

TOWN OF HARPSWELL, MAINE

Annual Financial Report

For the Year Ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Selectboard
Town of Harpswell
Harpswell, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2024 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.

In our opinion, the accompanying 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 Town of Harpswell, Maine as of December 31, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Harpswell, Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Harpswell, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit 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 Town of Harpswell, Maine's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Town of Harpswell, Maine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 information are 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.

Supplementary 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 the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial

statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2025, on our consideration of the Town of Harpswell, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town of Harpswell, Maine's 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 3, 2025

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis
December 31, 2024

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, 2024. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

Financial Highlights

- ❖ The total net position (total assets less liabilities) of the Town of Harpswell is \$19,713,674. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$16,224,462 at December 31, 2024. 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, an easement, and a right-to-use lease.
- ❖ The Statement of Activities shows an increase in net position of \$1,226,154 for the fiscal year.
- ❖ During 2024, the Town repaid \$395,000 of principal on its long-term borrowings as scheduled and incurred interest of \$160,689 on its long and short-term borrowings, including the interest and principal payment relating to the 2018 bonds which funded the pier demolition.
- ❖ The ending fund balance for all governmental funds is \$7,679,431. The ending fund balance for the General Fund is \$6,512,763, a decrease of \$15,173 from the previous year. Of this balance, \$2,271,385 is assigned for specific purposes, and \$73,385 is nonspendable. This leaves an unassigned balance of \$4,167,993, 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 committed for capital projects, which include an interest-bearing dedicated fund for emergency vehicle purchases (\$381,441); and a fund for road projects (\$594,772). The Town also has funds for its special revenue activities, which include recreation programs (\$44,919), grants (\$45,347), and American Rescue Plan Act purposes (\$100,189).
- ❖ The Town received over \$520,000 of American Rescue Plan Act (ARPA) funds in 2021 - 2022. Voters authorized several expenditures including for consulting services relating to affordable housing, broadband needs, comprehensive plan update, emergency communications planning and equipment, to purchase a new website, cardiac compression machines and life paks for the three fire and rescue departments, adding funds to the Town's heating assistance program, and towards a regional homeless shelter. As of December 31, 2024, all ARPA funds have been committed and will be expended by December 31, 2026.

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

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 American Rescue Plan Act 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 25-45 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 49-59 of this report.

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

Statement of Net Position Information

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

	Net Position	
	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Assets:		
Current & other assets	\$ 7,955,719	\$ 7,529,535
Lease receivable – current portion	76,072	64,258
Capital assets	16,224,462	15,861,112
Lease receivable – noncurrent portion	1,401,763	1,434,342
Total Assets	<u>25,658,016</u>	<u>24,889,247</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions & post employment benefits	68,205	42,344
Liabilities:		
Long-term debt outstanding	(3,760,000)	(4,155,000)
Other liabilities	(724,087)	(721,959)
Total Liabilities	<u>(4,484,087)</u>	<u>(4,876,959)</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions & post employment benefits	(50,625)	(68,512)
Deferred revenue related to leases	(1,477,835)	(1,498,600)
Net Position:		
Net investment in capital assets	12,474,157	11,399,457
Restricted	145,536	425,475
Unrestricted	7,093,981	6,662,588
Total Net Position	<u>\$19,713,674</u>	<u>\$18,487,520</u>

The Town's Total Net Position increased by \$1,226,154 during 2024.

Asset changes included an increase cash and cash equivalents balance of \$370,897. Capital assets increased in 2024 primarily as a result of the Town Office heating, ventilation, and air conditioning replacement project and completion of the emergency communications system.

Long-term debt obligations decreased in 2024 by \$395,000 due to scheduled principal repayments. Other long-term liabilities includes the additional County tax payment. In 2023, the County changed from a calendar year to a July-June fiscal year, and implemented the change with a six-month budget for January to June, 2023. The County offered the option to make the payment in full for the six-month tax assessment the first year or spread the payments out over time. For the Town of Harpswell, the six-month assessment totals \$582,779, and the Town chose to spread the payment over four years at \$145,695 annually and two payments remain. Other long-term liabilities include the Town's proportionate share of the net pension liability/(asset) of the Maine Public Employees Retirement System \$38,852 and other post employment benefits \$213,407.

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

63.3% of the Town's Net Position at December 31, 2024 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.

\$145,536 of the 2024 Net Position (.74%) is restricted for grants, \$45,347 (.23%), and American Rescue Plan Act purposes, \$100,189 (.51%). Unrestricted Net Position includes amounts assigned or committed for expenditures for certain purposes in subsequent years. This includes \$381,441 for the purchase of emergency services vehicles, and \$594,772 for capital road projects.

Statement of Activities Information

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

Changes in Net Position		Governmental Activities	
		<u>2024</u>	<u>2023</u>
Revenues:			
Program Revenues			
Charges for services		\$376,275	\$300,749
Operating grants & contributions		134,024	248,862
General Revenues			
Property and excise taxes		17,383,667	16,286,126
Intergovernmental		553,173	603,510
Interest earned		191,245	101,607
Other		846,563	615,261
Total revenues		<u>19,484,947</u>	<u>18,156,115</u>
Expenses:			
General government		2,019,236	1,799,689
Public works		1,533,192	1,506,736
Protection and safety		1,930,892	1,793,557
Health and welfare		43,652	31,571
Culture and recreation		469,942	488,668
Education		10,198,043	9,631,963
County taxes		1,401,546	1,875,655
Overlay/abatements		299	264
Interest on long-term debt		158,557	190,601
Capital and special projects		503,434	417,721
Total expenses		<u>18,258,793</u>	<u>17,736,425</u>
Increase/(decrease) in net position		<u>\$1,226,154</u>	<u>\$419,690</u>

Governmental Activities

Governmental activities increased the Town's net position by \$1,226,154 as a 2.9% increase in expenses was offset by a 7.32% increase in revenues. Total program revenues decreased by \$39,312 or 7.1% on a year to year basis, with the decrease occurring in operating grants and contributions (\$114,838). In 2023, the Town obtained multiple significant grants, including from the Cumberland County Development Block Grant Program and the Governor's Office of Policy, Innovation and the Future Operating, that did not reoccur in 2024. Charges for services increased 25.1% (\$75,526) due to an increase in both Recycling Center/Transfer Station disposal fees and recreation program revenues.

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

In 2024, property tax revenues increased from the prior year by \$991,609 and excise tax revenues and registration fees increased by \$109,312. The mil rate increased from \$6.10 to \$6.36. Intergovernmental revenue decreased by \$50,337, primarily due to the cancellation of the State property tax stabilization program. State revenue sharing increased by \$19,352.

Expenses relating to capital and special projects in the Statement of Activities exclude \$292,519 in capital outlays which have been capitalized in the Statement of Net Position.

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

Examples of activities which produce some level of revenue are:

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

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

Net Cost of Governmental Activities

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

Net Cost of Governmental Activities

Function / Program	Total Cost of Services		Net Cost of Services	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
General government	\$2,019,236	\$1,799,689	\$2,019,236	\$1,799,689
Public works	1,533,192	1,506,736	1,134,033	1,182,013
Protection and safety	1,930,892	1,793,557	1,930,892	1,793,557
Health and welfare	43,652	31,571	37,628	25,153
Culture and recreation	469,942	488,668	435,972	452,961
Education	10,198,043	9,631,963	10,198,043	9,631,963
County taxes	1,401,546	1,875,655	1,401,546	1,875,655
Overlay/abatement	299	264	299	264
Interest on long-term debt	158,557	190,601	158,557	190,601
Capital and special projects	503,434	417,721	432,288	234,958
Total governmental activities	\$18,258,793	\$17,736,425	\$17,748,494	\$17,186,814

Total Cost of Services and Net Cost of Services increased from 2023 to 2024 by 2.9% and 3.3%, respectively. The decrease in the County tax assessment is a result of expensing the entire six-month tax assessment for its change in fiscal years in 2023.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of December 31, 2024, the Town's governmental fund balance totaled \$7,679,431.

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

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets, 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 decreased from \$6,527,936 in 2023 to \$6,512,763 in 2024. While there was an excess of revenues over expenditures of \$599,627, plus \$20,000 transfer of ARPA funds for the heating assistance program and \$75,000 for emergency communications, there were transfers out of \$150,000 to the emergency vehicles fund, \$550,000 to the road projects fund, and \$9,800 for recreation programs. Additionally, Town Meeting authorized the use of \$600,000 of unassigned fund balance to reduce the tax commitment, \$175,000 for a Town-wide revaluation, and \$6,713 for the media upgrade project.

2024 property tax revenue increased by \$991,609 relative to 2023. Total appropriations as committed increased by \$1,114,741 as increases in municipal appropriations of \$427,130 (5.8%), the school assessment of \$566,080 (5.6%), the County assessment of \$108,670 (7.0%), were offset by an increase in revenues \$215,530 (6.1%).

The Town experienced an increase in non-property tax revenue sources in 2024 relative to 2023, primarily in excise tax and registration fees (\$109,312), interest earned (\$89,638), license, fees, permits (\$88,293), and recycling/transfer fees (\$73,892). Additionally, the Town received \$99,544 in insurance proceeds as a result of the damage caused by the January 2024 devastating wind storms that were declared federal disasters. Most of the insurance proceeds were for the Town dock at Pott's Point.

The 2024 mil rate increased to \$6.36 from \$6.10 and the property tax base expanded by over forty-two million dollars. Of the 2024 commitment, 97.4% was collected prior to year-end. A healthy collection rate has been experienced for several years.

Unexpended Appropriations. Notable unexpended appropriations lapsing to the General Fund in 2024 occurred in the areas of snow removal (\$35,790), road maintenance (\$25,092), recycling center/transfer station (\$24,582), planning (\$23,398), and employee benefits (\$19,961). The snow removal budget was underspent due to less need of salt and sand as a result of fewer storms. There were fewer road maintenance projects than expected. The recycling center budget was not fully utilized as there was less tonnage than estimated. With respect to the Planning office budget and employee benefits, it was primarily underspent due to changes in staffing.

Overlay. Of the \$131,142 raised for overlay, \$299 was used to provide abatements and the remainder lapsed to the General Fund.

Contingency. The Select Board approved \$24,255 in use of contingency to cover general administration, Town memberships and the Clerk's Office overages. The overages in general administration were primarily due to legal and worker's compensation insurance expenses. The overage in the Clerk's Office was due to the presidential election.

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.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2024, the Town's investment in capital assets, net of accumulated depreciation, was \$16,224,462 and its outstanding debt \$3,760,000. All outstanding debt was incurred for capital purposes.

The 2018 Bonds, for the demolition of the Mitchell Field pier, have a principal amount of \$2,720,000 remaining.

The remaining outstanding debt of \$1,040,000 funded road projects, Phase I of a two phase improvement project at the Recycling Center, and a new emergency communications tower and emergency communications equipment.

Net Investment in Capital Assets

	Capital		Accumulated		Net Investment in	
	Assets		Depreciation		Capital Assets	
	2024	2023	2024	2023	2024	2023
Land	\$5,282,273	\$5,282,273	-	-	5,282,273	\$5,282,273
Construction in progress	699,396	130,675	-	-	699,396	130,675
Other non-depreciable assets	281,900	281,900	-	-	281,900	281,900
Buildings and building Improvements	4,475,812	4,518,742	(3,074,787)	(2,998,404)	1,401,025	1,520,338
Equipment, vehicles and furniture	3,970,862	3,678,343	(1,769,366)	(1,564,658)	2,201,496	2,113,685
Infrastructure	10,101,016	10,101,016	(3,742,644)	(3,570,431)	6,358,372	6,530,585
Right-to-use leased asset	5,124	5,124	(5,124)	(3,465)	-	1,659
Total	\$24,816,383	23,998,073	(8,591,921)	(8,136,958)	16,224,462	15,861,115

The construction in progress account at the end of 2024 includes the Town Office's heating, ventilation, and air conditioner system replacement project, Phase II of the Recycling Center improvements, engineering for a capital road project on Peabody Road, planning for a central emergency services building, and continuing engineering services for the Mitchell Field boat launch and seasonal float facility.

The decrease in buildings and building improvements was due to the loss of the Town dock at Pott's Point from the January 24 storms. The addition to equipment, vehicles and furniture was due to the installation of emergency equipment for the Town's 3-tower emergency communication system and for the media room upgrade project.

The Town continues to plan for upgrading the infrastructure at Mitchell Field. In November, voters approved a \$1,150,500 bond to continue the combined boat launch and seasonal float facility project. The Maine Department of Transportation has extended the Town's grant contracts to cover about \$310,000 of the remaining project costs.

The Town worked with the Fire & Rescue Planning Committee and an architect to plan for a central emergency services building. It is likely in March that voters will be asked to approve a \$6 million bond to proceed with the design, bid and construction phases for the new emergency services building to be located on Mountain Road, near the Town's Recycling Center.

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 and annual appropriations to increase those reserves. The Town has limited its borrowings in anticipation of the new central fire station.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The proposed increase in municipal appropriations from 2024 to 2025 is expected to be about 5.5%. Given ongoing property valuation growth and strong revenue performance similar to 2024, the 2025 tax rate may be in the range of a 5% increase, which is considered reasonable and manageable. The school and county budgets are not yet determined, so the tax rate could rise if current assumptions about those budgets are too low.

A significant economic factor favorably impacting our municipal budget, is the climb in vehicle excise taxes and registration fees, particularly since 2023. Excise tax is the Town's largest non-property tax revenue source and it continues to demonstrate consumer spending has been relatively strong in Harpswell for big ticket items such as vehicle purchases.

Interest rates appear to be headed down, although there remains economic uncertainty given a new administration, talks of tariffs and global ramifications. With regard to borrowing, the voters approved borrowing up to \$1.15M for a Mitchell Field boat launch in 2024 and the Town anticipates a borrowing in the range of \$6M for a central emergency services building that may likely come before voters at the 2025 Annual Town Meeting. Knowing these borrowings have been on the horizon, the Town financed other capital projects, such as the rehabilitation of the Recycling Center building and replacement of the HVAC system at the Town Office, by building up reserves for those projects over time.

The labor market remains tight and the Town continues to address providing employee compensation levels that are competitive and reflective of the local labor market. In addition, the Town is continuing its program to help attract and retain younger volunteers in the emergency services area.

The Town has had a measured approach to use of the federally provided American Rescue Plan Act (ARPA) funds which has helped alleviate demands on local taxpayers. To date, funds have been used largely for consulting services that move the Town forward in areas such as updating its Comprehensive Plan, analyzing affordable housing issues, understanding broadband and implementing a much needed new emergency services communications system that has digital and analog capacity. All ARPA funds have been committed and will be spent by the end of 2026, if not sooner. The use of these funds has helped reduce the impact on the tax rate.

Harpswell is a desirable place to live for many reasons, including for its low tax rate. There is less inventory for prospective buyers which pushes up the cost of property and homes. The escalating median home price is a worrisome trend from an affordability perspective. While new owners may have no issue with the tax rate, the Town is always mindful of the impact of any tax increase on all of its property owners. The Town has contracted for a town-wide revaluation that is expected to be completed and effective in 2026.

The Town's unassigned fund balance decreased slightly in 2024, making \$600,000 available for voters to consider using to reduce the 2025 tax commitment and several hundred thousand dollars more available for reconstructing roads and rebuilding the Town Dock following the January 2024 storm damage. Because the storms were declared federal disasters, the Town expects to get reimbursed by the Federal Emergency Management Agency (FEMA) for costs associated with fixing the damage to public infrastructure, not covered by insurance, and for making it more resilient. FEMA reimbursements will replenish the use of fund balance. Having a healthy fund balance enables the Town to take pressure off the current year tax rate.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Select Board'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, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,264,596
Receivables:	
Taxes	414,361
Liens	17,845
Accounts	185,532
Prepaid items	73,385
Current portion of lease receivable	76,072
Noncurrent assets:	
Capital assets, not being depreciated	6,263,569
Other capital assets, net of accumulated depreciation	9,960,893
Noncurrent portion of lease receivable	1,401,763
Total assets	25,658,016
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions & post employment benefits	68,205
Total deferred outflows of resources	68,205
LIABILITIES	
Accounts payable and other current liabilities	131,220
Unearned revenue	5,068
Accrued interest	14,507
Noncurrent liabilities:	
Due within one year	480,695
Due in more than one year	3,852,597
Total liabilities	4,484,087
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions & post employment benefits	50,625
Deferred revenue related to leases	1,477,835
Total deferred inflows of resources	1,528,460
NET POSITION	
Net investment in capital assets	12,474,157
Restricted for:	
Grants and ARPA	145,536
Unrestricted	7,093,981
Total net position	\$ 19,713,674

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Activities
For the year ended December 31, 2024

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Governmental activities:					
General government	\$ 2,019,236	-	-	-	(2,019,236)
Public works	1,533,192	355,959	43,200	-	(1,134,033)
Protection and safety	1,930,892	-	-	-	(1,930,892)
Health and welfare	43,652	-	6,024	-	(37,628)
Cultural and recreation	469,942	20,316	13,654	-	(435,972)
Education	10,198,043	-	-	-	(10,198,043)
County taxes	1,401,546	-	-	-	(1,401,546)
Overlay/abatements	299	-	-	-	(299)
Interest expense	158,557	-	-	-	(158,557)
Capital and special projects	503,434	-	71,146	-	(432,288)
Total governmental activities	18,258,793	376,275	134,024	-	(17,748,494)

General revenues:

Property taxes, levied for general purposes	15,734,603
Excise taxes	1,649,064
Interest and fees on property taxes	12,547
Intergovernmental	553,173
Interest earned	191,245
Miscellaneous	834,016
Total general revenues	18,974,648

Change in net position 1,226,154

Net position - beginning of year 18,487,520

Net position - ending \$ 19,713,674

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Balance Sheet
Governmental Funds
December 31, 2024

	General	Road Projects	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,264,596	-	-	-	7,264,596
Receivables:					
Taxes	414,361	-	-	-	414,361
Liens	17,845	-	-	-	17,845
Other	185,532	-	-	-	185,532
Interfund receivables	-	594,772	100,189	471,707	1,166,668
Prepaid items	73,385	-	-	-	73,385
Total assets	\$ 7,955,719	594,772	100,189	471,707	9,122,387
LIABILITIES					
Accounts payable and other liabilities	131,220	-	-	-	131,220
Unearned revenue - taxes paid in advance	4,861	-	-	-	4,861
Unearned revenue - other	207	-	-	-	207
Interfund payables	1,166,668	-	-	-	1,166,668
Total liabilities	1,302,956	-	-	-	1,302,956
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	140,000	-	-	-	140,000
Total deferred inflows of resources	140,000	-	-	-	140,000
FUND BALANCES					
Nonspendable:					
Prepaid Insurance	73,385	-	-	-	73,385
Restricted:					
Grants and American Resuce Plan Act	-	-	100,189	45,347	145,536
Committed:					
Capital projects	-	594,772	-	381,441	976,213
Assigned:					
General fund	2,271,385	-	-	-	2,271,385
Recreation	-	-	-	44,919	44,919
Unassigned	4,167,993	-	-	-	4,167,993
Total fund balances	6,512,763	594,772	100,189	471,707	7,679,431
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,955,719	594,772	100,189	471,707	

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.	16,224,462
Deferred outflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds.	68,205
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Lease receivable	1,477,835
Taxes and liens receivable	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	(3,760,000)
Cumberland County change in fiscal year tax warrant	(291,389)
Compensated absences payable	(29,644)
Accrued interest	(14,507)
Net pension and other postemployment benefits liabilities	(252,259)
Deferred inflows of resources related to leases are not financial resources and, therefore, are not reported in the funds.	(1,477,835)
Deferred inflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds.	(50,625)

Net position of governmental activities	\$ 19,713,674
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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, 2024

	General	Road Projects	American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 17,396,214	-	-	-	17,396,214
Intergovernmental	602,397	-	-	71,146	673,543
Miscellaneous	1,361,724	-	11,882	41,581	1,415,187
Total revenues	19,360,335	-	11,882	112,727	19,484,944
Expenditures:					
Current:					
General government	1,967,899	-	-	-	1,967,899
Public works	1,306,316	-	-	-	1,306,316
Protection and safety	1,764,477	-	-	-	1,764,477
Health and welfare	43,652	-	-	-	43,652
Cultural and recreation	405,294	-	-	43,668	448,962
Education	10,198,043	-	-	-	10,198,043
County taxes	1,547,241	-	-	-	1,547,241
Overlay/abatements	299	-	-	-	299
Debt service	555,686	-	-	-	555,686
Capital and special projects	971,801	76,689	79,068	194,186	1,321,744
Total expenditures	18,760,708	76,689	79,068	237,854	19,154,319
Excess (deficiency) of revenues over (under) expenditures	599,627	(76,689)	(67,186)	(125,127)	330,625
Other financing sources (uses):					
Proceeds from long-term debt	-	-	-	-	-
Transfers (to) from other funds	(614,800)	550,000	(95,000)	159,800	-
Total other financing sources (uses)	(614,800)	550,000	(95,000)	159,800	-
Net change in fund balances	(15,173)	473,311	(162,186)	34,673	330,625
Fund balances, beginning of year	6,527,936	121,461	262,375	437,034	7,348,806
Fund balances, end of year	\$ 6,512,763	594,772	100,189	471,707	7,679,431

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, 2024

Net change in fund balances - total governmental funds (from Statement 4)	\$	330,625
<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		292,519
Additions/Disposals of capital assets, net		525,791
Depreciation expense		(454,963)
<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>		
		25,861
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported.</p>		
Lease receivable		(1,477,835)
<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. No new debt was issued in 2024. This represents payments.</p>		
		395,000
<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>		
		1,495,722
<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 less the increase in accrued absences and the increase in County tax.</p>		
		91,302
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund financial statements since future repayment does not require the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		2,132
Change in net position of governmental activities (see Statement 2)		\$ 1,226,154

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, 2024

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 17,176,165	17,176,165	17,396,214	220,049
Intergovernmental	562,126	562,126	602,397	40,271
Miscellaneous	893,800	893,800	1,361,724	467,924
Total revenues	18,632,091	18,632,091	19,360,335	728,244
Expenditures:				
Current:				
General government	1,980,538	2,025,538	1,967,899	57,639
Public works	1,391,780	1,391,780	1,306,316	85,464
Protection and safety	1,783,745	1,798,745	1,764,477	34,268
Health and welfare	46,746	46,746	43,652	3,094
Cultural and recreation	428,856	467,606	405,294	62,312
Education	10,198,043	10,198,043	10,198,043	-
County taxes	1,547,241	1,547,241	1,547,241	-
Overlay/abatements	131,142	131,142	299	130,843
Debt service	570,000	570,000	555,686	14,314
Capital and special projects	1,070,913	3,153,427	971,801	2,181,626
Total expenditures	19,149,004	21,330,268	18,760,708	2,569,560
Excess (deficiency) of revenues over (under) expenditures	(516,913)	(2,698,177)	599,627	3,297,804
Other financing sources (uses):				
Transfer to / from other funds	(614,800)	(614,800)	(614,800)	-
Budgeted use of unassigned fund balance	1,131,713	1,131,713	-	(1,131,713)
Budgeted use of carryforward balances	-	2,206,738	-	(2,206,738)
Budgeted use of contingency	-	(25,474)	-	25,474
Total other financing sources (uses)	516,913	2,698,177	(614,800)	(3,312,977)
Net change in fund balance	-	-	(15,173)	(15,173)
Fund balance, beginning of year			6,527,936	
Fund balance, end of year			\$ 6,512,763	

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*									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>										
Proportion of the net pension liability (asset)	0.97%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Proportionate share of the net pension liability (asset)	\$ 38,852	\$ 44,384	\$ (5,875)	\$ 72,112	\$ 56,844	\$ 50,247	\$ 93,217	\$ 112,010	\$ 66,579	\$ 30,730
Covered-employee payroll	\$ 93,477	\$ 89,779	\$ 117,107	\$ 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	41.56%	49.44%	-5.02%	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	91.06%	93.30%	100.86%	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.

See accompanying notes to financial statements.

Schedule of Contributions

	LAST 10 FISCAL YEARS*									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>										
Contractually required contribution	\$ 9,584	\$ 9,337	\$ 10,693	\$ 13,228	\$ 12,299	\$ 11,319	\$ 11,420	\$ 10,993	\$ 10,443	\$ 9,279
Contributions in relation to the contractually required contribution	(9,584)	(9,337)	(10,693)	(13,228)	(12,299)	(11,319)	(11,420)	(10,993)	(10,443)	(9,279)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 95,414	\$ 91,540	\$ 104,646	\$ 129,569	\$ 122,341	\$ 113,193	\$ 116,440	\$ 115,099	\$ 113,434	\$ 111,126
Contributions as a percentage of covered-employee payroll	10.04%	10.20%	10.22%	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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total Health Plan OPEB Liability</u>							
Service Cost	\$ 9,738	\$ 11,536	\$ 11,492	\$ 10,050	\$ 8,959	\$ 9,714	\$ 11,727
Interest	6,138	3,611	4,446	5,147	6,567	5,630	6,349
Changes of benefit terms	-	-	-	-	(3,800)	-	-
Differences between expected and actual experience	10,681	-	(37,951)	-	(7,846)	-	(14,521)
Changes of assumptions	34,648	(17,879)	(6,905)	10,661	28,441	(12,092)	(720)
Benefit payments	(6,046)	(5,563)	(5,527)	(5,314)	(6,107)	(5,872)	(4,421)
Net change in Total Health Plan OPEB liability	55,159	(8,295)	(34,445)	20,544	26,214	(2,620)	(1,586)
Total Health Plan OPEB liability - beginning	\$ 158,248	\$ 166,543	\$ 200,988	\$ 180,444	\$ 154,230	\$ 156,850	\$ 158,436
Total Health Plan OPEB liability - ending	\$ 213,407	\$ 158,248	\$ 166,543	\$ 200,988	\$ 180,444	\$ 154,230	\$ 156,850
Covered-employee payroll	1,053,605	739,333	739,333	670,562	657,532	\$ 657,532	\$ 657,532
Total Health Plan OPEB liability as a percentage of covered-employee payroll	20.3%	21.4%	22.5%	30.0%	27.4%	23.5%	23.9%

**Only seven 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, 2024

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:

Year ending June 30	Actuarial Assumptions*			
	2024 - 2021	2018	2016	2015
Discount rate	6.50%	6.75%	6.875%	7.125%
Inflation rate	2.75%	2.75%	2.75%	3.50%
Salary increases	2.75%- 11.48%	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 through 2020, mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table. Beginning 2021, mortality rates were based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

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
2024	3.26%
2023	3.72%
2022	2.06%
2021	2.12%
2020	2.74%
2019	4.10%
2018	3.44%
2017	3.78%

**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.*

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

THE REPORTING ENTITY

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Implementation of New Accounting Standards

During the year ended December 31, 2024, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 100 "Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62". The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 101 "Compensated Absences". The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Management has determined the impact of this Statement is not material to the financial statements.

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.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 American Rescue Plan Act fund accounts for financial resources used to purchase goods or services as approved by the legislative body.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

C. Budgetary Accounting

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

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

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 Select Board. 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 Select Board.

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.

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.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 this 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.

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.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 Select Board.

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 Select Board votes to authorize assigned amounts.

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

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 Select Board 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. Leases

Deferred inflows of resources related to leases. Appearing in both the statement of net position and the governmental funds balance sheet, this item is related to leases in which the Town is lessor, and reflects the value of the lease receivable plus payments that related to future periods.

R. 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.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

CASH AND CASH EQUIVALENTS

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, 2024, the Town reported deposits of \$7,264,596 with a bank balance of \$7,571,040. 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.

LEASES RECEIVABLE

A summary of the leases receivable for the year ended December 31, 2024 is as follows:

	Balance <u>12/31/23</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/24</u>	Due within <u>one year</u>
<u>Leases receivable</u>	<u>\$1,498,600</u>	<u>60,736</u>	<u>81,501</u>	<u>1,477,835</u>	<u>76,072</u>

The following is a summary of the leases receivable as of December 31, 2024:

The Town leases a portion of its land on Community Drive to Crown Castle Towers, LLC under a lease agreement originally dated September 4, 2008. The term of the lease is for a 20-year period expiring September 2028. Annual lease payments received in 2024 totaled \$41,441, which included the annual 3% increase and an adjustment to account for the addition of another carrier occurring earlier than the Town was aware.

The Town leases a portion of its land at Mitchell Field to Blue Sky Towers III, LLC under a lease agreement with an effective date of October 8, 2020 and rent commencement date of August 1, 2021. The term of the lease is for a 40-year period expiring July 31, 2061. Annual lease payments received in 2024 totaled \$23,328 and increase by 2% annually.

The Town leases a portion of its land at Mitchell Field to Running Tide Technologies under a lease agreement dated December 14, 2018. The term of the lease is for a 5-year period expiring December 31, 2023. The lease was extended to January 31, 2024 and was not renewed. On January 24, 2025, the Town signed a 5-year lease, beginning February 1, with Merrymeeting Shellfish Company, Inc. for the same lease area as previously leased by Running Tide Technologies. Rent for the initial year (February 24 – January 25) is \$12,937, with a 3% annual escalator.

The Town leases a portion of its land next to Mitchell Field to Pammy’s Ice Cream Parlor under a lease dated April 29, 2022. The term of the lease is for a 5-year period expiring March 31, 2027. Annual lease payments received in 2024 totaled \$4,300. The lease rate for January – April 2025 is known at \$1,032. The Select Board will be establishing the remaining 2025 rates which will begin 5/1/25.

The following is a summary of outstanding leases receivable requirements for the fiscal years December 31:

	Lease Receivable	
<u>December 31,</u>	<u>Principal</u>	<u>Total</u>
2025	76,072	76,072
2026	77,052	77,052
2027	79,117	79,117
2028	81,248	81,248
2029	26,969	26,969

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

LEASES RECEIVABLE, CONTINUED

2030-2034	136,715	136,715
2035-2039	150,944	150,944
2040-2044	166,655	166,655
2045-2049	184,000	184,000
2050-2054	203,151	203,151
2055-2059	224,296	224,296
2060-2061	71,616	71,616
Total	\$1,477,835	\$1,477,835

PROPERTY TAX

The Town's property taxes for the current year were committed on August 5, 2024, on the assessed value listed as of April 1, 2024 for all real and personal property located in the Town. Taxes were due on September 16, 2024 and December 16, 2024; interest was charged at 6% on all unpaid taxes after those dates.

The following summarizes the 2024 and 2023 levy:

	<u>2024</u>	<u>2023</u>
Assessed value:		
Real property	\$2,464,777,000	2,423,112,400
Personal property	6,789,800	6,388,300
Total valuation	2,471,566,800	2,429,500,700
<u>Tax rate (per \$1,000)</u>	<u>6.36</u>	<u>6.10</u>
Tax commitment	15,719,165	14,819,954
Less: property tax stabilization	-	(73,580)
<u>Less: collections and abatements (net of supplements)</u>	<u>(15,304,804)</u>	<u>(14,376,281)</u>
<u>Taxes receivable at December 31</u>	<u>\$414,361</u>	<u>370,093</u>
Due dates	½ September 16, 2024 ½ December 16, 2024	½ September 15, 2023 ½ December 15, 2023
Interest rate on delinquent taxes	6.00%	6.00%
Collection rate-net commitment	97.4%	97.5%

Property Tax Stabilization for Senior Citizens, also known as the Property Tax Stabilization Program (the "Program"), was a State program that allowed certain senior-citizen residents to stabilize, or freeze, the property taxes on their homestead for the property tax year that began April 1, 2023. The program ended in 2024.

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 \$131,142 for the year ended December 31, 2024. 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.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

PROPERTY TAX, CONTINUED

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 Select Board.

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances at December 31, 2024 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	1,166,668
Special Revenue Funds:		
Restricted grants	45,347	-
Recreation	44,919	-
American Rescue Plan Act	100,189	-
Capital Projects Fund:		
Emergency vehicles	381,441	-
Road projects	594,772	-
Totals	\$1,166,668	1,166,668

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	<u>2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>2024</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,282,273	-	-	5,282,273
Construction in progress	130,675	622,606	53,885	699,396
Other non-depreciable assets	281,900	-	-	281,900
Total capital assets not being depreciated	5,694,848	622,606	53,885	6,263,569
Capital assets, being depreciated:				
Buildings and improvements	4,518,742	-	42,930	4,475,812
Equipment, vehicles, and furniture	3,678,343	292,519	-	3,970,862
Infrastructure	10,101,016	-	-	10,101,016
Right-to-use leased assets	5,124	-	-	5,124
Total capital assets being depreciated	18,303,225	292,519	42,930	18,552,814
Less accumulated depreciation for:				
Buildings and improvements	2,998,404	73,383	-	3,074,787
Equipment, vehicles and furniture	1,564,658	204,708	-	1,769,366
Infrastructure	3,570,431	172,213	-	3,742,644
Right-to-use leased assets	3,465	1,659	-	5,124
Total accumulated depreciation	8,136,958	454,963	-	8,591,921
Total capital assets being depreciated, net	10,166,267	(162,444)	42,930	9,960,893
Governmental activities capital assets, net	\$15,861,115	460,162	96,815	16,224,462

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

CAPITAL ASSETS, CONTINUED

During 2024, there were multiple projects in the works that are reflected in construction in process, including the Town Office’s heating, ventilation, and air conditioner system replacement project (\$459,637), Phase II of the Recycling Center improvements (\$62,360), engineering for a capital road project on Peabody Road (\$48,742), planning for a central emergency services building (\$26,772), and continuing engineering services for the Mitchell Field Boat Launch (\$25,095). The Town’s 3-tower emergency communications system was installed (\$233,634) and the Town Office media room upgrade project was completed (\$5,000).

The decrease in buildings and building improvements was due to the loss of the Town dock at Pott’s Point from the January 24 storms. The addition to equipment, vehicles and furniture was due to the installation of emergency equipment for the Town’s 3-tower communication system and for the media room upgrade project.

Fire and rescue vehicles with a cost of \$2,518,444 and accumulated depreciation of \$1,075,927 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	\$40,692
Public works	226,876
Protection and safety	166,415
Cultural and recreation	20,980

Total depreciation expense – governmental activities \$ 454,963

COMMITMENTS

At December 31, 2024, the Town was obligated under contracts for law enforcement, marine patrol, emergency dispatch, dedicated paramedic, snow removal services, affordable housing consulting service, and comprehensive plan consulting services as well as Mitchell Field waterfront project and engineering services in amounts totaling approximately \$1,883,950 for various periods through June 30, 2029.

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 Select Board at its April 11, 2024 meeting authorizing the Treasurer to borrow up to \$3,950,000 to be due on or before December 31, 2024. From May 17, 2024, to August 19, 2024, the Town made periodic draws on this note such that the maximum amount outstanding was \$3.95 million. The outstanding principal and interest was paid before December 31, 2024. The total interest paid on this note was \$41,228. Since there is no beginning or ending balance at December 31, 2023 and 2024, it has not been included in the debt note which follows.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2024, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$4,155,000	-	395,000	3,760,000	335,000
County Tax fiscal year adj.	437,084	-	145,695	291,389	145,695
Compensated absences payable	24,878	65,140	60,374	29,644	-
Proportionate share of the net pension liability/(asset)	44,384	-	5,532	38,852	-
OPEB net liability	158,248	55,159	-	213,407	-
Governmental activity long-term liabilities	\$ 4,819,594	120,299	606,601	4,333,292	480,695

Bonds payable at December 31, 2024 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, 2024</u>
Governmental activities:					
2018 Mitchell Field pier	04/09/18	12/15/38	3,500,000	3.00-5.00%	2,720,000
2021 Recycling Center	05/21/21	11/01/31	450,000	.41-1.45%	315,000
2021 Capital road project	07/09/21	07/09/31	650,000	2.31%	455,000
2023 Capital communications	04/24/23	04/24/33	300,000	4.79%	270,000
Total bonds payable					\$3,760,000

The annual requirements to amortize outstanding debt as of December 31, 2024 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	335,000	108,979	443,979
2026	335,000	99,871	434,871
2027	335,000	90,709	425,709
2028	335,000	81,515	416,515
2029	335,000	72,183	407,183
2030-2034	1,315,000	227,163	1,542,163
2035-2038	770,000	60,794	830,794
Total	\$3,760,000	741,214	4,501,214

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

Debt authorized but unissued – The Town is authorized to borrow up to \$50,000 for failed septic system remediation; and up to \$1,150,500 for the boat launch project at Mitchell Field.

STATUTORY DEBT LIMIT

The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2024, 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, 2024</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$28,101,649	3.59%	\$1,007,516
MSAD 75 / RSU 75	\$61,726,795	42.72%	\$26,369,108

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, 2024, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2023 carry forward balance	\$2,206,738
Use of surplus – current year:	
Media room upgrade	6,713
Capital road project - Peabody	350,000
Town-wide revaluation	175,000
Reduction of tax commitment	600,000
Total	\$3,338,451

INTERFUND TRANSFERS

Individual fund transfers for the year ended December 31, 2024 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General fund</u>	<u>\$ (95,000)</u>	<u>709,800</u>
Special revenue funds:		
American Rescue Plan Act	-	(95,000)
Recreation	9,800	-
Capital project funds:		
Road projects	550,000	-
Emergency vehicles	150,000	-
Total capital projects fund	700,000	-
Total transfers	\$614,800	614,800

This transfer was a budgeted transfer to fund certain activities.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

RESTRICTED GRANTS

The Town classifies grant awards as restricted grants in the Town’s special revenue fund. The December 31, 2024 fund balance of restricted grants consisted of the following awards:

<u>Grant Award</u>	Balance beginning of year	<u>Revenues</u>	<u>Expenditures</u>	Balance end of year
Nature Conservancy-helical moorings	110,375	4,622	69,650	45,347
Governor’s Off. Policy, Innov.&Future-Roads	50,000	-	50,000	-
State Working Waterfront Resilience	-	30,574	30,574	-
Dept Trans. Infrastructure Adaptation-Roads	-	15,371	15,371	-
Mitchell Field floats/ramp - MDOT	-	12,147	12,147	-
Mitchell Field Community Garden	-	7,282	7,282	-
Island Institute – Sea Level Rise	2,725	-	2,725	-
Small Community Grant - septic	-	800	800	-
State boat pump-out	-	350	350	-
Total restricted grants	\$163,100	\$71,146	\$188,899	\$45,347

NET POSITION

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bond and capital leases obligations. The Town’s net investment in capital assets was calculated as follows at December 31, 2024:

Capital assets	\$ 24,816,383
Accumulated depreciation	(8,591,921)
Bonds payable	(3,760,000)
Unexpended bond proceeds	9,695
Total net investment in capital assets	\$ 12,474,157

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.

CONTINGENT LIABILITIES

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

State and Federal Grants – The Town participates in numerous state and federal programs which are governed by various rules and regulations imposed by the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies 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.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

RISK MANAGEMENT

The Town is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2024.

ASSIGNED FUND BALANCES

At December 31, 2024, assigned fund balance consisted of the following:

	<u>Assigned Fund balance</u>
Appropriation carryovers:	
Special Purpose Funds:	
Town-wide revaluation	\$397,280
Harpowell Neck Physical Education Association	50,000
Land purchase, map 42, lot 6	3,318
Energy Conservation	1,081
Harpowell home repairs	3,505
Harpowell Radio Project	750
Capital Reserves:	
Town facilities	66,493
Office equipment	27,937
Boat/motor replacement	15,998
Recycling	739,499
Vehicles & equipment replacement	92,101
Emergency communication equipment	85,589
Dry hydrant development	10,120
Land acquisition and property improvement	42,930
Emergency services building planning	63,005
Mitchell Field capital	447,421
Failed septic system	21,999
Other Reserves:	
Resilience and Sustainability	108,269
Property tax assistance program	3,012
Conservation fund	5,000
Self-insurance	1,197
Heating assistance	11,687
Plus contingency	<u>1,219</u>
Assigned fund balances subtotal	2,199,410
Assigned revenues:	
Heating assistance	35,175
Tower capital for emergency equipment	35,000
Mitchell Field boat ramp or bandstand	<u>1,800</u>
Total assigned fund balance – General Fund	<u>\$2,271,385</u>

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through MissionSquare Retirement. 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 or can elect the Roth provision and pay income taxes on the deferred portion at the time of the salary deferral. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contributions to this plan for the years ended December 31, 2024, 2023 and 2022 were \$51,844, \$47,406, and \$43,109, respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

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

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.maineopers.org or by contacting the System at (800) 451-9800.

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, 2024, there were 336 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 3.88%.

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 7.5% of their annual covered

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

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

salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.9% 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, 2024 was \$9,584.

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 (Assets), Pension Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2024, the Town reported a liability of \$38,852 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2024 (the most recent period available), and the total pension assets used to calculate the net pension assets was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension assets 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, 2024, the Town’s proportion was 0.009707%, which was a decrease of 0.00699% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2024, the Town recognized net pension expense of \$11,609. At December 31, 2024, 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	\$ 11,531	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,040
Changes in proportion and differences between contributions and proportionate share of contributions	-	6,876
Contributions subsequent to the measurement date	9,527	-
Total	\$ 21,058	\$ 10,916

\$9,527, 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

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

	PLD Plan
Year ended June 30:	
2025	\$ (7,049)
2026	8,986
2027	(538)
2028	(738)
2029	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2024, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal cost method is used to determine costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability 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 expected future salary. The normal cost of each member is the product of the member's pay and 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., decreases or increases in liabilities and/or in assets when actual experience differs 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 marker 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, 2024 are as follows:

Investment Rate of Return - For the PLD Plan, 6.50% per annum, compounded annually.

Inflation Rate – For the PLD Plan, 2.75%

Annual Salary Increases, including Inflation - Members of the consolidated plan for PLDs, 2.75% to 11.48% per year.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

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

Mortality Rates –For participating local districts, the rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

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

The long-term expected rate of return on pension plan investments 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 geometric real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2024 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equities	5.6%
US Government	2.2%
Private Equity	7.2%
Real Assets:	
Real Estate	5.8%
Infrastructure	5.3%
Natural Resources	5.1%
Traditional Credit	2.7%
Alternative Credit	6.4%
Diversifiers	4.8%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2024. 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 fiduciary net position for each of the Defined Benefit Plans 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 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, 2024 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 6.50% for the PLD Consolidated Plan.

	-1% Decrease	Discount rate	+1% Increase
<u>PLD Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
Town's proportionate share of the net pension liability (asset)	\$ 97,078	\$ 38,852	\$ (9,119)

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

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

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS 2024 Annual Comprehensive Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

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 January 1, 2024, 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>21</u>
Total	<u><u>23</u></u>

The Town’s Health Plan OPEB liability of \$213,407 was measured as of January 1, 2024, and was determined by an actuarial valuation as of that date.

Changes in the Total Health Plan OPEB Liability:

	<u>Health Plan</u> <u>OPEB Liability</u>
Balance at December 31, 2023	\$ 158,248
Changes for the year:	
Service Cost	9,738
Interest	6,138
Changes of benefit terms	-
Differences between expected and actual experience	10,681
Changes in assumptions	34,648
Benefit payments	<u>(6,046)</u>
Net Changes	<u>55,159</u>
Balance at December 31, 2024	<u><u>\$ 213,407</u></u>

For the year ended December 31, 2024, the Town recognized OPEB expense of \$18,599, related to the Health Plan. At December 31, 2024, The Town reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,155	\$ 22,991
Changes in assumptions	37,992	16,718
Net difference between projected and actual earnings on OPEB plan investments	-	-
	<u>\$ 47,147</u>	<u>\$ 39,709</u>

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>	
2025	\$ 2,726
2026	(710)
2027	(2,486)
2028	(2,486)
2029	3,921
Thereafter	6,473

The total OPEB liability in the January 1, 2024 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>
Rate of Inflation	2.38%
Rate of Growth in Real Income/GDP per capita 2031+	1.40%
Extra Trend due to Taste/Technology 2031+	1.10%
Expected Health Share of GDP 2031	19.80%
Health Share of GDP Resistance Point	18.00%
Year for Limiting Cost Growth to GDP Growth	2044

Rate of Mortality:

Healthy Annuitant - Based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

The actuarial assumptions used in the January 1, 2024 valuation for the Health Plan were based on the results of an actuarial experience study covering the period June 20, 2016 through June 30, 2020.

The discount rate for the MMEHT 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 20-Bond GO Index. The discount rate as of December 31, 2024, is based upon an earlier measurement date, as of December 28, 2023, and is 3.26% per annum. The sensitivity of net OPEB liability to changes in discount rate are as follows:

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB Liability	\$ 245,214	\$ 213,407	\$ 187,114

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	\$ 184,365	\$ 213,407	\$ 249,589

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, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 7,264,596	6,893,699
Receivables:		
Taxes	414,361	370,093
Tax liens and acquired properties	17,845	22,657
Other	185,532	211,762
Prepaid items	73,385	31,324
Total assets	\$ 7,955,719	7,529,535
LIABILITIES		
Accounts payable and other liabilities	131,220	36,483
Unearned revenue - taxes paid in advance	4,861	4,246
Unearned revenue - other	207	-
Interfund payables:		
Special Revenue	190,455	470,292
Capital Projects	976,213	350,578
Total liabilities	1,302,956	861,599
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	140,000	140,000
Total deferred inflows of resources	140,000	140,000
FUND BALANCE		
Nonspendable:		
Prepaid items	73,385	31,324
Committed:	-	-
Assigned	2,271,385	2,206,738
Unassigned	4,167,993	4,289,874
Total fund balance	6,512,763	6,527,936
Total liabilities, deferred inflows of resources, and fund balance	\$ 7,955,719	7,529,535

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, 2024

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 15,719,165	15,719,165	15,734,603	15,438
Interest and fees on property taxes	7,000	7,000	12,547	5,547
Excise taxes and registration fees	1,450,000	1,450,000	1,649,064	199,064
Total taxes	17,176,165	17,176,165	17,396,214	220,049
Intergovernmental:				
State revenue sharing	300,000	300,000	334,992	34,992
Local road assistance URIP	40,000	40,000	43,200	3,200
Homestead exemption and BETE	181,126	181,126	181,126	-
Tree growth	17,000	17,000	16,779	(221)
General assistance	5,000	5,000	6,024	1,024
Veterans exemption	2,500	2,500	2,489	(11)
Renewable energy	7,500	7,500	9,461	1,961
Other	9,000	9,000	8,326	(674)
Total intergovernmental	562,126	562,126	602,397	40,271
Miscellaneous:				
Interest earned	100,000	100,000	191,245	91,245
Insurance proceeds	-	-	99,544	99,544
Copies and records	3,000	3,000	3,957	957
Cable TV franchise fee	105,000	105,000	95,658	(9,342)
Licenses, fees and permits	327,300	327,300	421,251	93,951
Fines	-	-	258	258
Recycling center and disposal fees	252,500	252,500	355,959	103,459
Donations and gifts	24,000	24,000	60,778	36,778
Tower leases, incl capital	63,000	63,000	99,769	36,769
Leases	16,000	16,000	17,432	1,432
Unclassified	3,000	3,000	15,873	12,873
Total miscellaneous	893,800	893,800	1,361,724	467,924
Total revenues	\$ 18,632,091	18,632,091	19,360,335	728,244

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, 2024

Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
		Original	Final			
Expenditures:						
<i>General government:</i>						
Elected officials	\$ -	137,182	137,182	136,793	389	-
General administration:						
Administration	-	373,419	373,419	364,013	9,406	-
Public information	-	8,000	8,000	7,808	192	-
Risk management	-	112,096	112,096	118,041	(5,945)	-
Legal services	-	50,000	50,000	72,587	(22,587)	-
Memberships	-	19,332	19,332	19,852	(520)	-
Assessing	-	113,846	113,846	106,406	7,440	-
Tax collector's office	-	59,588	59,588	57,691	1,897	-
Town clerk's office	-	65,393	65,393	70,194	(4,801)	-
Code enforcement	-	187,896	187,896	185,086	2,810	-
Planning	-	112,100	112,100	88,702	23,398	-
Employee benefits	-	559,116	559,116	539,155	19,961	-
Boards and committees	-	5,700	5,700	7,120	(1,420)	-
Operations and maintenance:						
Municipal buildings and property	-	94,400	94,400	81,578	12,822	-
Old town house and commons	30,000	11,220	41,220	38,342	2,878	-
Town dock	-	8,000	8,000	9,290	(1,290)	-
Town lands and landings	15,000	35,000	50,000	38,861	11,139	-
Cedar/Robinhood Beach easement	-	8,450	8,450	9,580	(1,130)	-
Cemeteries	-	19,800	19,800	16,800	3,000	-
Total general government	45,000	1,980,538	2,025,538	1,967,899	57,639	-
<i>Public works:</i>						
Snow removal	-	584,190	584,190	548,400	35,790	-
Maintenance, signs, salary & travel	-	116,700	116,700	91,608	25,092	-
Recycling and transfer station	-	690,890	690,890	666,308	24,582	-
Total public works	-	1,391,780	1,391,780	1,306,316	85,464	-
<i>Protection and safety:</i>						
Emergency services, 3 Departments	15,000	222,000	237,000	237,000	-	-
Emergency services - fire assistance	-	250,539	250,539	237,261	13,278	-
Emergency services building	-	7,300	7,300	9,140	(1,840)	-
Contracted paramedic services	-	377,845	377,845	376,341	1,504	-
Street lighting	-	7,200	7,200	1,922	5,278	-
Harbor management	-	132,775	132,775	128,966	3,809	-
Animal control	-	32,053	32,053	29,801	2,252	-
Law enforcement and communication	-	483,379	483,379	483,378	1	-
Marine consultant & conservation mng	-	254,154	254,154	254,153	1	-
Shellfish conservation contract & boat	-	16,500	16,500	6,515	9,985	-
Total protection and safety	15,000	1,783,745	1,798,745	1,764,477	34,268	-
<i>Health and welfare:</i>						
Health and welfare	-	46,746	46,746	43,352	3,394	-
Gift Cards	-	-	-	300	(300)	-
Total health and welfare	-	46,746	46,746	43,652	3,094	-
<i>Cultural and recreation:</i>						
Cultural and education programs	38,750	94,024	132,774	81,526	51,248	50,750
Curtis Memorial Library	-	159,089	159,089	159,089	-	-
Harpswell Community Broadcasting	-	87,580	87,580	87,580	-	-
Recreation - general	-	88,163	88,163	77,099	11,064	-
Total cultural and recreation	38,750	428,856	467,606	405,294	62,312	50,750

1 Contingency transfers approved by Select Board to cover general administration & memberships (\$19,454) and Clerk's Office (\$4,801) articles.

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, 2024

Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
		Original	Final			
Expenditures, continued:						
A. Dennis Moore Recycling / Transfer St.	\$ 429,844	375,000	804,844	65,345	739,499	739,499
<i>Other capital / carryovers / reserves:</i>						
Dry hydrant development	10,120	-	10,120	-	10,120	10,120
Land acquisition & Town property improvement	82,849	-	82,849	39,919	42,930	42,930
Vehicle replacement & vehicle equipment	33,601	75,000	108,601	16,500	92,101	92,101
Emergency communication equipment	244,223	75,000	319,223	233,634	85,589	120,589
Land acquisition map 42, lot 6	3,318	-	3,318	-	3,318	3,318
Boat and motor replacement	10,998	5,000	15,998	-	15,998	15,998
T/O & Facilities Improvements	426,130	100,000	526,130	459,637	66,493	66,493
Office equipment	27,937	-	27,937	-	27,937	27,937
Conservation fund	5,000	-	5,000	-	5,000	5,000
Public, educational & governmental equipment	6,000	-	6,000	6,000	-	-
Self insurance reserve	1,197	-	1,197	-	1,197	1,197
Media equipment update	-	6,713	6,713	6,713	-	-
Heating assistance	37,736	20,000	57,736	46,049	11,687	46,862
Failed septic systems	21,999	-	21,999	-	21,999	21,999
FEMA Consultant	24,678	-	24,678	1,809	22,869	-
Energy Conservation	2,213	-	2,213	1,132	1,081	1,081
Property tax assistance program	2,472	10,000	12,472	9,460	3,012	3,012
Cliff Trail rehabilitation	1,039	-	1,039	1,039	-	-
Town-wide Revaluation	75,000	325,000	400,000	2,720	397,280	397,280
Harpswell home repairs	3,505	-	3,505	-	3,505	3,505
Marine hazards reserve	9,600	-	9,600	9,600	-	-
Resiliency and sustainability	60,000	50,000	110,000	1,731	108,269	108,269
Emergency services building planning	94,797	-	94,797	31,792	63,005	63,005
Mitchell Field capital reserve	460,368	-	460,368	12,947	447,421	447,421
Mitchell Field - operations	6,090	29,200	35,290	25,774	9,516	-
Mitchell Field - ramp or bandstand donation	1,800	-	1,800	-	1,800	1,800
Total capital and special projects	2,082,514	1,070,913	3,153,427	971,801	2,181,626	2,219,416
Debt service	-	570,000	570,000	555,686	14,314	-
Contingency	25,474	-	25,474	-	25,474	1,219
Total budgeted expenditures	2,206,738	7,272,578	9,479,316	7,015,125	2,464,191	2,271,385
Other expenditures:						
Educational appropriation	-	10,198,043	10,198,043	10,198,043	-	-
County tax	-	1,547,241	1,547,241	1,547,241	-	-
Overlay / abatements	-	131,142	131,142	299	130,843	-
Total other expenditures	-	11,876,426	11,876,426	11,745,583	130,843	-
Excess (deficiency) of revenues over (under) expenditures						
	(2,206,738)	(516,913)	(2,723,651)	599,627	3,323,278	(2,271,385)
Other financing sources (uses):						
Transfer to Emergency Vehicles	-	(150,000)	(150,000)	(150,000)	-	-
Transfer to Capital Projects - road projects	-	(550,000)	(550,000)	(550,000)	-	-
Transfer to Recreation fund - programs	-	(9,800)	(9,800)	(9,800)	-	-
Use of unassigned fund balance - media equipment	-	6,713	6,713	-	(6,713)	-
Use of unassigned fund balance - revaluation	-	175,000	175,000	-	(175,000)	-
Use of unassigned fund balance - capital roads	-	350,000	350,000	-	(350,000)	-
Transfer of ARPA to emergency communications	-	75,000	75,000	75,000	-	-
Transfer of ARPA to heating assistance	-	20,000	20,000	20,000	-	-
Use of unassigned fund balance - budget	-	600,000	600,000	-	(600,000)	-
Use of carryforward balances	2,206,738	-	2,206,738	-	(2,206,738)	-
Total other financing sources (uses)	2,206,738	516,913	2,723,651	(614,800)	(3,338,451)	-
Net change in fund balance	-	-	-	(15,173)	(15,173)	(2,271,385)
Fund balance, beginning of year				6,527,936		
Fund balance, end of year				\$ 6,512,763		

1 Contingency transfers approved by Select Board to cover general administration & memberships (\$19,454) and Clerk's Office (\$4,801) articles.

2 Balances carried forward included 2024 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, 2024

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
ASSETS				
Interfund receivables	\$ 45,347	44,919	381,441	471,707
Total assets	\$ 45,347	44,919	381,441	471,707
Fund balances:				
Restricted:				
Grants	45,347	-	-	45,347
Committed:				
Capital projects	-	-	381,441	381,441
Assigned:				
Recreation	-	44,919	-	44,919
Total fund balances	\$ 45,347	44,919	381,441	471,707

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2024

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
Revenues:				
Grants	\$ 71,146	-	-	71,146
Interest earned	-	-	7,611	7,611
Bandstand donations	-	13,654	-	13,654
Charges for services	-	20,316	-	20,316
Total revenues	71,146	33,970	7,611	112,727
Expenditures:				
For specified purpose	188,899	31,451	-	220,350
Bandstand incl performances	-	12,217	-	12,217
Capital outlay	-	-	5,287	5,287
Total expenditures	188,899	43,668	5,287	237,854
Excess (deficiency) of revenues over (under) expenditures	-	(9,698)	2,324	(125,127)
Other financing sources:				
Transfers from general fund	-	9,800	150,000	159,800
Total other financing sources	-	9,800	150,000	159,800
Net change in fund balances	(117,753)	102	152,324	34,673
Fund balances, beginning of year	163,100	44,817	229,117	437,034
Fund balances, end of year	\$ 45,347	44,919	381,441	471,707

SCHEDULE

TOWN OF HARPSWELL, MAINE
Schedule of Taxes and Liens Receivable
For the year ended December 31, 2024

Year	Balance at 12/31/23	2023 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/24
2012	199	-	-	-	(78)	121
2013	204	-	-	-	-	204
2014	215	-	-	-	(29)	186
2015	220	-	-	-	-	220
2016	159	-	-	-	-	159
2017	99	-	-	-	-	99
2018	99	-	-	-	-	99
2019	237	-	-	-	-	237
2020	206	-	-	-	-	206
2021	210	-	-	-	-	210
2022	20,809	-	-	(20,569)	-	240
2023	37,093	-	-	(21,229)	-	15,864
2024	-	15,719,165	15,438	(15,319,943)	(299)	414,361
	59,750	15,719,165	15,438	(15,361,741)	(406)	432,206
				Taxes receivable		414,361
				Tax liens and acquired properties		17,845
				Total		\$ 432,206



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INDEPENDENT AUDITOR'S 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, 2024 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 3, 2025.

Report on 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) as a basis for designing 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 organization'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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
February 3, 2025