

**TOWN OF HARPSWELL, MAINE**

**Annual Financial Report**

**For the Year Ended December 31, 2010**



Certified Public Accountants and Business Consultants

## Independent Auditor's Report

Board of Selectmen  
Town of Harpswell, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Harpswell, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the 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, 2010, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2011, on our consideration of the Town of Harpswell, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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.

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 nonmajor 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.



February 4, 2011  
South Portland, Maine

**TOWN OF HARPSWELL, MAINE**  
**Annual Financial Report**  
**For the Year Ended December 31, 2010**

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**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis**  
**December 31, 2010**

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As management of the Town of Harpswell, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2010. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

**Financial Highlights**

- ❖ Total assets of the Town of Harpswell exceed its liabilities by \$12,563,833. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$9,425,088 at December 31, 2010. Capital assets include the Town's infrastructure assets, i.e., roads and dry hydrants, as well as Town-owned lands, buildings and equipment.
- ❖ The Statement of Activities shows an increase in net assets of \$427,640 for the fiscal year. The Town ended the year with higher cash balances as a result of its \$600,000 borrowing for the purchase of emergency vehicles, which purchases were not completed by year-end. The Town has entered into one contract, for a pumper in the amount of \$362,335, and expects to enter into two additional contracts in 2011 for emergency vehicles. Each vehicle will be leased to one of the three independent fire and rescue departments providing service to the Town. Additionally, the Town appropriated \$140,000 for the road reserve account and committed the funds for the reconstruction of a portion of Cundy's Harbor Road, which MDOT project will be completed in 2011.
- ❖ During 2010, the Town repaid \$553,333 of the principal of its long-term debt as scheduled and paid interest of \$87,197 on its long and short-term borrowings.
- ❖ The ending fund balance for all governmental funds is \$4,919,164.
- ❖ The ending fund balance for the general fund is \$3,769,667, an increase of \$8,475 from the previous year. Of this balance, \$368,744 is designated for specific purposes. This leaves an undesignated balance of \$3,400,923, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain an undesignated fund balance of 3 times the average of the previous year's monthly general fund expenditures.
- ❖ In addition to its general funds, the Town has a fund designated for capital projects, which includes an interest-bearing dedicated fund for emergency vehicle purchases (\$883,316) and a fund for road projects (\$237,900). The Town also has a fund for its special revenue activities, which includes recreation programs (\$21,793) and activities funded through grants (\$6,488).

**Overview of Financial Statements**

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

**Government-wide Financial Statements**

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

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

The *statement of activities* presents information about how the Town's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change

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

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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).

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-30 of this report.

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

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

**Statement of Net Assets Information**

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

**Town of Harpswell**  
**Net Assets**

	Governmental Activities	
	2010	2009
<b>Assets:</b>		
Current & other assets	\$ 5,349,187	\$ 4,549,726
Capital assets	9,425,088	9,711,147
<b>Total Assets</b>	<b>\$14,774,275</b>	<b>\$14,260,873</b>
<b>Liabilities:</b>		
Long-term debt outstanding	(2,085,001)	(2,038,334)
Other liabilities	(125,441)	(86,346)
<b>Total Liabilities</b>	<b>(2,210,442)</b>	<b>(2,124,680)</b>
<b>Net Assets:</b>		
Invested in capital assets, net of debt	8,030,183	7,720,613
Restricted	1,127,704	380,181
Unrestricted	3,405,946	4,035,399
<b>Total Net Assets</b>	<b>\$12,563,833</b>	<b>\$12,136,193</b>

The Town's Total Net Assets increased by \$427,640 during 2010.

Asset changes included an increase in cash balances (\$972,010) resulting primarily from the borrowing of \$600,000 for the future purchase of emergency vehicles and the appropriation of \$140,000 for a capital road project that was not completed. Taxes receivable, including those for which liens have been placed, decreased \$148,046. This decrease is attributable to the mailing in November 2010 of a reminder notice of the due date of the second installment payment, which did not occur in 2009. The Town's Note Receivable from Harpswell Neck Fire & Rescue (HNF&R) was extinguished as the final payment of \$25,000 was made in accordance with its repayment schedule.

Long-term Debt obligations decreased during 2010 by \$46,667 as scheduled principal repayments of \$553,333 were offset by a new borrowing in the amount of \$600,000 for the purchase of emergency vehicles. Liabilities increased primarily due to an increase in the 2011 taxes paid in advance (\$17,322). Other accounts payable reflect invoices received in January for 2010 liabilities.

63.9% of the Town's Net Assets at December 31, 2010 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.

\$1,127,704 of the 2010 Net Assets (9.0%) is restricted for capital projects and grants. This includes \$883,316 for the purchase of emergency services vehicles.

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

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

**Statement of Activities Information**

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

<b>Town of Harpswell</b>		<b>Governmental</b>	
<b>Changes in Net Assets</b>		<b>Activities</b>	
		<u>2010</u>	<u>2009</u>
<b>Revenues:</b>			
Program Revenues			
Charges for services		\$ 248,415	\$ 235,827
Operating grants & contributions		139,046	105,724
General Revenues			
Property and excise taxes		11,489,463	11,709,164
Subsidies, grants & entitlements		180,486	221,858
Interest earned		19,329	46,804
Other		300,119	308,162
Total revenues		<u>\$12,376,858</u>	<u>\$12,627,539</u>
<b>Governmental</b>			
<b>Activities</b>			
		<u>2010</u>	<u>2009</u>
<b>Expenses:</b>			
General government		\$1,222,364	1,180,774
Public works		1,020,395	990,449
Protection and safety		821,332	843,501
Health and welfare		31,029	33,990
Culture and recreation		274,399	280,083
Education		7,269,878	7,522,773
County taxes		1,065,406	1,086,760
Overlay/abatements		6,207	4,136
Interest on long-term debt		87,197	118,782
Capital and special projects		151,011	230,808
Total expenses		<u>\$11,949,218</u>	<u>\$12,292,056</u>
<b>Increase (decrease) in net assets</b>		<u><b>\$427,640</b></u>	<u><b>\$335,483</b></u>

**Governmental Activities**

Governmental activities increased the Town's net assets by \$427,640. Total program revenues increased by \$45,910 (13.4%) on a year to year basis, with increases occurring in both charges for services and in grants and contributions. In the public works area, there was an increase in charges for services (\$16,118) attributable to an increase in the prices obtained for the sale of recyclable materials. There was a decrease in revenues (\$3,530) generated by recreational programs as a result of a general reduction in program enrollment.

Operating grants and contributions increased by \$33,322. The Town was able to find grant resources for projects new to the Town, and the State began offering funding in several areas that were previously reduced or eliminated in the State budget. Grants received in 2010 include awards for the replacement of licensed overboard discharges (\$21,836), assistance with developing zoning and performance standards at Mitchell Field (\$25,000), assistance with the creation of a Harbor Management Plan (\$18,799), for the replacement of a failing septic system (\$8,450) and for an ecological assessment on Town-owned property located on the Mountain Road (\$5,000). The Town has been awarded a grant in 2010 that will be expended in 2011 for energy efficient improvements to certain Town-owned buildings (up to \$73,604).

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

Property and excise tax revenues decreased by \$219,701 from 2009. Property taxes decreased \$209,206, even with an expanded tax base, due to a decrease in the mil rate. The mil rate declined largely because of a reduction in the school assessment. While excise taxes declined over 2009, it was not as great as anticipated and exceeded the Town's expectation. Interest earned decreased by \$27,475 as rates remain very low.

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

Examples of activities which produce some level of revenue are:

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

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

***Net Cost of Governmental Activities***

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

<b>Function / Program</b>	<b>Town of Harpswell</b>			
	<b>Net Cost of Governmental Activities</b>			
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General government	\$1,222,364	\$1,180,774	\$1,222,364	\$1,180,774
Public works	1,020,395	990,449	767,524	753,696
Protection and safety	821,332	843,501	821,332	843,501
Health and welfare	31,029	33,990	24,773	22,298
Culture and recreation	274,399	280,083	233,555	235,709
Education	7,269,878	7,522,773	7,269,878	7,522,773
County taxes	1,065,406	1,086,760	1,065,406	1,086,760
Overlay/abatements	6,207	4,136	6,207	4,136
Interest on long-term debt	87,197	118,782	87,197	118,782
Capital and special projects	151,011	230,808	63,521	182,076
Total governmental activities	\$11,949,218	\$12,292,056	\$11,561,757	\$11,950,505

Total Cost of Services and Net Cost of Services decreased from 2009 to 2010 by 2.79% and 3.26%, respectively.

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

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

As of December 31, 2010, the Town's governmental funds balance totaled \$4,919,164.

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

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's general fund balance increased from \$3,761,192 in 2009 to \$3,769,667 in 2010. The increase was attributable to (1) an excess of revenues over expenditures of \$154,575, (2) \$600,000 in new borrowing, and (3) the net transfer to other funds of \$746,100 (\$140,000 of which went to the capital road reserve, \$600,000 to the emergency vehicle fund, and \$7,250 to recreation programs; an additional \$1,150 was transferred to the general fund from restricted grant funds as those purposes had been completed).

The 2010 Town Meeting approved the use of \$265,000 of fund balance to reduce the 2010 tax commitment. Consistent with the Town's policy of maintaining three months of expenses in its year-end General Fund balance, the 2010 year-end level will allow for up to \$375,000 to be used to reduce the 2010 tax commitment or to establish capital reserves.

**Revenues:** The 2010 property tax commitment decreased by \$213,260 relative to 2009. Total appropriations declined by \$313,442 as assessments by Cumberland County and MSAD 75 declined by 1.97% and 3.4%, respectively, and total municipal appropriations decreased by .97%. Revenues other than property tax were also forecasted to be lower in 2010, but the amount of decrease (\$63,413) was less than the decline in appropriations. Overlay increased by \$36,769.

The 2010 mil rate declined to \$6.00 from \$6.19 as the property tax base expanded by approximately \$19.4 million (1.1%) and the property tax commitment declined. Deferred revenue was unchanged as the Town's collection experience is relatively stable.

With the exception of certain receipts from the State of Maine and interest income, the Town did not experience significant continued declines in non-property tax revenue sources in 2010. Excise tax receipts and proceeds from the sale of recyclable materials began to show signs of recovery. Revenue sharing and homestead exemption payments from the State declined by \$33,806 and \$15,240, respectively, as the State experienced continued economic difficulties. Interest income declined by \$27,475 as rates remained at low levels. New recurring revenue was generated by the lease of land to the builder of a communications tower.

**Unexpended Appropriations.** Notable unexpended appropriation lapsing to the 2010 general fund occurred in the areas of general administration (\$15,715), employee benefits (\$11,864), municipal buildings and property (\$11,498), snow removal (\$32,819), and recycling (\$12,557). With respect to general administration, a full-time position was vacant for a considerable period of time. The underspending in the employee benefit area was the result of budgeting for additional employee participation in the Town's retirement plan, which did not occur, as well as the full-time (i.e. with benefits) position vacancy. Savings in snow removal was partially weather-related, however, the Town and its snow removal contractor have made and will continue to make significant efforts to reduce salt and sand usage on Town-owned roads. The costs associated with the recycling center and transfer center were below those budgeted as expenditures were closely controlled.

**Overlay.** Of the \$73,292 raised for overlay, only \$6,207 was used for the purpose of providing abatements. The remaining \$67,085 lapsed to the general fund balance.

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

*Contingency.* The use of contingency was limited to two instances in 2010 totaling less than \$500.

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 2010, the Town had \$9,425,088 in net investment in capital assets, and outstanding debt of \$2,085,001. All outstanding debt was incurred for capital purposes with \$600,000 borrowed in 2010 for the emergency services vehicle account. This account is used to fund the replacement of vehicles owned by the 3 fire & rescue departments serving the Town. The 2010 borrowing supplemented a 2008 borrowing for the same purpose which has an outstanding balance of \$450,000. The remaining outstanding debt of \$1,035,001 primarily funded road projects, including the 2009 rehabilitation of Ash Point Road. 2009 also included a borrowing for the purchase of emergency communications equipment and a small portion remains outstanding from the 2004 restoration of the Old Town Meetinghouse.

While all outstanding debt was incurred for the purchase of capital assets, \$690,096 is unexpended as of December 31, 2010. All of the unexpended proceeds are to be used to purchase emergency services vehicles. The Town has a contract for the purchase of a pumper to be leased to Harpswell Neck Fire & Rescue which is expected to be delivered in February 2011. The cost of this vehicle is \$362,335. The remaining unexpended proceeds will be used to purchase the next vehicles on the replacement schedule.

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

	Capital		Accumulated		Capital Assets,	
	Assets		Depreciation		net of depreciation	
	2010	2009	2010	2009	2010	2009
Land	\$2,028,423	\$2,028,423			\$2,028,423	\$2,028,423
Construction in progress	3,461	24,480			3,461	24,480
Buildings and building						
Improvements	4,064,818	4,058,168	(1,652,203)	(1,517,103)	2,412,615	2,541,065
Equipment and furniture	1,199,729	1,149,608	(420,564)	(369,323)	779,165	780,285
Infrastructure	6,642,781	6,642,781	(2,441,357)	(2,305,887)	4,201,424	4,336,894
<b>Total capital assets</b>	<b>\$13,939,212</b>	<b>\$13,903,460</b>	<b>\$4,514,124</b>	<b>\$4,192,313</b>	<b>\$9,425,088</b>	<b>\$9,711,147</b>

During 2010, the Town completed the installation of certain emergency communications equipment, which had been included in construction in progress at the end of 2009. Total cost of that equipment capitalized in 2010 was \$43,110. The remainder of the additions to equipment and furniture in 2010 (\$50,121) are additions to equipment at the recycling center (a new forklift and roll-off container) and replacement of certain equipment on the Town's transmitter. Building improvements in 2010 include the cost of replacing a wall at the recycling center. Construction in progress at the end of 2010 includes the cost of updating the pavement condition study which forms the basis for prioritizing next year's capital road work. In addition to the commitment to purchase a new pumper in 2011 discussed previously, the Town has entered into a contract with the Department of Transportation to share in the cost of reconstruction of the Cundy's Harbor Road in 2011. The Town's share of this project is \$198,000.

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

The economic climate appears to be slowly improving and in recovery. The Town was able to keep the tax rate from increasing throughout the downturn and even reduce it in 2010. The reduction in the 2010 tax rate was largely a result of a significant decrease in MSAD # 75's assessment to the Town.

In 2011, it is anticipated that the tax rate may decrease again as a result of the school assessment further decreasing since it is the largest single area of expenditure affecting the tax rate. In addition, municipal appropriations are proposed to increase modestly, projected revenue estimates are improving, and the use of fund balance is available to offset the 2011 tax commitment.

MSAD # 75 has provided the Town with preliminary information showing a decrease in the FY '12 assessment to Harpswell. (This reduction includes the additional assessment to the Town should the voters approve keeping West Harpswell School open.) Since the school budget is adopted independently of the municipal budget and runs on a July-June fiscal year, the annual assessment is not finally determined until June. However, this preliminary assessment bodes well for a probable decrease in the 2011 tax rate particularly since the school assessment for the first half of the year (January to June) is already known and lower than the prior year. While the Cumberland County tax assessment for 2011 is up 4.7% that increase is more than offset by the anticipated reduction in the school assessment.

Real estate appears to be holding its value, particularly with respect to waterfront properties, thus allowing the Town to maintain its current values. In 2010 the Town added approximately \$20 million of value to its total taxable value and expects in 2011 to add at least another \$10 million of new value to its overall valuation base.

In 2010, the annual debt obligation payment was reduced by over \$200,000, thus allowing the Town to consider new long-term (10-year) borrowing, specifically for capital road improvements as part of the proposed 2011 municipal budget. With interest rates at low levels and the Town's fiscal capacity solid, it is appropriate to consider borrowing for long-term capital items and spreading the repayment over time to avoid burdening taxpayers in any one year.

Revenues are being estimated conservatively for budgeting purposes. Slight increases to excise tax receipts are expected in 2011 as consumer spending for items such as vehicles is expected to improve. Income from construction related debris at the Transfer Station is expected to increase as more new construction occurs. Now that three cell providers have located equipment on the communications tower, the Town will see additional recurring revenue from its tower lease on Town property. The Town does not rely heavily on State revenue sharing and so changes to that revenue source will have limited impact on the municipal budget.

The Town continues to maintain a healthy undesignated fund balance at the level of three month's worth of prior year expenditures. Consistent with this policy, approximately \$375,000 is available in 2011 to offset the collection of property taxes and/or fund special projects or reserves, still leaving a balance of over \$3 million dollars to fund expenses until a tax anticipation borrowing occurs in the spring.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Selectmen's Office at P. O. Box 39, 263 Mountain Road, Harpswell, Maine 04079-0039 or by phone at (207) 833-5771.

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF HARPSWELL, MAINE**  
**Statement of Net Assets**  
**December 31, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,753,652
Receivables:	
Taxes	446,298
Liens	76,049
Accounts	59,604
Prepaid items	13,584
Capital assets:	
Capital assets, not being depreciated	2,031,884
Other capital assets, net of accumulated depreciation	7,393,204
<b>Total assets</b>	<b>14,774,275</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	96,023
Accrued interest	11,884
Noncurrent liabilities:	
Due within one year	343,333
Due in more than one year	1,759,202
<b>Total liabilities</b>	<b>2,210,442</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	8,030,183
Restricted for:	
Capital projects and grants	1,127,704
Unrestricted	3,405,946
<b>Total net assets</b>	<b>\$ 12,563,833</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Activities**  
**For the year ended December 31, 2010**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets Governmental activities
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
General government	\$ 1,222,364	-	-	-	(1,222,364)
Public works	1,020,395	207,571	45,300	-	(767,524)
Protection and safety	821,332	-	-	-	(821,332)
Health and welfare	31,029	-	6,256	-	(24,773)
Cultural and recreation	274,399	40,844	-	-	(233,555)
Education	7,269,878	-	-	-	(7,269,878)
County taxes	1,065,406	-	-	-	(1,065,406)
Overlay/abatements	6,207	-	-	-	(6,207)
Interest on long-term debt	87,197	-	-	-	(87,197)
Capital and special projects	151,011	-	87,490	-	(63,521)
<b>Total governmental activities</b>	<b>11,949,218</b>	<b>248,415</b>	<b>139,046</b>	<b>-</b>	<b>(11,561,757)</b>

## General revenues:

Property taxes, levied for general purposes	10,541,408
Excise taxes	948,055
Interest and fees on property taxes	34,499
Intergovernmental	180,486
Investment earnings	19,329
Miscellaneous	265,620
<b>Total general revenues</b>	<b>11,989,397</b>
Change in net assets	427,640
Net assets - beginning	12,136,193
<b>Net assets - ending</b>	<b>\$ 12,563,833</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,753,652	-	4,753,652
Receivables:			
Taxes	446,298	-	446,298
Liens	76,049	-	76,049
Other	59,604	-	59,604
Interfund receivables	-	1,149,497	1,149,497
Prepaid expenditures	13,584	-	13,584
<b>Total assets</b>	<b>\$ 5,349,187</b>	<b>1,149,497</b>	<b>6,498,684</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and payroll withholdings	75,345	-	75,345
Taxes paid in advance	18,178	-	18,178
Deferred revenues	336,500	-	336,500
Interfund payables	1,149,497	-	1,149,497
<b>Total liabilities</b>	<b>1,579,520</b>	<b>-</b>	<b>1,579,520</b>
Fund balances:			
Unreserved, reported in:			
Designated for subsequent years expenditures	368,744	-	368,744
Undesignated:			
General fund	3,400,923	-	3,400,923
Special revenue	-	28,281	28,281
Capital projects	-	1,121,216	1,121,216
<b>Total fund balances</b>	<b>3,769,667</b>	<b>1,149,497</b>	<b>4,919,164</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,349,187</b>	<b>1,149,497</b>	
Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			9,425,088
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			334,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			
Bonds payable			(2,085,001)
Compensated absences payable			(17,534)
Accrued interest			(11,884)
<b>Net assets of governmental activities</b>			<b>\$ 12,563,833</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2010**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 11,523,962	-	11,523,962
Intergovernmental	232,042	-	232,042
Fines and violations	100	-	100
Miscellaneous	485,163	135,591	620,754
<b>Total revenues</b>	<b>12,241,267</b>	<b>135,591</b>	<b>12,376,858</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,142,121	-	1,142,121
Public works	815,924	-	815,924
Protection and safety	776,922	-	776,922
Health and welfare	31,029	-	31,029
Cultural and recreation	211,728	46,143	257,871
Education	7,269,878	-	7,269,878
County taxes	1,065,406	-	1,065,406
Overlay/abatements	6,207	-	6,207
Debt service	641,304	-	641,304
Capital and special projects	126,173	86,074	212,247
<b>Total expenditures</b>	<b>12,086,692</b>	<b>132,217</b>	<b>12,218,909</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>154,575</b>	<b>3,374</b>	<b>157,949</b>
<b>Other financing sources (uses):</b>			
Proceeds from long-term debt	600,000	-	600,000
Transfers (to) from other funds	(746,100)	746,100	-
<b>Total other financing sources (uses)</b>	<b>(146,100)</b>	<b>746,100</b>	<b>600,000</b>
<b>Net change in fund balances</b>	<b>8,475</b>	<b>749,474</b>	<b>757,949</b>
<b>Fund balances, beginning of year</b>	<b>3,761,192</b>	<b>400,023</b>	<b>4,161,215</b>
<b>Fund balances, end of year</b>	<b>\$ 3,769,667</b>	<b>1,149,497</b>	<b>4,919,164</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended December 31, 2010**

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Net change in fund balances - total governmental funds (from Statement 4) \$ 757,949

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	61,236
Depreciation expense	(347,295)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This represents the net proceeds (\$600,000) net of the repayments (\$553,333). (46,667)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in accrued compensated absences. 1,643

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund financial statements since future repayment does not require the used of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 774

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**Change in net assets of governmental activities (see Statement 2) \$ 427,640**

*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, 2010**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 11,479,710	11,479,710	11,523,962	44,252
Intergovernmental	208,964	208,964	232,042	23,078
Fines and violations	-	-	100	100
Miscellaneous	462,000	462,000	485,163	23,163
Total revenues	12,150,674	12,150,674	12,241,267	90,593
<b>Expenditures:</b>				
Current:				
General government	1,183,889	1,202,854	1,142,121	60,733
Public works	861,967	861,967	815,924	46,043
Protection and safety	786,143	786,143	776,922	9,221
Health and welfare	40,230	40,230	31,029	9,201
Cultural and recreation	218,604	218,604	211,728	6,876
Education	7,269,893	7,269,893	7,269,878	15
County taxes	1,065,406	1,065,406	1,065,406	-
Overlay/abatements	73,292	73,292	6,207	67,085
Debt service	665,960	665,960	641,304	24,656
Capital and special projects	129,000	440,456	126,173	314,283
Total expenditures	12,294,384	12,624,805	12,086,692	538,113
Excess (deficiency) of revenues over (under) expenditures	(143,710)	(474,131)	154,575	628,706
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt	600,000	600,000	600,000	-
Transfer to / from other funds	(747,250)	(747,250)	(746,100)	1,150
Budgeted use of undesignated fund balance	290,960	290,960	-	(290,960)
Budgeted use of carryforward balances	-	380,042	-	(380,042)
Budgeted use of contingency	-	(49,621)	-	49,621
Total other financing sources (uses)	143,710	474,131	(146,100)	(620,231)
Net change in fund balance	-	-	8,475	8,475
Fund balance, beginning of year			3,761,192	
Fund balance, end of year			\$ 3,769,667	

*See accompanying notes to financial statements.*

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

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**THE REPORTING ENTITY**

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The Town reports the following major governmental fund:

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

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

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

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

**C. Budgetary Accounting**

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the F.D.I.C. or collateralized by the depository institution in the Town's name. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines approved by the Board of Selectmen.

**E. Inventories of Supplies**

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

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

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

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

**G. Capital Assets**

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

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

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

**H. Long-term Obligations**

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

**I. Fund Equity**

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**J. Comparative Data**

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

**K. Compensated Absences**

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

**L. Use of Estimates**

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

**CASH AND CASH EQUIVALENTS**

**Deposits**

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. As of December 31, 2010, the Town reported deposits of \$4,753,652 with a bank balance of \$4,794,689. None of the Town's bank balances were exposed to custodial credit risk, as \$9.0 million was collateralized by an irrevocable stand-by letter of credit.

**PROPERTY TAX**

The Town's property taxes for the current year were committed on July 26, 2010, on the assessed value listed as of April 1 for all real and personal property located in the Town. Taxes were due on September 15, 2010 and December 15, 2010; 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 96%. The following summarizes the 2010 and 2009 levy:

	<u>2010</u>	<u>2009</u>
Assessed value:		
Real property	\$1,750,847,360	1,731,814,700
Personal property	3,604,400	3,236,800
Total valuation	1,754,451,760	1,735,051,500
Tax rate (per \$1,000)	6.00	6.19
Tax commitment	10,526,710	10,739,970
Less: collections and abatements (net of supplements)	(10,080,412)	(10,153,797)
<b>Taxes receivable at December 31</b>	<b>\$ 446,298</b>	<b>586,173</b>

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

**PROPERTY TAX, CONTINUED**

Due date(s)	½ September 15, 2010 ½ December 15, 2010	½ September 15, 2009 ½ December 15, 2009
Interest rate on delinquent taxes	6.00%	8.00%
Collection rate	95.76%	94.54%

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 \$73,292 for the year ended December 31, 2010. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as deferred revenues.

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

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

**INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivables and payables balances at December 31, 2010, were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	1,149,497
Special Revenue Funds:		
Restricted grants	6,488	-
Recreation	21,793	-
Capital Projects Fund:		
Emergency vehicle	883,316	-
Road projects	237,900	-
<b>Totals</b>	<b>\$1,149,497</b>	<b>1,149,497</b>

**NOTES RECEIVABLES**

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

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

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**CAPITAL ASSETS**

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Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance December 31, <u>2009</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2010</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,028,423	-	-	2,028,423
Construction in progress	24,480	3,461	24,480	3,461
Total capital assets not being depreciated	2,052,903	3,461	24,480	2,031,884
Capital assets, being depreciated:				
Buildings and improvements	4,058,168	6,650	-	4,064,818
Equipment, vehicles and furniture	1,149,608	75,605	25,484	1,199,729
Infrastructure	6,642,781	-	-	6,642,781
Total capital assets being depreciated	11,850,557	82,255	25,484	11,907,328
Less accumulated depreciation for:				
Buildings and improvements	1,517,103	135,100	-	1,652,203
Equipment, vehicles and furniture	369,323	76,725	25,484	420,564
Infrastructure	2,305,887	135,470	-	2,441,357
Total accumulated depreciation	4,192,313	347,295	25,484	4,514,124
Total capital assets being depreciated, net	7,658,244	(265,040)	-	7,393,204
<b>Governmental activities capital assets, net</b>	<b>\$ 9,711,147</b>	<b>(261,579)</b>	<b>24,480</b>	<b>9,425,088</b>

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

Governmental activities:	
General government	\$81,886
Public works	204,471
Protection and safety	44,410
Cultural and recreation	16,528
<b>Total depreciation expense – governmental activities</b>	<b>\$ 347,295</b>

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

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**SHORT-TERM DEBT**

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**Tax Anticipation Note**

Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Board of Selectmen at their April 22, 2010 meeting to authorize the Treasurer to borrow up to \$3,000,000 on an "as needed" basis to be due on or before December 31, 2010. A total of \$2,550,000 was drawn throughout the year, and the outstanding principal and interest was paid before December 31, 2010. The total interest paid on this note was \$11,174. Since there is no beginning or ending balance at December 31, 2009 and 2010, respectively, it has not been included in the debt note which follows.

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

**LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2010, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 2,038,334	600,000	553,333	2,085,001	343,333
Compensated absences payable	19,177	37,293	38,936	17,534	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 2,057,511</b>	<b>637,293</b>	<b>592,269</b>	<b>2,102,535</b>	<b>343,333</b>

**Bonds Payable**

Bonds payable at December 31, 2010 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, 2010</u>
<b>Governmental activities:</b>					
2004 Capital Roads, Old Town Meetinghouse restoration:	10/28/04	11/01/16	700,000	1.00-9.00%	350,001
2006 Capital road projects	10/26/06	11/01/11	350,000	2.05-5.45%	70,000
2008 Emergency vehicles	10/30/08	11/01/18	500,000	2.075-5.575%	450,000
2009 Ash Point road rehab	05/28/09	11/01/19	650,000	2.08-5.58%	585,000
2009 Emergency comm equip	11/04/09	11/04/12	40,000	2.85%	30,000
2010 Emergency vehicles	10/28/10	11/01/20	600,000	2.00-5.50%	600,000
<b>Total bonds payable</b>					<b>\$ 2,085,001</b>

The annual requirements to amortize all debt outstanding as of December 31, 2010 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 343,333	62,920	406,253
2012	273,333	56,689	330,022
2013	233,333	48,517	281,850
2014	233,333	37,529	270,862
2015	233,333	29,131	262,464
2016-2020	768,336	55,051	823,387
<b>Total</b>	<b>\$ 2,085,001</b>	<b>289,837</b>	<b>2,374,838</b>

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

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

**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, 2010, 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, 2010</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$ 3,685,250	4.80%	176,964
MSAD 75 / RSU 75	17,458,239	38.96%	6,801,241

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, 2010 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	746,100
Special revenue funds:		
Restricted grants	-	1,150
Recreation	7,250	-
Total special revenue funds	7,250	1,150
Capital projects fund:		
Emergency vehicle	600,000	
Road projects	140,000	-
Total capital projects fund	740,000	-
<b>Total transfers</b>	<b>\$747,250</b>	<b>747,250</b>

These transfers were budgeted transfers to fund certain activities.

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

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**RESTRICTED GRANTS**

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The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2010 fund balance restricted grants consisted of the following awards, at December 31, 2010:

<u>Grant Award</u>	Balance beginning of year	<u>Revenues</u>	<u>Expenditures</u>	Transfers (to)/from General Fund	Balance end of year
CDBG Septic replacement	\$1,876	-	1,876	-	-
Overboard discharge	598	21,836	21,284	(1,150)	-
Planning brochures	252	-	-	-	252
Right of way	35	-	-	-	35
CDBG MF Zoning & Performance	-	25,000	25,000	-	-
Harbor Management Plan	-	20,000	18,799	-	1,201
Small community block grant	-	8,450	8,450	-	-
Davis Conservation Fund	-	5,000	-	-	5,000
CDBG Weatherization	-	2,700	2,700	-	-
CDBG - Hamilton	-	2,000	2,000	-	-
Mitchell Field Community Garden	-	1,241	1,241	-	-
MMA safety	-	938	938	-	-
Recycling Tool Kit	-	325	325	-	-
<b>Total restricted grants</b>	<b>\$2,761</b>	<b>87,490</b>	<b>82,613</b>	<b>(1,150)</b>	<b>6,488</b>

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**DESIGNATED FUND BALANCES**

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At December 31, 2010, portions of the general fund balance were designated for future periods and are reported as a component of unreserved fund balance. They consist of the following:

<u>Fund</u>	<u>Designated balance</u>
Appropriation carryovers:	
Dry hydrants development reserve	\$15,690
Contracted Services: Town Planner	1,190
Community development	3,480
Legislative assistance agent	4,000
Land acquisition	1,279
Vehicles & equipment replacement	41,500
HCBC digital conversion	25,000
Boat/motor replacement	32,000
Voting machines	12,300
Heating assistance reserve	13,145
Generator replacement	41,000
Town Office & facilities improvements	28,000
Self-insurance reserve	2,221
Marine hazards	3,522
Failed septic system reserve	7,648
Recycling	39,293
Vision/assessing	20,235

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

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**DESIGNATED FUND BALANCES, CONTINUED**

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Emergency services equipment	\$ 1,990
Mitchell Field – deeds & legal	6,500
Mitchell Field - other	3,065
Town Line Boundary	875
FEMA assistance	575
Energy Conservation	10,000
Designated revenues:	
Heating assistance	1,450
Swim donations	3,651
Plus contingency	49,135
<b>Total designated fund balance – General Fund</b>	<b>\$368,744</b>

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**BUDGETED USE OF SURPLUS**

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During the year ended December 31, 2010, the Town budgeted to utilize prior year undesignated fund balance as a budgeted use of surplus. The amount consists of the following:

2009 carry forward balance	\$380,042
Use of surplus – current year	265,000
Use of prior loan proceeds	25,960
<b>Total</b>	<b>\$671,002</b>

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**NET ASSETS**

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**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at December 31, 2010:

Capital assets	\$ 13,939,212
Accumulated depreciation	(4,514,124)
Bonds payable	(2,085,001)
Unspent proceeds	690,096
<b>Total invested in capital assets net of related debt</b>	<b>\$ 8,030,183</b>

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2010.

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

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**CONTINGENT LIABILITIES**

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

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

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

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

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The contribution rates of plan members and the Town of Harpswell are established and may be amended by the Maine Public Employees Retirement Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended December 31, 2010 and 2009 were \$4,472 and \$3,874, 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.

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**DEFERRED COMPENSATION PLAN**

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

The deferred compensation plan is available to all full and regular part time employees of the Town who work 20 hours or more per week on a regularly scheduled basis and who are not already participating in another plan. Under the plan, employees may elect to defer a portion of their salary and avoid paying income taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contribution to this plan for the year ended December 31, 2010 and 2009 was approximately \$18,054 and \$16,288, 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.

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

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**RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES**

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

The Town contributes on behalf of eligible employees of the recycling center who have worked during the plan year. There are no voluntary contributions by the employees allowed in this plan. The Town's expense under the plan for the year ended December 31, 2010 and 2009 was \$15,475 and \$15,662, 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.

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**COMMITMENTS**

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The Town contracted on July 15, 2010, for the construction of a compressed air foam system pumper in the amount of \$362,335. The vehicle is expected to be completed in early 2011 and will be leased to the Harpswell Neck 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.

The Town entered into an agreement with the Maine Department of Transportation on August 12, 2010, for the reconstruction of a portion of Cundy's Harbor Road through the Rural Road Initiative Program. The Town's share of the \$600,000 project costs will be \$198,000.

Funds for both purchases are included in capital projects.

## **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, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,753,652	3,781,642
Receivables:		
Taxes	446,298	586,173
Tax liens and acquired properties	76,049	84,220
Other	59,604	59,333
Notes receivable	-	25,000
Prepaid items	13,584	13,358
<b>Total assets</b>	<b>\$ 5,349,187</b>	<b>4,549,726</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	75,345	50,805
Taxes paid in advance	18,178	856
Deferred revenues	336,500	336,850
Interfund payables:		
Special Revenue	28,281	22,603
Capital Projects	1,121,216	377,420
<b>Total liabilities</b>	<b>1,579,520</b>	<b>788,534</b>
Fund balance:		
Reserved for long-term receivable	-	25,000
Unreserved:		
Designated for subsequent years expenditures	368,744	380,042
Undesignated	3,400,923	3,356,150
<b>Total fund balance</b>	<b>3,769,667</b>	<b>3,761,192</b>
<b>Total liabilities and fund balance</b>	<b>\$ 5,349,187</b>	<b>4,549,726</b>

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting)**  
**For the year ended December 31, 2010**

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 10,526,710	10,526,710	10,541,408	14,698
Change in deferred taxes	-	-	-	-
Interest and fees on property taxes	26,000	26,000	34,499	8,499
Excise taxes and registration fees	927,000	927,000	948,055	21,055
Total taxes	11,479,710	11,479,710	11,523,962	44,252
Intergovernmental:				
State revenue sharing	110,000	110,000	121,661	11,661
Local road assistance URIP	45,300	45,300	45,300	-
Homestead exemption and BETE	41,964	41,964	41,964	-
Tree growth	6,700	6,700	6,141	(559)
General assistance	2,000	2,000	6,256	4,256
Veterans exemption	1,500	1,500	3,283	1,783
Federal - FEMA	-	-	5,346	5,346
Other	1,500	1,500	2,091	591
Total intergovernmental	208,964	208,964	232,042	23,078
Fines and violations	-	-	100	100
Miscellaneous:				
Interest earned	35,000	35,000	19,329	(15,671)
Copies and records	3,000	3,000	5,334	2,334
Cable TV franchise fee	55,000	55,000	66,300	11,300
Licenses, fees and permits	153,200	153,200	149,338	(3,862)
Recycling center and disposal fees	190,000	190,000	207,571	17,571
Donations and gifts	8,000	8,000	12,084	4,084
Sale of property	4,000	4,000	1,199	(2,801)
Tower lease	12,000	12,000	16,770	4,770
Unclassified	1,800	1,800	7,238	5,438
Total miscellaneous	462,000	462,000	485,163	23,163
Total revenues	12,150,674	12,150,674	12,241,267	90,593

**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, 2010**

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures:							
<i>General government:</i>							
18	Elected officials	\$ -	119,335	119,335	118,106	1,229	-
General administration:							
19	Administration	-	271,505	271,505	255,790	15,715	-
19	Public information	-	9,000	9,000	6,606	2,394	-
19	Risk management	-	48,673	48,673	48,321	352	-
19	Legal services	-	35,000	35,000	42,611	(7,611)	-
20	Memberships	-	17,379	17,379	17,267	112	-
21	Assessing	-	80,482	80,482	77,792	2,690	-
22	Tax collector's office	-	33,628	33,628	31,643	1,985	-
23	Town clerk's office	-	48,277	48,277	40,588	7,689	-
24	Treasurer	-	1,750	1,750	1,448	302	-
25	Code enforcement	-	89,989	89,989	85,216	4,773	-
26	Planning	18,965	70,621	89,586	85,037	4,549	1,190
27	Employee benefits	-	271,580	271,580	259,716	11,864	-
28	Committees and commissions	-	4,770	4,770	3,838	932	-
Operations and maintenance:							
29	Municipal buildings and property	-	67,650	67,650	56,152	11,498	-
29	Old town house and commons	-	5,000	5,000	3,927	1,073	-
29	Town dock	-	3,250	3,250	1,710	1,540	-
29	Town landings	-	6,000	6,000	6,353	(353)	-
Total general government		18,965	1,183,889	1,202,854	1,142,121	60,733	1,190
<i>Public works:</i>							
30	Snow removal	-	449,785	449,785	416,966	32,819	-
30	Maintenance	-	50,000	50,000	49,893	107	-
30	Road, street signs	-	2,000	2,000	1,440	560	-
31	Recycling and transfer station	-	360,182	360,182	347,625	12,557	-
Total public works		-	861,967	861,967	815,924	46,043	-
<i>Protection and safety:</i>							
32,33	Emergency services	-	203,500	203,500	201,607	1,893	-
34	Street lighting	-	28,500	28,500	25,890	2,610	-
35	Harbor management	-	38,603	38,603	35,948	2,655	-
36	Animal control	-	23,686	23,686	21,428	2,258	-
37	Law enforcement and communication	-	323,741	323,741	323,741	-	-
37	Shellfish conservation enforcement	-	168,113	168,113	168,308 *	(195)	-
Total protection and safety		-	786,143	786,143	776,922	9,221	-
<i>Health and welfare:</i>							
38	Health and welfare	-	40,230	40,230	31,029	9,201	-
Total health and welfare		-	40,230	40,230	31,029	9,201	-
<i>Cultural and recreation:</i>							
39	Cultural and education programs	-	33,632	33,632	33,492	140	-
3	Curtis Memorial Library	-	119,884	119,884	119,884	-	-
40	Harpswell community broadcasting	-	35,000	35,000	35,000	-	-
41	Recreation - general	-	30,088	30,088	23,352	6,736	-
Total cultural and recreation		-	218,604	218,604	211,728	6,876	-

\* Contingency transfer approved by selectmen to cover shellfish conservation/law enforcement (\$196)

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, 2010

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures, continued:							
CF	A. Dennis Moore Recycling / Transfer St.	79,378	-	79,378	40,085	39,293	39,293
<i>Other capital / carryovers / reserves:</i>							
CF	Joyce Brown Swim fund	3,791	-	3,791	-	3,791	3,651 **
CF	Dry hydrant development	15,690	-	15,690	-	15,690	15,690
CF	Land acquisition	1,279	-	1,279	-	1,279	1,279
CF, 45	Vehicle replacement & vehicle equipment	13,500	28,000	41,500	-	41,500	41,500
CF	Update of assessing records	20,235	-	20,235	-	20,235	20,235
CF	HCBC digital conversion	25,000	-	25,000	-	25,000	25,000
CF	Cemetery restoration	950	-	950	-	950	-
CF	Emergency communication equipment	20,620	-	20,620	18,630	1,990	1,990
46	Orr's Island Library	-	15,000	15,000	15,000	-	-
CF, 45	Boat and motor replacement	26,000	6,000	32,000	-	32,000	32,000
CF	Voting machines	12,300	-	12,300	-	12,300	12,300
CF	Generator replacement	29,000	12,000	41,000	-	41,000	41,000
CF, 45	T/O & Facilities Improvements	12,000	16,000	28,000	-	28,000	28,000
CF	Legislative agent	4,000	-	4,000	-	4,000	4,000
CF, 56	Community development/Welcome signs	3,480	-	3,480	-	3,480	3,480
CF	Self insurance reserve	3,534	-	3,534	1,313	2,221	2,221
CF, 43	Heating assistance	14,711	6,000	20,711	7,566	13,145	14,595 ***
CF	Marine hazards	3,522	-	3,522	-	3,522	3,522
CF, 44	Failed septic systems	7,232	2,000	9,232	6,408	2,824	7,648 ***
53	Town Line Boundary	-	2,500	2,500	1,625	875	875
54	FEMA Consultant	-	20,000	20,000	19,425	575	575
55	Midcoast Regional Redevelopment	-	3,000	3,000	3,000	-	-
57	Energy Conservation	-	10,000	10,000	-	10,000	10,000
50	Mitchell Field - operations/structural assess	-	8,500	8,500	7,161	1,339	-
CF	Mitchell Field - other	3,684	-	3,684	619	3,065	3,065
CF	Mitchell Field - deeds & legal	6,500	-	6,500	-	6,500	6,500
CF	Mitchell Field - zoning / performance	5,000	-	5,000	5,291 *	(291)	-
CF	Mitchell Field - gifts	50	-	50	50	-	-
Total capital and special projects		311,456	129,000	440,456	126,173	314,283	318,420
49	Debt service	-	665,960	665,960	641,304	24,656	-
CF	Contingency	49,621	-	49,621	-	49,621	49,135
Total budgeted expenditures		380,042	3,885,793	4,265,835	3,745,201	520,634	368,745
Other expenditures:							
	Educational appropriation	-	7,269,893	7,269,893	7,269,878	15	-
	County tax	-	1,065,406	1,065,406	1,065,406	-	-
	Overlay / abatements	-	73,292	73,292	6,207	67,085	-
Total other expenditures		-	8,408,591	8,408,591	8,341,491	67,100	-
Excess (deficiency) of revenues over (under) expenditures		(380,042)	(143,710)	(523,752)	154,575	678,327	(368,745)
Other financing sources (uses):							
48	Proceeds from long-term debt	-	600,000	600,000	600,000	-	-
48	Transfer to Capital Projects - emergency vehicle	-	(600,000)	(600,000)	(600,000)	-	-
47	Transfer to Capital Projects - road projects	-	(140,000)	(140,000)	(140,000)	-	-
	Transfer from Grant fund	-	-	-	1,150	1,150	-
42	Transfer to Recreation fund - programs	-	(7,250)	(7,250)	(7,250)	-	-
64	Use of undesign. fund balance - budget	-	265,000	265,000	-	(265,000)	-
	Use of undesign. fund balance - loan repayments	-	25,960	25,960	-	(25,960)	-
	Use of carryforward balances	380,042	-	380,042	-	(380,042)	-
Total other financing sources (uses)		380,042	143,710	523,752	(146,100)	(669,852)	-
Net change in fund balance		-	-	-	8,475	8,475	(368,745)
Fund balance, beginning of year					3,761,192		
<b>Fund balance, end of year</b>					<b>\$ 3,769,667</b>		

\* Contingency transfer approved by selectmen to cover MF planning/zoning coverage (\$290)

\*\* Balance carried forward reflects 2010 use of funds for scholarships

\*\*\* Balances carried forward include 2010 revenue received for these purposes

## **OTHER GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE FUNDS**

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

Special revenue funds are established for the following purposes:

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

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

#### ***Recreation***

To account for various recreation fees and related expenditures.

### **NONMAJOR CAPITAL PROJECT FUNDS**

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

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

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

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

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

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



TOWN OF HARPSWELL, MAINE  
Other Nonmajor Governmental Funds  
Combining Balance Sheet  
December 31, 2010

	Special Revenues		Capital Projects		Totals
	Restricted Grants	Recreation	Emergency Vehicle	Road Projects	
<b>ASSETS</b>					
Interfund receivables	\$ 6,488	21,793	883,316	237,900	1,149,497
<b>Total assets</b>	<b>\$ 6,488</b>	<b>21,793</b>	<b>883,316</b>	<b>237,900</b>	<b>1,149,497</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Deferred revenues	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:					
Unreserved, reported in:					
Special revenue fund	6,488	21,793	-	-	28,281
Capital project fund	-	-	883,316	237,900	1,121,216
<b>Total fund balances</b>	<b>6,488</b>	<b>21,793</b>	<b>883,316</b>	<b>237,900</b>	<b>1,149,497</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,488</b>	<b>21,793</b>	<b>883,316</b>	<b>237,900</b>	<b>1,149,497</b>

**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended December 31, 2010**

	Special Revenues		Capital Projects		Totals
	Restricted Grants	Recreation	Emergency Vehicle	Road Projects	
Revenues:					
Intergovernmental	\$ 82,490	-	-	-	82,490
Private foundation	5,000	-	-	-	5,000
Interest earned	-	-	7,257	-	7,257
Charges for services	-	40,844	-	-	40,844
<b>Total revenues</b>	<b>87,490</b>	<b>40,844</b>	<b>7,257</b>	<b>-</b>	<b>135,591</b>
Expenditures:					
For designated purpose	82,613	46,143	-	-	128,756
Capital outlay	-	-	-	3,461	3,461
<b>Total expenditures</b>	<b>82,613</b>	<b>46,143</b>	<b>-</b>	<b>3,461</b>	<b>132,217</b>
Excess (deficiency) of revenues over (under) expenditures	4,877	(5,299)	7,257	(3,461)	3,374
Other financing sources (uses):					
Transfers (to) from general fund	(1,150)	7,250	600,000	140,000	746,100
<b>Total other financing sources (uses)</b>	<b>(1,150)</b>	<b>7,250</b>	<b>600,000</b>	<b>140,000</b>	<b>746,100</b>
Net change in fund balances	3,727	1,951	607,257	136,539	749,474
Fund balances, beginning of year	2,761	19,842	276,059	101,361	400,023
<b>Fund balances, end of year</b>	<b>\$ 6,488</b>	<b>21,793</b>	<b>883,316</b>	<b>237,900</b>	<b>1,149,497</b>

## **SCHEDULES**



**TOWN OF HARPSWELL, MAINE**  
**Statement of Taxes and Liens Receivable**  
**December 31, 2010**

Year	Balance at 12/31/09	2010 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/10
pre 2002 *	\$ 630	-	-	-	-	630
2003	41	-	-	-	(41)	-
2004	154	-	-	-	(154)	-
2005 *	1,043	-	-	-	(67)	976
2006 *	1,966	-	-	(376)	-	1,590
2007 *	3,808	-	-	(1,915)	(86)	1,807
2008	76,578	-	-	(75,105)	(19)	1,454
2009	586,173	-	-	(512,900)	(3,681)	69,592
2010	-	10,526,710	14,698	(10,092,951)	(2,159)	446,298
	<b>670,393</b>	<b>10,526,710</b>	<b>14,698</b>	<b>(10,683,247)</b>	<b>(6,207)</b>	<b>522,347</b>
					Taxes receivable	446,298
					Tax liens and acquired properties	76,049
				<b>Total</b>		<b>\$ 522,347</b>

\* includes tax acquired property

