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# Town of Harrison, Maine 2018 Town Audit Report

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Audited Financial Statements and  
Other Financial Information

Town of Harrison, Maine

June 30, 2018



*Proven Expertise and Integrity*

TOWN OF HARRISON, MAINE

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JUNE 30, 2018

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***Proven Expertise and Integrity***  
**INDEPENDENT AUDITORS' REPORT**

Board of Selectmen  
Town of Harrison  
Harrison, Maine

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Harrison, Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Harrison, Maine's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Harrison, Maine as of June 30, 2018, 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.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule and pension information on pages 4 through 11 and 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harrison, Maine's basic financial statements. The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the Town of Harrison, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Harrison, Maine's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
October 11, 2018



**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**(UNAUDITED)**

The following management's discussion and analysis of the Town of Harrison, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Harrison's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension information, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the Town's one type of activity. The type of activity presented for the Town of Harrison is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, protection, health and sanitation, public works, special assessments, community programs and unclassified.

### **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 Harrison, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Harrison are categorized as governmental funds.

*Governmental funds:* All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of 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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The Town of Harrison presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the General Fund, the Combined Capital Fund and the Murray Trust Fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

### **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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Contributions.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position increased by \$1,095,040 from \$13,966,987 to \$15,062,027.

Unrestricted net position - the component of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased to a balance of \$3,177,163 at the end of this year.

**Table 1**  
**Town of Harrison, Maine**  
**Net Position**  
**June 30,**

	<b>2018</b>	<b>2017</b> <b>(Restated)</b>
<b>Assets</b>		
Current Assets	\$ 4,689,963	\$ 5,237,121
Capital Assets	11,888,501	10,429,095
Total Assets	\$ 16,578,464	\$ 15,666,216
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Pensions	\$ 115,464	\$ 157,464
Total Deferred Outflows of Resources	\$ 115,464	\$ 157,464
<b>Liabilities</b>		
Current Liabilities	\$ 340,523	\$ 360,309
Long-term Obligations Outstanding	1,053,598	1,390,877
Total Liabilities	\$ 1,394,121	\$ 1,751,186
<b>Deferred Inflows of Resources</b>		
Prepaid Taxes	\$ 144,611	\$ 36,706
Deferred Inflows Related to Pensions	93,169	68,801
Total Deferred Inflows of Resources	\$ 237,780	\$ 105,507
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 10,753,756	\$ 8,984,309
Restricted	1,042,782	1,009,798
Unrestricted	3,265,489	3,972,880
Total Net Position	\$ 15,062,027	\$ 13,966,987

**Table 2**  
**Town of Harrison, Maine**  
**Changes in Net Position**  
**For the Years Ended June 30,**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 115,353	\$ 83,281
Operating grants and contributions	54,613	54,341
<i>General Revenues:</i>		
Taxes	6,502,881	6,577,008
Grants and contributions not restricted to specific programs	184,750	158,836
Investment income	86,995	107,492
Miscellaneous	127,814	165,153
Total Revenues	<u>7,072,406</u>	<u>7,146,111</u>
 <b>Expenses</b>		
General government	228,409	540,549
Protection	368,443	331,243
Health and sanitation	239,199	227,053
Public works	1,031,068	1,025,168
Special assessments	3,701,948	3,951,639
Community programs	282,091	284,635
Unclassified	93,768	198,554
Unallocated depreciation (Note 4)	15,656	15,656
Total Expenses	<u>5,977,366</u>	<u>6,574,497</u>
 Change in Net Position	1,095,040	571,614
 Net Position - July 1, Restated	<u>13,966,987</u>	<u>13,395,373</u>
 Net Position - June 30	<u>\$15,062,027</u>	<u>\$13,966,987</u>

**Revenues and Expenses**

Revenues for the Town's governmental activities decreased by 1.03%, while total expenses decreased by 9.08%. The decrease in revenues were primarily the result of taxes and miscellaneous revenues. The decrease in expenses were mainly the result of general government, special assessments and unclassified expenses.

## Financial Analysis of the Town's Fund Statements

*Governmental funds:* The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

**Table 3**  
**Town of Harrison, Maine**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<b>2018</b>	<b>2017</b>
General Fund:		
Nonspendable	\$ 7,009	\$ 11,969
Restricted	88,326	-
Committed	25,000	25,000
Unassigned	1,142,132	1,169,782
Total General Fund	\$ 1,262,467	\$ 1,206,751
Combined Capital Fund:		
Assigned	\$ 1,744,990	\$ 1,433,803
Total Combined Capital Fund	\$ 1,744,990	\$ 1,433,803
Murray Trust Fund:		
Nonspendable - Principal	\$ 370,000	\$ 370,000
Restricted	252,109	242,654
Total Murray Trust Fund	\$ 622,109	\$ 612,654
Nonmajor Funds:		
Special Revenue Funds:		
Assigned	\$ 59,936	\$ 48,326
Capital Projects Funds:		
Assigned	243,722	1,380,271
Permanent Funds:		
Nonspendable - Principal	139,589	139,589
Restricted	281,084	257,555
Total Nonmajor Funds	\$ 724,331	\$ 1,825,741

The general fund total fund balance increased by \$55,716 from the prior fiscal year as a result of increased revenues and decreases in expenses. The combined capital fund total fund balance increased by \$311,187 from the prior fiscal year mainly

as a result of interfund activity. The Murray Trust fund total fund balance increased by \$9,455 from the prior fiscal year due to an increase in revenues versus expenditures. The nonmajor funds total fund balances decreased by \$1,101,410 from the prior fiscal year as a result of capital outlay expenditures.

### **Budgetary Highlights**

The difference between the original and final budget for the general fund was due to the use of unassigned fund balance and the use of applied receipts.

The general fund actual revenues exceeded budgeted revenues by \$78,931. Nearly all revenue categories were in excess of budgeted amounts.

The general fund actual expenditures were under budget by \$298,335. Most expenditure categories were within or under budget, with the exception of general government, protection, health and sanitation and public works.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2018, the net book value of capital assets recorded by the Town increased by \$1,459,406 over the prior year. This increase is due to capital additions of \$2,030,028 less current year depreciation of \$570,622. Refer to Note 4 of Notes to Financial Statements for additional detail.

**Table 4  
Town of Harrison, Maine  
Capital Assets (Net of Depreciation)  
June 30,**

	<b>2018</b>	<b>2017 (Restated)</b>
Land	\$ 1,607,800	\$ 1,607,800
Buildings and improvements	906,972	884,723
Machinery and equipment	494,526	523,152
Vehicles	1,325,224	851,369
Infrastructure	7,553,979	6,562,051
Total	\$ 11,888,501	\$ 10,429,095

#### **Debt**

At June 30, 2018, the Town had \$1,116,985 in a bond payable versus \$1,375,000 last year. Other obligations include capital leases payable, accrued

compensated absences and net pension liability. For additional comparative information on the Town's outstanding debt, refer to Note 5 of Notes to Financial Statements.

### **Currently Known Facts, Decisions, or Conditions**

#### **Economic Factors and Next Year's Budgets and Rates**

The Town's unassigned fund balance has fallen below a level sufficient to sustain government operations for a period of approximately three months. However, the Town continues to maintain reserve accounts for future capital and program needs. The Town is working to rebuild this balance to a sufficient level.

#### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 financial information, contact the Town Office at P.O. Box 300, 20 Front Street, Harrison, ME 04040.



## TOWN OF HARRISON, MAINE

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,362,652
Investments	1,034,698
Accounts receivable (net of allowance for uncollectibles):	
Taxes	192,330
Liens	77,793
Due from other governments	15,481
Tax acquired property	6,499
Inventory	510
Total current assets	<u>4,689,963</u>
Noncurrent assets:	
Capital assets:	
Land, infrastructure, and other assets not being depreciated	1,607,800
Buildings and equipment, net of accumulated depreciation	<u>10,280,701</u>
Total noncurrent assets	<u>11,888,501</u>
<b>TOTAL ASSETS</b>	<u>16,578,464</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	115,464
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>115,464</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 16,693,928</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 15,116
Due to other governments	19,431
Payroll related liabilities	70
Current portion of long-term obligations	<u>305,906</u>
Total current liabilities	<u>340,523</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bond payable	850,739
Capital lease payable	8,817
Net pension liability	<u>194,042</u>
Total noncurrent liabilities	<u>1,053,598</u>
<b>TOTAL LIABILITIES</b>	<u>1,394,121</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid taxes	144,611
Deferred inflows related to pensions	93,169
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>237,780</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,753,756
Restricted: Permanent funds	1,042,782
General fund - education	88,326
Unrestricted	<u>3,177,163</u>
<b>TOTAL NET POSITION</b>	<u>15,062,027</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 16,693,928</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF HARRISON, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
General government	\$ 228,409	\$ 51,798	\$ -	\$ -	\$ (176,611)
Protection	368,443	1,498	-	-	(366,945)
Health and sanitation	239,199	62,057	673	-	(176,469)
Public works	1,031,068	-	53,940	-	(977,128)
Special assessments	3,701,948	-	-	-	(3,701,948)
Community programs	282,091	-	-	-	(282,091)
Unclassified	93,768	-	-	-	(93,768)
Capital outlay	16,784	-	-	-	(16,784)
Unallocated depreciation (Note 4)*	15,656	-	-	-	(15,656)
Total government	<u>\$ 5,977,366</u>	<u>\$ 115,353</u>	<u>\$ 54,613</u>	<u>\$ -</u>	<u>(5,807,400)</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)  
TOWN OF HARRISON, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>
Changes In net position:	
Net (expense) revenue	<u>(5,807,400)</u>
General revenues:	
Taxes:	
Property taxes, levied for general purposes	6,005,157
Excise taxes	497,724
Grants and contributions not restricted to specific programs	184,750
Investment income	86,995
Miscellaneous	<u>127,814</u>
Total general revenues	<u>6,902,440</u>
Change in net position	1,095,040
NET POSITION - JULY 1	<u>13,966,987</u>
NET POSITION - JUNE 30	<u><u>\$ 15,062,027</u></u>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF HARRISON, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Combined Capital Fund	Murray Trust Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,354,568	\$ -	\$ 5,117	\$ 2,967	\$ 3,362,652
Investments	-	-	616,992	417,706	1,034,698
Accounts receivable (net of allowance for uncollectibles):					
Taxes	192,330	-	-	-	192,330
Liens	77,793	-	-	-	77,793
Due from other governments	15,481	-	-	-	15,481
Tax acquired property	6,499	-	-	-	6,499
Due from other funds	-	1,744,990	-	303,658	2,048,648
<b>TOTAL ASSETS</b>	<b>\$ 3,647,181</b>	<b>\$ 1,744,990</b>	<b>\$ 622,109</b>	<b>\$ 724,331</b>	<b>\$ 6,738,611</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 15,116	\$ -	\$ -	\$ -	\$ 15,116
Due to other governments	19,431	-	-	-	19,431
Payroll related payables	70	-	-	-	70
Due to other funds	2,048,648	-	-	-	2,048,648
<b>TOTAL LIABILITIES</b>	<b>2,083,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,083,265</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes	144,611	-	-	-	144,611
Deferred property tax revenues	156,838	-	-	-	156,838
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>301,449</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301,449</b>
<b>FUND BALANCES</b>					
Nonspendable	7,009	-	370,000	139,589	516,598
Restricted	88,326	-	252,109	281,084	621,519
Committed	25,000	-	-	-	25,000
Assigned	-	1,744,990	-	303,658	2,048,648
Unassigned	1,142,132	-	-	-	1,142,132
<b>TOTAL FUND BALANCES</b>	<b>1,262,467</b>	<b>1,744,990</b>	<b>622,109</b>	<b>724,331</b>	<b>4,353,897</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,647,181</b>	<b>\$ 1,744,990</b>	<b>\$ 622,109</b>	<b>\$ 724,331</b>	<b>\$ 6,738,611</b>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF HARRISON, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

Total Fund Balances	\$ 4,353,897
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	11,888,501
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	115,464
Taxes and liens deferred to future periods do not get deferred for governmental activities	156,838
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bond payable	(1,116,985)
Capital leases payable	(17,760)
Accrued compensated absences	(19,332)
Net pension liability	(205,427)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(93,169)</u>
Net position of governmental activities	<u>\$ 15,062,027</u>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF HARRISON, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Combined Capital Fund	Murray Trust Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 5,950,161	\$ -	\$ -	\$ -	\$ 5,950,161
Excise	497,724	-	-	-	497,724
Intergovernmental	239,363	-	-	-	239,363
Charges for services	115,353	-	-	-	115,353
Investment income (net of unrealized gains/(losses))	15,873	-	36,750	34,372	86,995
Fees and reimbursements	50,819	-	-	-	50,819
Other income	4,346	-	-	72,649	76,995
<b>TOTAL REVENUES</b>	<b>6,873,639</b>	<b>-</b>	<b>36,750</b>	<b>107,021</b>	<b>7,017,410</b>
<b>EXPENDITURES</b>					
Current:					
General government	534,099	-	-	-	534,099
Protection	305,751	-	-	-	305,751
Health and sanitation	239,199	-	-	-	239,199
Public works	562,727	-	-	-	562,727
Special assessments	3,701,948	-	-	-	3,701,948
Community programs	258,158	-	-	-	258,158
Unclassified	-	-	27,295	66,473	93,768
Capital outlay	-	310,263	-	1,736,549	2,046,812
<b>TOTAL EXPENDITURES</b>	<b>5,601,882</b>	<b>310,263</b>	<b>27,295</b>	<b>1,803,022</b>	<b>7,742,462</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>1,271,757</b>	<b>(310,263)</b>	<b>9,455</b>	<b>(1,696,001)</b>	<b>(725,052)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	33,009	646,450	-	630,409	1,309,868
Transfers (out)	(1,249,050)	(25,000)	-	(35,818)	(1,309,868)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,216,041)</b>	<b>621,450</b>	<b>-</b>	<b>594,591</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>55,716</b>	<b>311,187</b>	<b>9,455</b>	<b>(1,101,410)</b>	<b>(725,052)</b>
<b>FUND BALANCES - JULY 1</b>	<b>1,206,751</b>	<b>1,433,803</b>	<b>612,654</b>	<b>1,825,741</b>	<b>5,078,949</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,262,467</b>	<b>\$ 1,744,990</b>	<b>\$ 622,109</b>	<b>\$ 724,331</b>	<b>\$ 4,353,897</b>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF HARRISON, 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 JUNE 30, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (725,052)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	2,030,028
Depreciation expense	<u>(570,622)</u>
	<u>1,459,406</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>54,996</u>
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	
	<u>(42,000)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>310,041</u>
Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	1,826
Net pension liability	<u>60,191</u>
	<u>62,017</u>
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	
	<u>(24,368)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$1,095,040</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Town of Harrison was incorporated under the laws of the State of Maine. The Town operates under the selectmen-town manager form of government and provides the following services: general government, protection, health and sanitation, public works, special assessments, community programs and unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

**Implementation of New Accounting Standards**

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest



TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities of the entity as governmental.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.) except for fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Combined Capital Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- c. The Murray Trust Fund is used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

Nonmajor Funds

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- e. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- f. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

The emphasis in fund financial statements is on the major funds in governmental activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting**

*Basis of accounting* refers to when revenues, expenditures or expenses and transfers and assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Budget**

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. The Town did not have subsequent meetings after the original budget was passed.

**Deposits and Investments**

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.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

The Town of Harrison has no formal investment policy but instead follows the State of Maine Statutes.

**Receivables**

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$15,481 for the year ended June 30, 2018. The allowance for uncollectible amounts is estimated to be \$0 as of June 30, 2018.

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the Town consists of diesel fuel and gasoline.

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists of a bond payable, a capital lease payable, accrued compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation but not sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2018, the Town's liability for compensated absences is \$19,332.

**Pensions**

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

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable** – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

**Assigned** – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

**Unassigned** – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.



TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred tax revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The Town's property tax for the current year was levied August 15, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on August 23, 2017 and January 1, 2018. Interest on unpaid taxes commenced on September 24, 2017 and February 1, 2018, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$226,134 for the year ended June 30, 2018.

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.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At June 30, 2018, the Town's cash balances amounting to \$3,362,652 were comprised of deposits of \$3,393,850. All of these bank deposits were fully either insured by federal depository insurance and consequently were not exposed to custodial credit risk or were covered by Securities Investor Protection Corporation (SIPC).

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 17,626
Sweep accounts	3,368,140
Cash equivalents	<u>8,084</u>
	<u><u>\$ 3,393,850</u></u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments; however, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. The Town's investment in corporate bonds, U.S. equities, foreign equities, mutual funds, fixed income and REIT securities of \$1,034,698 were either covered by the Securities Investor Protection Corporation (SIPC) or fully insured.

TOWN OF HARRISON, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2018, the Town had the following investments and maturities:

Investment Type	Fair Value	Maturity			N/A
		<1 Year	1 - 5 Years	> 5 Years	
Debt securities:					
Corporate bonds	\$ 154,845	\$ -	\$ 125,221	\$ 29,624	\$ -
Equity securities:					
Common stock - domestic	547,711	-	-	-	547,711
Mutual funds - domestic and foreign	317,725	-	-	-	317,725
Other - REIT	14,417	-	-	-	14,417
	<u>\$ 1,034,698</u>	<u>\$ -</u>	<u>\$ 125,221</u>	<u>\$ 29,624</u>	<u>\$ 879,853</u>

**Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2018:

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
Corporate bonds	\$ 154,845	\$ 154,845	\$ -	\$ -
Total debt securities	<u>154,845</u>	<u>154,845</u>	<u>-</u>	<u>-</u>
Equity securities:				
Common stock - domestic	547,711	547,711	-	-
Mutual funds - domestic and foreign	317,725	317,725	-	-
Real estate investment trusts	14,417	14,417	-	-
Total equity securities	<u>879,853</u>	<u>879,853</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>1,034,698</u>	<u>\$ 1,034,698</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	8,084			
Total cash equivalents measured at the NAV	<u>8,084</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 1,042,782</u>			

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. As of June 30, 2018, the Town's investment in corporate bonds were rated from A+ (\$25,126), A (\$55,668), BBB+ (\$59,424) and BBB (\$14,627) by Standard & Poor's. Moody's Investor Service rated the corporate bonds at A1 (\$20,531), A2 (\$35,137), A3 (\$84,550) and Baa3 (\$14,627). The Town's holding in equity-based mutual funds and REITs were not rated.

Concentration of credit risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes place a limit of not more than two percent of the total assets of permanent trust funds may be invested in securities of any one corporation. The Town places no limit on the amount the Town may invest in any one issuer. More than two percent of the Town's total assets of permanent trust funds are invested in Morgan Stanley, United Health Group and Goldman Sachs securities. These investments are 2.84%, 2.41%, and 2.86%, respectively, of the Town's total assets of its permanent trust funds.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	Receivables (Due From)	Payables (Due To)
General fund	\$ -	\$ 2,048,648
Combined capital fund	1,744,990	-
Nonmajor special revenue funds	59,936	-
Nonmajor capital projects funds	243,722	-
	<u>\$ 2,048,648</u>	<u>\$ 2,048,648</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance 7/1/17 (Restated)	Additions	Disposals	Balance 6/30/18
Governmental activities:				
Non-depreciated assets:				
Land	\$ 1,607,800	\$ -	\$ -	\$ 1,607,800
	<u>1,607,800</u>	<u>-</u>	<u>-</u>	<u>1,607,800</u>
Depreciated assets:				
Buildings and improvements	1,373,248	56,370	-	1,429,618
Machinery and equipment	1,380,428	37,400	-	1,417,828
Vehicles	1,719,769	545,408	-	2,265,177
Infrastructure	9,282,434	1,390,850	-	10,673,284
	<u>13,755,879</u>	<u>2,030,028</u>	<u>-</u>	<u>15,785,907</u>
Less: accumulated depreciation	<u>(4,934,584)</u>	<u>(570,622)</u>	<u>-</u>	<u>(5,505,206)</u>
	<u>8,821,295</u>	<u>1,459,406</u>	<u>-</u>	<u>10,280,701</u>
Net capital assets	<u>\$ 10,429,095</u>	<u>\$ 1,459,406</u>	<u>\$ -</u>	<u>\$ 11,888,501</u>
<u>Current year depreciation:</u>				
Protection				\$ 62,692
Public works				468,341
Community programs				23,933
Town-wide				15,656
Total depreciation expense				<u>\$ 570,622</u>

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2018:

	Balance 7/1/17	Additions	Reductions	Balance 6/30/18	Current Portion
Bond payable	\$ 1,375,000	\$ -	\$ (258,015)	\$ 1,116,985	\$ 266,246
Capital lease payable	69,786	-	(52,026)	17,760	8,943
Accrued compensated absences	21,158	33,131	(34,957)	19,332	19,332
Net pension liability	265,618	6,177	(66,368)	205,427	11,385
	<u>\$ 1,731,562</u>	<u>\$ 39,308</u>	<u>\$ (411,366)</u>	<u>\$ 1,359,504</u>	<u>\$ 305,906</u>

The following is a summary of the bond payable outstanding as of June 30, 2018:

\$1,375,000 bond payable to Androscoggin Bank, annual principal and interest payments of \$301,878. Interest is charged at a rate of 3.19%. Maturity in February of 2022.	<u>\$ 1,116,985</u>
Total bond payable	<u>\$ 1,116,985</u>

The annual principal and interest requirements to amortize the bond for the years ending June 30 are as follows:

	Principal	Interest	Total Debt Service
2019	\$ 266,246	\$ 35,632	\$ 301,878
2020	274,739	27,139	301,878
2021	283,454	18,424	301,878
2022	292,546	9,332	301,878
2023	-	-	-
	<u>\$ 1,116,985</u>	<u>\$ 90,527</u>	<u>\$ 1,207,512</u>

The following is a summary of the capital lease outstanding as of June 30, 2018:

The Town leases a copier under a non-cancelable lease agreement with Great America. The term of the lease is for a five-year period expiring in May of 2020. Monthly payments of principal and interest are \$833. Interest is charged at a rate of 7.63% per annum.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to amortize the capital lease for the years ending June 30 are as follows:

2019	\$ 9,990
2020	9,158
2021	-
Total minimum lease payments	<u>19,148</u>
Less: Amount representing interest	<u>(1,388)</u>
Present value of future minimum lease payments	<u>\$ 17,760</u>

NOTE 6 - OVERLAPPING DEBT

The Town's proportionate share of debt of the County of Cumberland and RSU No. 17 has not been recorded in the financial statement of the Town of Harrison. It is not required to be recorded in order for the financial statements to conform to generally accepted accounting principles. The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. As of June 30, 2018, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
RSU No. 17	\$ 9,755,966	16.90%	\$ 1,648,758
Cumberland County	36,040,000	2.10%	<u>756,840</u>
			<u>\$ 2,405,598</u>

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2018, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	\$ 6,499
Inventory	510
Murray trust fund	370,000
Nonmajor permanent funds (See Schedule H)	<u>139,589</u>
	<u>\$ 516,598</u>



TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

General fund:	
Education	\$ 88,326
Murray trust fund	252,109
Nonmajor permanent funds (See Schedule H)	<u>281,084</u>
	<u>\$ 621,519</u>

NOTE 9 - COMMITTED FUND BALANCE

At June 30, 2018, the Town had the following committed fund balance:

General fund:	
Contingency	<u>\$ 25,000</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town had the following assigned fund balances:

Combined capital fund	\$ 1,744,990
Nonmajor special revenue funds (See Schedule D)	59,936
Nonmajor capital projects funds (See Schedule F)	<u>243,722</u>
	<u>\$ 2,048,648</u>

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town participates in a public entity risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations, and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2018.

The Town is a member of the Maine Municipal Association – Property and Casualty Pool and pays an annual premium for its coverage. Under the property portion of the policy, coverage is provided after a per occurrence deductible is met. The limit of coverage for liability claims brought under the Maine Tort Claims Act is \$400,000 per occurrence. A \$2,000,000 limit of liability is provided for liability claims outside the

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Maine Tort Claims Act. There is no aggregate liability limit. Coverage for Public Officials Liability, including Employment Practices, is a part of the program. Coverage is on an occurrence basis, rather than a "claims made" form. A \$2,000,000 limit of liability is provided for all claims for Wrongful Acts seeking monetary damages pursuant to federal or state law for which the Maine Tort Claims Act does not provide immunity or limitations. Each member has a \$4,000,000 annual aggregate limit. An annual sublimit of \$100,000 per member applies for all back wages and/or future salary awards for employment related claims, subject to a \$5,000 retention and a 10% contribution by the member.

The Town is also a member of the Maine Municipal Association – Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies' reinsurance contracts, coverage for claims in excess of \$1,000,000.

The Town is also a member of the Maine Municipal Association – Unemployment Compensation Group Fund ("MMA UC Fund"). The MMA UC Fund was created to assist in meeting members' obligations under the Employment Security Act in an efficient and cost effective manner. The Fund is composed of individual municipalities and other public and related non-profit entities that are individually self-insured but administered as a group. Within the Fund, each member has a separate account. As such, the Town makes quarterly payments into their account, based on rates developed by MMA's consulting actuary. Claims, if any, are paid out of the Town's own account. The Maine Department of Labor classifies MMA's UC Fund members as Direct Reimbursement Employers. In other words, the Fund reimburses the Maine DOL on the Town's behalf only when the Town has unemployment claims from present or former employees.

Occasionally, the Town may have layoffs or resignations or even a part-time employee losing a primary job, that lead to larger claims payments than anticipated. When claims exceed the balance of the Town's account, the UC Fund continues to pay the Town's claims with no regard for the negative balance. Repayment of a negative balance is spread out over a period of years to avoid a financial hardship to the Town.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 12 - CONTINGENCIES

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

**Plan Description**

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

**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

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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 2.45%. During the year ended June 30, 2017 (the most recent period available), the retirement system consisted of 300 participating employees.

**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 "BC" and are required to contribute 4.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 6.1% 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 June 30, 2018 was \$26,717.

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

At June 30, 2018, the Town reported a liability of \$205,427 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2016, the Town's proportion was

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

0.05017%, which was an increase of 0.00018% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized total pension expense of \$6,177. At June 30, 2018, 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
Differences between expected and actual experience	\$ -	\$ 9,869
Changes of assumptions	17,481	-
Net difference between projected and actual earnings on pension plan investments	70,796	76,444
Changes in proportion and differences between contributions and proportionate share of contributions	470	6,856
Contributions subsequent to the measurement date	<u>26,717</u>	<u>-</u>
Total	<u>\$ 115,464</u>	<u>\$ 93,169</u>

\$26,717 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 June 30, 2019. 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
Plan year ended June 30:	
2018	\$ (7,808)
2019	15,993
2020	1,378
2021	(13,986)
2022	-
Thereafter	-

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

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

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

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

*Asset Valuation Method*

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

*Amortization*

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

*Investment Rate of Return* - For the PLD Plan, 6.875% per annum, compounded annually.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

*Cost of Living Benefit Increases* – 2.20%

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 of June 30, 2017 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Discount Rate*

The discount rate used to measure the collective total pension liability was 6.875% for 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2017 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 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 412,149	\$ 205,427	\$ 49,797

**Changes in Net Pension Liability**

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2017 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions.

*Differences between Expected and Actual Experience*

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2017, this was 3 years for the PLD Consolidated Plan.



TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Differences between Projected and Actual Investment Earnings on Pension Plan Investments*

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

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2016. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2017 Comprehensive Annual Financial Report available online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (207) 512-3100.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 14 - EXPENDITURES OVER APPROPRIATIONS

The Town had the following overspent appropriations for the year ended June 30, 2018:

Insurance	\$ 6,089
Fire Department	6,461
Solid Waste	3,958
Public Works	2,298
	<u>\$ 18,806</u>

NOTE 15 - JOINT VENTURES

The Town is a member of a joint venture with 45 other municipalities throughout Cumberland, Oxford and York counties. ecomaine is a solid waste management corporation that creates electricity through its processing of waste and also operates as an extensive recycling program. A joint committee, made up of the Town of Harrison and 20 other member communities owns and controls the corporation. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced with the community to ecomaine for processing, and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in the financial statements in connection with its participation in ecomaine. The Town of Harrison has an owner membership of 1.88% in ecomaine as of June 30, 2017, (the most current period available).

ecomaine has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of ecomaine, payable from and secured by a pledge of ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of a political subdivision of the State of Maine. ecomaine has no taxing power. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2016 (the most current period available), ecomaine had no outstanding debt. Additionally, the Town's share of the projected landfill closure and post closure cost relating to ecomaine is estimated to be \$273,813.

TOWN OF HARRISON, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 16 - RELATED PARTY TRANSACTIONS

A member of the Town's Board of Selectmen is also the EMA director and attends safety calls. The amount paid to this individual for the year ended June 30, 2018 was \$6,799.

A member of the Town's Board of Selectmen is related to the Fire Chief. During the fiscal year ended June 30, 2018, payments to the Fire Chief totaled \$8,707 and. We understand that the Board member recuses themselves in any matters concerning the related parties.

NOTE 17 - RESTATEMENT

The beginning net position for the governmental activities has been restated as of July 1, 2017. This balance was restated to correct the capital assets balance. The depreciated assets balance was decreased by \$260,890 and accumulated depreciation was decreased by \$132, 195. The net restatement to the net position of governmental activities was a decrease of \$128,695 from a balance of \$14,095,382 to \$13,966,987.

### Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions

## TOWN OF HARRISON, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,206,751	\$ 1,206,751	\$ 1,206,751	-
Resources (Inflows):				
Taxes:				
Property	6,001,663	6,001,663	5,950,161	(51,502)
Excise	430,000	430,000	497,724	67,724
Intergovernmental:				
State revenue sharing	91,446	91,446	93,005	1,559
Local road assistance	53,340	53,340	53,940	600
Homestead reimbursement	69,412	69,412	69,412	(0)
Tree growth	-	-	20,167	20,167
Veteran's reimbursement	-	-	2,166	2,166
General assistance	500	500	673	173
Charges for services:				
Clerk/agent fees	15,200	15,200	14,671	(529)
Building/plumbing permits	15,350	15,350	26,078	10,728
Solid waste fees	60,000	60,000	62,057	2,057
Animal control fees	1,750	1,750	1,498	(252)
Other charges for services	18,950	18,950	11,049	(7,901)
Investment income	9,000	9,000	15,873	6,873
Fees and reimbursements:				
Real estate interest	35,000	35,000	26,760	(8,240)
Lien fees	10,000	10,000	7,173	(2,827)
Cable t.v. fees	16,000	16,000	16,886	886
Other income:				
Misc.	105	105	4,346	4,241
Transfers from other funds	-	-	33,009	33,009
Amounts Available for Appropriation	8,034,468	8,034,468	8,113,399	78,931
Charges to Appropriation (Outflows):				
General government	532,812	532,812	534,099	(1,287)
Protection	301,946	301,946	305,751	(3,805)
Health and sanitation	235,241	235,241	239,199	(3,958)
Public works	560,429	560,429	562,727	(2,298)
Special assessments	3,994,728	3,994,728	3,701,948	292,780
Community programs	275,061	275,061	258,158	16,903
Transfers to other funds	952,600	1,249,050	1,249,050	-
Total Charges to Appropriation	6,852,817	7,149,267	6,850,932	298,335
Budgetary Fund Balance, June 30	\$ 1,181,651	\$ 885,201	\$ 1,262,467	\$ 377,266
Utilization of unassigned fund balance	\$ 25,000	\$ 321,450	\$ -	\$ (321,450)

See accompanying independent auditors' report and notes to financial statements.

TOWN OF HARRISON, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>					
Proportion of the net pension liability (asset)	0.05%	0.05%	0.05%	0.05%	0.05%
Proportionate share of the net pension liability (asset)	\$ 205,427	\$ 265,618	\$ 169,778	\$ 84,290	\$ 161,260
Covered-employee payroll	\$ 401,812	\$ 404,452	\$ 462,805	\$ 486,899	\$ 593,719
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.13%	65.67%	36.68%	17.31%	27.16%
Plan fiduciary net position as a percentage of the total pension liability	86.40%	81.61%	88.27%	94.10%	87.50%

\* 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 independent auditors' report and notes to financial statements.

TOWN OF HARRISON, MAINE  
 SCHEDULE OF CONTRIBUTIONS  
 LAST 10 FISCAL YEARS\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>					
Contractually required contribution	\$ 26,717	\$ 25,716	\$ 23,458	\$ 21,751	\$ 18,999
Contributions in relation to the contractually required contribution	<u>(26,717)</u>	<u>(25,716)</u>	<u>(23,458)</u>	<u>(21,751)</u>	<u>(18,999)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 437,988	\$ 401,812	\$ 404,452	\$ 462,805	\$ 486,899
Contributions as a percentage of covered-employee payroll	6.10%	6.40%	5.80%	4.70%	3.90%

\* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function



## TOWN OF HARRISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>					
Administration	\$ 297,749	\$ 18,429	\$ 316,178	\$ 306,239	\$ 9,939
Assessing and mapping	8,500	-	8,500	10,780	(2,280)
Fringe benefits	71,595	-	71,595	72,114	(519)
Town charges	73,730	-	73,730	82,619	(8,889)
Municipal building	1,430	-	1,430	468	962
Utilities	10,558	-	10,558	9,775	783
Insurance	44,250	-	44,250	50,339	(6,089)
Contingency	25,000	(18,429)	6,571	1,765	4,806
Total	532,812	-	532,812	534,099	(1,287)
<b>PROTECTION</b>					
Fire department	107,913	-	107,913	114,374	(6,461)
Public safety	194,033	-	194,033	191,377	2,656
Total	301,946	-	301,946	305,751	(3,805)
<b>HEALTH AND SANITATION</b>					
Solid waste	235,241	-	235,241	239,199	(3,958)
Total	235,241	-	235,241	239,199	(3,958)
<b>PUBLIC WORKS</b>					
	560,429	-	560,429	562,727	(2,298)
<b>SPECIAL ASSESSMENTS</b>					
Education	3,417,356	-	3,417,356	3,329,030	88,326
County tax	351,238	-	351,238	351,238	-
Overlay	226,134	-	226,134	21,680	204,454
Total	3,994,728	-	3,994,728	3,701,948	292,780

TOWN OF HARRISON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
<b>COMMUNITY PROGRAMS</b>					
Social services	72,750	-	72,750	72,322	428
Recreation/parks	199,811	-	199,811	183,499	16,312
Snowmobiles	-	-	-	1,086	(1,086)
General assistance	2,500	-	2,500	1,251	1,249
Total	275,061	-	275,061	258,158	16,903
<b>TRANSFERS TO OTHER FUNDS</b>					
Special revenue funds	2,600	-	2,600	2,600	-
Capital projects funds	950,000	296,450	1,246,450	1,246,450	-
Total	952,600	296,450	1,249,050	1,249,050	-
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<b>\$ 6,852,817</b>	<b>\$ 296,450</b>	<b>\$ 7,149,267</b>	<b>\$ 6,850,932</b>	<b>\$ 298,335</b>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF HARRISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 2,967	\$ 2,967
Investments	-	-	417,706	417,706
Due from other funds	59,936	243,722	-	303,658
<b>TOTAL ASSETS</b>	<u>\$ 59,936</u>	<u>\$ 243,722</u>	<u>\$ 420,673</u>	<u>\$ 724,331</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable - principal	-	-	139,589	139,589
Restricted	-	-	281,084	281,084
Committed	-	-	-	-
Assigned	59,936	243,722	-	303,658
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>59,936</u>	<u>243,722</u>	<u>420,673</u>	<u>724,331</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 59,936</u>	<u>\$ 243,722</u>	<u>\$ 420,673</u>	<u>\$ 724,331</u>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF HARRISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Investment income (net of unrealized gains/losses)	\$ -	\$ -	\$ 34,372	\$ 34,372
Other income	72,649	-	-	72,649
<b>TOTAL REVENUES</b>	<u>72,649</u>	<u>-</u>	<u>34,372</u>	<u>107,021</u>
<b>EXPENDITURES</b>				
Capital outlay	-	1,736,549	-	1,736,549
Other	55,768	-	10,705	66,473
<b>TOTAL EXPENDITURES</b>	<u>55,768</u>	<u>1,736,549</u>	<u>10,705</u>	<u>1,803,022</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>16,881</u>	<u>(1,736,549)</u>	<u>23,667</u>	<u>(1,696,001)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	30,409	600,000	-	630,409
Transfers (out)	(35,680)	-	(138)	(35,818)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,271)</u>	<u>600,000</u>	<u>(138)</u>	<u>594,591</u>
<b>NET CHANGE IN FUND BALANCES</b>	11,610	(1,136,549)	23,529	(1,101,410)
<b>FUND BALANCES - JULY 1</b>	<u>48,326</u>	<u>1,380,271</u>	<u>397,144</u>	<u>1,825,741</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 59,936</u>	<u>\$ 243,722</u>	<u>\$ 420,673</u>	<u>\$ 724,331</u>

See accompanying independent auditors' report and notes to financial statements.

## Special Revenue Funds

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

TOWN OF HARRISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Basketball Court	Gazebo	Rec Trips	Legal	RADR	Baseball	Fire Dept	Total
<b>ASSETS</b>								
Due from other funds	\$ -	\$ -	\$ 5,620	\$ 23,696	\$ 910	\$ -	\$ 899	\$ 59,936
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,620</u>	<u>\$ 23,696</u>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 899</u>	<u>\$ 59,936</u>
<b>LIABILITIES</b>								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	5,620	23,696	910	-	899	59,936
Unassigned	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>5,620</u>	<u>23,696</u>	<u>910</u>	<u>-</u>	<u>899</u>	<u>59,936</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,620</u>	<u>\$ 23,696</u>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 899</u>	<u>\$ 59,936</u>

TOWN OF HARRISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Basketball Court	Gazebo	Rec Trips	Legal	RADR	Baseball	Fire Dept	Total
<b>ASSETS</b>								
Due from other funds	\$ -	\$ -	\$ 5,620	\$ 23,696	\$ 910	\$ -	\$ 899	\$ 59,936
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,620</u>	<u>\$ 23,696</u>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 899</u>	<u>\$ 59,936</u>
<b>LIABILITIES</b>								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	5,620	23,696	910	-	899	59,936
Unassigned	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>5,620</u>	<u>23,696</u>	<u>910</u>	<u>-</u>	<u>899</u>	<u>59,936</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,620</u>	<u>\$ 23,696</u>	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 899</u>	<u>\$ 59,936</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF HARRISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Senior Trip	Youth Sports	Rec Donations	Rec Fundraising	Summer Rec	Old Home Days	Christmas in Harrison
REVENUES							
Other income	\$ 5,845	\$ 3,102	\$ 230	\$ 6,576	\$ 28,148	\$ -	\$ 1,700
TOTAL REVENUES	<u>5,845</u>	<u>3,102</u>	<u>230</u>	<u>6,576</u>	<u>28,148</u>	<u>-</u>	<u>1,700</u>
EXPENDITURES							
Other	8,089	4,754	248	4,581	3,150	-	4,709
TOTAL EXPENDITURES	<u>8,089</u>	<u>4,754</u>	<u>248</u>	<u>4,581</u>	<u>3,150</u>	<u>-</u>	<u>4,709</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,244)</u>	<u>(1,652)</u>	<u>(18)</u>	<u>1,995</u>	<u>24,998</u>	<u>-</u>	<u>(3,009)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,395	3,300	-	714	-	-	-
Transfers (out)	-	-	(714)	(595)	(22,916)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,395</u>	<u>3,300</u>	<u>(714)</u>	<u>119</u>	<u>(22,916)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(849)	1,648	(732)	2,114	2,082	-	(3,009)
FUND BALANCES - JULY 1	<u>849</u>	<u>222</u>	<u>732</u>	<u>879</u>	<u>21,366</u>	<u>500</u>	<u>3,009</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 1,870</u>	<u>\$ -</u>	<u>\$ 2,993</u>	<u>\$ 23,448</u>	<u>\$ 500</u>	<u>\$ -</u>



TOWN OF HARRISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Basketball Court	Gazebo	Rec Trips	Legal	RADR	Baseball	Fire Dept	Total
REVENUES								
Other income	\$ -	\$ -	\$ 9,548	\$ -	\$ 2,410	\$ 4,078	\$ 11,012	\$ 72,649
TOTAL REVENUES	-	-	9,548	-	2,410	4,078	11,012	72,649
EXPENDITURES								
Other	-	-	9,868	1,304	640	1,770	16,655	55,768
TOTAL EXPENDITURES	-	-	9,868	1,304	640	1,770	16,655	55,768
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(320)	(1,304)	1,770	2,308	(5,643)	16,881
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	25,000	-	-	-	30,409
Transfers (out)	(787)	(2,678)	-	-	(2,741)	(5,249)	-	(35,680)
TOTAL OTHER FINANCING SOURCES (USES)	(787)	(2,678)	-	25,000	(2,741)	(5,249)	-	(5,271)
NET CHANGE IN FUND BALANCES	(787)	(2,678)	(320)	23,696	(971)	(2,941)	(5,643)	11,610
FUND BALANCES - JULY 1	787	2,678	5,940	-	1,881	2,941	6,542	48,326
FUND BALANCES - JUNE 30	\$ -	\$ -	\$ 5,620	\$ 23,696	\$ 910	\$ -	\$ 899	\$ 59,936

See accompanying independent auditors' report and notes to financial statements.

## Capital Projects Funds

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

TOWN OF HARRISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2018

	Highway Capital	Total
	<u>          </u>	<u>          </u>
ASSETS		
Due from other funds	\$ 243,722	\$ 243,722
TOTAL ASSETS	<u>\$ 243,722</u>	<u>\$ 243,722</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	243,722	243,722
Unassigned	-	-
TOTAL FUND BALANCES	<u>243,722</u>	<u>243,722</u>
TOTAL LIABILITIES AND FUND BALANCES		
	<u>\$ 243,722</u>	<u>\$ 243,722</u>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF HARRISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Highway Capital	Total
REVENUES		
Other income	\$ -	\$ -
TOTAL REVENUES	-	-
EXPENDITURES		
Capital outlay	1,736,549	1,736,549
Other	-	-
TOTAL EXPENDITURES	1,736,549	1,736,549
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,736,549)	(1,736,549)
OTHER FINANCING SOURCES (USES)		
Transfers in	600,000	600,000
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	600,000	600,000
NET CHANGE IN FUND BALANCES	(1,136,549)	(1,136,549)
FUND BALANCES - JULY 1	1,380,271	1,380,271
FUND BALANCES - JUNE 30	\$ 243,722	\$ 243,722

See accompanying independent auditors' report and notes to financial statements.

## Permanent Funds

Permanent funds are used to account for assets held by the Town of Harrison, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries.

TOWN OF HARRISON, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2018

	Forrest Fund	Caswell Fund	Blake Fund	Cemetery Funds	Ministerial Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 49	\$ 2,503	\$ 67	\$ 281	\$ 67	\$ 2,967
Investments	6,887	352,387	9,500	39,494	9,438	417,706
<b>TOTAL ASSETS</b>	<u>\$ 6,936</u>	<u>\$ 354,890</u>	<u>\$ 9,567</u>	<u>\$ 39,775</u>	<u>\$ 9,505</u>	<u>\$ 420,673</u>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Nonspendable - principal	4,820	117,343	3,071	12,359	1,996	139,589
Restricted	2,116	237,547	6,496	27,416	7,509	281,084
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>6,936</u>	<u>354,890</u>	<u>9,567</u>	<u>39,775</u>	<u>9,505</u>	<u>420,673</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,936</u>	<u>\$ 354,890</u>	<u>\$ 9,567</u>	<u>\$ 39,775</u>	<u>\$ 9,505</u>	<u>\$ 420,673</u>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF HARRISON, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Forrest Fund	Caswell Fund	Blake Fund	Cemetery Funds	Ministerial Fund	Total
REVENUES						
Investment income (net of unrealized gains/(losses))	\$ 557	\$ 29,453	\$ 825	\$ 3,045	\$ 492	\$ 34,372
TOTAL REVENUES	<u>557</u>	<u>29,453</u>	<u>825</u>	<u>3,045</u>	<u>492</u>	<u>34,372</u>
EXPENDITURES						
Program expenditures	178	9,387	254	839	47	10,705
TOTAL EXPENDITURES	<u>178</u>	<u>9,387</u>	<u>254</u>	<u>839</u>	<u>47</u>	<u>10,705</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>379</u>	<u>20,066</u>	<u>571</u>	<u>2,206</u>	<u>445</u>	<u>23,667</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	(138)	-	(138)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(138)</u>	<u>-</u>	<u>(138)</u>
NET CHANGE IN FUND BALANCES	379	20,066	571	2,068	445	23,529
FUND BALANCES - JULY 1	<u>6,557</u>	<u>334,824</u>	<u>8,996</u>	<u>37,707</u>	<u>9,060</u>	<u>397,144</u>
FUND BALANCES - JUNE 30	<u>\$ 6,936</u>	<u>\$ 354,890</u>	<u>\$ 9,567</u>	<u>\$ 39,775</u>	<u>\$ 9,505</u>	<u>\$ 420,673</u>

See accompanying independent auditors' report and notes to financial statements.

## General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.



## TOWN OF HARRISON, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2018

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Protection	\$ -	\$ 468,370	\$ 1,509,022	\$ -	\$ 1,977,392
Public works	-	284,317	1,367,822	10,673,284	12,325,423
Community programs	-	111,500	372,815	-	484,315
Town-wide	1,607,800	565,431	433,346	-	2,606,577
Total General Capital Assets	1,607,800	1,429,618	3,683,005	10,673,284	17,393,707
Less: Accumulated Depreciation	-	(522,646)	(1,863,255)	(3,119,305)	(5,505,206)
Net General Capital Assets	<u>\$ 1,607,800</u>	<u>\$ 906,972</u>	<u>\$ 1,819,750</u>	<u>\$ 7,553,979</u>	<u>\$ 11,888,501</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF HARRISON, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2018

	General Capital Assets 7/1/17 <u>(Restated)</u>	Additions	Deletions	General Capital Assets 6/30/18
Protection	\$ 1,427,864	\$ 549,528	\$ -	\$ 1,977,392
Public works	10,852,223	1,473,200	-	12,325,423
Community programs	484,315	-	-	484,315
Town-wide	<u>2,599,277</u>	<u>7,300</u>	<u>-</u>	<u>2,606,577</u>
 Total General Capital Assets	 15,363,679	 2,030,028	 -	 17,393,707
 Less: Accumulated Depreciation	 <u>(4,934,584)</u>	 <u>(570,622)</u>	 <u>-</u>	 <u>(5,505,206)</u>
 Net General Capital Assets	 <u>\$ 10,429,095</u>	 <u>\$ 1,459,406</u>	 <u>\$ -</u>	 <u>\$ 11,888,501</u>

See accompanying independent auditors' report and notes to financial statements.



*Proven Expertise and Integrity*

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

Board of Selectmen  
Town of Harrison  
Harrison, 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 Harrison, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Harrison, Maine's basic financial statements, and have issued our report thereon dated October 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Harrison, 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 Harrison, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Harrison, 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.

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 Harrison, 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  
October 11, 2018