

TOWN OF HARPSWELL, MAINE

Annual Financial Report

For the Year Ended December 31, 2015

TOWN OF HARPSWELL, MAINE
Annual Financial Report
For the Year Ended December 31, 2015

Table of Contents

	<u>Statement</u>	<u>Page</u>
Independent Auditors' Report		1-3
Management's Discussion and Analysis		5-12
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	6	20
Notes to Basic Financial Statements		21-33
	<u>Exhibit</u>	<u>Page</u>
Combining and Individual Fund Statements:		
General Fund:		
Comparative Balance Sheets	A-1	37
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis of Accounting)	A-2	38-40
Other Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	44
Schedule:		
Schedule of Taxes and Liens Receivable	1	47



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Harpswell
Harpswell, Maine

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Harpswell, Maine as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harpswell, Maine's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly

stated in all material respects in relation to the basic financial statements taken as a whole.

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

RHR Smith & Company

Buxton, Maine
January 29, 2016

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis
December 31, 2015

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, 2015. 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 \$13,627,986. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$11,110,961 at December 31, 2015. Capital assets include the Town's infrastructure assets, (i.e., roads and dry hydrants), as well as Town-owned lands, buildings and equipment, and an easement.
- ❖ The Statement of Activities shows an increase in net position of \$135,788 for the fiscal year. Expenditures increased in relation to 2014, with a significant increase in education expense.
- ❖ During 2015, the Town repaid \$479,334 of principal on its long-term borrowings as scheduled and incurred interest of \$77,654 on its long and short-term borrowings.
- ❖ The ending fund balance for all governmental funds is \$4,795,761.
- ❖ The ending fund balance for the General Fund is \$3,921,612, a decrease of \$63,457 from the previous year. Of this balance, \$453,771 is assigned for specific purposes, and \$16,650 is nonspendable. This leaves an unassigned balance of \$3,451,191, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain a minimum unassigned fund balance of one month, 8.33%, with a target of two months, of operating expenditures, defined as total prior year's general fund expenditures less any expenditure made from reserve funds.
- ❖ In addition to its General Fund, the Town has funds restricted for capital projects, which include an interest-bearing dedicated fund for emergency vehicle purchases (\$506,001) and a fund for road projects (\$316,664). The Town also has funds for its special revenue activities, which include recreation programs (\$50,934) and grants (\$550).

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, rescue services), 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 17-18 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 21-33 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 37-47 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>2015</u>	<u>2014</u>
Assets:		
Current & other assets	\$ 5,127,990	\$ 5,529,656
Receivable-Harpswell Coastal Academy	100,000	
Capital assets	11,110,961	11,186,687
Total Assets	<u>16,338,951</u>	<u>16,716,343</u>
Liabilities:		
Long-term debt outstanding	(2,612,334)	(3,091,668)
Other liabilities	(98,631)	(132,477)
Total Liabilities	<u>(2,710,965)</u>	<u>(3,224,145)</u>
Net Position:		
Net investment in capital assets	8,631,732	8,405,393
Restricted	823,215	1,135,258
Unrestricted	4,173,039	3,951,547
Total Net Position	<u>\$13,627,986</u>	<u>\$13,492,198</u>

The Town's Total Net Position increased by \$135,788 during 2015.

Asset changes included a decrease in cash balances of \$385,681.

Long-term debt obligations decreased in 2015 by \$479,334, as principal repayments were made as scheduled and there was no new borrowing. Other liabilities decreased primarily because payments for services provided to the Town in 2015 were made prior to December 31, 2015.

63.3% of the Town's Net Position at December 31, 2015 is represented by its capital assets less any outstanding debt 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.

\$823,215 of the 2015 Net Position (6.0%) is restricted for capital projects and grants. This includes \$506,001 for the purchase of emergency services vehicles and \$316,664 for capital road projects.

Unrestricted Net Position includes amounts assigned or committed for expenditures for certain purposes in subsequent years.

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

Statement of Activities Information

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

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program Revenues		
Charges for services	\$ 204,813	\$ 213,441
Operating grants & contributions	103,693	51,622
General Revenues		
Property and excise taxes	12,447,206	11,978,995
Intergovernmental	134,638	126,613
Interest earned	6,680	6,670
Sale of West Harpswell School	130,000	-
Other	436,432	400,035
Total revenues	<u>13,463,462</u>	<u>12,777,376</u>
Expenses:		
General government	1,344,983	1,337,181
Public works	947,306	1,020,460
Protection and safety	1,222,993	1,185,241
Health and welfare	31,767	25,409
Culture and recreation	357,827	345,396
Education	7,622,307	7,230,969
County taxes	1,255,204	1,183,087
Overlay/abatements	1,953	766
Interest on long-term debt	71,654	73,650
Capital and special projects	471,680	504,170
Total expenses	<u>13,327,674</u>	<u>12,906,329</u>
Increase/(decrease) in net position	<u>\$135,788</u>	<u>(\$128,953)</u>

Governmental Activities

Governmental activities increased the Town's net position by \$135,788 as a 3.3% increase in expenses was offset by a 5.4% increase in revenues. Total program revenues increased by \$43,443 or 16.4% on a year to year basis, with most of the increase occurring in operating grants and contributions (\$52,071). The significant increase in grants resulted primarily from the Town obtaining two Cumberland County Development Block Grants. One was for specific improvements to Bailey Island Library Hall and the other was to continue Midcoast Hunger Prevention's food backpack program at Harpswell Community School.

Education expense increased by \$391,338 or 5.4%.

The Town sold the former West Harpswell School to Harpswell Coastal Academy for a total consideration of \$150,000. \$10,000 was paid at closing, \$40,000 was credited from lease payments received in 2014 and 2015, and the Academy will pay the remainder to the Town in ten equal installments of \$10,000.

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

Property and excise tax revenues increased from 2014 by \$362,688 and \$105,523, respectively. The mil rate increased from \$6.10 to \$6.24.

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 and bandstand donations
<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	
	2015	2014	2015	2014
General government	\$1,344,983	\$1,337,181	\$1,344,983	\$1,337,181
Public works	947,306	1,020,460	753,219	822,025
Protection and safety	1,222,993	1,185,241	1,222,993	1,185,241
Health and welfare	31,767	25,409	23,701	19,722
Culture and recreation	357,827	345,396	303,351	285,006
Education	7,622,307	7,230,969	7,622,307	7,230,969
County taxes	1,255,204	1,183,087	1,255,204	1,183,087
Overlay/abatements	1,953	766	1,953	766
Interest on long-term debt	71,654	73,650	71,654	73,650
Capital and special projects	471,680	504,170	419,803	503,619
Total governmental activities	\$13,327,624	\$12,906,329	\$13,019,168	\$12,641,266

Total Cost of Services and Net Cost of Services increased from 2014 to 2015 by 3.3% and 3.0%, respectively.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of December 31, 2015, the Town's governmental fund balance totaled \$4,795,761.

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, liabilities and deferred inflows as fund balances. Nonspendable, committed, 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 decreased from \$3,985,069 in 2014 to \$3,921,612 in 2015. The decrease was attributable to (1) a significant increase in education expenses, and (2) use of unassigned fund balance to reduce the tax commitment.

Revenues: 2015 property tax revenue increased by \$342,688 relative to 2014. Total appropriations increased by \$567,572 with increases in the assessments by MSAD 75 and Cumberland County of \$391,338 (5.4%) and \$72,117 (6.1%), respectively, and in total municipal appropriations of \$82,601 (1.9%). Overlay increased in 2015 by \$21,516. Due to the anticipated increases in expenditures, the use of fund balance to reduce the tax commitment increased by \$114,000.

The Town experienced an increase in non-property tax revenue sources in 2015, primarily in excise tax receipts, the Town's largest source of non-property tax revenue, which increased by \$105,523. There was also an increase in cable franchise fees. The Town sold a tax-acquired parcel with net proceeds of \$62,482. While State payments minimally increased, such payments have been following a generally downward trend. Homestead exemption payments are, however, expected to increase by 50% in 2016.

The 2015 mil rate increased to \$6.24 from \$6.10 and the property tax base expanded by approximately \$18 million (1.0%). Of the 2015 commitment, 97.05% was collected prior to year-end.

Unexpended Appropriations. Notable unexpended appropriations lapsing to the General Fund in 2015 occurred in the areas of planning (\$30,497), employee benefits (\$29,569), marine consultant and conservation measures (\$24,297), snow removal (\$22,302), the recycling center (\$16,945), and road maintenance (\$15,324). The capital reserves for the generator (\$8,875) and Mitchell Field cell repair (\$8,800) were not carried forward. Additionally, with the sale of the West Harpswell School, the capital reserve (\$15,000) and gym floor reserve (\$9,400) lapsed. With respect to planning, the Town's planning department was restructured with such services to be provided by contract. The employee benefits budget was not fully utilized primarily due to employee elections regarding health insurance coverage. The services of the marine consultant were not utilized at the level anticipated and there were fewer conservation projects undertaken. Costs of sand and salt in the winter maintenance budget were lower than anticipated. Volumes of waste disposal at the recycling center were lower than budgeted. There were fewer road maintenance projects than expected.

Overlay. Of the \$80,734 raised for overlay, \$1,953 was used to provide abatements and the remaining \$78,781 lapsed to the General Fund balance.

Contingency. The 2015 use of contingency was limited to three instances totaling \$20,342 funding in part a new roof at the Town Office, a new server, and a recreation department overage.

Harpswell maintains a healthy General Fund balance, which when supplemented with tax anticipation note financing is used to fund expenditures until such time as 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.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the Town's investment in capital assets, net of accumulated depreciation was \$11,110,961 and its outstanding debt \$ 2,612,334. All outstanding debt was incurred for capital purposes. \$2,588,334 of the outstanding debt primarily funded either road projects (\$2,130,000) or the emergency services vehicles account (\$450,000). During 2012, the Town entered into a capital lease to fund, in part, the purchase of certain media equipment of which \$24,000 was outstanding at the end of 2015. The annual principal payments (\$6,000) will be funded by grants to the Town by the holder of its cable franchise.

Net Investment in Capital Assets

	Capital		Accumulated		Net Investment in	
	Assets		Depreciation		Capital Assets	
	2015	2014	2015	2014	2015	2014
Land	\$2,164,271	\$2,276,111			\$2,164,271	2,276,111
Construction in progress	26,378	485,736			26,378	485,736
Other non-depreciable assets	281,900	281,900			281,900	281,900
Buildings and building						
Improvements	4,230,057	4,203,212	(2,252,486)	(2,184,635)	1,977,571	2,018,577
Equipment, vehicles and furniture	2,409,463	2,147,197	(871,742)	(776,076)	1,537,721	1,371,121
Infrastructure	7,657,045	7,324,574	(2,533,925)	(2,571,332)	5,123,120	4,753,242
Total capital assets	\$16,769,114	\$16,718,730	\$(5,658,153)	\$(5,532,043)	\$11,110,961	\$11,186,687

The net change in land during 2015 reflects the sale of the former West Harpswell School property to Harpswell Coastal Academy. The land was valued at \$150,000. The cost of the building was reduced to zero in 2014 when the potential terms of the sale became clear. Land improvements at two Town locations were completed in 2015 at a cost of \$38,160.

Additions to Buildings in 2015 reflected the replacement of the Town Office roof at a cost of \$26,845.

Infrastructure assets increased and construction in progress decreased by about \$629,000 in 2015 as a major road project, which included the rehabilitation of Bayview, Abner Point and Steamboat Wharf roads, as well as Washington Avenue, was completed. The rehabilitation also resulted in the removal of \$296,640 and \$190,845 from cost of infrastructure and accumulated depreciation of infrastructure, respectively.

Construction in progress at the end of 2015 includes engineering costs associated with both an erosion control plan for the north end of Long Point Road and the anticipated rehabilitation of Lookout Point, Stover's Point and Stover's Cove roads in 2016. Both projects are expected to be completed in 2016.

Increases in equipment in 2015 include an ambulance which has been leased to Harpswell Neck Fire & Rescue (\$209,000), a scale for use at the transfer station (\$45,000) and a new server at the Town Office (\$25,000). Additionally, a generator for which an initial payment was made in 2014 and, therefore included in construction in progress at the end of 2014, was placed in service in 2015.

While all outstanding debt was incurred for the purchase of capital assets, approximately \$133,000 is unexpended as of December 31, 2015, all of which relates to capital road projects. This amount will be used to fund the projects scheduled for 2016.

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

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. Since 2012, portions of the pier structure at Mitchell Field have collapsed, and it is believed that certain of the remaining supports have been eroded. No decision has been made as to whether the pier should be replaced, demolished or partially rehabilitated. The cost of some of these alternatives has been estimated by an independent consultant to be in the \$2 to \$4 million range.

The magnitude of these estimates is such that the Town's five-year capital plan anticipates that there will be no new borrowings for the Town's other capital needs until a decision as to the disposition of the pier is reached.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Major sectors of the economy are improving, although a global economic downturn could create instability. One of the surest signs of economic vitality affecting our local budget is an increase in car sales. In 2015, the Town has seen a significant increase in the amount of excise tax collected. Assuming this trend continues, it will help offset an increase in 2016 municipal appropriations. At this time, aspects of the 2016 municipal budget are still being refined.

In addition, the largest expenditure affecting the tax rate, the Town's contribution to MSAD # 75, is unknown. In 2015, legislation was passed ensuring the State would take responsibility for directly funding charter school students. The 2016-2017 MSAD #75 budget will be the first one that does not include a pass-through payment in the district's budget for charter school students. The transfer of fiscal responsibility to the State for charter school students should help offset some of the increase that Harpswell will see in the next school budget. An increase in the Town's contribution to Cumberland County is also likely in 2016.

Revenue sources are steady and as mentioned above, excise tax receipts, the largest non-property tax source of revenue, are on the rise.

There was no borrowing in 2015 or proposed borrowing for 2016, so no new principal or interest payments will be affecting the 2016 tax rate.

With regard to use of fund balance for offsetting tax increases, the Town's policy was changed in 2015. The new targeted balance, which is 2 months of prior year's expenditures rather than 3 months, allows more flexibility in the use fund balance to reduce the tax commitment.

Regarding real estate, sales, particularly waterfront, have been active and relatively consistent with assessed values. \$18 million dollars of new assessed value was added to the Town's valuation in 2015, and the expectation is that similar new value may be added in 2016.

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, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,642,455
Receivables:	
Taxes	332,522
Liens	61,556
Accounts	74,807
Prepaid items	16,650
Receivable from Harpswell Coastal Academy	100,000
Capital assets:	
Capital assets, not being depreciated	2,472,549
Other capital assets, net of accumulated depreciation	8,638,412
Total assets	16,338,951
LIABILITIES	
Accounts payable and other current liabilities	49,709
Unearned revenue	12,520
Accrued interest	11,952
Noncurrent liabilities:	
Due within one year	479,334
Due in more than one year	2,157,450
Total liabilities	2,710,965
NET POSITION	
Net investment in capital assets	8,631,732
Restricted for:	
Capital projects and grants	823,215
Unrestricted	4,173,039
Total net position	\$ 13,627,986

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Activities
For the year ended December 31, 2015

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	\$ 1,344,983	-	-	-	(1,344,983)
Public works	947,306	158,923	35,164	-	(753,219)
Protection and safety	1,222,993	-	-	-	(1,222,993)
Health and welfare	31,767	-	8,066	-	(23,701)
Cultural and recreation	357,827	45,890	8,586	-	(303,351)
Education	7,622,307	-	-	-	(7,622,307)
County taxes	1,255,204	-	-	-	(1,255,204)
Overlay/abatements	1,953	-	-	-	(1,953)
Interest expense	71,654	-	-	-	(71,654)
Capital and special projects	471,680	-	51,877	-	(419,803)
Total governmental activities	13,327,674	204,813	103,693	-	(13,019,168)

General revenues:

Property taxes, levied for general purposes	11,265,986
Excise taxes	1,181,220
Interest and fees on property taxes	21,606
Intergovernmental	134,638
Interest earned	6,680
Miscellaneous	414,826
Sale of West Harpswell School	130,000
Total general revenues	13,154,956
Change in net position	135,788
Net position - beginning	13,492,198
Net position - ending	\$ 13,627,986

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Balance Sheet
Governmental Funds
December 31, 2015

	General	Road Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,642,455	-	-	4,642,455
Receivables:				
Taxes	332,522	-	-	332,522
Liens	61,556	-	-	61,556
Other	74,807	-	-	74,807
Interfund receivables	-	316,664	557,485	874,149
Prepaid items	16,650	-	-	16,650
Total assets	\$ 5,127,990	316,664	557,485	6,002,139
LIABILITIES				
Accounts payable and other liabilities	49,709	-	-	49,709
Unearned revenue - taxes paid in advance	4,645	-	-	4,645
Unearned revenue - other	7,875	-	-	7,875
Interfund payables	874,149	-	-	874,149
Total liabilities	936,378	-	-	936,378
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	270,000	-	-	270,000
Total deferred inflows of resources	270,000	-	-	270,000
FUND BALANCES				
Nonspendable:				
Prepaid Insurance	16,650	-	-	16,650
Restricted:				
Capital projects and grants	-	316,664	506,551	823,215
Assigned:				
General fund	453,771	-	-	453,771
Recreation	-	-	50,934	50,934
Unassigned	3,451,191	-	-	3,451,191
Total fund balances	3,921,612	316,664	557,485	4,795,761
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,127,990	316,664	557,485	
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.				11,110,961
Sale of West Harpswell School to Harpswell Coastal Academy, net of prior lease credits				100,000
Unavailable revenue - property taxes is not available to pay for current period expenditures and, therefore, is unavailable in the funds.				270,000
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				(2,612,334)
Compensated absences payable				(24,450)
Accrued interest				(11,952)
Net position of governmental activities			\$	13,627,986

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, 2015

	General	Road Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 12,468,812	-	-	12,468,812
Intergovernmental	177,868	-	51,877	229,745
Miscellaneous	609,435	-	55,470	664,905
Total revenues	13,256,115	-	107,347	13,363,462
Expenditures:				
Current:				
General government	1,291,678	-	-	1,291,678
Public works	771,825	-	-	771,825
Protection and safety	1,128,732	-	-	1,128,732
Health and welfare	31,767	-	-	31,767
Cultural and recreation	269,162	-	62,132	331,294
Education	7,622,307	-	-	7,622,307
County taxes	1,255,204	-	-	1,255,204
Overlay/abatements	1,953	-	-	1,953
Debt service	553,044	-	-	553,044
Capital and special projects	304,400	177,269	262,645	744,314
Total expenditures	13,230,072	177,269	324,777	13,732,118
Excess (deficiency) of revenues over (under) expenditures	26,043	(177,269)	(217,430)	(368,656)
Other financing sources (uses):				
Proceeds from long-term debt	-	-	-	-
Transfers (to) from other funds	(89,500)	-	89,500	-
Total other financing sources (uses)	(89,500)	-	89,500	-
Net change in fund balances	(63,457)	(177,269)	(127,930)	(368,656)
Fund balances, beginning of year	3,985,069	493,933	685,415	5,164,417
Fund balances, end of year	\$ 3,921,612	316,664	557,485	4,795,761

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, 2015

Net change in fund balances - total governmental funds (from Statement 4)	\$	(368,656)
---	----	-----------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlays		531,553
Disposals of capital assets, net		(258,919)
Depreciation expense		(348,360)

Sale of former West Harpswell School to Harpswell Coastal Academy. The total consideration was \$150,000 with \$10,000 paid at closing. An additional \$40,000 was credited from lease payments. The Academy will pay the remainder to the Town in ten equal installments of \$10,000.		100,000
--	--	---------

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. No new debt was issued in 2015. This represents repayments.		479,334
---	--	---------

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.		(1,220)
---	--	---------

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.		2,056
---	--	-------

Change in net position of governmental activities (see Statement 2)	\$	135,788
--	-----------	----------------

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, 2015

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 12,358,823	12,358,823	12,468,812	109,989
Intergovernmental	158,405	158,405	177,868	19,463
Miscellaneous	487,400	487,400	609,435	122,035
Total revenues	13,004,628	13,004,628	13,256,115	251,487
Expenditures:				
Current:				
General government	1,385,229	1,400,253	1,291,678	108,575
Public works	826,608	826,608	771,825	54,783
Protection and safety	1,144,657	1,166,672	1,128,732	37,940
Health and welfare	32,880	33,180	31,767	1,413
Cultural and recreation	272,309	272,309	269,162	3,147
Education	7,622,307	7,622,307	7,622,307	-
County taxes	1,255,204	1,255,204	1,255,204	-
Overlay/abatements	80,734	80,734	1,953	78,781
Debt service	560,000	560,000	553,044	6,956
Capital and special projects	241,200	729,263	304,400	424,863
Total expenditures	13,421,128	13,946,530	13,230,072	716,458
Excess (deficiency) of revenues over (under) expenditures	(416,500)	(941,902)	26,043	967,945
Other financing sources (uses):				
Transfer to / from other funds	(89,500)	(89,500)	(89,500)	-
Budgeted use of unassigned fund balance	506,000	506,000	-	(506,000)
Budgeted use of carryforward balances	-	558,720	-	(558,720)
Budgeted use of contingency	-	(33,318)	-	33,318
Total other financing sources (uses)	416,500	941,902	(89,500)	(1,031,402)
Net change in fund balance	-	-	(63,457)	(63,457)
Fund balance, beginning of year			3,985,069	
Fund balance, end of year			\$ 3,921,612	

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 organization's 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, franchise fee, 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 or appropriations from fund balance.

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 \$5,000 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, easements and artwork associated with the former West Harpswell School property, which are not being depreciated as they are not exhaustible assets.

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 governmental funds balance sheet sometimes reports 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 governmental funds balance sheet 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 Board of Selectmen 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 to maintain a minimum unassigned General Fund balance of one month, 8.33%, of operating expenditures, defined as total prior year's general fund expenditures less any expenditure made from reserve funds. The targeted balance for fiscal year-end is 2 months or 16.66%, and the maximum balance is not to exceed 25% of the operating expenditures, so long as cash flow needs are met. Any amount in excess of the targeted balance may be used to reduce the tax commitment or be appropriated as assigned or committed fund balance, or it may remain as unassigned Fund Balance. The Town's Board of Selectmen may recommend transfers to the Town that would reduce the balance below 25%, but no transfers shall be made that would reduce the balance to less than 8.33%. In the event that the unassigned fund balance drops below the minimum level, the Town will develop a plan, implemented through the annual budgetary process, to bring the balance to the targeted level over a period of no more than three (3) years.

L. Comparative Data / Restatements

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, 2015, the Town reported deposits of \$4,642,455 with a bank balance of \$4,709,702. All of the Town's bank balances were collateralized by FDIC insurance and therefore, none were exposed to custodial credit risk.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX

The Town's property taxes for the current year were committed on August 6, 2015, on the assessed value listed as of April 1, 2015 for all real and personal property located in the Town. Taxes were due on September 15, 2015 and December 15, 2015; 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 100%.

The following summarizes the 2015 and 2014 levy:

	<u>2015</u>	<u>2014</u>
Assessed value:		
Real property	\$1,800,372,600	1,782,194,600
Personal property	5,047,900	5,231,300
Total valuation	1,805,420,500	1,787,425,900
Tax rate (per \$1,000)	6.24	6.10
Tax commitment	11,265,823	10,903,298
Less: collections and abatements (net of supplements)	(10,933,301)	(10,546,755)
Taxes receivable at December 31	\$332,522	356,543

Due dates	½ September 15, 2015	½ September 15, 2014
	½ December 15, 2015	½ December 15, 2014
Interest rate on delinquent taxes	6.00%	6.00%
Collection rate	97.05%	96.73%

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 \$80,734 for the year ended December 31, 2015. 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 or time limit extensions granted by the Town's Board of Selectmen.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances at December 31, 2015 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	874,149
Special Revenue Funds:		
Restricted grants	550	-
Recreation	50,934	-
Capital Projects Fund:		
Emergency vehicles	506,001	-
Road projects	316,664	-
Totals	\$874,149	874,149

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>December 31, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,276,111	38,160	150,000	2,164,271
Construction in progress	485,736	186,877	646,235	26,378
Other non-depreciable assets	281,900	-	-	281,900
Total capital assets not being depreciated	3,043,747	225,037	796,235	2,472,549
Capital assets, being depreciated:				
Buildings and improvements	4,203,212	26,845	-	4,230,057
Equipment, vehicles and furniture	2,147,197	296,671	34,405	2,409,463
Infrastructure	7,324,574	629,111	296,640	7,657,045
Total capital assets being depreciated	13,674,983	952,627	331,045	14,296,565
Less accumulated depreciation for:				
Buildings and improvements	2,184,635	67,851	-	2,252,486
Equipment, vehicles and furniture	776,076	127,071	31,405	871,742
Infrastructure	2,571,332	153,438	190,845	2,533,925
Total accumulated depreciation	5,532,043	348,360	222,250	5,658,153
Total capital assets being depreciated, net	8,142,940	604,267	108,795	8,638,412
Governmental activities capital assets, net	\$11,186,687	829,304	905,030	11,110,961

In August 2011, the Town voted to accept the West Harpswell School property from M.S.A.D. 75. The property, which consists of land, buildings and certain other assets, primarily artwork, was 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. During 2014, the building was revalued to reflect the purchase price expected from the proposed sale.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

In 2015, the Town completed the sale of the land and building to Harpswell Coastal Academy. The total consideration was \$150,000 with \$10,000 paid at closing. An additional \$40,000 was credited from lease payments. Harpswell Coastal Academy will pay the remainder to the Town in ten equal installments of \$10,000.

Fire and rescue vehicles with a cost of \$1,595,214 and accumulated depreciation of \$418,451 have 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.

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

Governmental activities:

General government	\$52,085
Public works	175,481
Protection and safety	94,261
Cultural and recreation	26,533
Total depreciation expense – governmental activities	\$ 348,360

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 April 30, 2015 meeting authorizing the Treasurer to borrow \$2,900,000 to be due on or before December 31, 2015. On May 6, 2015, the \$2,900,000 was drawn. The outstanding principal and interest was paid before December 31, 2015. The total interest paid on this note was \$9,877. Since there is no beginning or ending balance at December 31, 2014 and 2015, it has not been included in the debt note which follows.

LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015, 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	\$ 3,061,668	-	473,334	2,588,334	473,334
Capital lease obligation	30,000	-	6,000	24,000	6,000
Compensated absences payable	23,230	40,514	39,294	24,450	-
Governmental activity long-term liabilities	\$ 3,114,898	40,514	518,628	2,636,784	479,334

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

LONG-TERM LIABILITIES, CONTINUED

Bonds Payable

Bonds payable at December 31, 2015 are comprised of the following:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Interest rate</u>	Balance December 31, <u>2015</u>
Governmental activities:					
2004 Capital Roads, Old Town					
Meetinghouse restoration:	10/28/04	11/01/16	700,000	1.00-9.00%	58,334
2008 Emergency vehicles	10/30/08	11/01/18	500,000	2.075-5.575%	150,000
2009 Ash Point road rehab	05/28/09	11/01/19	650,000	2.08-5.58%	260,000
2010 Emergency vehicles	10/28/10	11/01/20	600,000	2.00-5.50%	300,000
2011 Capital road project	05/26/11	11/01/21	800,000	2.12-5.62%	480,000
2013 Capital road project	05/23/13	11/01/23	1,000,000	.60-2.38%	800,000
2014 Capital road project	8/20/14	8/20/24	600,000	2.30%	540,000
Total bonds payable					<u>\$2,588,334</u>

During 2013, the Town entered into a capital lease to fund, in part, the purchase of certain media equipment. As of December 31, 2015, the balance of \$24,000 represents the principal obligation under the capital lease and will be repaid in four 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.

The annual requirements to amortize outstanding debt, including capital lease obligations, as of December 31, 2015 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	473,334	56,450	529,784
2017	415,000	46,939	461,939
2018	415,000	38,814	453,814
2019	365,000	28,104	393,104
2020	300,000	20,257	320,257
2021 - 2024	620,000	29,183	649,223
Total	<u>\$2,588,334</u>	<u>219,787</u>	<u>2,808,121</u>

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

Debt authorized but unissued – The Town is authorized to borrow up to \$50,000 for failed septic system remediation.

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, 2015, the Town was in compliance with these restrictions.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

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, 2015</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$35,920,000	4.69%	1,684,006
MSAD 75 / RSU 75	11,371,257	38.42%	4,368,837

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, 2015 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	89,500
Special revenue funds:		
Recreation	14,500	-
Capital projects fund:		
Road projects	-	-
Emergency vehicles	75,000	-
Total capital projects fund	75,000	-
Total transfers	\$89,500	89,500

These transfers were budgeted transfers to fund certain activities.

RESTRICTED GRANTS

The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2015 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>
Bailey Island Library Hall - CDBG	\$ -	47,679	47,679	-
Backpack Program - CDBG	-	1,338	1,338	-
Mitchell Field Community Garden	-	2,860	2,860	-
Right of way	1,374	-	1,374	-
Harbor Management Plan	360	-	360	-
Davis Conservation Fund	550	-	-	550
Shoreland Zoning Review	236	-	236	-
Total restricted grants	\$2,520	51,877	53,847	550

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

BUDGETED USE OF SURPLUS

During the year ended December 31, 2015, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2014 carry forward balance	\$558,720
Reduction of tax commitment	506,000
Total	\$1,064,720

COMMITTED FUND BALANCES

On March 14, 2015, Town Meeting authorized transferring \$15,838 (remaining funds from easement monitoring and the acquisition of land) from committed fund balance to unassigned.

ASSIGNED FUND BALANCES

At December 31, 2015, assigned fund balance consisted of the following:

<u>Fund</u>	<u>Assigned balance</u>
Appropriation carryovers:	
Emergency medical services planning	\$ 1,094
Energy Conservation	2,502
Flood plain map revisions	2,961
Harpswell Neck Library	4,525
Land purchase, map 42, lot 6	3,318
Boat/motor replacement	38,243
Recycling	37,893
Vehicles & equipment replacement	69,065
Emergency communication equipment	21,521
Dry hydrant development	12,780
Land acquisition and property improvement	18,280
Pott's Point pier	5,500
Mitchell Field capital	2,758
Failed septic system reserve	22,649
Property tax assistance program	15,875
Cedar Beach legal funds	46,751
Conservation fund	5,000
Self-insurance reserve	1,650
Heating assistance reserve	26,392
Assessing records update	20,235
Plus contingency	<u>12,976</u>
Assigned fund balances subtotal	371,968
Assigned revenues:	
Heating assistance	9,759
Cable related technology	7,462
Proceeds of sale of Town property	62,482
General Assistance – food	300
Mitchell Field boat ramp or bandstand	1,800
Total assigned fund balance – General Fund	\$453,771

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

NET POSITION

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets 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 investment in capital assets was calculated as follows at December 31, 2015:

Capital assets	\$ 16,769,114
Accumulated depreciation	(5,658,153)
Bonds payable and capital lease obligation	(2,612,334)
Unspent bond proceeds	133,105
<u>Total net investment in capital assets</u>	<u>\$ 8,631,732</u>

Net position is reported as restricted when there are limitations imposed on its 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.

RISK MANAGEMENT

The Town is exposed to various risks of loss from 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, 2015.

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 -During 2013, a portion of the pier structure collapsed, and it is believed that certain of the remaining supports have been eroded. No decision has been made as to whether the pier should be replaced, demolished or partially rehabilitated. The cost of some of these alternatives has been estimated by an independent consultant to be in the \$2 to \$4 million range. If the Town takes no action and there is a further collapse, specific action may be required by regulatory agencies.

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.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

DEFERRED COMPENSATION PLAN, CONTINUED

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, 2015, 2014 and 2013 was \$23,248, \$24,839 and \$23,003, 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.

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, Maine04333-0046 or by calling 1-800-451-9800.

Funding Policy -Plan members are required to contribute 7.5% 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, 2015, 2014 and 2013 were \$9,279, \$7,683 and \$6,675, 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.

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, 2015, 2014 and 2013 was \$11,529, \$11,198 and \$11,696, 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

At December 31, 2015, the Town was obligated under contracts for law enforcement, marine patrol, emergency dispatch, dedicated paramedic and snow removal services in amounts totaling approximately \$774,663 for various periods through March 31, 2017.

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, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 4,642,455	5,028,136
Receivables:		
Taxes	332,522	356,543
Tax liens and acquired properties	61,556	68,326
Other	74,807	59,504
Prepaid items	16,650	17,147
Total assets	\$ 5,127,990	5,529,656
LIABILITIES		
Accounts payable and other liabilities	49,709	73,713
Unearned revenue - taxes paid in advance	4,645	5,061
Unearned revenue - other	7,875	16,465
Interfund payables:		
Special Revenue	51,484	46,610
Capital Projects	822,665	1,132,738
Total liabilities	936,378	1,274,587
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	270,000	270,000
Total deferred inflows of resources	270,000	270,000
FUND BALANCE		
Nonspendable:		
Prepaid Insurance	16,650	17,147
Committed:		
Land acquisition and easement monitoring	-	15,838
Assigned	453,771	558,720
Unassigned	3,451,191	3,393,364
Total fund balance	3,921,612	3,985,069
Total liabilities, deferred inflows of resources, and fund balance	\$ 5,127,990	5,529,656

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, 2015

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 11,265,823	11,265,823	11,265,986	163
Change in unavailable revenue	-	-	-	-
Interest and fees on property taxes	21,000	21,000	21,606	606
Excise taxes and registration fees	1,072,000	1,072,000	1,181,220	109,220
Total taxes	12,358,823	12,358,823	12,468,812	109,989
Intergovernmental:				
State revenue sharing	60,000	60,000	68,480	8,480
Local road assistance URIP	34,000	34,000	35,164	1,164
Homestead exemption and BETE	44,405	44,405	44,449	44
Tree growth	9,000	9,000	10,353	1,353
General assistance	6,000	6,000	8,066	2,066
Veterans exemption	3,000	3,000	3,413	413
Other	2,000	2,000	7,943	5,943
Total intergovernmental	158,405	158,405	177,868	19,463
Miscellaneous:				
Interest earned	8,000	8,000	6,680	(1,320)
Copies and records	3,500	3,500	3,480	(20)
Cable TV franchise fee	80,000	80,000	89,593	9,593
Cable technology & capital equipment	11,400	11,400	11,400	-
Licenses, fees and permits	194,000	194,000	197,279	3,279
Fines	-	-	1,853	1,853
Recycling center and disposal fees	155,500	155,500	158,923	3,423
Donations and gifts	10,000	10,000	19,509	9,509
Sale of property	-	-	62,482	62,482
Receipts from Harpswell Coastal Academy	-	-	30,000	30,000
Tower lease	21,000	21,000	21,180	180
Unclassified	4,000	4,000	7,056	3,056
Total miscellaneous	487,400	487,400	609,435	122,035
Total revenues	\$ 13,004,628	13,004,628	13,256,115	251,487

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, 2015

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
<i>Expenditures:</i>							
<i>General government:</i>							
20	Elected officials	\$ -	139,070	139,070	137,949	1,121	-
<i>General administration:</i>							
21	Administration	-	262,112	262,112	252,291	9,821	-
21	Public information	-	9,000	9,000	8,615	385	-
21	Risk management	-	57,840	57,840	52,657	5,183	-
21	Legal services	-	50,000	50,000	52,577	(2,577)	-
22	Memberships	-	16,422	16,422	16,422	-	-
23	Assessing	-	76,360	76,360	70,073	6,287	-
24	Tax collector's office	-	32,415	32,415	32,104	311	-
25	Town clerk's office	-	53,034	53,034	43,889	9,145	-
26	Treasurer	-	28,269	28,269	27,894	375	-
27	Code enforcement	-	118,172	118,172	113,647	4,525	-
28	Planning	-	78,318	78,318	47,821	30,497	-
37	Employee benefits	-	350,257	350,257	320,688	29,569	-
38	Boards and committees	-	6,110	6,110	3,112	2,998	-
<i>Operations and maintenance:</i>							
39	Municipal buildings and property	-	73,850	73,850	66,681	7,169	-
39	Old town house and commons	-	5,500	5,500	4,353	1,147	-
39	Town dock	-	3,000	3,000	3,680	(680)	-
39	Town lands and landings	15,024	12,000	27,024	25,298	1,726	-
39	Cedar/Robinhood Beach easement	-	2,500	2,500	1,242	1,258	-
40	Cemeteries	-	11,000	11,000	10,685	315	-
Total general government		15,024	1,385,229	1,400,253	1,291,678	108,575	-
<i>Public works:</i>							
44	Snow removal	-	430,418	430,418	408,116	22,302	-
44	Maintenance	-	70,000	70,000	54,766	15,234	-
44	Road, street signs	-	2,500	2,500	3,432	(932)	-
29	Recycling and transfer station	-	323,690	323,690	305,511	18,179	-
Total public works		-	826,608	826,608	771,825	54,783	-
<i>Protection and safety:</i>							
48, 49	Emergency services	-	192,790	192,790	191,318	1,472	-
46	Emergency services planning	-	5,000	5,000	3,906	1,094	1,094
39	Emergency services building	-	6,300	6,300	4,225	2,075	-
47	Contracted paramedic services	-	277,564	277,564	277,560	4	-
50	Street lighting	-	28,000	28,000	26,208	1,792	-
33	Harbor management	-	43,788	43,788	43,560	228	-
30	Animal control	-	25,707	25,707	23,757	1,950	-
51, 52	Law enforcement and communication	-	362,666	362,666	362,665	1	-
54	Marine consultant & conservation mng	22,015	12,000	34,015	9,718	24,297	-
53, 55	Shellfish conservation contract & boat	-	190,842	190,842	185,815	5,027	-
Total protection and safety		22,015	1,144,657	1,166,672	1,128,732	37,940	1,094
<i>Health and welfare:</i>							
CF	Health and welfare restricted gift	300	-	300	-	300	300
56	Health and welfare	-	32,880	32,880	31,767	1,113	-
Total health and welfare		300	32,880	33,180	31,767	1,413	300
<i>Cultural and recreation:</i>							
58-61	Cultural and education programs	-	46,969	46,969	41,229	5,740	4,525
57	Curtis Memorial Library	-	132,691	132,691	132,691	-	-
62	Harpowell Community Broadcasting	-	63,750	63,750	63,750	-	-
34	Recreation - general	-	28,899	28,899	31,492	(2,593)	-
Total cultural and recreation		-	272,309	272,309	269,162	3,147	4,525

1 Contingency transfers (\$20,342) approved by selectmen to cover recreation, town facilities and equipment

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, 2014

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures, continued:							
CF, 65	A. Dennis Moore Recycling / Transfer St.	\$ 56,536	30,000	86,536	48,643	37,893	37,893
<i>Other capital / carryovers / reserves:</i>							
CF	Dry hydrant development	12,780	-	12,780	-	12,780	12,780
CF	Land acquisition & Town property improvement	18,280	-	18,280	-	18,280	80,762 2
CF, 65	Vehicle replacement & vehicle equipment	76,098	30,000	106,098	37,033	69,065	69,065
CF	Update of assessing records	20,235	-	20,235	-	20,235	20,235
CF, 65	Emergency communication equipment	16,521	5,000	21,521	-	21,521	21,521
CF	Land acquisition map 42, lot 6	3,318	-	3,318	-	3,318	3,318
CF, 65	Boat and motor replacement	33,243	5,000	38,243	-	38,243	38,243
CF	Generator replacement	13,500	-	13,500	4,625	8,875	-
CF	T/O & Facilities Improvements	45,555	-	45,555	57,580	(12,025)	- 1
CF	Office equipment	12,205	7,500	19,705	25,429	(5,724)	- 1
CF	Conservation fund	5,000	-	5,000	-	5,000	5,000
CF, 68	Cable related technology account	9,608	5,400	15,008	7,546	7,462	7,462 2
63	Public, educational & governmental equipment	-	6,000	6,000	6,000	-	- 3
CF	Legislative agent	1,800	-	1,800	-	1,800	-
CF	Economic development	3,910	-	3,910	2,070	1,840	-
CF	Self insurance reserve	2,011	-	2,011	361	1,650	1,650
CF	Heating assistance	36,546	-	36,546	10,154	26,392	36,151 2
CF	Marine hazards	3,522	-	3,522	1,545	1,977	-
CF	Failed septic systems	22,649	-	22,649	-	22,649	22,649
36	Public transportation	-	9,000	9,000	4,599	4,401	-
31	Cedar Beach/Cedar Island legal funds	-	110,000	110,000	63,249	46,751	46,751
64	PEG Equipment warranty	-	8,000	8,000	7,988	12	-
CF	FEMA Consultant	2,961	-	2,961	-	2,961	2,961
CF	Energy Conservation	2,502	-	2,502	-	2,502	2,502
16	Property tax assistance program	15,702	10,000	25,702	9,827	15,875	15,875
CF	Pott's Point Town dock system	5,500	-	5,500	-	5,500	5,500
CF, 43	Mitchell Field reserve	10,758	-	10,758	8,000	2,758	2,758
42	Mitchell Field - operations	2,250	11,300	13,550	8,983	4,567	-
CF	Mitchell Field - ramp or bandstand donation	1,800	-	1,800	-	1,800	1,800
CF	Mitchell Field - pier	8,873	-	8,873	73	8,800	-
	West Harpswell School lease proceeds	20,000	-	20,000	-	20,000	-
CF	West Harpswell School - carry forward	9,400	-	9,400	-	9,400	-
CF	West Harpswell School - capital	15,000	-	15,000	-	15,000	-
41	West Harpswell School - operations	-	4,000	4,000	695	3,305	-
	Total capital and special projects	488,063	241,200	729,263	304,400	424,863	434,876
67	Debt service	-	560,000	560,000	553,044	6,956	-
CF	Contingency	33,318	-	33,318	-	33,318	12,976 1
	Total budgeted expenditures	558,720	4,462,883	5,021,603	4,350,608	670,995	453,771
Other expenditures:							
	Educational appropriation	-	7,622,307	7,622,307	7,622,307	-	-
	County tax	-	1,255,204	1,255,204	1,255,204	-	-
	Overlay / abatements	-	80,734	80,734	1,953	78,781	-
	Total other expenditures	-	8,958,245	8,958,245	8,879,464	78,781	-
Excess (deficiency) of revenues over							
	(under) expenditures	(558,720)	(416,500)	(975,220)	26,043	1,001,263	(453,771)
66	Transfer to Capital Projects - emergency vehicle	-	(75,000)	(75,000)	(75,000)	-	-
35	Transfer to Recreation fund - programs	-	(14,500)	(14,500)	(14,500)	-	-
78	Use of unassigned fund balance - budget	-	506,000	506,000	-	(506,000)	-
69	Use of carryforward balances	558,720	-	558,720	-	(558,720)	-
	Total other financing sources (uses)	558,720	416,500	975,220	(89,500)	(1,064,720)	-
	Net change in fund balance	-	-	-	(63,457)	(63,457)	(453,771)
Fund balance, beginning of year					3,985,069		
Fund balance, end of year					\$ 3,921,612		

1 Contingency transfers (\$20,342) approved by selectmen to cover recreation, town facilities and equipment

2 Balances carried forward include 2015 revenues received for these purposes

3 Revenue received directly applied to capital lease payment

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, 2015

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
ASSETS				
Interfund receivables	\$ 550	50,934	506,001	557,485
Total assets	\$ 550	50,934	506,001	557,485
Fund balances:				
Restricted:				
Capital projects and grants	550	-	506,001	506,551
Assigned:				
Recreation	-	50,934	-	50,934
Total fund balances	\$ 550	50,934	506,001	557,485

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2015

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
Revenues:				
Grants	\$ 51,877	-	-	51,877
Interest earned	-	-	994	994
Bandstand donations	-	8,586	-	8,586
Charges for services	-	45,890	-	45,890
Total revenues	51,877	54,476	994	107,347
Expenditures:				
For specified purpose	53,847	52,582	-	106,429
Bandstand	-	9,550	-	9,550
Capital outlay	-	-	208,798	208,798
Total expenditures	53,847	62,132	208,798	324,777
Excess (deficiency) of revenues over (under) expenditures	-	(7,656)	(207,804)	(217,430)
Other financing sources:				
Transfers from general fund	-	14,500	75,000	89,500
Total other financing sources	-	14,500	75,000	89,500
Net change in fund balances	(1,970)	6,844	(132,804)	(127,930)
Fund balances, beginning of year	2,520	44,090	638,805	685,415
Fund balances, end of year	\$ 550	50,934	506,001	557,485

SCHEDULE

TOWN OF HARPSWELL, MAINE
Schedule of Taxes and Liens Receivable
For the year ended December 31, 2015

Year	Balance at 12/31/14	2015 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/15
pre 2002	\$ 630	-	-	(630) *	-	-
2005	976	-	-	(829) *	-	147
2006	1,438	-	-	(1,286) *	-	152
2007	1,402	-	-	(1,325) *	-	77
2008	530	-	-	(448) *	-	82
2009	613	-	-	(448) *	-	165
2010	611	-	-	(434) *	-	177
2011	198	-	-	-	-	198
2012	1,218	-	-	(822)	-	396
2013	60,710	-	-	(59,922)	-	788
2014	356,543	-	-	(297,169)	-	59,374
2015	-	11,265,823	163	(10,931,511)	(1,953)	332,522
	424,869	11,265,823	163	(11,294,824)	(1,953)	394,078
					Taxes receivable	332,522
					Tax liens and acquired properties	61,556
				Total		\$ 394,078

* includes adjustments for tax acquired property