

**TOWN OF HARPSWELL, MAINE**

**Annual Financial Report**

**For the Year Ended December 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

Selectboard  
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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Harpswell, Maine'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Harpswell, Maine, as of December 31, 2021, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB related information on pages 5 through 12 and 21 through 24 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 nonmajor 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 nonmajor 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022, 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 grants 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Harpswell, Maine's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
February 9, 2022



**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis**  
**December 31, 2021**

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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, 2021. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

### **Financial Highlights**

- ❖ The Town received \$259,859, about half of what it expects to receive in total, of American Rescue Plan Act (ARPA) funds in 2021. The Town is reserving these funds in a special fund until the legislative body—the voters at town meeting—authorize expenditure for eligible uses that include responding to COVID-19 and its economic impacts. Preliminary recommendations have been provided to the Select Board, and the public has been invited to submit comments.
- ❖ The total net position (total assets less liabilities) of the Town of Harpswell is \$16,733,267. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$14,905,078 at December 31, 2021. Capital assets include the Town's infrastructure assets, (i.e., roads, boat launches and dry hydrants), as well as Town-owned land, buildings and equipment, and an easement.
- ❖ The Statement of Activities shows an increase in net position of \$846,755 for the fiscal year.
- ❖ During 2021, the Town repaid \$435,000 of principal on its long-term borrowings as scheduled and incurred interest of \$142,466 on its long and short-term borrowings, including the interest and first principal payment relating to the 2018 bonds which funded the pier demolition. Interest on these bonds (\$117,900) and the majority of the principal payment (\$175,704) were paid from excess bond proceeds including the interest earned on the excess proceeds.
- ❖ The ending fund balance for all governmental funds is \$6,704,411. The ending fund balance for the General Fund is \$5,722,787, an increase of \$617,837 from the previous year. Of this balance, \$1,608,925 is assigned for specific purposes, and \$26,422 is nonspendable. This leaves an unassigned balance of \$4,087,440, which is more than 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 the total of prior year's general fund expenditures less any expenditure made from reserve and special project 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 (\$526,162); and a fund for road projects (\$106,380). The fund which represented the excess proceeds from the bonds for the demolition of the pier at Mitchell Field has been expended. The Town also has funds for its special revenue activities, which include recreation programs (\$57,883) and grants (\$31,340).

### **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.

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

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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).

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, snow removal), protection and safety (law enforcement, fire protection, rescue services), health and welfare, culture and recreation, debt service and capital 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 six individual governmental funds. Information for the General Fund, the Road Project Fund, and the Mitchell Field Pier Demolition 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 25-46 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 49-52 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.

	Governmental Activities	
	2021	2020
<b>Assets:</b>		
Current & other assets	\$ 6,888,735	\$ 5,961,098
Receivable-Harpswell Coastal Academy	40,000	50,000
Capital assets	14,905,078	14,279,701
Total Assets	21,833,813	20,290,799
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions & post employment benefits	48,773	46,189
<b>Liabilities:</b>		
Long-term debt outstanding	(4,785,000)	(4,120,000)
Other liabilities	(349,424)	(290,390)
Total Liabilities	(5,134,424)	(4,410,390)
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions & post employment benefits	(14,895)	(40,086)
<b>Net Position:</b>		
Net investment in capital assets	10,200,984	10,452,623
Restricted	663,882	608,555
Unrestricted	5,868,401	4,825,334
<b>Total Net Position</b>	<b>\$16,733,267</b>	<b>\$15,886,512</b>

The Town's Total Net Position increased by \$846,755 during 2021.

Asset changes included an increase in cash balances of \$975,711.

Long-term debt obligations increased in 2021 by \$665,000, as two new borrowings, \$450,000 for the Recycling Center improvements project and \$650,000 for a capital road project, were offset by scheduled principal repayments of \$435,000. Other long-term liabilities in 2021 include the Town's proportionate share of the net pension liability of the Maine Public Employees Retirement System (\$72,112) and other post employment benefits (\$200,988).

61% of the Town's Net Position at December 31, 2021 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.

\$663,882 of the 2021 Net Position (4.0%) is restricted for capital projects and grants. This includes \$526,162 for the purchase of emergency services vehicles and \$106,380 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.

	<b>Governmental Activities</b>	
	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>		
Program Revenues		
Charges for services	\$271,275	\$247,257
Operating grants & contributions	183,807	121,571
General Revenues		
Property and excise taxes	14,667,772	14,181,876
Intergovernmental	406,990	323,473
Interest earned	11,469	23,593
Other	855,326	543,151
Total revenues	16,396,639	15,440,921
<b>Expenses:</b>		
General government	1,515,953	1,511,073
Public works	1,321,944	1,234,050
Protection and safety	1,601,217	1,544,555
Health and welfare	31,749	31,153
Culture and recreation	395,314	385,603
Education	8,672,916	8,716,477
County taxes	1,347,176	1,329,698
Overlay/abatements	763	1,645
Interest on long-term debt	148,676	160,943
Capital and special projects	514,176	138,469
Total expenses	15,549,884	15,053,666
<b>Increase/(decrease) in net position</b>	<b>\$846,755</b>	<b>\$387,255</b>

**Governmental Activities**

Governmental activities increased the Town's net position by \$846,755 as a 3.3% increase in expenses was offset by a 6.2% increase in revenues. Total program revenues increased by \$86,254 or 2.3% on a year to year basis. Operating grants and contributions increased 5.1% (\$62,236) as the Town obtained two significant grants – one from Cumberland County as a Development Block Grant and one from the State of Maine. Charges for services increased 9.7% (\$24,018) as a 12.8% increase in Recycling Center/Transfer Station disposal fees were offset by a 49% decrease in recreation program revenues.

In 2021, property and excise tax revenues increased from the prior year by \$416,912 and \$68,984, respectively. The mil rate increased from \$6.74 to \$6.76. Intergovernmental revenue increased by \$83,517 or 26%, primarily due to a 56.6% (\$75,268) increase in State revenue sharing. The State increased municipal revenue sharing from 3.75% to 4.5% on July 1, 2021.

Expenses relating to capital and special projects in the Statement of Activities exclude \$1,298,383 in capital outlays which have been capitalized in the Statement of Net Position.

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

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

Examples of activities which produce some level of revenue are:

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

<b>Function / Program</b>	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General government	\$1,515,953	\$1,511,073	\$1,515,953	\$1,511,073
Public works	1,321,944	1,234,050	1,019,817	965,033
Protection and safety	1,601,217	1,544,555	1,601,217	1,544,555
Health and welfare	31,749	31,153	28,305	24,312
Culture and recreation	395,314	385,603	383,965	371,783
Education	8,672,916	8,716,477	8,672,916	8,716,477
County taxes	1,347,176	1,329,698	1,347,176	1,329,698
Overlay/abatements	763	1,645	763	1,645
Interest on long-term debt	148,676	160,943	148,676	160,943
Capital and special projects	514,176	138,469	376,014	59,319
Total governmental activities	<u>\$15,549,884</u>	<u>\$15,053,666</u>	<u>\$15,094,802</u>	<u>\$14,684,838</u>

Total Cost of Services and Net Cost of Services increased from 2020 to 2021 by 3.3% and 2.8%, respectively.

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

As of December 31, 2021, the Town's governmental fund balance totaled \$6,704,411.

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**

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**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 total fund balance increased from \$5,104,950 in 2020 to \$5,722,787 in 2021. The increase was attributable to an excess of revenues over expenditures of \$486,037 plus the proceeds from long-term debt of \$1,100,000 less the transfer of \$260,000 to the emergency vehicles fund, \$700,000 to the road projects fund, and \$8,200 for recreation programs. Additionally, Town Meeting authorized the use of \$500,000 of unassigned fund balance to reduce the tax commitment, \$143,142 to pay the Town's liability to IAM National Pension fund and up to \$100,000 to convert the Town's street lights to LED.

2021 property tax revenue increased by \$416,912 relative to 2020. Total appropriations increased by \$381,437 as the increase in municipal appropriations of \$341,985 (6.4%) and an increase in the County Tax of \$17,478 (1.3%) was offset by a decrease in the school assessment of \$43,562 (.5%).

The Town experienced an increase in non-property tax revenue sources in 2021, primarily in State revenue sharing (\$75,268). There was also an increase in excise tax receipts (\$68,984), the Town's largest source of non-property tax revenue, recycling disposal fees (\$30,098) and in licenses, fees and permits (\$25,715).

The 2021 mil rate increased to \$6.76 from \$6.74 and the property tax base expanded by approximately \$37.7 million. Of the 2021 commitment, 98.09% was collected prior to year-end. A healthy collection rate has been experienced for several years and, accordingly, unavailable revenue – property taxes declined by \$20,000 increasing the General Fund balance by the same amount.

*Unexpended Appropriations.* Notable unexpended appropriations lapsing to the General Fund in 2021 occurred in the areas of employee benefits (\$62,971), snow removal (\$39,778), elected officials (\$21,911), municipal fire assistance (\$20,612), municipal buildings maintenance (\$18,590), code enforcement (\$14,572), road maintenance (\$11,661), and health and welfare (\$10,081). The employee benefits budget was not fully utilized due to several changes in staffing and benefit elections. The snow removal budget was underspent due to less need of salt and sand. With respect to the elected officials, fire assistance, and code enforcement, the budgets were primarily underspent due to changes in staffing. There were fewer road maintenance projects than expected. The unexpended funds in health and welfare were due to less community need than anticipated.

*Overlay.* Of the \$151,936 raised for overlay, \$763 was used to provide abatements and the remainder lapsed to the General Fund.

*Contingency.* While the Town Clerk's Office and the Boards/Committees budget experienced overages, the use of contingency was not required since the operational budget was voted on in one article.

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.

Because of the pandemic, the vote to adopt the annual budget was moved from March to June by secret ballot.

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of 2021, the Town's investment in capital assets, net of accumulated depreciation, was \$14,905,078 and its outstanding debt \$4,785,000. All outstanding debt was incurred for capital purposes.

The 2018 Bonds, for the demolition of the Mitchell Field pier, have a principal amount of \$3,305,000 remaining. The unexpended proceeds from the 2018 bonds have been used to pay interest in the period 2019 to 2021 and the majority of the first principal payment made in 2021.

The remaining outstanding debt of \$1,480,000 funded road projects and Phase I of a two phase improvement project at the Recycling Center.

**Net Investment in Capital Assets**

	Capital		Accumulated		Net Investment in	
	Assets		Depreciation		Capital Assets	
	2021	2020	2021	2020	2021	2020
Land	\$5,282,273	\$5,282,273	-	-	\$5,282,273	5,282,273
Construction in progress	41,179	114,914	-	-	41,179	114,914
Other non-depreciable assets	281,900	281,900	-	-	281,900	281,900
Buildings and building Improvements	4,492,636	4,237,097	(2,813,023)	(2,721,423)	1,679,613	1,515,674
Equipment, vehicles and furniture	3,003,445	2,867,131	(1,223,977)	(1,184,190)	1,779,468	1,682,941
Infrastructure	9,048,176	8,428,794	(3,207,530)	(3,026,795)	5,440,646	5,401,999
Total	22,149,609	21,212,109	(7,244,530)	(6,932,408)	14,905,079	14,279,701

The construction in progress account at the end of 2021 includes engineering costs relating to the Mitchell Field boat launch and seasonal float facility, and the upgrade of the Town's HVAC system.

Additions to equipment, vehicles and furniture in 2021 include a a new motor for the Harbormaster's boat, a new Town Office network server, upgraded assessing software, emergency communications equipment at Mitchell Field, completion of the Town's upweller, and a new compactor system at the Recycling Center.

In 2021, the Town completed a capital road project which included Grover Lane, Gurnet Landing and the first 2,200 feet of Basin Point. Additionally, the Town completed Phase one of the Recycling Center building which improved the parking and replaced the compactors at a cost of \$422,776. Phase two will improve the building itself and is planned for 2022 or beyond at an estimated cost of \$600,000. The Town also made some improvements to the Tide Mill Cove Town landing and the first half mile of the Cliff Trail, making it handicap accessible.

The Town continues to assess the need to upgrade the infrastructure at Mitchell Field. The combination of a boat launch and seasonal float facility will likely be constructed in 2022, with half of the project expected to be funded by the State.

Another major capital project under consideration is the construction of a fire station in a central location near the Town Office. While initial site planning and architectural design have not yet been completed, it is thought that the station may cost as much as \$2 to \$3 million.

Finally, the Town Office building needs to have its heating, ventilation and air conditioning systems upgraded and its building envelope made more energy efficient. Costs are estimated to be about \$425,000, for which the Town has reserved funds. Central Maine Power is planning to upgrade the power on Mountain Road to 3-phase which is needed for the HVAC project.

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

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Generally, the Town expects that its long-term capital needs, including its ongoing road rehabilitation and emergency vehicles programs, will be funded with a combination of existing capital reserves, annual appropriations to increase those reserves, and borrowing. With the completion of the pier demolition project, the Town continues to re-assess its debt capacity and determine whether its capital needs should be funded with additional borrowing.

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

2021 continued to be a year where the pandemic had major impacts on public health and the economy. While it seemed by spring and summer that things were getting back on track, the Delta variant emerged, followed by Omicron in late 2021, creating more uncertainties. Prices of goods and services are rising, and interest rates will likely see an uptick. No new borrowings are proposed in the 2022 budget.

Wage and salary adjustments for many municipal employees have been taken into consideration in the proposed 2022 budget as a result of labor market conditions that have driven up compensation levels. To retain and attract quality employees, such adjustments need to be considered. Similarly, the Town's contract with Mid Coast Hospital is slated to increase in 2022 because the compensation rate to retain and attract qualified personnel, in this case paramedics, has increased due to the competitive conditions of the area labor market.

Other market forces, such as the global recycling market or lack thereof, have contributed to a significant increase in disposal costs associated with recycled materials. The global market for these materials has changed dramatically making it difficult to dispose of these commodities at former prices.

The Town's unassigned fund balance grew in 2021 due in part to non-property tax revenues outperforming estimates, and amounts will be recommended for use in 2022 to build up capital reserves in roads and recycling for upcoming projects and to reduce the tax commitment. The Town's fund balance policy was amended in 2015 to allow for greater flexibility in using fund balance to offset anticipated tax increases. The proposed 2022 budget is currently expected to use \$500,000 of fund balance to moderate any tax increase.

During the course of the pandemic, Maine has been viewed as a safe haven, and that has been borne out in the dramatic increase in sales prices of coastal real estate in Harpswell. Many new property owners are undertaking new construction or major renovation which keeps the construction sector of the economy moving forward and adds taxable value to the Town's total valuation. Over \$35 million of new value was added to the Town's valuation in 2021, and that is expected to continue in 2022. We will be keeping an eye on tourism and the commercial fishing sectors to see if they perform solidly in 2022.

The proposed tax rate in 2022 is estimated to increase around 3%, which would continue to keep Harpswell's tax rate one of the lowest in Cumberland County.

**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, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,429,792
Receivables:	
Taxes	249,280
Liens	23,005
Accounts	160,236
Prepaid items	26,422
Receivable from Harpswell Coastal Academy	40,000
Capital assets:	
Capital assets, not being depreciated	5,605,352
Other capital assets, net of accumulated depreciation	9,299,726
<b>Total assets</b>	<b>21,833,813</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions & post employment benefits	48,773
<b>Total deferred outflows of resources</b>	<b>48,773</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	32,544
Unearned revenue	11,780
Accrued interest	9,601
Noncurrent liabilities:	
Due within one year	465,000
Due in more than one year	4,615,499
<b>Total liabilities</b>	<b>5,134,424</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions & post employment benefits	14,895
<b>Total deferred inflows of resources</b>	<b>14,895</b>
<b>NET POSITION</b>	
Net investment in capital assets	10,200,984
Restricted for:	
Capital projects and grants	663,882
Unrestricted	5,868,401
<b>Total net position</b>	<b>\$ 16,733,267</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Activities**  
**For the year ended December 31, 2021**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position Governmental activities
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
General government	\$ 1,515,953	-	-	-	(1,515,953)
Public works	1,321,944	264,935	37,192	-	(1,019,817)
Protection and safety	1,601,217	-	-	-	(1,601,217)
Health and welfare	31,749	-	3,444	-	(28,305)
Cultural and recreation	395,314	6,340	5,009	-	(383,965)
Education	8,672,916	-	-	-	(8,672,916)
County taxes	1,347,176	-	-	-	(1,347,176)
Overlay/abatements	763	-	-	-	(763)
Interest expense	148,676	-	-	-	(148,676)
Capital and special projects	514,176	-	138,162	-	(376,014)
<b>Total governmental activities</b>	<b>15,549,884</b>	<b>271,275</b>	<b>183,807</b>	<b>-</b>	<b>(15,094,802)</b>

## General revenues:

Property taxes, levied for general purposes	13,169,688
Excise taxes	1,498,084
Interest and fees on property taxes	9,672
Intergovernmental	406,990
Interest earned	11,469
Miscellaneous	845,654
<b>Total general revenues</b>	<b>15,941,557</b>

Change in net position 846,755

Net position - beginning of year 15,886,512

**Net position - ending \$ 16,733,267**

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	General	Road Projects	Mitchell Field Pier Demolition	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,429,792	-	-	-	-	6,429,792
Receivables:						
Taxes	249,280	-	-	-	-	249,280
Liens	23,005	-	-	-	-	23,005
Other	160,236	-	-	-	-	160,236
Interfund receivables	-	106,380	-	259,859	615,385	981,624
Prepaid items	26,422	-	-	-	-	26,422
<b>Total assets</b>	<b>\$ 6,888,735</b>	<b>106,380</b>	<b>-</b>	<b>259,859</b>	<b>615,385</b>	<b>7,870,359</b>
<b>LIABILITIES</b>						
Accounts payable and other liabilities	32,544	-	-	-	-	32,544
Unearned revenue - taxes paid in advance	9,555	-	-	-	-	9,555
Unearned revenue - other	2,225	-	-	-	-	2,225
Interfund payables	981,624	-	-	-	-	981,624
<b>Total liabilities</b>	<b>1,025,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,025,948</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	140,000	-	-	-	-	140,000
<b>Total deferred inflows of resources</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,000</b>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid Insurance	26,422	-	-	-	-	26,422
Restricted:						
Capital projects and grants	-	106,380	-	259,859	557,502	923,741
Assigned:						
General fund	1,608,925	-	-	-	-	1,608,925
Recreation	-	-	-	-	57,883	57,883
Unassigned	4,087,440	-	-	-	-	4,087,440
<b>Total fund balances</b>	<b>5,722,787</b>	<b>106,380</b>	<b>-</b>	<b>259,859</b>	<b>615,385</b>	<b>6,704,411</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,888,735</b>	<b>106,380</b>	<b>-</b>	<b>259,859</b>	<b>615,385</b>	

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.	14,905,078
Deferred outflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds.	48,773
Amount receivable from sale of Harpswell Coastal Academy	40,000
Unavailable revenue - property taxes is not available to pay for current period expenditures and, therefore, is unavailable in the funds.	140,000
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	(4,785,000)
Compensated absences payable	(22,399)
Accrued interest	(9,601)
Net pension and other postemployment benefits liabilities	(273,100)
Deferred inflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds.	(14,895)

<b>Net position of governmental activities</b>	<b>\$ 16,733,267</b>
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*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, 2021**

	General	Road Projects	Mitchell Field Pier Demolition	American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 14,697,444	-	-	-	-	14,697,444
Intergovernmental	447,626	-	-	259,859	138,162	845,647
Miscellaneous	869,994	-	681	-	12,873	883,548
<b>Total revenues</b>	<b>16,015,064</b>	<b>-</b>	<b>681</b>	<b>259,859</b>	<b>151,035</b>	<b>16,426,639</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	1,454,736	-	-	-	-	1,454,736
Public works	1,076,313	-	-	-	-	1,076,313
Protection and safety	1,485,031	-	-	-	-	1,485,031
Health and welfare	31,749	-	-	-	-	31,749
Cultural and recreation	349,936	-	-	-	23,629	373,565
Education	8,672,916	-	-	-	-	8,672,916
County taxes	1,347,176	-	-	-	-	1,347,176
Overlay/abatements	763	-	-	-	-	763
Debt service	283,862	-	293,603	-	-	577,465
Capital and special projects	826,545	637,923	-	-	113,514	1,577,982
<b>Total expenditures</b>	<b>15,529,027</b>	<b>637,923</b>	<b>293,603</b>	<b>-</b>	<b>137,143</b>	<b>16,597,696</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>486,037</b>	<b>(637,923)</b>	<b>(292,922)</b>	<b>259,859</b>	<b>13,892</b>	<b>(171,057)</b>
<b>Other financing sources (uses):</b>						
Proceeds from long-term debt	1,100,000	-	-	-	-	1,100,000
Transfers (to) from other funds	(968,200)	700,000	-	-	268,200	-
<b>Total other financing sources (uses)</b>	<b>131,800</b>	<b>700,000</b>	<b>-</b>	<b>-</b>	<b>268,200</b>	<b>1,100,000</b>
<b>Net change in fund balances</b>	<b>617,837</b>	<b>62,077</b>	<b>(292,922)</b>	<b>259,859</b>	<b>282,092</b>	<b>928,943</b>
<b>Fund balances, beginning of year</b>	<b>5,104,950</b>	<b>44,303</b>	<b>292,922</b>	<b>-</b>	<b>333,293</b>	<b>5,775,468</b>
<b>Fund balances, end of year</b>	<b>\$ 5,722,787</b>	<b>106,380</b>	<b>-</b>	<b>259,859</b>	<b>615,385</b>	<b>6,704,411</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, 2021**

Net change in fund balances - total governmental funds (from Statement 4)	\$	928,943
<p>Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>		
Capital outlays		1,298,383
Additions/Disposals of capital assets, net		(234,577)
Depreciation expense		(438,429)
<p>Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and, therefore, are not reported in the funds.</p>		
		2,584
<p>Governmental funds report as revenues payments received from installment sales. In the Statement of Activities a receivable is reported when the installment contract is entered into and is reduced by payments.</p>		
		(10,000)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the decrease in unavailable revenue - property taxes in the funds.</p>		
		(20,000)
<p>Proceeds from long-term borrowing or capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This represents proceeds (\$1,100,000) net of repayments (435,000).</p>		
		(665,000)
<p>Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and, therefore, are not reported in the funds.</p>		
		25,191
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the increase in the Town's net pension and OPEB liabilities plus the decrease in accrued absences.</p>		
		(34,129)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund financial statements since future repayment does not require the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		(6,211)
<b>Change in net position of governmental activities (see Statement 2)</b>		<b>\$ 846,755</b>

*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, 2021**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 14,331,168	14,331,168	14,697,444	366,276
Intergovernmental	355,463	355,463	447,626	92,163
Miscellaneous	673,500	673,500	869,994	196,494
Total revenues	15,360,131	15,360,131	16,015,064	654,933
<b>Expenditures:</b>				
Current:				
General government	1,610,782	1,624,282	1,454,736	169,546
Public works	1,131,140	1,131,140	1,076,313	54,827
Protection and safety	1,531,938	1,531,938	1,485,031	46,907
Health and welfare	41,730	41,730	31,749	9,981
Cultural and recreation	364,313	376,063	349,936	26,127
Education	8,672,916	8,672,916	8,672,916	-
County taxes	1,347,176	1,347,176	1,347,176	-
Overlay/abatements	151,936	151,936	763	151,173
Debt service	310,000	310,000	283,862	26,138
Capital and special projects	1,073,142	2,281,109	826,545	1,454,564
Total expenditures	16,235,073	17,468,290	15,529,027	1,939,263
Excess (deficiency) of revenues over (under) expenditures	(874,942)	(2,108,159)	486,037	2,594,196
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt	1,100,000	1,100,000	1,100,000	-
Transfer to / from other funds	(968,200)	(968,200)	(968,200)	-
Budgeted use of unassigned fund balance	743,142	743,142	-	(743,142)
Budgeted use of carryforward balances	-	1,290,944	-	(1,290,944)
Budgeted use of contingency	-	(57,727)	-	57,727
Total other financing sources (uses)	874,942	2,108,159	131,800	(1,976,359)
Net change in fund balance	-	-	617,837	617,837
Fund balance, beginning of year			5,104,950	
<b>Fund balance, end of year</b>			<b>\$ 5,722,787</b>	

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Required Supplementary Information**  
**MainePERS - Consolidated Plan - Defined Benefit Pension Plan**  
**Schedule of Proportionate Share**  
**of the Net Pension Liability**

	LAST 10 FISCAL YEARS*						
	2021	2020	2019	2018	2017	2016	2015
<b>PLD Plan:</b>							
Proportion of the net pension liability (asset)	1.82%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Proportionate share of the net pension liability (asset)	\$ 72,112	\$ 56,844	\$ 50,247	\$ 93,217	\$ 112,010	\$ 66,579	\$ 30,730
Covered-employee payroll	\$ 125,955	\$ 117,767	\$ 114,817	\$ 115,769	\$ 113,162	\$ 111,225	\$ 109,359
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.25%	48.27%	43.76%	80.52%	98.98%	59.86%	28.10%
Plan fiduciary net position as a percentage of the total pension liability	88.30%	90.60%	91.10%	86.43%	81.61%	88.27%	94.10%

\* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying notes to financial statements.

**Schedule of Contributions**

	LAST 10 FISCAL YEARS*						
	2021	2020	2019	2018	2017	2016	2015
<b>PLD Plan:</b>							
Contractually required contribution	\$ 13,228	\$ 12,299	\$ 11,319	\$ 11,420	\$ 10,993	\$ 10,443	\$ 9,279
Contributions in relation to the contractually required contribution	(13,228)	(12,299)	(11,319)	(11,420)	(10,993)	(10,443)	(9,279)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 129,569	\$ 122,341	\$ 113,193	\$ 116,440	\$ 115,099	\$ 113,434	\$ 111,126
Contributions as a percentage of covered-employee payroll	10.21%	10.05%	10.00%	9.81%	9.55%	9.21%	8.35%

\* The amounts presented for each fiscal year were determined as of December 31.

See accompanying notes to financial statements.

**TOWN OF HARPSWELL, MAINE**  
**Required Supplementary Information**  
**Schedule of Changes in the Total Health Plan OPEB Liability and Related Ratios**  
**Last Ten Fiscal Years\***

**Maine Municipal Employees Health Trust (MMEHT)**

<u><b>Total Health Plan OPEB Liability</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
Service Cost	\$ 10,050	\$ 8,959	\$ 9,714	\$ 11,727
Interest	5,147	6,567	5,630	6,349
Changes of benefit terms	-	(3,800)	-	-
Differences between expected and actual experience	-	(7,846)	-	(14,521)
Changes of assumptions	10,661	28,441	(12,092)	(720)
Benefit payments	(5,314)	(6,107)	(5,872)	(4,421)
<b>Net change in Total Health Plan OPEB liability</b>	<b>20,544</b>	<b>26,214</b>	<b>\$ (2,620)</b>	<b>\$ (1,586)</b>
<b>Total Health Plan OPEB liability - beginning</b>	<b>\$ 180,444</b>	<b>\$ 154,230</b>	<b>\$ 156,850</b>	<b>\$ 158,436</b>
<b>Total Health Plan OPEB liability - ending</b>	<b>\$ 200,988</b>	<b>\$ 180,444</b>	<b>\$ 154,230</b>	<b>\$ 156,850</b>
Covered-employee payroll	670,562	657,532	\$ 657,532	\$ 657,532
Total Health Plan OPEB liability as a percentage of covered-employee payroll	30.0%	27.4%	23.5%	23.9%

*\*Only four years of information available*

See accompanying notes to required supplementary information.



**TOWN OF HARPSWELL, MAINE**  
**Notes to Required Supplementary Information**  
**For the Year Ended December 31, 2021**

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**MainePERS – Consolidated Plan – Defined Benefit Pension Plan**

**Changes of benefit terms**

There were no changes in benefit terms in the Maine Public Employees Retirement System Plans.

**Changes of assumptions**

The following are changes in actuarial assumptions used in the most recent valuations:

	<b>Actuarial Assumptions*</b>			
	<b>June 30, 2021</b>	<b>June 30, 2018</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Discount rate	6.75%	6.75%	6.875%	7.125%
Inflation rate	2.75%	2.75%	2.75%	3.50%
Salary increases	2.75% + merit	2.75 - 9.00%	2.75 - 9.00%	3.50 - 9.50%
Cost of living benefit increases	1.91%	1.91%	2.20%	2.55%

*\*This schedule is intended to show information for ten years, but only the years in which changes occurred have been displayed. Additional years' information will be displayed as it becomes available.*

**Mortality rates:**

In 2015 mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. In 2016 and going forward, mortality rates were based on the RP2014 Total Data Set Health Annuitant Mortality Table.

**Net OPEB Liability –**

**Changes of benefit terms**

None related to the PLD OPEB plan nor the MMEHT Health Plan.

**Changes of assumptions**

Changes of assumptions and other inputs reflect the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year	Discount Rate
2021	2.12%
2020	2.74%
2019	4.10%
2018	3.44%
2017	3.78%

**TOWN OF HARPSWELL, MAINE**  
**Required Supplementary Information**  
**I.A.M. a multiemployer, cost-sharing defined benefit pension plan**  
**Schedule of Employer's Required Contributions**

For the years ended December 31:

2021	\$ 143,142
2020	13,939
2019	12,796
2018	11,952
2017	12,103
2016	11,427
2015	11,529
2014	11,198
2013	11,696
2012	13,909
2011	15,437
2010	15,475
2009	15,662
2008	\$ 15,618

The 2021 amount represents the final payment to the pension as the union was dissolved.

The reduction in required contributions between 2011 and 2013 resulted from the elimination in mid 2012 of one position which would have been eligible to participate in the Plan.

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, 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.

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**COVID-19 UPDATE**

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COVID-19, a respiratory disease caused by a new strain of the coronavirus, continues to be a declared pandemic by the World Health Organization. With FDA approved vaccinations becoming widely available in 2021, Maine's Governor lifted the State of Civil Emergency on June 30, 2021. The Board of Selectmen followed suit and ended the Town's State of Emergency on the same date. While mutations of the virus have contributed to surges in the U.S., including in Maine, there are hopeful signs that the pandemic will transition to an endemic phase.

**Impact on Results of Operations**

The business portion of the Annual Town Meeting was not held in March as it traditionally is because of concerns that holding a large indoor in-person gathering would not be in the best interest of public health. All articles were voted on by secret ballot in June, and all articles passed. The Town has returned to providing in-person services and will continue providing many online services as well.

**Conclusion**

The pandemic has led to soaring real estate prices in Harpswell with the local economy experiencing a rebound in 2021 as restaurants reopened and a semblance of normalcy returned. Town revenues were solid and came in above forecasted amounts indicating that the economy is recovering from the early pandemic shutdowns. No assurances can be given regarding future events or impacts related to the pandemic. Its actions are unpredictable or unknowable and outside the control of the Town.

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

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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 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.

**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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

The Mitchell Field pier demolition fund accounts for financial resources used to demolish the pier.

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.

Because of the pandemic, the vote to adopt the annual budget was moved from March to July. Maine's Governor issued an Executive Order that authorized municipal officers to expend amounts that did not exceed prior year expenditures until a new budget was approved by voters.

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. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**G. 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.

**H. 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.

**I. Deferred Outflows/Inflows of Resources**

*Statement of Net Position:* In addition to assets, the statement of net position 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) until then. The Town currently has one type of item, deferred outflows related to pensions and other postemployment benefits (OPEB). This item is reported in the statement of net position.

In addition to liabilities, the statement of net position sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions and OPEB qualify for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

*Balance Sheet – Governmental Funds:* The Town has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting as a deferred inflow of resources. 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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**J. 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.

**K. 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. The authority for assigning fund balance is given annually by vote of the legislative body and is expressed by the Board of Selectmen.

*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.

**L. 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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**M. 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.

**N. 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 paid 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.

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Consolidated Plan and additions to/deductions from the PLD Consolidated Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**P. Other Post-Employment Benefits**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Q. 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.

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**CASH AND CASH EQUIVALENTS**

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*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, 2021, the Town reported deposits of \$6,429,792 with a bank balance of \$6,631,555. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash and cash equivalents balance. 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**

**RECEIVABLE FROM HARPSWELL COASTAL ACADEMY**

In 2015, the Town completed the sale of land and building to Harpswell Coastal Academy (HCA). 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. The Town received \$10,000 during 2021 which reduced its receivable from HCA to \$40,000.

**PROPERTY TAX**

The Town's property taxes for the current year were committed on August 9, 2021, on the assessed value listed as of April 1, 2021 for all real and personal property located in the Town. Taxes were due on September 15, 2021 and December 15, 2021; interest was charged at 3% on all unpaid taxes after those dates. Assessed values are periodically established by the Assessors at 89% of assumed market value. The Town has a certified ratio of 98%.

The following summarizes the 2021 and 2020 levy:

	<u>2021</u>	<u>2020</u>
Assessed value:		
Real property	\$1,924,060,700	1,886,317,400
Personal property	6,585,400	5,785,800
Total valuation	1,930,646,100	1,892,103,200
Tax rate (per \$1,000)	6.76	6.74
Tax commitment	13,051,168	12,752,776
Less: collections and abatements (net of supplements)	(12,801,888)	(12,423,905)
<b>Taxes receivable at December 31</b>	<b>\$249,280</b>	<b>328,871</b>
Due dates	½ September 15, 2021 ½ December 15, 2021	½ September 15, 2020 ½ December 15, 2020
Interest rate on delinquent taxes	3.00%	3.00%
Collection rate	98.09%	97.42%

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 \$151,936 for the year ended December 31, 2021. 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**

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**COMMITMENTS**

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At December 31, 2021, the Town was obligated under contracts for law enforcement, marine patrol, emergency dispatch, dedicated paramedic, snow removal services, Mitchell Field waterfront project and engineering services in amounts totaling approximately \$2,487,727 for various periods through April 30, 2025.

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**INTERFUND RECEIVABLES AND PAYABLES**

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Individual interfund receivables and payables balances at December 31, 2021 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	981,624
Special Revenue Funds:		
Restricted grants	31,340	-
Recreation	57,883	-
American Rescue Plan Act	259,859	-
Capital Projects Fund:		
Emergency vehicles	526,162	-
Road projects	106,380	-
<b>Totals</b>	<b>\$981,624</b>	<b>981,624</b>

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**CAPITAL ASSETS**

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Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>2021</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,282,273	-	-	5,282,273
Construction in progress	114,914	3,500	77,235	41,179
Other non-depreciable assets	281,900	-	-	281,900
Total capital assets not being depreciated	5,679,087	3,500	77,235	5,605,352
Capital assets, being depreciated:				
Buildings and improvements	4,237,097	255,539	-	4,492,636
Equipment, vehicles, and furniture	2,867,131	262,533	126,219	3,003,445
Infrastructure	8,428,794	780,311	160,930	9,048,175
Total capital assets being depreciated	15,533,022	1,298,383	287,149	16,544,256
Less accumulated depreciation for:				
Buildings and improvements	2,721,423	91,600	-	2,813,023
Equipment, vehicles and furniture	1,184,190	162,558	122,771	1,223,977
Infrastructure	3,026,795	184,271	3,536	3,207,530
Total accumulated depreciation	6,932,408	438,429	126,307	7,244,530
Total capital assets being depreciated, net	8,600,614	859,954	160,842	9,299,726
<b>Governmental activities capital assets, net</b>	<b>\$14,279,701</b>	<b>863,454</b>	<b>238,077</b>	<b>14,905,078</b>

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

**CAPITAL ASSETS, CONTINUED**

During 2021, the Town rehabilitated Gurnet Landing Road, Grover Lane and the first 2,200 linear feet of Basin Point Road (\$637,923), completed Phase I of the Recycling Center improvements which included the parking lot and replacing the compactors (\$430,696), upgraded the first half mile of the Cliff Trail to make it handicap accessible (\$100,153), made improvements to Tide Mill Cove Landing (\$42,236), replaced the Harbormaster's boat motor (\$12,431), installed emergency communications equipment on the new tower at Mitchell Field (\$18,127), replaced the Town's network server (\$33,503), upgraded the Town's assessing software (\$20,235), and completed the upweller (\$11,010).

Fire and rescue vehicles with a cost of \$1,960,520 and accumulated depreciation of \$717,047 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	\$54,863
Public works	245,631
Protection and safety	116,186
<u>Cultural and recreation</u>	<u>21,749</u>
<b>Total depreciation expense – governmental activities</b>	<b>\$ 438,429</b>

**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 8, 2021 meeting authorizing the Treasurer to borrow up to \$3,400,000 to be due on or before December 31, 2021. From May 17, 2021, to August 18, 2021, the Town made periodic draws on this note such that the maximum amount outstanding was \$3.4 million. The outstanding principal and interest was paid before December 31, 2021. The total interest paid on this note was \$9,952. Since there is no beginning or ending balance at December 31, 2020 and 2021, it has not been included in the debt note which follows.

**LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
<b>Governmental activities:</b>					
Bonds payable	\$4,120,000	1,100,000	435,000	4,785,000	465,000
Compensated absences payable	24,082	53,861	55,544	22,399	-
Proportionate share of the net pension liability	56,844	15,268	-	72,112	-
OPEB net liability	180,444	20,544	-	200,988	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 4,381,370</b>	<b>1,189,673</b>	<b>490,544</b>	<b>5,080,499</b>	<b>465,000</b>

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

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LONG-TERM LIABILITIES, CONTINUED

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Bonds payable at December 31, 2021 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, 2021</u>
Governmental activities:					
2013 Capital road project	05/23/13	11/01/23	1,000,000	.60-2.38%	200,000
2014 Capital road project	8/20/14	8/20/24	600,000	2.30%	180,000
2018 Mitchell Field pier	04/09/18	12/15/38	3,500,000	3.00-5.00%	3,305,000
2021 Recycling Center	05/21/21	11/01/31	450,000	.41-1.45%	450,000
2021 Capital road project	07/09/21	07/09/31	650,000	2.31%	650,000
<b>Total bonds payable</b>					<b>\$4,785,000</b>

The annual requirements to amortize outstanding debt as of December 31, 2021 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	465,000	136,081	601,081
2023	465,000	121,009	586,009
2024	365,000	105,803	470,803
2025	305,000	96,767	401,767
2026	305,000	89,096	394,096
2027-2031	1,525,000	328,345	1,853,345
2032-2036	975,000	150,505	1,125,505
2037-2038	380,000	18,288	398,288
<b>Total</b>	<b>\$4,785,000</b>	<b>1,045,894</b>	<b>5,830,894</b>

All governmental activities long-term debt requirements are paid by the general fund, except that unexpended proceeds from the 2018 bond have been used to pay the related interest on this issue in 2020, 2019, 2018 and in 2021 was used for interest and a partial principal payment.

**Debt authorized but unissued** – The Town is authorized to borrow up to \$50,000 for failed septic system remediation. The Town is also authorized to borrow up to \$300,000 to replace the communications tower at the Orr’s Island Fire Station.

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STATUTORY DEBT LIMIT

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The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2021, the Town was in compliance with these restrictions.

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

**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, 2021</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$31,469,548	3.95%	1,244,526
MSAD 75 / RSU 75	75,272,296	35.83%	26,970,064

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

**BUDGETED USE OF SURPLUS**

During the year ended December 31, 2021, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2020 carry forward balance	\$1,290,944
Use of surplus – current year:	
IAM Pension payout	143,142
LED street light conversion	100,000
Reduction of tax commitment	500,000
<b>Total</b>	<b>\$2,034,086</b>

**INTERFUND TRANSFERS**

Individual fund transfers for the year ended December 31, 2021 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General fund</u>	<u>\$ -</u>	<u>968,200</u>
Special revenue funds:		
Recreation	8,200	-
Capital project funds:		
Road projects	700,000	-
Emergency vehicles	260,000	-
Total capital projects fund	960,000	-
<b>Total transfers</b>	<b>\$968,200</b>	<b>968,200</b>

This transfer was a budgeted transfer to fund certain activities.

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

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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, 2021 fund balance of restricted grants consisted of the following awards:

<b>Grant Award</b>	Balance beginning of <u>year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance end of <u>year</u>
Cumberland County Block – CH Library	-	52,977	52,977	-
Recreational Trails – Cliff Trail	-	50,000	50,000	-
Governor’s Office Policy of Innovation	-	28,000	-	28,000
Mitchell Field Community Garden	-	3,009	3,009	-
Maine Community F’dation-Upweller	3,967	-	3,877	90
Island Institute – Sea Level Rise	2,725	-	-	2,725
Mitchell Field floats/ramp – MDOT	-	1,750	1,750	-
Maine Municipal Safety	-	1,551	1,551	-
Casco Bay Estuary	-	875	350	525
<b>Total restricted grants</b>	<b>\$6,692</b>	<b>\$138,162</b>	<b>\$113,514</b>	<b>\$31,340</b>

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**ASSIGNED FUND BALANCES**

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At December 31, 2021, assigned fund balance consisted of the following:

<u>Fund</u>	<u>Assigned balance</u>
Appropriation carryovers:	
Special Purpose Funds:	
Energy Conservation	\$ 1,431
Flood plain map revisions	12,678
Land purchase, map 42, lot 6	3,318
Harpowell Physical Education Association	16,000
Harpowell Radio Project	750
Harpowell home repairs	3,505
Old Town House roof/painting	8,500
Town Lands/landings	7,000
Pott’s Point Dock	7,226
Communications consultant	799
Capital Reserves:	
Town facilities	426,130
Office equipment	27,937
Boat/motor replacement	998
Recycling	241,944
Vehicles & equipment replacement	36,076
Emergency communication equipment	75,894
Dry hydrant development	10,120
Land acquisition and property improvement	82,849
Emergency services building planning	94,797
Mitchell Field capital	158,173
Mitchell Field boat launch	150,000

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

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ASSIGNED FUND BALANCES, CONTINUED

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Failed septic system	22,649
LED Street Light	95,222
Other Reserves:	
Property tax assistance program	1,334
Conservation fund	5,000
Self-insurance	1,368
Heating assistance	18,922
Marine hazards	9,800
Plus contingency	<u>57,727</u>
Assigned fund balances subtotal	1,578,147
Assigned revenues:	
Heating assistance	20,170
Cliff Trail donations	2,808
Capital media equipment	6,000
<u>Mitchell Field boat ramp or bandstand</u>	<u>1,800</u>
<b><u>Total assigned fund balance – General Fund</u></b>	<b><u>\$1,608,925</u></b>

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NET POSITION

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**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. The Town's net investment in capital assets was calculated as follows at December 31, 2021:

Capital assets	\$ 22,149,608
Accumulated depreciation	(7,244,530)
Bonds payable	(4,785,000)
<u>Unexpended bond proceeds</u>	<u>80,906</u>
<b><u>Total net investment in capital assets</u></b>	<b><u>\$ 10,200,984</u></b>

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.

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RISK MANAGEMENT

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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, 2021.

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

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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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**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 years ended December 31, 2021, 2020 and 2019 was \$34,011, \$31,042, and \$29,275, respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town’s financial statements.

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**RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES**

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In 2020, The Town received an official letter of disinterest from the Business Representative for the Union representing the Recycling Center/Transfer Station employees indicating that the relationship between the parties would dissolve at the termination date (the end of 2020) of the Collective Bargaining Agreement. The Town contacted the IAM National Pension Fund regarding withdrawal liability and was informed the total liability owed was \$143,142. The Town paid the liability in 2021.

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

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**Plan Description**

Certain Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan’s advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. 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 online at [www.maineperc.org](http://www.maineperc.org) or by contacting the System at (800) 451-9800.

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

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

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**Benefits Provided**

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 System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2020, there were 301 employers in the Plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 1.92%.

**Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's plan members are part of the PLD's plan "AC" and are required to contribute 7.8% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 10.3% of covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended December 31, 2021 was \$13,228.

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2021, the Town reported a liability of \$72,112 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2020 (the most recent period available), and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2020, the Town's proportion was 0.018151%, which was an decrease of 0.000446% from its proportion measured as of June 30, 2019.

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

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

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For the year ended December 31, 2021, the Town recognized net pension income of \$1,589. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual Experience	\$ 4,328	793
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	4,692	-
Changes in proportion and differences between contributions and proportionate share of contributions	353	985
Contributions subsequent to the measurement date	11,555	-
<b>Total</b>	<b>\$ 20,928</b>	<b>\$ 1,778</b>

\$11,555, reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Year ended June 30:	
2021	\$ (2,722)
2022	2,337
2023	3,986
2024	3,995
Thereafter	-

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

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

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**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2020. Effective with the Plan's 2016 actuarial valuation, various assumptions underlying the valuation were revised. The demographic assumptions are based on an experience study covering the period from June 30, 2012 through June 30, 2015. The investment return and inflation assumptions were revised at the advice of the Plan's investment consultants. The COLA, salary increase, termination, retirement, disability, mortality and disability mortality assumptions were revised based on the experience study. The following methods and assumptions applied to all periods included in the measurement:

***Actuarial Cost Method***

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

***Asset Valuation Method***

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

***Amortization***

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

**Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 are as follows:**

*Investment Rate of Return* - For the PLD Plan, 6.75% per annum, compounded annually.

*Salary Increases, Merit and Inflation* - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year.

*Mortality Rates* -For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

*Cost of Living Benefit Increases* - 1.91% for participating local districts.

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

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

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The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2020 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural		
Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	7.2%
Diversifiers	<u>10.0%</u>	5.9%
Total	<u>100.0%</u>	

***Discount Rate***

The discount rate used to measure the collective total pension liability was 6.75% for 2020. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2020 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for the PLD Consolidated Plan.

	1% Decrease	Discount rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.750%	6.750%	7.750%
Town's proportionate share of the net pension liability	\$ 151,551	\$ 72,112	\$ 7,086

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

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

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**Changes in Net Pension Liability**

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2020 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2020 with the following exceptions:

*Differences between Expected and Actual Experience*

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2020, this was three years for the PLD Consolidated Plan. For 2019, this was four years for the PLD Consolidated Plan. For 2018 and 2017, this was three years; prior to 2017, this was four years for the PLD Consolidated Plan.

*Differences between Projected and Actual Investment Earnings*

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2020 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions*

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS 2019 Comprehensive Annual Financial Report available online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (800) 451-9800.

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

**OTHER POSTEMPLOYMENT BENEFITS**

The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees (hereafter referred to as the Health Plan). The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

*Employees Covered by Benefit Terms* – At December 31, 2021, the following employees were covered by the Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Spouses Over 65	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>16</u>
Total	<u><u>18</u></u>

The Town’s Health Plan OPEB liability of \$200,988 was measured as of January 1, 2021, and was determined by an actuarial valuation as of that date.

Changes in the Total Health Plan OPEB Liability:

	<u>Health Plan OPEB Liability</u>
Balance at December 31, 2020	\$ 180,444
Changes for the year:	
Service Cost	10,050
Interest	5,147
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	10,661
Benefit payments	<u>(5,314)</u>
Net Changes	<u>20,544</u>
Balance at December 31, 2021	<u><u>\$ 200,988</u></u>

For the year ended December 31, 2021, the Town recognized OPEB expense of \$7,427, related to the Health Plan. At December 31, 2021, The Town reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 8,135
Changes of assumptions or other inputs	27,845	4,982
Contributions subsequent to the measurement date	<u>7,137</u>	<u>-</u>
	<u><u>\$ 34,982</u></u>	<u><u>\$ 13,117</u></u>

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

**OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Health Plan OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>		
2022	\$	( 258)
2023		2,789
2024		5,209
2025		5,212
2026		1,776
Thereafter		-

The total OPEB liability in the January 1, 2021 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>Health Plan</u>
Inflation	2.00%
Salary increases	2.75% average, including inflation
Discount Rate	2.12%
Healthcare cost trend rates (applied in FYE 2020 grading over 20 years to 3.28% per annum)	
Pre-Medicare Medical:	8.50%
Pre-Medicare Drug:	8.75%
Medicare Medical:	5.00%
Medicare Drug:	8.75%

Retirees' share of the benefit related costs                      100.00%                      of projected health insurance premiums

Mortality rates for the Health Plan were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the January 1, 2021 valuation for the Health Plan were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

The discount rate for the Health Plan was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer index.

*Sensitivity of the Total Health Plan OPEB Liability to Changes in the Discount Rate:* The following presents the Town's total OPEB liability related to the Health Plan calculated using the discount rate of 2.12%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.12%) or 1 percentage-point higher (3.12%) than the current rate:

	1%	Current	1%
	Decrease	Discount Rate	Increase
	(1.12%)	(2.12%)	(3.12%)
Total OPEB Liability	\$ 227,966	\$ 200,988	\$ 178,614

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

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**OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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*Sensitivity of the Total Health Plan OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the Town's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 177,350	\$ 200,988	\$ 229,879

*OPEB Plan Fiduciary Net Position:* Additional financial and actuarial information with respect to this Plan can be found at the Town Office at P. O. Box 39, 263 Mountain Road, Harpswell, Maine 04079-0039 or by phone at (207) 833-5771.



## **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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,429,792	5,454,081
Receivables:		
Taxes	249,280	328,871
Tax liens and acquired properties	23,005	31,680
Other	160,236	122,626
Prepaid items	26,422	23,840
<b>Total assets</b>	<b>\$ 6,888,735</b>	<b>5,961,098</b>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	32,544	22,736
Unearned revenue - taxes paid in advance	9,555	2,644
Unearned revenue - other	2,225	250
Interfund payables:		
Special Revenue	349,082	68,655
Capital Projects	632,542	601,863
<b>Total liabilities</b>	<b>1,025,948</b>	<b>696,148</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	140,000	160,000
<b>Total deferred inflows of resources</b>	<b>140,000</b>	<b>160,000</b>
<b>FUND BALANCE</b>		
Nonspendable:		
Prepaid Insurance	26,422	23,840
Committed:	-	-
Assigned	1,608,925	1,285,386
Unassigned	4,087,440	3,795,724
<b>Total fund balance</b>	<b>5,722,787</b>	<b>5,104,950</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 6,888,735</b>	<b>5,961,098</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, 2021**

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 13,051,168	13,051,168	13,169,688	118,520
Change in unavailable revenue	-	-	20,000	20,000
Interest and fees on property taxes	10,000	10,000	9,672	(328)
Excise taxes and registration fees	1,270,000	1,270,000	1,498,084	228,084
Total taxes	14,331,168	14,331,168	14,697,444	366,276
Intergovernmental:				
State revenue sharing	130,000	130,000	208,357	78,357
Local road assistance URIP	32,000	32,000	37,192	5,192
Homestead exemption and BETE	167,463	167,463	167,463	-
Tree growth	9,000	9,000	13,370	4,370
General assistance	7,000	7,000	3,444	(3,556)
Veterans exemption	3,000	3,000	3,181	181
Solar & Wind	-	-	6,463	6,463
Other	7,000	7,000	8,156	1,156
Total intergovernmental	355,463	355,463	447,626	92,163
Miscellaneous:				
Interest earned	18,000	18,000	11,469	(6,531)
Copies and records	3,000	3,000	3,209	209
Cable TV franchise fee	100,000	100,000	101,706	1,706
Licenses, fees and permits	275,000	275,000	347,962	72,962
Fines	-	-	1,402	1,402
Recycling center and disposal fees	210,000	210,000	264,935	54,935
Donations and gifts	15,000	15,000	79,931	64,931
Receipts from Harpswell Coastal Academy	10,000	10,000	10,000	-
Tower lease	35,000	35,000	36,390	1,390
Unclassified	7,500	7,500	12,990	5,490
Total miscellaneous	673,500	673,500	869,994	196,494
Total revenues	\$ 15,360,131	15,360,131	16,015,064	654,933

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting), Continues**  
**For the year ended December 31, 2021**

Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
		Original	Final			
<b>Expenditures:</b>						
<i>General government:</i>						
Elected officials	\$ -	116,843	116,843	94,932	21,911	-
<i>General administration:</i>						
Administration	-	315,442	315,442	310,569	4,873	-
Public information	-	10,000	10,000	9,248	752	-
Risk management	-	90,791	90,791	85,150	5,641	-
Legal services	-	50,000	50,000	48,157	1,843	-
Memberships	-	17,454	17,454	17,404	50	-
Assessing	-	78,702	78,702	78,041	661	-
Tax collector's office	-	46,887	46,887	41,951	4,936	-
Town clerk's office	-	63,781	63,781	70,707	(6,926)	-
Code enforcement	-	164,906	164,906	150,334	14,572	-
Planning	-	73,600	73,600	65,958	7,642	-
Employee benefits	-	420,606	420,606	357,635	62,971	-
Boards and committees	-	4,960	4,960	5,694	(734)	-
<i>Operations and maintenance:</i>						
Municipal buildings and property	-	90,740	90,740	72,150	18,590	-
Old town house and commons	3,500	14,010	17,510	8,665	8,845	8,500
Town dock	-	18,000	18,000	7,574	10,426	7,000
Town lands and landings	10,000	10,000	20,000	12,951	7,049	7,226
Cedar/Robinhood Beach easement	-	8,500	8,500	6,912	1,588	-
Cemeteries	-	15,560	15,560	10,704	4,856	-
<b>Total general government</b>	<b>13,500</b>	<b>1,610,782</b>	<b>1,624,282</b>	<b>1,454,736</b>	<b>169,546</b>	<b>22,726</b>
<i>Public works:</i>						
Snow removal	-	562,863	562,863	523,085	39,778	-
Maintenance, signs, salary & travel	-	108,170	108,170	96,509	11,661	-
Recycling and transfer station	-	460,107	460,107	456,719	3,388	-
<b>Total public works</b>	<b>-</b>	<b>1,131,140</b>	<b>1,131,140</b>	<b>1,076,313</b>	<b>54,827</b>	<b>-</b>
<i>Protection and safety:</i>						
Emergency services	-	207,000	207,000	205,000	2,000	-
Emergency services - fire assistance	-	186,206	186,206	165,594	20,612	-
Emergency services building	-	6,720	6,720	6,368	352	-
Contracted paramedic services	-	289,825	289,825	289,824	1	-
Street lighting	-	24,800	24,800	23,371	1,429	-
Harbor management	-	102,636	102,636	95,469	7,167	-
Animal control	-	29,953	29,953	27,519	2,434	-
Law enforcement and communication	-	442,381	442,381	439,857	2,524	-
Marine consultant & conservation mng	-	10,000	10,000	3,819	6,181	-
Shellfish conservation contract & boat	-	232,417	232,417	228,210	4,207	-
<b>Total protection and safety</b>	<b>-</b>	<b>1,531,938</b>	<b>1,531,938</b>	<b>1,485,031</b>	<b>46,907</b>	<b>-</b>
<i>Health and welfare:</i>						
Health and welfare	-	41,730	41,730	31,649	10,081	-
Gift Cards	-	-	-	100	(100)	-
<b>Total health and welfare</b>	<b>-</b>	<b>41,730</b>	<b>41,730</b>	<b>31,749</b>	<b>9,981</b>	<b>-</b>
<i>Cultural and recreation:</i>						
Cultural and education programs	11,750	79,311	91,061	72,403	18,658	16,750
Curtis Memorial Library	-	154,907	154,907	154,907	-	-
Harpswell Community Broadcasting	-	64,000	64,000	64,000	-	-
Recreation - general	-	66,095	66,095	58,626	7,469	-
<b>Total cultural and recreation</b>	<b>11,750</b>	<b>364,313</b>	<b>376,063</b>	<b>349,936</b>	<b>26,127</b>	<b>16,750</b>

**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, 2021**

Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
		Original	Final			
Expenditures, continued:						
A. Dennis Moore Recycling / Transfer St.	\$ 73,115	550,000	623,115	381,171	241,944	241,944
<i>Other capital / carryovers / reserves</i>						
Dry hydrant development	120	10,000	10,120	-	10,120	10,120
Land acquisition & Town property improvement	125,085	-	125,085	42,236	82,849	82,849
Vehicle replacement & vehicle equipment	6,201	100,000	106,201	70,125	36,076	36,076
Update assessing software	20,235	-	20,235	20,235	-	-
Emergency communication equipment	29,021	65,000	94,021	18,127	75,894	75,894
Land acquisition map 42, lot 6	3,318	-	3,318	-	3,318	3,318
Boat and motor replacement	13,429	-	13,429	12,431	998	998
T/O & Facilities Improvements	426,130	-	426,130	-	426,130	426,130
Office equipment	25,155	20,000	45,155	17,218	27,937	27,937
Conservation fund	5,000	-	5,000	-	5,000	5,000
Public, educational & governmental equipment	6,000	-	6,000	-	6,000	6,000
Self insurance reserve	1,368	-	1,368	-	1,368	1,368
Heating assistance	38,236	-	38,236	19,314	18,922	39,092
Failed septic systems	22,649	-	22,649	-	22,649	22,649
PEG Equipment warranty	-	6,400	6,400	6,400	-	-
FEMA Consultant	12,678	-	12,678	-	12,678	12,678
Energy Conservation	1,431	-	1,431	-	1,431	1,431
Property tax assistance program	3,238	6,000	9,238	7,904	1,334	1,334
Cliff Trail rehabilitation	5,558	-	5,558	40,911	(35,353)	2,808
IAM retirement	-	143,142	143,142	143,142	-	-
LED street light conversion	-	100,000	100,000	4,778	95,222	95,222
Harpswell home repairs	3,505	-	3,505	-	3,505	3,505
Marine hazards reserve	9,800	-	9,800	-	9,800	9,800
Communications consultant	20,175	-	20,175	19,376	799	799
Emergency services building	94,797	-	94,797	-	94,797	94,797
Mitchell Field capital reserve	159,923	-	159,923	1,750	158,173	158,173
Mitchell Field - operations	-	22,600	22,600	21,427	1,173	-
Mitchell Field boat launch	100,000	50,000	150,000	-	150,000	150,000
Mitchell Field - ramp or bandstand donation	1,800	-	1,800	-	1,800	1,800
<b>Total capital and special projects</b>	<b>1,207,967</b>	<b>1,073,142</b>	<b>2,281,109</b>	<b>826,545</b>	<b>1,454,564</b>	<b>1,511,722</b>
Debt service	-	310,000	310,000	283,862	26,138	-
Contingency	57,727	-	57,727	-	57,727	57,727
<b>Total budgeted expenditures</b>	<b>1,290,944</b>	<b>6,063,045</b>	<b>7,353,989</b>	<b>5,508,172</b>	<b>1,845,817</b>	<b>1,608,925</b>
Other expenditures:						
Educational appropriation	-	8,672,916	8,672,916	8,672,916	-	-
County tax	-	1,347,176	1,347,176	1,347,176	-	-
Overlay / abatements	-	151,936	151,936	763	151,173	-
<b>Total other expenditures</b>	<b>-</b>	<b>10,172,028</b>	<b>10,172,028</b>	<b>10,020,855</b>	<b>151,173</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	(1,290,944)	(874,942)	(2,165,886)	486,037	2,651,923	(1,608,925)
Other financing sources (uses):						
Transfer to Emergency Vehicles	-	(260,000)	(260,000)	(260,000)	-	-
Proceeds from long-term debt - Recycling	-	450,000	450,000	450,000	-	-
Proceeds from long-term debt	-	650,000	650,000	650,000	-	-
Transfer to Capital Projects - road projects	-	(700,000)	(700,000)	(700,000)	-	-
Transfer to Recreation fund - programs	-	(8,200)	(8,200)	(8,200)	-	-
Use of unassigned fund balance - IAM / LED	-	243,142	243,142	-	(147,920)	-
Use of unassigned fund balance - budget	-	500,000	500,000	-	(500,000)	-
Use of carryforward balances	1,290,944	-	1,290,944	-	(1,290,944)	-
<b>Total other financing sources (uses)</b>	<b>1,290,944</b>	<b>874,942</b>	<b>2,165,886</b>	<b>131,800</b>	<b>(1,938,864)</b>	<b>-</b>
Net change in fund balance	-	-	-	617,837	713,059	(1,608,925)
Fund balance, beginning of year				5,104,950		
<b>Fund balance, end of year</b>				<b>\$ 5,722,787</b>		

1 Balances carried forward include 2021 revenues received for these purposes

# OTHER NONMAJOR GOVERNMENTAL FUNDS

## **NONMAJOR SPECIAL REVENUE FUNDS**

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

Special revenue funds are established for the following purposes:

### ***Restricted Grants***

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

### ***Recreation***

To account for various recreation fees and related expenditures.

## **NONMAJOR CAPITAL PROJECT FUNDS**

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

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

### ***Emergency Vehicles***

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





**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2021**

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
<b>ASSETS</b>				
Interfund receivables	\$ 31,340	57,883	526,162	615,385
<b>Total assets</b>	<b>\$ 31,340</b>	<b>57,883</b>	<b>526,162</b>	<b>615,385</b>
Fund balances:				
Restricted:				
Capital projects and grants	31,340	-	526,162	557,502
Assigned:				
Recreation	-	57,883	-	57,883
<b>Total fund balances</b>	<b>\$ 31,340</b>	<b>57,883</b>	<b>526,162</b>	<b>615,385</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, 2021**

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
Revenues:				
Grants	\$ 138,162	-	-	138,162
Interest earned	-	-	1,524	1,524
Bandstand donations	-	5,009	-	5,009
Charges for services	-	6,340	-	6,340
Total revenues	138,162	11,349	1,524	151,035
Expenditures:				
For specified purpose	113,514	12,893	-	126,407
Bandstand incl performances	-	10,736	-	10,736
Capital outlay	-	-	-	-
Total expenditures	113,514	23,629	-	137,143
Excess (deficiency) of revenues over (under) expenditures	-	(12,280)	1,524	13,892
Other financing sources:				
Transfers from general fund	-	8,200	260,000	268,200
Total other financing sources	-	8,200	260,000	268,200
Net change in fund balances	24,648	(4,080)	261,524	282,092
Fund balances, beginning of year	6,692	61,963	264,638	333,293
<b>Fund balances, end of year</b>	<b>\$ 31,340</b>	<b>57,883</b>	<b>526,162</b>	<b>615,385</b>

# **SCHEDULE**



**TOWN OF HARPSWELL, MAINE**  
**Schedule of Taxes and Liens Receivable**  
**For the year ended December 31, 2021**

Year	Balance at 12/31/20	2021 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/21
2009	83	-	-	(83)	-	-
2010	80	-	-	(80)	-	-
2011	107	-	-	(107)	-	-
2012	305	-	-	(106)	-	199
2013	310	-	-	(106)	-	204
2014	250	-	-	(35)	-	215
2015	256	-	-	(36)	-	220
2016	191	-	-	(32)	-	159
2017	132	-	-	(33)	-	99
2018	819	-	-	(33)	-	786
2019	29,147	-	-	(28,837)	-	310
2020	328,871	-	-	(308,058)	-	20,813
2021	-	13,051,168	118,520	(12,919,645)	(763)	249,280
	<b>360,551</b>	<b>13,051,168</b>	<b>118,520</b>	<b>(13,257,191)</b>	<b>(763)</b>	<b>272,285</b>
				Taxes receivable		249,280
				Tax liens and acquired properties		23,005
				<b>Total</b>		<b>\$ 272,285</b>





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

Selectboard  
Town of Harpswell  
Harpswell, Maine

We have audited, in accordance with the 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, the 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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Harpswell, Maine's basic financial statements, and have issued our report thereon dated February 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harpswell, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Harpswell, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Harpswell, Maine's internal control.

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Harpswell, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of Town of Harpswell, Maine, in a separate letter dated February 9, 2022.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RHR Smith & Company*

February 9, 2022