

**TOWN OF HARPSWELL, MAINE**

**Annual Financial Report**

**For the Year Ended December 31, 2023**

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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, 2023 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, 2023 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 16, 2024, 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 16, 2024

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis**  
**December 31, 2023**

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As management of the Town of Harpswell, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2023. 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 \$18,487,520. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$15,861,112 at December 31, 2023. 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 \$419,690 for the fiscal year.
- ❖ During 2023, the Town repaid \$465,000 of principal on its long-term borrowings as scheduled and incurred interest of \$190,601 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 \$7,348,806. The ending fund balance for the General Fund is \$6,527,936, an increase of \$575,764 from the previous year. Of this balance, \$2,206,738 is assigned for specific purposes, and \$31,324 is nonspendable. This leaves an unassigned balance of \$4,289,874, 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 (\$229,117); and a fund for road projects (\$121,461). The Town also has funds for its special revenue activities, which include recreation programs (\$44,817), grants (\$163,100), and American Rescue Plan Act purposes (\$262,375).
- ❖ The Town received over \$520,000 of American Rescue Plan Act (ARPA) funds in 2021 - 2022. Prior to 2023, voters authorized several expenditures including for consulting services relating to affordable housing, broadband needs, comprehensive plan update, emergency communications planning, and to purchase a new website and cardiac compression machines. In 2023, voters approved purchasing life paks for the three fire and rescue departments, adding funds to the Town's heating assistance program, along with additional funds for broadband and comprehensive plan consultant services. Preliminary recommendations have been made for the March 2024 Town Meeting.

### **Overview of Financial Statements**

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

### **Government-wide Financial Statements**

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

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

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

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The *statement of activities* presents information about how the Town's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Harpswell that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town of Harpswell include general government, public works (roads, solid waste disposal, snow removal), protection and safety (law enforcement, fire protection, rescue services), health and welfare, culture and recreation, debt service and capital expenses.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Harpswell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Harpswell maintains six individual governmental funds. Information for the General Fund, the Road Project Fund, and the 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 25-44 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 47-50 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.

	<b>Net Position</b>	
	Governmental Activities	
	<u>2023</u>	<u>2022</u>
<b>Assets:</b>		
Current & other assets	\$ 7,529,535	\$ 7,563,467
Receivable-Harpswell Coastal Academy	-	30,000
Lease receivable – current portion	64,258	57,174
Capital assets	15,861,112	15,135,877
Lease receivable – noncurrent portion	1,434,342	1,431,249
<b>Total Assets</b>	<u>24,889,247</u>	<u>24,217,767</u>
 <b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions & post employment benefits	42,344	58,640
 <b>Liabilities:</b>		
Long-term debt outstanding	(4,155,000)	(4,320,000)
Other liabilities	(721,959)	(274,392)
<b>Total Liabilities</b>	<u>(4,876,959)</u>	<u>(4,594,392)</u>
 <b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions & post employment benefits	(68,512)	(125,762)
Deferred revenue related to leases	(1,498,600)	(1,488,423)
 <b>Net Position:</b>		
Net investment in capital assets	11,399,457	10,872,605
Restricted	425,475	568,721
Unrestricted	6,662,588	6,626,504
<b>Total Net Position</b>	<u><b>\$18,487,520</b></u>	<u><b>\$18,067,830</b></u>

The Town's Total Net Position increased by \$419,690 during 2023.

Asset changes included an increase in receivable balances of \$177,629. Capital assets increased in 2023 primarily as a result of a capital road project, construction of a new communications tower, and the purchase of a new pumper truck.

Long-term debt obligations decreased in 2023 by \$165,000, as a new \$300,000 borrowing was offset by scheduled principal repayments of \$465,000. Other long-term liabilities increased in 2023 primarily due to the County changing from a calendar year to a July-June fiscal year, and implementing the change with a six-month budget for January to June, 2023. The County offered the option to make the payment for the six-month tax assessment in full 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. Other long-term liabilities include the Town's proportionate share of the net pension liability/(asset) of the Maine Public Employees Retirement System \$44,384 and other post employment benefits \$158,248.

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

63.3% of the Town's Net Position at December 31, 2023 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.

\$425,475 of the 2023 Net Position (2.3%) is restricted for grants, \$163,100, and American Rescue Plan Act purposes, \$262,375. Unrestricted Net Position includes amounts assigned or committed for expenditures for certain purposes in subsequent years. This includes \$229,117 for the purchase of emergency services vehicles, and \$121,461 for capital road projects.

**Statement of Activities Information**

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

<b>Changes in Net Position</b>		<b>Governmental Activities</b>	
		<u>2023</u>	<u>2022</u>
Revenues:			
Program Revenues			
Charges for services		\$300,749	\$283,179
Operating grants & contributions		248,862	249,712
General Revenues			
Property and excise taxes		16,286,126	15,475,296
Intergovernmental		603,510	476,907
Interest earned		101,607	16,513
Other		615,261	900,382
Total revenues		<u>18,156,115</u>	<u>17,401,989</u>
Expenses:			
General government		1,799,689	1,619,016
Public works		1,506,736	1,405,072
Protection and safety		1,793,557	1,754,459
Health and welfare		31,571	32,156
Culture and recreation		488,668	450,791
Education		9,631,963	8,981,015
County taxes		1,875,655	1,322,580
Overlay/abatements		264	3,846
Interest on long-term debt		190,601	159,361
Capital and special projects		417,721	347,437
Total expenses		<u>17,736,425</u>	<u>16,075,733</u>
<b>Increase/(decrease) in net position</b>		<b><u>\$419,690</u></b>	<b><u>\$1,326,256</u></b>

**Governmental Activities**

Governmental activities increased the Town's net position by \$419,690 as a 10.3% increase in expenses was offset by a 4.3% increase in revenues. Total program revenues increased by \$16,720 or 3.14% on a year to year basis. Operating grants and contributions remains consistent as the Town continues to be successful in obtaining grants, including multiple grants from the Cumberland County Development Block Grant Program and the Governor's Office of Policy, Innovation and the Future. Charges for services increased 6.2% (\$17,570) 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 2023, property tax revenues increased from the prior year by \$735,002 and excise tax revenues increased by \$75,828. The mil rate increased from \$5.90 to \$6.10. Intergovernmental revenue increased by \$126,603 or 26.5%, primarily due to the new property tax stabilization State payment of \$76,311 and an increase in State revenue sharing \$27,065.

Expenses relating to capital and special projects in the Statement of Activities exclude \$1,140,166 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**

<b>Function / Program</b>	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General government	\$1,799,689	\$1,619,016	\$1,799,689	\$1,619,016
Public works	1,506,736	1,405,072	1,182,013	1,099,808
Protection and safety	1,793,557	1,754,459	1,793,557	1,754,459
Health and welfare	31,571	32,156	25,153	22,748
Culture and recreation	488,668	450,791	452,961	426,628
Education	9,631,963	8,981,015	9,631,963	8,981,015
County taxes	1,875,655	1,322,580	1,875,655	1,322,580
Overlay/abatement	264	3,846	264	3,846
Interest on long-term debt	190,601	159,361	190,601	159,361
Capital and special projects	417,721	347,437	234,958	153,381
<b>Total governmental activities</b>	<b>\$17,736,425</b>	<b>\$16,075,733</b>	<b>\$17,186,814</b>	<b>\$15,542,842</b>

Total Cost of Services and Net Cost of Services increased from 2022 to 2023 by 10.3% and 10.6%, respectively. The increase in expenses is primarily due to the six-month County tax assessment.

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

As of December 31, 2023, the Town's governmental fund balance totaled \$7,348,806.

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 increased from \$5,952,172 in 2022 to \$6,527,936 in 2023. The increase was attributable to an excess of revenues over expenditures of \$690,564, plus bond proceeds for emergency communications of \$300,000 and \$20,000 transfer of ARPA funds for the heating assistance program, less the transfer of \$150,000 to the emergency vehicles fund, \$275,000 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, \$50,000 for emergency communications, and \$24,829 for the media upgrade project.

2023 property tax revenue increased by \$735,002 relative to 2022. This excludes \$73,580 for the tax stabilization program, which the State of Maine covers. Total appropriations increased by \$1,077,146 as increases in municipal appropriations of \$591,196 (9.3%), the school assessment of \$650,948 (7.3%), the County assessment of \$115,991 (8.8%), were offset by a decrease in overlay of \$280,989 (70%).

The Town experienced an increase in non-property tax revenue sources in 2023 relative to 2022, primarily in interest earned (\$85,094), excise tax and registration fees (\$75,828), and State revenue sharing (\$27,065).

The 2023 mil rate increased to \$6.10 from \$5.90 and the property tax base expanded by over fifty-nine million dollars. Of the 2023 commitment, 97.5% 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 2023 occurred in the areas of recycling center/transfer station (\$50,923), snow removal (\$45,801), code enforcement (\$40,565), shellfish conservation contract and boat (\$32,892), general administration (\$19,936), and road maintenance (\$18,800). The recycling center/transfer station budget was not fully utilized as there was less tonnage than estimated. The snow removal budget was underspent due to less need of salt and sand as a result of fewer storms. With respect to code enforcement, the budget was primarily underspent due to changes in staffing. The marine patrol contract had unexpended funds due to an offset from the County relating to the personnel area of the 2023 contract. There were staffing changes in general administration and fewer legal matters and road maintenance projects than expected.

*Overlay.* Of the \$118,281 raised for overlay, \$264 was used to provide abatements and the remainder lapsed to the General Fund.

*Contingency.* The Select Board approved \$32,253 in use of contingency to cover the short-term borrowing interest in debt service and street lights overages.

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 2023, the Town's investment in capital assets, net of accumulated depreciation, was \$15,861,112 and its outstanding debt \$4,155,000. All outstanding debt was incurred for capital purposes.

The 2018 Bonds, for the demolition of the Mitchell Field pier, have a principal amount of \$2,915,000 remaining.

The remaining outstanding debt of \$1,240,000 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**

	<b>Capital</b>		<b>Accumulated</b>		<b>Net Investment in</b>	
	<b>Assets</b>		<b>Depreciation</b>		<b>Capital Assets</b>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$5,282,273	\$5,282,273	-	-	\$5,282,273	5,282,273
Construction in progress	130,675	98,410	-	-	130,675	98,410
Other non-depreciable assets	281,900	281,900	-	-	281,900	281,900
Buildings and building Improvements	4,518,742	4,492,637	(2,998,405)	(2,906,665)	1,520,337	1,585,972
Equipment, vehicles and furniture	3,678,343	3,017,652	(1,564,660)	(1,396,201)	2,113,683	1,621,451
Infrastructure	10,101,016	9,647,646	(3,570,431)	(3,385,142)	6,530,585	6,262,504
Right-to-use leased asset	5,124	5,124	(3,465)	(1,757)	1,659	3,367
<b>Total</b>	<b>23,998,073</b>	<b>22,825,642</b>	<b>(8,136,961)</b>	<b>(7,689,765)</b>	<b>15,861,112</b>	<b>15,135,877</b>

The construction in progress account at the end of 2023 includes engineering costs relating to the Mitchell Field boat launch and seasonal float facility, the upgrade of the Town's HVAC system, the media/video upgrade project, and emergency communications project (engineering and for the purchase of equipment).

The addition to buildings and improvements was for the replacement of the Town Office lights to LED. Equipment, vehicles and furniture increase was due to the purchase of for life paks and mobile repeaters for the three fire departments. Additionally, a pumper fire truck was purchased and leased to the Orr's/Bailey Islands Fire Dept.

Infrastructure additions include the construction of the new emergency communications tower located at the Orr's Island Fire Station. Additionally, the Basin Point Road rehabilitation project was completed in 2023.

The Town continues to assess the need to upgrade the infrastructure at Mitchell Field. With inflation and current market conditions, the construction of a combined boat launch and seasonal float facility project, continues to be evaluated. If the project proceeds in 2024, half of the project is expected to be funded by the State.

Near the end of 2023, the Town sent out a Request for Qualifications to hire a consultant to assist the Town with moving forward with planning for a central fire station.

Finally, the Town Office building needs to have its heating, ventilation and air conditioning (HVAC) systems upgraded and its building envelope made more energy efficient. Costs are estimated to be about \$425,000, for which the Town has reserved funds. The Town had delayed the project while Central Maine Power upgrades the power on Mountain Road to 3-phase, which occurred in 2023. The Select Board has contracted with a company to begin the HVAC replacement.

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 2023 to 2024 is expected to be approximately 6%. Given ongoing property valuation growth and strong revenue performance in 2023 that is expected to continue in 2024, the 2024 tax rate is projected to increase 3-5%, which is considered reasonable and manageable. Factors not yet known, that could push the tax rate increase higher, are the school and county budgets, which are not established until later in 2024 with an effective date of July 1.

A significant economic factor favorably impacting more recent municipal budgets, including 2024, is the steady growth in the collection of excise tax, which in 2023 was over \$1,500,000, \$125,000 more than expected. Excise tax is the Town's largest non-property tax revenue source and it is demonstrating that consumer spending is strong for big ticket items such as vehicle purchases.

Interest rates appear to be stabilizing. While the Town experienced greater than expected expense on interest for its tax anticipating borrowing in 2023, it realized more than \$100,000 in interest income on its reserve funds. Adjustments have been made for the 2024 budget. With regard to borrowing for capital projects, the Town has limited new borrowings as it anticipates a large-scale project on the horizon for a centralized emergency services building that may likely come before voters in late 2024 or at the 2025 Annual Town Meeting. The Town does not intend to add to its bonded indebtedness until the emergency services project and its cost, expected to be several million dollars, are more fleshed out. As a result of this approach, several capital projects are being financed by building up reserves over time. These projects include the boat launch at Mitchell Field, the second phase of the Recycling Center upgrade and replacement of the HVAC system at the Town Office.

The Town continues to address compensating its employees at levels that are reflective of the local labor market. In addition, the Town is instituting a retention program for emergency services providers, primarily volunteers, to help attract and retain younger volunteers.

The Town has had a measured approach to use of the federally provided American Rescue Plan Act (ARPA) funds which have 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. In 2024, there are proposals for supporting a new regional homeless shelter, providing local heating assistance and purchasing emergency services communication equipment. The use of ARPA funds does not impact the tax rate.

Harpswell continues to be considered a desirable place to live with a low tax rate. There is less inventory for prospective buyers which pushes up the cost of property and homes. The escalating median home price, now more than \$700,000, is a worrisome trend from an affordability perspective. While new owners may find the tax rate reasonable, the Town is always mindful of the impact of any tax increase on all of its property owners.

The Town's fund balance grew in 2023, making \$600,000 available in 2024 to reduce the tax commitment and over \$400,000 to support major projects such as road reconstruction and a town-wide revaluation. Having voters approve the use of these funds for such purposes helps take the pressure off further increases to the 2024 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, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,893,699
Receivables:	
Taxes	370,093
Liens	22,657
Accounts	211,762
Prepaid items	31,324
Current portion of lease receivable	64,258
Noncurrent assets:	
Capital assets, not being depreciated	5,694,848
Other capital assets, net of accumulated depreciation	10,166,264
Noncurrent portion of lease receivable	1,434,342
<b>Total assets</b>	<b>24,889,247</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions & post employment benefits	42,344
<b>Total deferred outflows of resources</b>	<b>42,344</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	36,483
Unearned revenue	4,246
Accrued interest	16,636
Noncurrent liabilities:	
Due within one year	540,695
Due in more than one year	4,278,899
<b>Total liabilities</b>	<b>4,876,959</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions & post employment benefits	68,512
Deferred revenue related to leases	1,498,600
<b>Total deferred inflows of resources</b>	<b>1,567,112</b>
<b>NET POSITION</b>	
Net investment in capital assets	11,399,457
Restricted for:	
Grants and ARPA	425,475
Unrestricted	6,662,588
<b>Total net position</b>	<b>\$ 18,487,520</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Activities**  
**For the year ended December 31, 2023**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position Governmental activities
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
General government	\$ 1,799,689	-	-	-	(1,799,689)
Public works	1,506,736	282,067	42,656	-	(1,182,013)
Protection and safety	1,793,557	-	-	-	(1,793,557)
Health and welfare	31,571	-	6,418	-	(25,153)
Cultural and recreation	488,668	18,682	17,025	-	(452,961)
Education	9,631,963	-	-	-	(9,631,963)
County taxes	1,875,655	-	-	-	(1,875,655)
Overlay/abatements	264	-	-	-	(264)
Interest expense	190,601	-	-	-	(190,601)
Capital and special projects	417,721	-	182,763	-	(234,958)
<b>Total governmental activities</b>	<b>17,736,425</b>	<b>300,749</b>	<b>248,862</b>	<b>-</b>	<b>(17,186,814)</b>

## General revenues:

Property taxes, levied for general purposes	14,746,374
Excise taxes	1,539,752
Interest and fees on property taxes	9,167
Intergovernmental	603,510
Interest earned	101,607
Miscellaneous	606,094
<b>Total general revenues</b>	<b>17,606,504</b>

Change in net position 419,690

Net position - beginning of year 18,067,830

**Net position - ending \$ 18,487,520**

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2023**

	General	Road Projects	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,893,699	-	-	-	6,893,699
Receivables:					
Taxes	370,093	-	-	-	370,093
Liens	22,657	-	-	-	22,657
Other	211,762	-	-	-	211,762
Interfund receivables	-	121,461	262,375	437,034	820,870
Prepaid items	31,324	-	-	-	31,324
<b>Total assets</b>	<b>\$ 7,529,535</b>	<b>121,461</b>	<b>262,375</b>	<b>437,034</b>	<b>8,350,405</b>
<b>LIABILITIES</b>					
Accounts payable and other liabilities	36,483	-	-	-	36,483
Unearned revenue - taxes paid in advance	4,246	-	-	-	4,246
Unearned revenue - other	-	-	-	-	-
Interfund payables	820,870	-	-	-	820,870
<b>Total liabilities</b>	<b>861,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>861,599</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	140,000	-	-	-	140,000
<b>Total deferred inflows of resources</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,000</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid Insurance	31,324	-	-	-	31,324
Restricted:					
Grants and American Resuce Plan Act	-	-	262,375	163,100	425,475
Committed:					
Capital projects	-	121,461	-	229,117	350,578
Assigned:					
General fund	2,206,738	-	-	-	2,206,738
Recreation	-	-	-	44,817	44,817
Unassigned	4,289,874	-	-	-	4,289,874
<b>Total fund balances</b>	<b>6,527,936</b>	<b>121,461</b>	<b>262,375</b>	<b>437,034</b>	<b>7,348,806</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 7,529,535</b>	<b>121,461</b>	<b>262,375</b>	<b>437,034</b>	

Amounts reported for governmental activities in the Statement of Net Position (Statement 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,861,112
Deferred outflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds.	42,344
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
in the funds shown above:	
Lease receivable	1,498,600
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	(4,155,000)
Cumberland County change in fiscal year tax warrant	(437,084)
Compensated absences payable	(24,878)
Accrued interest	(16,636)
Net pension and other postemployment benefits liabilities	(202,632)
Deferred inflows of resources related to leases are not financial resources and, therefore, are not reported in the funds.	(1,498,600)
Deferred inflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds.	(68,512)

<b>Net position of governmental activities</b>	<b>\$ 18,487,520</b>
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*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2023**

	General	Road Projects	American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 16,295,293	-	-	-	16,295,293
Intergovernmental	652,584	-	-	182,763	835,347
Miscellaneous	1,004,112	-	7,594	43,768	1,055,474
<b>Total revenues</b>	<b>17,951,989</b>	<b>-</b>	<b>7,594</b>	<b>226,531</b>	<b>18,186,114</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,738,191	-	-	-	1,738,191
Public works	1,260,336	-	-	-	1,260,336
Protection and safety	1,671,763	-	-	-	1,671,763
Health and welfare	31,571	-	-	-	31,571
Cultural and recreation	411,001	-	-	56,687	467,688
Education	9,631,963	-	-	-	9,631,963
County taxes	1,438,571	-	-	-	1,438,571
Overlay/abatements	264	-	-	-	264
Debt service	651,299	-	-	-	651,299
Capital and special projects	426,466	292,159	172,165	699,362	1,590,152
<b>Total expenditures</b>	<b>17,261,425</b>	<b>292,159</b>	<b>172,165</b>	<b>756,049</b>	<b>18,481,798</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>690,564</b>	<b>(292,159)</b>	<b>(164,571)</b>	<b>(529,518)</b>	<b>(295,684)</b>
<b>Other financing sources (uses):</b>					
Proceeds from long-term debt	300,000	-	-	-	300,000
Transfers (to) from other funds	(414,800)	275,000	(20,000)	159,800	-
<b>Total other financing sources (uses)</b>	<b>(114,800)</b>	<b>275,000</b>	<b>(20,000)</b>	<b>159,800</b>	<b>300,000</b>
<b>Net change in fund balances</b>	<b>575,764</b>	<b>(17,159)</b>	<b>(184,571)</b>	<b>(369,718)</b>	<b>4,316</b>
<b>Fund balances, beginning of year</b>	<b>5,952,172</b>	<b>138,620</b>	<b>446,946</b>	<b>806,752</b>	<b>7,344,490</b>
<b>Fund balances, end of year</b>	<b>\$ 6,527,936</b>	<b>121,461</b>	<b>262,375</b>	<b>437,034</b>	<b>7,348,806</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended December 31, 2023**

Net change in fund balances - total governmental funds (from Statement 4)	\$	4,316
<p>Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>		
Capital outlays		1,140,166
Additions/Disposals of capital assets, net		32,265
Depreciation expense		(447,196)
<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>		
		(16,296)
<p>Governmental funds report as revenues payments received from installment sales. In the Statement of Activities a receivable is reported when the installment contract is entered into and is reduced by payments.</p>		
		(30,000)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported.</p>		
Lease receivable		(1,498,600)
<p>Proceeds from long-term borrowing or capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This represents proceeds (\$300,000) net of repayments (\$465,000).</p>		
		165,000
<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>		
		1,555,850
<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>		
		(481,513)
<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>		
		(4,302)
<b>Change in net position of governmental activities (see Statement 2)</b>		<b>\$ 419,690</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the year ended December 31, 2023**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 16,162,374	16,162,374	16,295,293	132,919
Intergovernmental	570,476	570,476	652,584	82,108
Miscellaneous	784,500	784,500	1,004,112	219,612
Total revenues	17,517,350	17,517,350	17,951,989	434,639
<b>Expenditures:</b>				
Current:				
General government	1,873,321	1,906,821	1,738,191	168,630
Public works	1,375,860	1,375,860	1,260,336	115,524
Protection and safety	1,746,772	1,746,772	1,671,763	75,009
Health and welfare	37,406	37,406	31,571	5,835
Cultural and recreation	424,101	450,851	411,001	39,850
Education	9,631,963	9,631,963	9,631,963	-
County taxes	1,438,571	1,438,571	1,438,571	-
Overlay/abatements	118,281	118,281	264	118,017
Debt service	620,000	620,000	651,299	(31,299)
Capital and special projects	811,104	2,475,405	426,466	2,048,939
Total expenditures	18,077,379	19,801,930	17,261,425	2,540,505
Excess (deficiency) of revenues over (under) expenditures	(560,029)	(2,284,580)	690,564	2,975,144
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt	300,000	300,000	300,000	-
Transfer to / from other funds	(414,800)	(414,800)	(414,800)	-
Budgeted use of unassigned fund balance	674,829	674,829	-	(674,829)
Budgeted use of carryforward balances	-	1,782,278	-	(1,782,278)
Budgeted use of contingency	-	(57,727)	-	57,727
Total other financing sources (uses)	560,029	2,284,580	(114,800)	(2,399,380)
Net change in fund balance	-	-	575,764	575,764
Fund balance, beginning of year			5,952,172	
<b>Fund balance, end of year</b>			<b>\$ 6,527,936</b>	

*See accompanying notes to financial statements.*

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

	LAST 10 FISCAL YEARS*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
<u>PLD Plan:</u>										
Proportion of the net pension liability (asset)	0.02%	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)	\$ 44,384	\$ (5,875)	\$ 72,112	\$ 56,844	\$ 50,247	\$ 93,217	\$ 112,010	\$ 66,579	\$ 30,730	
Covered-employee payroll	\$ 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	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	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, and are for those years for which information is available.

See accompanying notes to financial statements.

**Schedule of Contributions**

	LAST 10 FISCAL YEARS*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
<u>PLD Plan:</u>										
Contractually required contribution	\$ 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	(9,337)	(10,693)	(13,228)	(12,299)	(11,319)	(11,420)	(10,993)	(10,443)	(9,279)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered-employee payroll	\$ 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	10.20%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>Total Health Plan OPEB Liability</u></b>						
Service Cost	\$ 11,536	\$ 11,492	\$ 10,050	\$ 8,959	\$ 9,714	\$ 11,727
Interest	3,611	4,446	5,147	6,567	5,630	6,349
Changes of benefit terms	-	-	-	(3,800)	-	-
Differences between expected and actual experience	-	(37,951)	-	(7,846)	-	(14,521)
Changes of assumptions	(17,879)	(6,905)	10,661	28,441	(12,092)	(720)
Benefit payments	(5,563)	(5,527)	(5,314)	(6,107)	(5,872)	(4,421)
<b>Net change in Total Health Plan OPEB liability</b>	<b>(8,295)</b>	<b>(34,445)</b>	<b>20,544</b>	<b>26,214</b>	<b>\$ (2,620)</b>	<b>\$ (1,586)</b>
<b>Total Health Plan OPEB liability - beginning</b>	<b>\$ 166,543</b>	<b>\$ 200,988</b>	<b>\$ 180,444</b>	<b>\$ 154,230</b>	<b>\$ 156,850</b>	<b>\$ 158,436</b>
<b>Total Health Plan OPEB liability - ending</b>	<b>\$ 158,248</b>	<b>\$ 166,543</b>	<b>\$ 200,988</b>	<b>\$ 180,444</b>	<b>\$ 154,230</b>	<b>\$ 156,850</b>
Covered-employee payroll	739,333	739,333	670,562	657,532	\$ 657,532	\$ 657,532
Total Health Plan OPEB liability as a percentage of covered-employee payroll	21.4%	22.5%	30.0%	27.4%	23.5%	23.9%

*\*Only six 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, 2023**

**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*				
	2022	2021	2018	2016	2015
Discount rate	6.50%	6.50%	6.75%	6.875%	7.125%
Inflation rate	2.75%	2.75%	2.75%	2.75%	3.50%
Salary increases	2.75%- 11.48%	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%	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
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**

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THE REPORTING ENTITY

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The Town of Harpswell, Maine, incorporated on January 25, 1758, currently operates under a Town Meeting-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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

Those revenues susceptible to accrual are property taxes, 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.

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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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In 2023, the Town returned to its practice of holding its Annual Town Meeting in person in March. Town Meeting adopts the annual budget 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.

**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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

**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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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*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.

**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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

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**CASH AND CASH EQUIVALENTS**

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*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. As of December 31, 2023, the Town reported deposits of \$6,893,699 with a bank balance of \$7,128,917. 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.

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**RECEIVABLE FROM HARPSWELL COASTAL ACADEMY**

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In 2015, the Town completed the sale of land and building to Harpswell Coastal Academy (HCA). The total consideration was \$150,000 with \$10,000 paid at closing. An additional \$40,000 was credited from lease payments. Harpswell Coastal Academy was scheduled to pay the remainder to the Town in ten equal installments of \$10,000. HCA closed in 2023 and the Town received its outstanding receivable balance of \$30,000.



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

**LEASES RECEIVABLE**

A summary of the leases receivable for the year ended December 31, 2023 is as follows:

	<u>Balance</u> <u>12/31/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/23</u>	<u>Due within</u> <u>one year</u>
<u>Leases receivable</u>	<u>\$1,488,424</u>	<u>76,930</u>	<u>66,754</u>	<u>1,498,600</u>	<u>64,258</u>

The following is a summary of the leases receivable as of December 31, 2023:

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 2023 totaled \$33,010, which included the annual 3% increase and a \$6,000 increase due to the addition of another carrier.

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 2023 totaled \$22,870 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. Annual lease payments received in 2023 totaled \$6,874. The lease was extended to January 31, 2024 and will not be renewed.

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 2023 totaled \$4,000. The lease rate for January – March 2024 is known at \$750. The Select Board will be establishing the remaining 2024 rates which will begin 4/1/24.

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>
2024	64,258	64,258
2025	65,180	65,180
2026	66,897	66,897
2027	68,661	68,661
2028	70,474	70,474
2029-2033	134,034	134,034
2034-2038	147,985	147,985
2039-2043	163,387	163,387
2044-2048	180,393	180,393
2049-2053	199,168	199,168
2054-2058	219,898	219,898
2059-2061	118,265	118,265
<b>Total</b>	<b><u>\$1,498,600</u></b>	<b><u>\$1,498,600</u></b>

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

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PROPERTY TAX

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The Town's property taxes for the current year were committed on August 11, 2023, on the assessed value listed as of April 1, 2023 for all real and personal property located in the Town. Taxes were due on September 15, 2023 and December 15, 2023; interest was charged at 6% on all unpaid taxes after those dates.

The following summarizes the 2023 and 2022 levy:

	<u>2023</u>	<u>2022</u>
Assessed value:		
Real property	\$2,423,112,400	2,364,683,800
Personal property	6,388,300	5,555,500
<u>Total valuation</u>	<u>2,429,500,700</u>	<u>2,370,239,300</u>
<u>Tax rate (per \$1,000)</u>	<u>6.10</u>	<u>5.90</u>
Tax commitment	14,819,954	13,984,412
Less: property tax stabilization	(73,580)	-
<u>Less: collections and abatements (net of supplements)</u>	<u>(14,376,281)</u>	<u>(13,706,714)</u>
<b><u>Taxes receivable at December 31</u></b>	<b><u>\$370,093</u></b>	<b><u>277,698</u></b>
Due dates	½ September 15, 2023 ½ December 15, 2023	½ September 15, 2022 ½ December 15, 2022
Interest rate on delinquent taxes	6.00%	4.00%
Collection rate-net commitment	97.5%	98.01%

Property Tax Stabilization for Senior Citizens, also known as the Property Tax Stabilization Program (the "Program"), is a State program that allowed certain senior-citizen residents to stabilize, or freeze, the property taxes on their homestead. As a result of recent changes in the law, the Tax Stabilization Program will only apply to the property tax year beginning April 1, 2023.

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 \$118,281 for the year ended December 31, 2023. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as unavailable revenues. Tax payments received in advance of a levy are reported as unearned revenue.

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

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

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

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**COMMITMENTS**

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At December 31, 2023, 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 \$2,320,762 for various periods through April 30, 2026.

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**INTERFUND RECEIVABLES AND PAYABLES**

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Individual interfund receivables and payables balances at December 31, 2023 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	820,870
Special Revenue Funds:		
Restricted grants	163,100	-
Recreation	44,817	-
American Rescue Plan Act	262,375	-
Capital Projects Fund:		
Emergency vehicles	229,117	-
Road projects	121,461	-
<b>Totals</b>	<b>\$820,870</b>	<b>820,870</b>

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**CAPITAL ASSETS**

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Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>2023</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,282,273	-	-	5,282,273
Construction in progress	98,410	61,668	29,403	130,675
Other non-depreciable assets	281,900	-	-	281,900
Total capital assets not being depreciated	5,662,583	61,668	29,403	5,694,848
Capital assets, being depreciated:				
Buildings and improvements	4,492,637	26,105	-	4,518,742
Equipment, vehicles, and furniture	3,017,652	660,691	-	3,678,343
Infrastructure	9,647,646	453,370	-	10,101,016
Right-to-use leased assets	5,124	-	-	5,124
Total capital assets being depreciated	17,163,059	1,140,166	-	18,303,225
Less accumulated depreciation for:				
Buildings and improvements	2,906,665	91,740	-	2,998,405
Equipment, vehicles and furniture	1,396,201	168,459	-	1,564,660
Infrastructure	3,385,142	185,289	-	3,570,431
Right-to-use leased assets	1,757	1,708	-	3,465
Total accumulated depreciation	7,689,765	447,196	-	8,136,961
Total capital assets being depreciated, net	9,473,294	692,970	-	10,166,264
<b>Governmental activities capital assets, net</b>	<b>\$15,135,877</b>	<b>754,638</b>	<b>29,403</b>	<b>15,861,112</b>

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

**CAPITAL ASSETS, CONTINUED**

During 2023, the Town completed rehabilitating the remainder of Basin Point Road (in 2021, the first 2,200 linear feet of Basin Point Road was completed) (\$292,159), purchased a pumper truck for use by the Orr's/Bailey Islands Fire Department (\$557,924), purchased lifepaks and mobile repeaters for use by the Fire Departments (\$102,767), constructed a new communications tower located on the Orr's Island Fire Department property (\$129,220), continued to engineer the new communications system and purchased equipment (\$29,056), purchased equipment for the media upgrade project (\$24,829), replaced the Town Office lighting with LED (\$26,105), and continued to engineer a boat launch at Mitchell Field (\$7,783).

Fire and rescue vehicles with a cost of \$2,518,444 and accumulated depreciation of \$937,702 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	\$58,022
Public works	246,400
Protection and safety	121,794
Cultural and recreation	20,980

<b>Total depreciation expense – governmental activities</b>	<b>\$ 447,196</b>
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**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 13, 2023 meeting authorizing the Treasurer to borrow up to \$3,600,000 to be due on or before December 31, 2023. From May 17, 2023, to July 19, 2023, the Town made periodic draws on this note such that the maximum amount outstanding was \$3.6 million. The outstanding principal and interest was paid before December 31, 2023. The total interest paid on this note was \$58,102. Since there is no beginning or ending balance at December 31, 2022 and 2023, it has not been included in the debt note which follows.

**LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
<b>Governmental activities:</b>					
Bonds payable	\$4,320,000	300,000	465,000	4,155,000	395,000
County Tax fiscal year adj.	-	582,779	145,695	437,084	145,695
Compensated absences payable	22,412	59,422	56,956	24,878	-
Proportionate share of the net pension liability/(asset)	(5,875)	50,259	-	44,384	-
OPEB net liability	166,543	-	8,295	158,248	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 4,503,080</b>	<b>992,460</b>	<b>675,946</b>	<b>4,819,594</b>	<b>540,695</b>

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

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LONG-TERM LIABILITIES, CONTINUED

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Bonds payable at December 31, 2023 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, 2023</u>
Governmental activities:					
2014 Capital road project	8/20/14	8/20/24	600,000	2.30%	60,000
2018 Mitchell Field pier	04/09/18	12/15/38	3,500,000	3.00-5.00%	2,915,000
2021 Recycling Center	05/21/21	11/01/31	450,000	.41-1.45%	360,000
2021 Capital road project	07/09/21	07/09/31	650,000	2.31%	520,000
2023 Capital communications	04/24/23	04/24/33	300,000	4.79%	300,000
<b>Total bonds payable</b>					<b>\$4,155,000</b>

The annual requirements to amortize outstanding debt as of December 31, 2023 are as follows:

	<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024		395,000	119,492	514,492
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
2029-2033		1,455,000	269,196	1,724,196
2034-2038		965,000	90,944	1,055,944
<b>Total</b>		<b>\$4,155,000</b>	<b>860,706</b>	<b>5,015,706</b>

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.

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STATUTORY DEBT LIMIT

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The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2023, the Town was in compliance with these restrictions.

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OVERLAPPING DEBT

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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, 2023</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$31,743,804	3.47%	1,101,242
MSAD 75 / RSU 75	74,150,500	34.84%	25,834,034

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

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

**BUDGETED USE OF SURPLUS**

During the year ended December 31, 2023, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2022 carry forward balance	\$1,782,278
Use of surplus – current year:	
Media equipment	24,829
Emergency communications system	50,000
Reduction of tax commitment	600,000
<b>Total</b>	<b>\$2,457,107</b>

**INTERFUND TRANSFERS**

Individual fund transfers for the year ended December 31, 2023 were as follows:

	Transfers in	Transfers out
General fund	\$ -	434,800
Special revenue funds:		
Recreation	9,800	-
Capital project funds:		
Road projects	275,000	-
Emergency vehicles	150,000	-
Total capital projects fund	425,000	-
<b>Total transfers</b>	<b>\$434,800</b>	<b>434,800</b>

This transfer was a budgeted transfer to fund certain activities.

**RESTRICTED GRANTS**

The Town classifies grant awards as restricted grants in the Town’s special revenue fund. The December 31, 2023 fund balance of restricted grants consisted of the following awards:

<b>Grant Award</b>	Balance beginning of year	Revenues	Expenditures	Balance end of year
Nature Conservancy-helical moorings	116,512	-	6,137	110,375
Cumberland County Block-CH Library	-	74,706	74,706	-
Governor’s Off. Policy, Innov.&Future-Roads	-	50,000	-	50,000
Governor’s Off. Policy, Innov.&Future-Lighting	-	32,203	32,203	-
Cumberland County Block-Holbrooks	-	12,000	12,000	-
Mitchell Field Community Garden	-	5,374	5,374	-
Mitchell Field floats/ramp – MDOT	-	3,891	3,891	-
Cumberland County heat assistance	-	3,794	3,794	-
Island Institute – Sea Level Rise	2,725	-	-	2,725
Governor’s Off. Policy, Innov.&Future-Landing	1,923	-	1,923	-
Casco Bay Estuary & ME Com F’dation-shellfish	615	-	615	-
Maine Municipal Safety grant	-	500	500	-
Small Community Grant - septic	-	295	295	-
<b>Total restricted grants</b>	<b>\$121,775</b>	<b>\$182,763</b>	<b>\$141,438</b>	<b>\$163,100</b>

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

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**ASSIGNED FUND BALANCES**

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At December 31, 2023, assigned fund balance consisted of the following:

<u>Fund</u>	<u>Assigned balance</u>
Appropriation carryovers:	
Special Purpose Funds:	
Energy Conservation	\$ 2,213
Flood plain map revisions	24,678
Land purchase, map 42, lot 6	3,318
Harpswell Physical Education Association	38,000
Harpswell Radio Project	750
Harpswell home repairs	3,505
Old Town House roof/painting	30,000
Mitchell Field bldg feasibility study	6,090
Town landings/lands	15,000
Fire Department ambulance	15,000
Town-side valuation	75,000
Capital Reserves:	
Town facilities	426,130
Office equipment	27,937
Boat/motor replacement	10,998
Recycling	429,844
Vehicles & equipment replacement	33,601
Emergency communication equipment	244,223
Dry hydrant development	10,120
Land acquisition and property improvement	82,849
Emergency services building planning	94,797
Mitchell Field capital	460,368
Failed septic system	21,999
Other Reserves:	
Resilience and Sustainability	60,000
Property tax assistance program	2,472
Conservation fund	5,000
Self-insurance	1,197
Heating assistance	1,833
Marine hazards	9,600
Plus contingency	25,474
Assigned fund balances subtotal	2,162,006
Assigned revenues:	
Heating assistance	35,903
Cliff Trail donations	1,039
Capital media equipment	6,000
Mitchell Field boat ramp or bandstand	1,800
<b>Total assigned fund balance – General Fund</b>	<b><u>\$2,206,738</u></b>

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

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**NET POSITION**

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**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bond and capital leases obligations. The Town's net investment in capital assets was calculated as follows at December 31, 2023:

Capital assets	\$ 23,998,073
Accumulated depreciation	(8,136,961)
Bonds payable	(4,155,000)
County tax fiscal year adjustment	(437,084)
Unexpended bond proceeds	130,429
<b>Total net investment in capital assets</b>	<b>\$ 11,399,457</b>

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2023.

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**CONTINGENT LIABILITIES**

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

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

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**DEFERRED COMPENSATION PLAN**

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The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through 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. 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, 2023, 2022 and 2021 were \$47,406, \$43,109, and \$34,011, respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.



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

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

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**Plan Description**

Certain Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at [www.mainepers.org](http://www.mainepers.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, 2022, there were 311 employers in the Plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 1.52%.

**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 7.7% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 10.2% 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, 2023 was \$9,337.

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.

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

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

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

At December 31, 2023, the Town reported a liability of \$44,384 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2022 (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, 2022, the Town's proportion was 0.016696%, which was a decrease of 0.001587% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2023, the Town recognized net pension expense of \$173,565. At December 31, 2023, 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	\$ 8,248	-
Changes of assumptions	9,008	-
Net difference between projected and actual earnings on pension plan investments	-	18,628
Changes in proportion and differences between contributions and proportionate share of contributions	155	2,954
Contributions subsequent to the measurement date	10,122	-
<b>Total</b>	<b>\$ 27,533</b>	<b>\$ 21,582</b>

\$10,122, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Year ended June 30:	
2023	\$ 4,274
2024	(5,621)
2025	(11,573)
2026	8,749
Thereafter	-

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

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

**Actuarial assumptions:**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2022, based on the results of an actuarial experience study covering the period from June 30, 2015 to June 20, 2020 and the economic assumptions are based on this experience study along with advice of the MainePERS investment consultants.

**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, 2022 are as follows:**

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

*Salary Increases, Merit and Inflation* - Members of the consolidated plan for PLDs, 2.75% to 11.48% per year.

*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 assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2021 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	6.0%
US Government	2.3%
Private Equity	7.6%
Real Assets:	
Real Estate	5.2%
Infrastructure	5.3%
Natural	
Resources	5.0%
Traditional Credit	3.2%
Alternative Credit	7.4%
Diversifiers	5.9%

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

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

**Discount Rate**

The discount rate used to measure the collective total pension liability was 6.50% for 2022. 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, 2022 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)	\$ 131,123	\$ 44,384	\$ (27,309)

**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS 2021 Annual Comprehensive Financial Report available online at [www.maineopers.org](http://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, 2022, 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>17</u>
Total	<u><u>19</u></u>

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

**OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

The Town's Health Plan OPEB liability of \$158,248 was measured as of January 1, 2023, and was determined by an actuarial valuation as of that date.

Changes in the Total Health Plan OPEB Liability:

	<u>Health Plan OPEB Liability</u>
Balance at December 31, 2022	\$ 166,543
Changes for the year:	
Service Cost	11,536
Interest	3,611
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(17,879)
Benefit payments	<u>(5,563)</u>
Net Changes	<u>(8,295)</u>
Balance at December 31, 2023	<u>\$ 158,248</u>

For the year ended December 31, 2023, the Town recognized OPEB expense of \$5,925, related to the Health Plan. At December 31, 2023, The Town reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,905	\$ 29,721
Changes in assumptions	14,955	20,258
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>-</u>
	<u>\$ 17,860</u>	<u>\$ 49,979</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>		
2024	\$	( 704)
2025		(3,750)
2026		(7,186)
2027		(8,962)
2028		(8,962)
Thereafter		(2,555)

The total OPEB liability in the January 1, 2023 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>Health Plan</u>
Inflation	3.00%
Salary increases	2.75% average, including inflation
Discount Rate	3.72%
Healthcare cost trend rates (applied in FYE 2022 grading over 20 years to 4.55% per annum)	
Pre-Medicare Medical:	7.96%

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

**OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

Pre-Medicare Drug:	8.15%
Medicare Medical:	4.80%
Medicare Drug:	8.15%

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

**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, 2023 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 rate of 3.72% per annum for June 30, 2023 was based upon a measurement date of December 29, 2022. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease (2.72%)	Current Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB Liability	\$ 180,192	\$ 158,248	\$ 140,115

*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	\$ 137,838	\$ 158,248	\$ 183,635

*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, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,893,699	7,043,062
Receivables:		
Taxes	370,093	277,698
Tax liens and acquired properties	22,657	21,806
Other	211,762	127,379
Prepaid items	31,324	93,522
<b>Total assets</b>	<b>\$ 7,529,535</b>	<b>7,563,467</b>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	36,483	72,415
Unearned revenue - taxes paid in advance	4,246	6,512
Unearned revenue - other	-	50
Interfund payables:		
Special Revenue	470,292	624,718
Capital Projects	350,578	767,600
<b>Total liabilities</b>	<b>861,599</b>	<b>1,471,295</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	140,000	140,000
<b>Total deferred inflows of resources</b>	<b>140,000</b>	<b>140,000</b>
<b>FUND BALANCE</b>		
Nonspendable:		
Prepaid items	31,324	93,522
Committed:	-	-
Assigned	2,206,738	1,782,278
Unassigned	4,289,874	4,076,372
<b>Total fund balance</b>	<b>6,527,936</b>	<b>5,952,172</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 7,529,535</b>	<b>7,563,467</b>

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting)**  
**For the year ended December 31, 2023**

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 14,746,374	14,746,374	14,746,374	-
Interest and fees on property taxes	6,000	6,000	9,167	3,167
Excise taxes and registration fees	1,410,000	1,410,000	1,539,752	129,752
Total taxes	16,162,374	16,162,374	16,295,293	132,919
Intergovernmental:				
State revenue sharing	250,000	250,000	315,640	65,640
Property tax stabilization	73,580	73,580	76,311	2,731
Local road assistance URIP	34,000	34,000	42,656	8,656
Homestead exemption and BETE	174,396	174,396	174,396	-
Tree growth	14,000	14,000	17,023	3,023
General assistance	7,000	7,000	6,418	(582)
Veterans exemption	3,000	3,000	2,553	(447)
Solar & Wind	7,000	7,000	7,754	754
Other	7,500	7,500	9,833	2,333
Total intergovernmental	570,476	570,476	652,584	82,108
Miscellaneous:				
Interest earned	12,000	12,000	101,607	89,607
Copies and records	3,000	3,000	3,506	506
Cable TV franchise fee	110,000	110,000	103,993	(6,007)
Licenses, fees and permits	320,000	320,000	332,958	12,958
Fines	-	-	233	233
Recycling center and disposal fees	234,000	234,000	282,067	48,067
Donations and gifts	21,000	21,000	59,886	38,886
Receipts from Harpswell Coastal Academy	10,000	10,000	30,000	20,000
Tower lease, incl capital	58,000	58,000	55,881	(2,119)
Leases	13,000	13,000	11,876	(1,124)
Unclassified	3,500	3,500	22,105	18,605
Total miscellaneous	784,500	784,500	1,004,112	219,612
Total revenues	\$ 17,517,350	17,517,350	17,951,989	434,639

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting), Continues**  
**For the year ended December 31, 2023**

Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
		Original	Final			
<b>Expenditures:</b>						
<i>General government:</i>						
Elected officials	\$ -	132,367	132,367	131,767	600	-
<i>General administration:</i>						
Administration	-	341,931	341,931	321,995	19,936	-
Public information	-	10,000	10,000	8,212	1,788	-
Risk management	-	105,869	105,869	104,118	1,751	-
Legal services	-	50,000	50,000	45,910	4,090	-
Memberships	-	18,785	18,785	18,545	240	-
Assessing	-	107,274	107,274	96,186	11,088	-
Tax collector's office	-	58,004	58,004	54,283	3,721	-
Town clerk's office	-	67,570	67,570	57,092	10,478	-
Code enforcement	-	196,556	196,556	155,991	40,565	-
Planning	-	74,000	74,000	71,569	2,431	-
Employee benefits	-	488,085	488,085	486,249	1,836	-
Boards and committees	-	6,800	6,800	7,626	(826)	-
<i>Operations and maintenance:</i>						
Municipal buildings and property	-	96,300	96,300	92,539	3,761	-
Old town house and commons	25,000	36,050	61,050	28,001	33,049	30,000
Town dock	8,500	18,000	26,500	16,925	9,575	-
Town lands and landings	-	36,500	36,500	19,226	17,274	15,000
Cedar/Robinhood Beach easement	-	8,450	8,450	6,177	2,273	-
Cemeteries	-	20,780	20,780	15,780	5,000	-
<b>Total general government</b>	<b>33,500</b>	<b>1,873,321</b>	<b>1,906,821</b>	<b>1,738,191</b>	<b>168,630</b>	<b>45,000</b>
<i>Public works:</i>						
Snow removal	-	593,196	593,196	547,395	45,801	-
Maintenance, signs, salary & travel	-	115,553	115,553	96,753	18,800	-
Recycling and transfer station	-	667,111	667,111	616,188	50,923	-
<b>Total public works</b>	<b>-</b>	<b>1,375,860</b>	<b>1,375,860</b>	<b>1,260,336</b>	<b>115,524</b>	<b>-</b>
<i>Protection and safety:</i>						
Emergency services, 3 Departments	-	234,500	234,500	219,500	15,000	15,000
Emergency services - fire assistance	-	232,942	232,942	222,959	9,983	-
Emergency services building	-	7,300	7,300	6,990	310	-
Contracted paramedic services	-	366,898	366,898	364,898	2,000	-
Street lighting	-	7,200	7,200	8,154	(954)	-
Harbor management	-	127,856	127,856	119,431	8,425	-
Animal control	-	32,538	32,538	29,768	2,770	-
Law enforcement and communication	-	464,623	464,623	464,623	-	-
Marine consultant & conservation mng	-	5,000	5,000	417	4,583	-
Shellfish conservation contract & boat	-	267,915	267,915	235,023	32,892	-
<b>Total protection and safety</b>	<b>-</b>	<b>1,746,772</b>	<b>1,746,772</b>	<b>1,671,763</b>	<b>75,009</b>	<b>15,000</b>
<i>Health and welfare:</i>						
Health and welfare	-	37,406	37,406	31,446	5,960	-
Gift Cards	-	-	-	125	(125)	-
<b>Total health and welfare</b>	<b>-</b>	<b>37,406</b>	<b>37,406</b>	<b>31,571</b>	<b>5,835</b>	<b>-</b>
<i>Cultural and recreation:</i>						
Cultural and education programs	26,750	93,136	119,886	80,337	39,549	38,750
Curtis Memorial Library	-	159,089	159,089	159,089	-	-
Harpswell Community Broadcasting	-	87,580	87,580	87,580	-	-
Recreation - general	-	84,296	84,296	83,995	301	-
<b>Total cultural and recreation</b>	<b>26,750</b>	<b>424,101</b>	<b>450,851</b>	<b>411,001</b>	<b>39,850</b>	<b>38,750</b>

1 Contingency transfers approved by Select Board to cover street lights (\$954) and debt service (\$31,299) 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, 2023**

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	-	429,844	-	429,844	429,844
<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	-	82,849	82,849
Vehicle replacement & vehicle equipment	34,251	75,000	109,251	75,650	33,601	33,601
Assessing map updates	16,000	13,000	29,000	29,000	-	-
Emergency communication equipment	75,894	350,000	425,894	181,671	244,223	244,223
Land acquisition map 42, lot 6	3,318	-	3,318	-	3,318	3,318
Boat and motor replacement	5,998	5,000	10,998	-	10,998	10,998
T/O & Facilities Improvements	426,130	-	426,130	-	426,130	426,130
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	6,000
Self insurance reserve	1,368	-	1,368	171	1,197	1,197
Media equipment update	-	24,829	24,829	24,829	-	-
Heating assistance	33,388	20,000	53,388	51,555	1,833	37,736
Failed septic systems	21,999	-	21,999	-	21,999	21,999
Maine Lobstermen's Association	-	10,000	10,000	10,000	-	-
FEMA Consultant	24,678	-	24,678	-	24,678	24,678
Energy Conservation	8,931	-	8,931	6,718	2,213	2,213
Property tax assistance program	896	10,000	10,896	8,424	2,472	2,472
Cliff Trail rehabilitation	1,039	-	1,039	-	1,039	1,039
Town-wide Revaluation	-	75,000	75,000	-	75,000	75,000
Harpowell home repairs	3,505	-	3,505	-	3,505	3,505
Marine hazards reserve	9,800	-	9,800	200	9,600	9,600
Resiliency and sustainability	-	60,000	60,000	-	60,000	60,000
Emergency services building planning	94,797	-	94,797	-	94,797	94,797
Mitchell Field capital reserve	329,259	135,000	464,259	3,891	460,368	460,368
Mitchell Field - operations	9,500	33,275	42,775	34,357	8,418	6,090
Mitchell Field - ramp or bandstand donation	1,800	-	1,800	-	1,800	1,800
Total capital and special projects	1,664,301	811,104	2,475,405	426,466	2,048,939	2,082,514
Debt service	-	620,000	620,000	651,299	(31,299)	-
Contingency	57,727	-	57,727	-	57,727	25,474
Total budgeted expenditures	1,782,278	6,888,564	8,670,842	6,190,627	2,480,215	2,206,738
Other expenditures:						
Educational appropriation	-	9,631,963	9,631,963	9,631,963	-	-
County tax	-	1,438,571	1,438,571	1,438,571	-	-
Overlay / abatements	-	118,281	118,281	264	118,017	-
Total other expenditures	-	11,188,815	11,188,815	11,070,798	118,017	-
Excess (deficiency) of revenues over						
(under) expenditures	(1,782,278)	(560,029)	(2,342,307)	690,564	3,032,871	(2,206,738)
Other financing sources (uses):						
Transfer to Emergency Vehicles	-	(150,000)	(150,000)	(150,000)	-	-
Transfer to Capital Projects - road projects	-	(275,000)	(275,000)	(275,000)	-	-
Transfer to Recreation fund - programs	-	(9,800)	(9,800)	(9,800)	-	-
Use of unassigned fund balance - media equipment	-	24,829	24,829	-	(24,829)	-
Use of unassigned fund balance - emerg comm	-	50,000	50,000	-	(50,000)	-
Proceeds from long-term debt - emerg comm	-	300,000	300,000	300,000	-	-
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	1,782,278	-	1,782,278	-	(1,782,278)	-
Total other financing sources (uses)	1,782,278	560,029	2,342,307	(114,800)	(2,457,107)	-
Net change in fund balance	-	-	-	575,764	575,764	(2,206,738)
Fund balance, beginning of year				5,952,172	-	-
<b>Fund balance, end of year</b>				<b>\$ 6,527,936</b>	-	-

1 Contingency transfers approved by Select Board to cover street lights (\$954) and debt service (\$31,299) articles.

2 Balances carried forward included 2023 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, 2023**

	Special Revenues		Capital Projects	
	Restricted Grants	Recreation	Emergency Vehicles	Totals
<b>ASSETS</b>				
Interfund receivables	\$ 163,100	44,817	229,117	437,034
<b>Total assets</b>	<b>\$ 163,100</b>	<b>44,817</b>	<b>229,117</b>	<b>437,034</b>
Fund balances:				
Restricted:				
Grants	163,100	-	-	163,100
Committed:				
Capital projects	-	-	229,117	229,117
Assigned:				
Recreation	-	44,817	-	44,817
<b>Total fund balances</b>	<b>\$ 163,100</b>	<b>44,817</b>	<b>229,117</b>	<b>437,034</b>

**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended December 31, 2023**

	Special Revenues		Capital Projects	Totals
	Restricted Grants	Recreation	Emergency Vehicles	
Revenues:				
Grants	\$ 182,763	-	-	182,763
Interest earned	-	-	8,061	8,061
Bandstand donations	-	17,025	-	17,025
Charges for services	-	18,682	-	18,682
Total revenues	182,763	35,707	8,061	226,531
Expenditures:				
For specified purpose	141,438	34,039	-	175,477
Bandstand incl performances	-	22,648	-	22,648
Capital outlay	-	-	557,924	557,924
Total expenditures	141,438	56,687	557,924	756,049
Excess (deficiency) of revenues over (under) expenditures	-	(20,980)	(549,863)	(529,518)
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	41,325	(11,180)	(399,863)	(369,718)
Fund balances, beginning of year	121,775	55,997	628,980	806,752
<b>Fund balances, end of year</b>	<b>\$ 163,100</b>	<b>44,817</b>	<b>229,117</b>	<b>437,034</b>



## **SCHEDULE**



**TOWN OF HARPSWELL, MAINE**  
**Schedule of Taxes and Liens Receivable**  
**For the year ended December 31, 2023**

Year	Balance at 12/31/22	2023 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/23
2012	199	-	-	-	-	199
2013	204	-	-	-	-	204
2014	215	-	-	-	-	215
2015	220	-	-	-	-	220
2016	159	-	-	-	-	159
2017	99	-	-	-	-	99
2018	99	-	-	-	-	99
2019	237	-	-	-	-	237
2020	206	-	-	-	-	206
2021	20,168	-	-	(19,958)	-	210
2022	277,698	-	-	(256,889)	-	20,809
2023	-	14,746,374	-	(14,376,017)	(264)	370,093
	<b>299,504</b>	<b>14,746,374</b>	<b>-</b>	<b>(14,652,864)</b>	<b>(264)</b>	<b>392,750</b>
				Taxes receivable		370,093
				Tax liens and acquired properties		22,657
				<b>Total</b>		<b>\$ 392,750</b>





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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, 2023 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 16, 2024.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Harpswell, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
February 16, 2024