,800	1,800
CF, 44	Economic development	221	10,000	10,221	408	9,813	9,813
CF	Self insurance reserve	1,341	-	1,341	87	1,254	1,254
CF, 46	Heating assistance	10,264	20,000	30,264	19,143	11,121	24,636 ***
CF	Marine hazards	3,522	-	3,522	-	3,522	3,522
CF, 47	Failed septic systems	12,649	10,000	22,649	-	22,649	22,649
13	Aerial map updates	-	12,000	12,000	12,000	-	-
CF	FEMA Consultant	4,186	-	4,186	657	3,529	3,529
CF	Energy Conservation	2,502	-	2,502	-	2,502	2,502
CF, 45	Property tax assistance program	37,533	12,500	50,033	24,381	25,652	25,652
CF	Hildreth Road wetland delineation & survey	3,650	-	3,650	-	3,650	3,650
CF, 43	Mitchell Field - infrastructure/demolition	18,840	20,000	38,840	30,467	8,373	8,373
CF	Mitchell Field - other	1,672	-	1,672	194	1,478	1,478
42	Mitchell Field - operations	-	14,100	14,100	14,001	99	-
STM	Mitchell Field - pier	-	25,000	25,000	17,227	7,773	7,773
23	West Harpswell School - operations	4,647	60,000	64,647	36,480	28,167	-
Total capital and special projects		431,369	399,000	872,369	384,018	488,351	473,320
54	Debt service	-	460,000	460,000	443,730	16,270	-
CF	Contingency	48,776	-	48,776	- *	48,776	46,530
Total budgeted expenditures		481,335	4,258,098	4,781,433	3,942,806	838,627	524,843
Other expenditures:							
	Educational appropriation	-	6,566,900	6,566,900	6,566,900	-	-
	County tax	-	1,113,601	1,113,601	1,113,601	-	-
	Overlay / abatements	-	188,353	188,353	5,699	182,654	-
Total other expenditures		-	7,868,854	7,868,854	7,686,200	182,654	-
Excess (deficiency) of revenues over (under) expenditures		(481,335)	(263,880)	(787,215)	261,139	1,048,354	(524,843)
Other financing sources (uses):							
	Proceeds from capital lease	-	-	42,000	42,000	-	-
	Transfer to Capital Projects - emergency vehicle	-	(100,000)	(100,000)	(100,000)	-	-
STM	Use of unassigned Fund balance - MF Pier	-	25,000	25,000	-	(25,000)	-
41	Transfer to Recreation fund - programs	-	(11,120)	(11,120)	(11,120)	-	-
66	Use of unassigned fund balance - budget	-	350,000	350,000	-	(350,000)	-
	Use of carryforward balances	481,335	-	481,335	-	(481,335)	-
Total other financing sources (uses)		481,335	263,880	787,215	(69,120)	(856,335)	-
Net change in fund balance		-	-	-	192,019	192,019	(524,843)
Fund balance, beginning of year					3,797,465		
Fund balance, end of year					\$ 3,989,484		

* Contingency transfer approved by selectmen to cover memberships, animal control and street lights totaling \$2,246

** Balance carried forward reflects 2012 use of funds for scholarships

*** Balances carried forward include 2012 revenues received for these purposes

OTHER NONMAJOR 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 to 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 Vehicles

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

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
ASSETS				
Interfund receivables	\$ 3,707	22,892	619,048	645,647
Total assets	\$ 3,707	22,892	619,048	645,647
LIABILITIES AND FUND BALANCES				
Liabilities:				
Unearned revenues	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Restricted:				
Capital projects and grants	3,707	-	619,048	622,755
Assigned:				
Recreation	-	22,892	-	22,892
Total fund balances	3,707	22,892	619,048	645,647
Total liabilities and fund balances	\$ 3,707	22,892	619,048	645,647

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2012

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
Revenues:				
Intergovernmental	\$ 63,636	-	-	63,636
Interest earned	-	-	2,053	2,053
Charges for services	-	42,118	-	42,118
Total revenues	63,636	42,118	2,053	107,807
Expenditures:				
For specified purpose	62,465	51,699	-	114,164
Capital outlay	-	-	209,022	209,022
Total expenditures	62,465	51,699	209,022	323,186
Excess (deficiency) of revenues over (under) expenditures	1,171	(9,581)	(206,969)	(215,379)
Other financing sources:				
Transfers from general fund	-	11,120	100,000	111,120
Total other financing sources	-	11,120	100,000	111,120
Net change in fund balances	1,171	1,539	(106,969)	(104,259)
Fund balances, beginning of year	2,536	21,353	726,017	749,906
Fund balances, end of year	\$ 3,707	22,892	619,048	645,647

SCHEDULE

TOWN OF HARPSWELL, MAINE
Schedule of Taxes and Liens Receivable
For the year ended December 31, 2012

Year	Balance at 12/31/11	2012 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/12
pre 2002 *	\$ 630	-	-	-	-	630
2005 *	976	-	-	-	-	976
2006 *	1,590	-	-	(137)	-	1,453
2007 *	1,790	-	-	(308)	-	1,482
2008 *	1,371	-	-	(182)	-	1,189
2009 *	1,410	-	-	(143)	-	1,267
2010	58,758	-	-	(39,960)	-	18,798
2011	523,403	-	-	(464,868)	-	58,535
2012	-	10,180,956	2,420	(9,803,305)	(5,699)	374,372
	589,928	10,180,956	2,420	(10,308,903)	(5,699)	458,702
				Taxes receivable		374,372
				Tax liens and acquired properties		84,330
				Total		\$ 458,702

* includes tax acquired property

