

Town of Sebago



Annual Financial Statements
For the Year Ended June 30, 2017

Independently Audited By

Berry · Talbot · Royer
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Selectmen
Town of Sebago, 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 Sebago, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Sebago, Maine, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

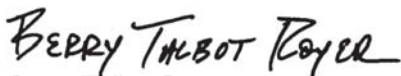
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and a budgetary comparison schedule, on pages 3 – 11 and 32 – 33, respectively, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. Schedules 2 through 7 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 2 through 7 are the responsibility of management and were derived from and relate 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, Schedules 2 through 7 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
December 21, 2017

Town of Sebago
406 Bridgton Rd
Sebago, ME 04029
(207) 787-2457
(207) 787-2760 (fax)



Michele A. Bukoveckas
Town Manager

Management's Discussion and Analysis

Town of Sebago
For the Year Ended June 30, 2017

As Town Manager of Sebago, I offer the readers these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

Financial Highlights

Financial highlights for the past year include the following:

- The Town's assets exceeded its liabilities by \$6,747,325 at the close of the fiscal year. Of this amount, \$4,260,673 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$132,931 as a result of operations throughout the fiscal year, or 2.01%.
- At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,065,083, an increase of \$246,782 from the prior fiscal year. Of this, \$1,984,013 is unassigned and available for spending at the Town's discretion from the General Fund.
- At the end of the fiscal year, the net increase in the General Fund's fund balance was \$68,061, or 2.99%.

Overview of the Financial Statements

The Town's basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements. The annual financial statements also contain required and other supplementary information.

Government-wide Financial Statements

Government-wide statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector company.

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

The *Statement of Activities* presents information showing how the Town's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, accrued salaries).

In the government-wide financial statements, the Town's activities are reported as *governmental activities*, which encompass general government, public safety, public works, recreation and culture, welfare and social services. The Town does not currently report any business-type activities.

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 uses fund accounting to ensure and demonstrate compliance with the intended purpose of the fund and the proper use of its designated resources. The Town's funds are divided into two categories: governmental funds, and fiduciary funds.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the governmental-wide financial statement because the resources of those funds are not available to support the Town's own programs.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Reconciliations are provided between the fund financial statements and the government-wide financial statements to assist in this comparison.

Financial Analysis of the Town as a Whole

Table 1
As of June 30, 2017 and 2016
Condensed Statements of Net Position

	2017	2016	\$ Change	% Change
Current assets	\$ 4,360,376	\$ 4,168,157	\$ 192,219	4.6%
Net capital assets	<u>2,474,098</u>	<u>2,550,337</u>	<u>(76,239)</u>	-3.0%
Total assets	6,834,474	6,718,494	115,980	1.7%
Current liabilities	66,526	80,441	(13,915)	-17.3%
Long-term liabilities	<u>10,100</u>	<u>14,845</u>	<u>(4,745)</u>	-32.0%
Total liabilities	76,626	95,286	(18,660)	-19.6%
Deferred inflows of resources	<u>10,523</u>	<u>8,814</u>	<u>1,709</u>	19.4%
Net investment in capital assets	2,473,959	2,548,561	(74,602)	-2.9%
Restricted net position	12,693	10,500	2,193	20.9%
Unrestricted net position	<u>4,260,673</u>	<u>4,055,333</u>	<u>205,340</u>	5.1%
Total net position	<u>\$ 6,747,325</u>	<u>\$ 6,614,394</u>	<u>\$ 132,931</u>	2.0%

Current assets increased by 4.6% overall, and almost \$300k of the net \$192k increase was in cash and cash equivalents. Taxes receivable dropped by almost \$100k, indicating an improvement in tax collections during the year.

Net capital assets decreased during the year as a result assets depreciating faster than the Town is adding to them. During the year, depreciation expense was \$235,585 while the Town only added \$208,016 in new capital assets. Additionally, the Town traded in an old truck for a new truck that had not been fully depreciated. The trade-in value was \$8,670 less than its carrying value, thus creating a loss on disposal.

Both current liabilities and long-term liabilities saw a decrease in their balances during the year. This is largely to due to timing of payables at year end as well as the continued pay-down on the Town's single capital lease obligation. The Town currently has no long-term debts.

Most of the Town's net position (63%) is unrestricted and available to provide goods and services to the citizens of the Town. Net investment in capital assets (land, buildings, equipment, and infrastructure) make up 37% of total net position and represent the Town's net investment in long-term assets to help deliver goods and services.

The 2016 current liabilities and unrestricted net position shown above are restated from the prior year's financial statements due to a misclassification of a liability in the prior year. Current liabilities were overstated last year by \$3,891, which meant net position was understated. The restatement, therefore, increases 2016 net position from what was previously reported.

Table 2
Fiscal Years Ended June 30, 2017 and 2016
Condensed Statements of Activities

	2017	2016	\$ Change	% Change
General revenues	\$ 5,090,411	\$ 5,493,124	\$ (402,713)	-7.3%
Program revenues	<u>128,861</u>	<u>183,962</u>	<u>(55,101)</u>	-30.0%
Total revenues	5,219,272	5,677,086	(457,814)	-8.1%
General government	575,839	556,466	19,373	3.5%
Public safety	307,828	281,176	26,652	9.5%
Health and sanitation	140,053	146,160	(6,107)	-4.2%
Public works	662,055	680,589	(18,534)	-2.7%
Town properties	37,115	38,481	(1,366)	-3.5%
Recreation and community	68,977	57,415	11,562	20.1%
Education	3,023,524	3,116,473	(92,949)	-3.0%
County tax	252,045	257,472	(5,427)	-2.1%
Abatements / overlay	-	6,993	(6,993)	-100.0%
Other expenses	<u>18,905</u>	<u>5,270</u>	<u>13,635</u>	258.7%
Total expenses	<u>5,086,341</u>	<u>5,146,495</u>	<u>(60,154)</u>	-1.2%
Change in net position	132,931	530,591	(397,660)	-74.9%
Beginning net position	<u>6,614,394</u>	<u>6,083,803</u>	<u>530,591</u>	8.7%
Ending net position	<u>\$ 6,747,325</u>	<u>\$ 6,614,394</u>	<u>\$ 132,931</u>	2.0%

Overall, total revenue was down by \$457,814 in fiscal year 2017 compared to the prior year. Mostly, this was a combined result of decreases in assessed property taxes (down \$261,621 from FY16) and due to net sales proceeds from foreclosed properties in FY16, totaling \$169,950, that was a one-off occurrence and not repeated in FY17.

Total expenses were down by \$60,154 compared with the prior year. Pretty much all of the decrease was due to a lower assessment from MSAD 61 in FY17 than was assessed in FY16 (a reduction of \$92,949). Expense increases and decreases in other areas generally offset each other with the largest increases occurring in the General Government and Public Safety departments (\$19,373 and \$26,652, respectively).

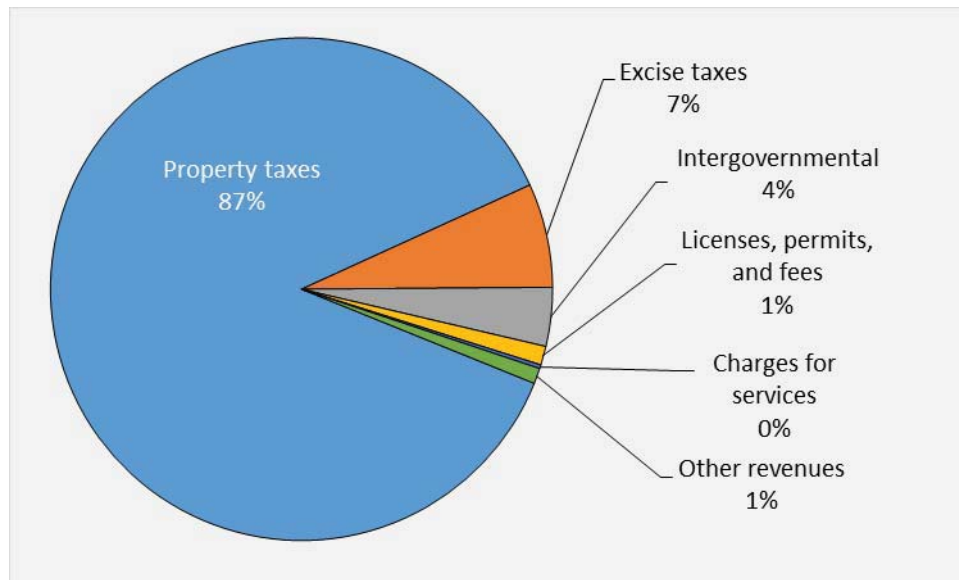
The net result was a net increase in position in FY17 of \$132,931, which represents a 2.0% increase in total net position from the prior year.

Financial Analysis of the Town's General Fund

The following schedule presents a summary of the General Fund's revenues for the fiscal years ended June 30, 2017 and 2016. Note that the revenues recognized in the General Fund differ from the revenues recognized for total governmental activities (see Table 2 above) due to (a) differences in measurement focus and accounting basis, as described in Note 1 to the financial statements, and (b) the fact that the General Fund revenues exclude revenues recognized in other funds. General Fund revenues focus on current financial resources available to provide goods and services of basic Town operations.

	2017	% of Total	2016	% of Total
Property taxes	\$ 4,528,760	87.1%	\$ 4,732,284	87.4%
Excise taxes	347,955	6.7%	331,326	6.1%
Intergovernmental	197,007	3.8%	178,472	3.3%
Licenses, permits, and fees	62,715	1.2%	67,229	1.2%
Charges for services	12,549	0.2%	11,791	0.2%
Other revenues	51,908	1.0%	91,891	1.7%
Total general fund revenues	<u>\$ 5,200,894</u>		<u>\$ 5,412,993</u>	

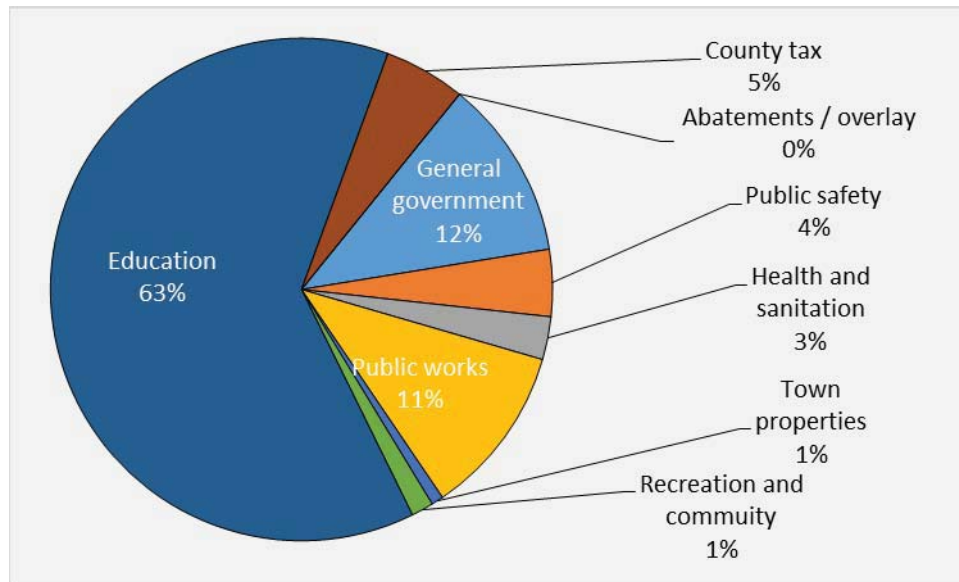
Property taxes make up 87% of the Town's General Fund revenues, with excise taxes being the next highest with 7%. The other sources of revenue make up the remaining 6% of the total.



The following schedule presents a summary of the General Fund's revenues for the fiscal years ended June 30, 2017 and 2016. Note that the expenditures recognized in the General Fund differ from the expenses recognized for total governmental activities (see Table 2 above) due to (a) differences in measurement focus and accounting basis, as described in Note 1 to the financial statements, and (b) the fact that the General Fund expenditures exclude expenditures recognized in other funds. General Fund expenditures focus on the consumption of current financial resources in providing goods and services of basic Town operations.

	<u>2017</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>
General government	\$ 557,857	11.6%	\$ 528,999	10.6%
Public safety	206,765	4.3%	159,830	3.2%
Health and sanitation	132,957	2.8%	139,064	2.8%
Public works	529,631	11.0%	699,991	14.0%
Town properties	37,115	0.8%	38,481	0.8%
Recreation and community	68,977	1.4%	57,415	1.1%
Education	3,023,524	62.9%	3,116,473	62.3%
County tax	252,045	5.2%	257,472	5.1%
Abatements / overlay	-	0.0%	6,993	0.1%
Total general fund expenditures	<u>\$ 4,808,871</u>		<u>\$ 5,004,718</u>	

Education expenditures take up 63% of the total, while the next three largest categories of expenditures are for general government (12%), public works (11%), and county tax (5%). The remaining departments and categories (e.g., public safety, recreation, etc.) consume only 9% of total general fund expenditures.



As of June 30, 2017, the General Fund's fund balance was \$2,346,062, up \$68,061 from the prior year. The fund balance is broken down into two components at year end: assigned and unassigned. The assigned portion, \$362,049, represents the amount of fund balance that the Town has budgeted to use in fiscal year 2018 plus carry forwards and amounts assigned to install dry hydrants. The unassigned portion, \$1,984,013, represents the net of all assets and liabilities that is not assigned. Basically, the unassigned portion represents the accumulated surplus of the General Fund that can be used for any purpose.

Budgetary Analysis of the General Fund

The General Fund is the only fund for which a legal budget is adopted. The original budget is approved at the annual town meeting and can have updates throughout the fiscal year due to statutorily required additions or reductions or due to special town meetings where additional appropriations may be approved.

During the year, the Town's total final budgeted expenditures and transfers out from the General Fund were \$5,401,710. The Town finished the fiscal year with total expenditures and transfers out coming in at \$5,133,162. Thus, expenditures and transfers out came in under budget by \$268,548 (or, roughly 5% under budget). Additionally, total revenues came in \$141,664 above estimates (\$5,059,230 estimated compared to \$5,200,894 actuals).

Departments that expended more than budgeted were as follows:

- Health and sanitation - \$9,687
- Recreation and community organization - \$4,959

Overall, the General Fund realized a surplus of \$68,061 despite having budgeted to use fund balance totaling \$342,480.

The Town's Other Governmental Funds

The only major fund, other than the General Fund, that the Town presents separately is the Capital Projects fund. This fund ended the year with a committed fund balance of \$1,623,687. The Capital Projects fund accounts for the various individual capital projects approved to be funded through tax levies. At year end, there were 34 different accounts within the Capital Projects fund that are being accounted for.

The fund's balance at the beginning of the year was \$1,450,828. During the year, the Town transferred in from the General Fund a total of \$324,291 to be added to the individual accounts. Additionally, the fund earned interest totaling \$8,765 during the year. During the year, the Town made expenditures from the fund for their designated purposes: \$143,016 from the *Plow Truck #2* account, \$6,296 from the *Municipal Building* account, \$9,891 from the *Town Hall Parking Lot* account, and \$994 from the *Transfer Station Enhancements* account.

The remainder of the Town's governmental funds are considered non-major. These consist of the EMS Daytime Rescue fund, the Fuel Assistance fund, the FEMA Homeland Security fund, and a few other small funds. Their combined revenues during the year totaled \$51,808, most of which was from charges for services in the EMS Daytime Rescue fund. Total expenditures from these other governmental funds were \$45,946 – the vast majority of it being expenditures from the EMS Daytime Rescue fund for wages. All told, the non-major governmental funds began the year with fund balances totaling \$89,472 and ended the year with fund balances totaling \$95,334.

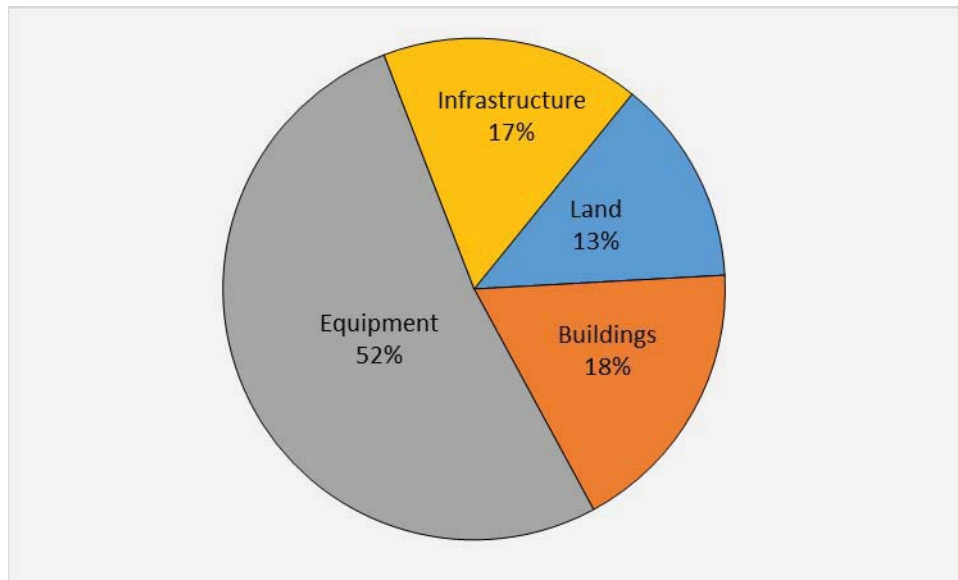
Capital Assets

At year end, the Town carried \$2,474,098 in land, buildings, equipment, and infrastructure on its books. This amount represents the historical cost of the assets less accumulated depreciation. Depreciation expense is the allocation of the cost of assets over the course of their useful lives. The table below shows the Town's general capital assets, net of accumulated depreciation, as of June 30, 2017 and 2016.

	<u>2017</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>
Land	\$ 328,758	13.3%	\$ 328,758	12.9%
Buildings	444,833	18.0%	465,916	18.3%
Equipment	1,287,840	52.1%	1,271,631	49.9%
Infrastructure	<u>412,667</u>	16.7%	<u>484,032</u>	19.0%
Net capital assets	<u>\$ 2,474,098</u>		<u>\$ 2,550,337</u>	

Changes in capital asset balances from FY16 to FY17 are the net result of capital additions totaling \$206,016, disposals of assets with a net book value of \$46,670, and depreciation expense totaling \$235,585.

The disposal of assets mentioned above was part of a new asset purchase where \$38,000 was given in trade-in value for the disposed-of asset. Thus, a loss of the disposition was recognized for \$8,670. In addition to this, minor assets that were not on the capital asset list were sold for a total of \$329. Therefore, on a full accrual basis, the Town recognized as net loss on disposal of assets totaling \$8,341.



Economic Factors and Next Year's Budget and Rates

At its annual town meeting in June, the townspeople approved municipal appropriations for FY 2018 totaling \$2,175,403. This represents a 7% increase over the FY 2017 approved municipal appropriations. Of the FY 2018 appropriations, a total of \$163,500 was approved to be sourced from the General Fund's fund balance in order to reduce the amount of the tax levy. In addition, the townspeople approved carrying forward unexpended road funds, which adds to the total approved appropriations by \$175,075, the county assessed the Town \$253,257 for county taxes, and MSAD 61 assessed the Town \$3,091,581 for education. Total original budgeted expenditures for FY 2018, therefore, are \$5,965,316, which equals an 11.3% increase compared to the FY 2017 final budget.

The total tax levy for FY 2018 is \$4,741,438, which translates to a \$12.95 mill rate (an increase of \$0.65 from FY 2017).

In November, 2017, the townspeople approved a vote to withdraw from MSAD 61 and provide education through a department of the Town. In two prior referenda, the Town had approved \$50,000 total for School Withdrawal Committee expenditures. At year end June 30, 2017, the unexpended balance of these amounts was \$19,584. Since July 1, 2017, a further \$18,883 has been expended, leaving \$701 available. Another referendum will be held in February 2018 asking voters for another \$25,000 to cover expenditures until the school budget can be voted on in June.

Contacting the Town's Financial Management

If you have questions about this report or wish to request additional financial information, please contact the Town Manager, Michele Bukoveckas, (207) 787-2457, or by visiting the Town Office at 406 Bridgton Road, Sebago, Maine.

Statement of Net Position

Statement 1

As of June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash and equivalents	\$ 3,888,362
Accounts receivable	36,502
Taxes receivable	334,024
Liens receivable	<u>101,488</u>
Total current assets	4,360,376
Land	328,758
Other capital assets	4,233,752
Accumulated depreciation	<u>(2,088,412)</u>
Net capital assets	<u>2,474,098</u>
Total Assets	6,834,474
Liabilities	
Accounts payable	33,278
Accrued expenses	23,972
Customer deposits	9,137
Capital lease obligations currently due	<u>139</u>
Total current liabilities	66,526
Accrued compensated absences	<u>10,100</u>
Total Liabilities	76,626
Deferred Inflows of Resources	
Prepaid taxes	<u>10,523</u>
Net Position	
Net investment in capital assets	2,473,959
Restricted	12,693
Unrestricted	<u>4,260,673</u>
Total Net Position	<u><u>\$ 6,747,325</u></u>

Statement of Activities

Statement 2

For the Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 575,839	\$ 10,154	\$ 4,876	\$ -
Public safety	307,828	47,432	-	10,000
Health and sanitation	140,053	-	-	-
Public works	662,055	-	49,628	-
Town properties	37,115	650	-	-
Recreation and community	68,977	1,745	-	-
Education	3,023,524	-	-	-
County tax	252,045	-	-	-
Abatements / overlay	-	-	-	-
Other expenses	18,905	-	4,376	-
Total Primary Government	\$ 5,086,341	\$ 59,981	\$ 58,880	\$ 10,000
General Revenues				
Property taxes				4,484,906
Excise taxes				347,955
Intergovernmental				146,369
Licenses, permits, and fees				62,715
Other revenues				56,807
Net loss on the disposal of assets				(8,341)
Total general revenues				5,090,411
Change in net position				132,931
Beginning net position, restated				6,614,394
Ending net position				\$ 6,747,325

Balance Sheet

Statement 3

Governmental Funds

As of June 30, 2017

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and equivalents	\$ 2,181,344	\$ 1,626,440	\$ 80,578	\$ 3,888,362
Accounts receivable	23,192	-	13,310	36,502
Taxes receivable	334,024	-	-	334,024
Liens receivable	101,488	-	-	101,488
Due from other funds	20,669	555	18,807	40,031
Total Assets	<u>\$ 2,660,717</u>	<u>\$ 1,626,995</u>	<u>\$ 112,695</u>	<u>\$ 4,400,407</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 33,278	\$ -	\$ -	\$ 33,278
Accrued expenses	23,972	-	-	23,972
Customer deposits	9,137	-	-	9,137
Due to other funds	19,362	3,308	17,361	40,031
Total liabilities	<u>85,749</u>	<u>3,308</u>	<u>17,361</u>	<u>106,418</u>
Deferred inflows of resources				
Prepaid taxes	10,523	-	-	10,523
Unavailable taxes	218,383	-	-	218,383
Total deferred inflows	<u>228,906</u>	<u>-</u>	<u>-</u>	<u>228,906</u>
Fund balances				
Restricted	-	-	12,693	12,693
Committed	-	1,623,687	82,641	1,706,328
Assigned	362,049	-	-	362,049
Unassigned	1,984,013	-	-	1,984,013
Total fund balances	<u>2,346,062</u>	<u>1,623,687</u>	<u>95,334</u>	<u>4,065,083</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,660,717</u>	<u>\$ 1,626,995</u>	<u>\$ 112,695</u>	<u>\$ 4,400,407</u>

**Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities**

Statement 4

As of June 30, 2017

Total governmental fund balances, per Statement 3	\$ 4,065,083
Capital assets reported in the Statement of Net Position are not current financial resources and, therefore, are not reported in the governmental funds.	2,474,098
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Capital lease obligations	(139)
Accrued compensated absences payable	(10,100)
Deferred outflows and inflows of resources related to unavailable property taxes are not claims on economic resources and, therefore, are not included in the Statement of Net Position	<u>218,383</u>
Net position of governmental activities, per Statement 1	<u><u>\$ 6,747,325</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances

Statement 5

Governmental Funds

For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 4,528,760	\$ -	\$ -	\$ 4,528,760
Excise taxes	347,955	-	-	347,955
Intergovernmental	197,007	-	-	197,007
Licenses, permits, and fees	62,715	-	-	62,715
Charges for services	12,549	-	47,431	59,980
Other revenues	<u>51,908</u>	<u>8,765</u>	<u>4,377</u>	<u>65,050</u>
Total revenues	5,200,894	8,765	51,808	5,261,467
Expenditures				
General government	557,857	-	-	557,857
Public safety	206,765	-	44,222	250,987
Health and sanitation	132,957	-	-	132,957
Public works	529,631	-	-	529,631
Town properties	37,115	-	-	37,115
Recreation and community	68,977	-	-	68,977
Education	3,023,524	-	-	3,023,524
County tax	252,045	-	-	252,045
Abatements / overlay	-	-	-	-
Other expenditures	<u>-</u>	<u>160,197</u>	<u>1,724</u>	<u>161,921</u>
Total expenditures	<u>4,808,871</u>	<u>160,197</u>	<u>45,946</u>	<u>5,015,014</u>
Revenue Surplus	392,023	(151,432)	5,862	246,453
Other Financing Sources (Uses)				
Proceeds from sale of assets	329	-	-	329
Transfers in	-	324,291	-	324,291
Transfers out	<u>(324,291)</u>	<u>-</u>	<u>-</u>	<u>(324,291)</u>
Total other financing	(323,962)	324,291	-	329
Net Change in Fund Balance	68,061	172,859	5,862	246,782
Beginning Fund Balance, restated	<u>2,278,001</u>	<u>1,450,828</u>	<u>89,472</u>	<u>3,818,301</u>
Ending Fund Balance	<u>\$ 2,346,062</u>	<u>\$ 1,623,687</u>	<u>\$ 95,334</u>	<u>\$ 4,065,083</u>

Reconciliation of Total Net Change in Fund Balances of Governmental Funds to the Change in Net Position of Governmental Activities

Statement 6

For the Year Ended June 30, 2017

Total net change in fund balances of governmental funds, per Statement 5 \$ 246,782

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Additionally, capital assets that are donated to the town are not considered current financial resources and, therefore, are not recognized in the fund financial statements. However, they are considered economic resources and are recognized in the Statement of Activities. And, finally, losses resulting from the disposal of assets are not a consumption of current financial resources and, therefore, are not recognized in the fund financial statements. However, they are considered consumption of economic resources and are recognized in the Statement of Activities.

Capital outlays	158,016
Capital assets donated to the town	10,000
Depreciation expense	(235,585)
Loss on disposal of capital assets	(8,670)

The payment on capital leases consumes current financial resources, but has no effect on net position in the Statement of Activities.

Capital lease payments	1,636
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Taxes that are not received within 60 days of the end of the period are not considered available current resources in the fund financial statements and, thus, are not recognized in revenue in the current period. However, they are considered economic resources and are recognized in the Statement of Activities.

Change in unavailable taxes	(43,854)
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Changes in accrued compensated absences from one period to the next represent expenses in the Statement of Activities, but are not expenditures of current financial resources and, thus, are not recognized in the fund financial statements.

Change in accrued compensated absences	4,606
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Change in Net Position of Governmental Activities, per Statement 2 \$ 132,931

Statement of Fiduciary Net Position

Statement 7

Fiduciary Funds

As of June 30, 2017

	Agency Funds	Private-purpose Trusts		
	Joseph Potter Fitch Fund	Perpetual Care Funds	Pooled Cemetery Funds	Total
Assets				
Cash	\$ 37,875	\$ 19,950	\$ 8,978	\$ 66,803
Liabilities				
Due to others	\$ 37,875	-	-	37,875
Net Position				
Non-expendable		11,400	8,434	19,834
Expendable		8,550	544	9,094
Total Net Position		\$ 19,950	\$ 8,978	\$ 28,928

Statement of Changes in Fiduciary Net Position

Statement 8

Fiduciary Funds

For the Year Ended June 30, 2017

	Private-purpose Trusts		
	Perpetual Care Funds	Pooled Cemetery Funds	Total
Additions			
Interest	\$ 103	\$ 41	\$ 144
Lot sales	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total additions	1,303	41	1,344
Deductions			
For designated purposes	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,303	41	1,344
Beginning Net Position	<u>18,647</u>	<u>8,937</u>	<u>27,584</u>
Ending Net Position	<u><u>\$ 19,950</u></u>	<u><u>\$ 8,978</u></u>	<u><u>\$ 28,928</u></u>

Note 1 Summary of Significant Accounting Policies

The Reporting Entity

The Town of Sebago, Maine, incorporated in 1826 operates under a Town Manager-Selectmen form of government. The Board of Selectmen consists of five members elected by the registered voters for three year staggered terms. The financial statements of the Town of Sebago conform to generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The more significant accounting policies used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. In accordance with GASB, the Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. The Town also is financially accountable for organizations that are fiscally dependent on it and there is a financial benefit or burden relationship. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

Basis of Presentation

The Town's basic financial statements consist of government-wide financial statements that describe the Town's overall financial position and changes in financial position, and fund financial statements that provide a more detailed level of financial information.

Government-Wide Financial Statements

The government-wide financial statements, composed of the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the Town at year end. The Statement of Activities points out the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function, service, program, or department. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the Town.

Note 1 Summary of Significant Accounting Policies (Continued)*Fund Financial Statements*

The financial transactions of the Town are reported in 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, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town currently uses two categories of funds: *governmental funds* and *fiduciary funds*. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements. The Town's governmental funds are identified as either general, special revenue, or capital projects funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific sources that are intended to be expended for specified purposes. None of the special revenue funds is considered a major fund in the current year.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of capital assets. The fund accounts for all of the capital investment projects (CIP) that have been approved by the Town for future expenditures and is considered a major fund.

Governmental funds are reported on a modified accrual, current financial resources basis.

For fiduciary funds, the focus is on fund type rather than reporting by major funds. The Town maintains two types of fiduciary funds - private-purpose trusts and agency funds.

Private-Purpose Trusts and *Agency Funds* are used to account for assets received by the Town and held in a trustee capacity. Non-expendable trust funds are those whose principal must be preserved intact. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are not incorporated into the government-wide statements.

Fiduciary funds are reported on a full accrual, economic resources basis.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

Measurement focus refers to which of the Town's resources are being measured. Basis of accounting refers to the timing of the measurements being made, regardless of the measurement focus being applied. That is, basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide financial statements and fiduciary fund financial statements are reported using the economic measurement focus and the accrual basis of accounting. All economic resources and claims on those economic resources are measured, including fixed assets, other non-current assets, and long-term liabilities. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus excludes from measurement resources such as fixed assets, other non-current assets, and long-term liabilities. Under modified accrual accounting, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Interfund Transactions

During the course of normal operations, transactions occur between individual funds. Interfund transactions are classified depending on the nature of the transaction.

Interfund loans are recorded as receivables and payables and are presented as "due from other funds" and "due to other funds," respectively, on the balance sheets of the fund financial statements. For reporting purposes, current amounts due from and due to the same funds are offset and the net amounts are shown in the respective fund balance sheets. Non-fiduciary interfund loans are eliminated in the government-wide financial statements.

Interfund services provided and used are recorded as revenues in the fund providing the goods or services and as expenditures/expenses in the fund receiving the goods or services. Any unpaid amounts are recorded as receivables and payables and presented in the same manner as interfund loans.

Interfund transfers are flows of assets from one fund to another without equivalent flows of assets in return. Interfund transfers are recorded and are presented as "transfers in" and "transfers out" in the fund financial statements. In the governmental funds, these transfers are reported as other financing sources and uses.

Interfund reimbursements are repayments from funds responsible for particular expenditures/expenses to funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Cash and Equivalents

The Town's cash and equivalents are considered to be cash on hand, demand deposits, money market accounts, and short-term investments and repurchase agreements with original maturities of three months or less from the date of acquisition.

Accounts Receivable

Receivables consist of all revenues recognized by year-end (on the applicable basis of accounting) but not yet received. Under US GAAP, accounts receivable are to be reported net of an allowance for doubtful accounts. Management makes no allowance for doubtful accounts because it believes if an allowance were estimated, it would not materially affect the balances of accounts receivable or the overall presentation of the financial statements. Historically, the Town has not experienced any significant bad debts, primarily due to its ability to compel payment of taxes through the lien process and through the courts. Other types of significant receivables include amounts due from insurance companies for EMS services rendered and from the State of Maine for intergovernmental revenues. Historically, neither of these sources of revenues has resulted in bad debts.

Capital Assets

Capital assets, which include land, building, equipment, and infrastructure are reported in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives of the assets.

Buildings	40 years
Equipment	5 – 20 years
Infrastructure	10 – 40 years

The cost of normal repairs and maintenance that do not add to the value of the assets or materially extend asset lives are not capitalized.

The Town has elected not to retroactively report their major infrastructure assets acquired prior to 2003.

In the governmental fund financial statements, fixed assets used in operations are accounted for as expenditures upon acquisition. Fixed assets are not capitalized and related depreciation is not reported.

Note 1 Summary of Significant Accounting Policies (Continued)

Accrued Compensated Absences

Pursuant to the terms of the personnel policies, vacation time is granted in varying amounts according to the length of service. In the government-wide financial statements, liabilities that are attributable to services already rendered are accrued as employees earn the rights to the benefits and are recognized in the period incurred. In the governmental fund financial statements, compensated absences are recognized as related payments come due each period.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position (government-wide financial statements) and Balance Sheet (governmental fund financial statements) will sometimes report an additional financial statement element called *deferred outflows of resources*. This element represents a consumption of resources that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no deferred outflows of resources.

In addition to liabilities, the Statement of Net Position (government-wide financial statements) and Balance Sheet (governmental fund financial statements) will sometimes report an additional financial statement element called *deferred inflows of resources*. This element represents an acquisition of resources that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. On both the Statement of Net Position and the Balance Sheet, the Town's deferred inflows of resources consist of property taxes collected in advance (labeled "prepaid taxes"). Additionally, on the Balance Sheet, due to requirements under the modified accrual basis of accounting, deferred inflows of resources also include unavailable property taxes (property taxes not collected within 60 days after the financial statement date).

Net Position Components

Net position in the government-wide financial statements is required to be separated into the following three components:

Net Investment in Capital Assets - This component shows the portion of net position that is the most illiquid. It is tied up in capital assets, net of any depreciation or related debt.

Capital assets	\$ 4,562,510
Accumulated depreciation	(2,088,412)
Capital lease obligations	<u>(139)</u>
Net investment in capital assets	<u>\$ 2,473,959</u>

Restricted - This component shows the portion of net assets that is restricted by external constraints (e.g., grant agreements, laws, regulations, other governments, etc.) to be used only for specified purposes.

Unrestricted - This component shows the remainder of net position that is neither net investment in capital assets nor restricted. It is the portion that may be used for general governmental purposes.

Note 1 Summary of Significant Accounting Policies (Continued)**Fund Balance Components**

In the governmental fund financial statements, fund balance is separated into five possible components that describe the extent to which the Town is bound to observe constraints imposed on the use of those resources, and thus their general accessibility and liquidity. The categories are as follows:

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

Restricted - represents the portion of fund balance which has external or legal restrictions on its use, such as restrictions on use established by grantors, creditors, or due to statutes or other legislation.

Committed - describes the portion of the fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned - reflects the amounts constrained by the Town's *intent* to be used for specific purposes, but are neither restricted nor committed. The subsequent fiscal year's budgeted deficit, often referred to as the *budgeted use of fund balance*, and unexpended appropriations authorized to be carried forward to the next fiscal year are classified as assigned.

Unassigned - represents amounts that are available for any purpose and that are not classified as any other fund balance component.

The Town has no formal revenue spending policy for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Note 2 Cash**Custodial Credit Risk**

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the Town will not be able to recover the value of its deposits. Custodial credit risk of investments is the risk that the Town will not be able to recover the value of its investments with the counterparty. Town policy is that deposits can only be made in financial institutions insured by the FDIC. Deposits that exceed FDIC limits are invested in repurchase agreements with the financial institution.

As of June 30, 2017, the Town's deposits held at the financial institution totaled \$279,947, all of which was insured by the FDIC.

Repurchase Agreements

The Town had repurchase agreements with its financial institution at year end totaling \$3,730,535. Under the repurchase agreement, securities are purchased at a minimum of 105% of the value of the investment. Purchased securities are all government securities that include U.S. Treasury securities, federal agencies, and those of U.S. government-related corporations. All securities are held by the financial institution's trust department in segregated accounts. The carrying value of the repurchase agreements approximates their fair value.

Note 3 Property Taxes

The Town's property taxes for the July 1, 2016, to June 30, 2017, fiscal year were committed on September 6, 2016. Taxes were due semi-annually on November 1, 2016 and May 2, 2017. Unpaid taxes are charged interest of 7.0% per annum. The tax commitment was based on the April 1, 2016 assessed real estate and personal property values totaling \$364,487,749.

The Town is permitted by the laws of the State of Maine to levy taxes 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 \$54,590.

Property taxes levied for the fiscal year are recorded as receivables at the time the levy is made. In the governmental funds, the receivables collected during the year and during the first sixty (60) days after June 30, 2017 are recognized as revenues. The remaining receivables estimated to be collectible subsequent to the sixty (60) day period are recorded as deferred revenues (see Note 1 *Deferred Outflows/Inflows of Resources*).

In addition to the original property tax levy, the Town assessed \$1,707 in supplemental taxes during the year and issued \$0 in abatements of taxes during the year. Additionally, changes in the balance of unavailable property taxes from the prior fiscal year to the current fiscal year resulted in recognition of an additional \$43,854 in property tax revenue on the General Fund's financial statements. All told, property tax revenue recognized in the governmental fund financial statements for fiscal year 2017 is \$4,528,760.

The tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. Property acquired by foreclosure for non-payment of taxes is recorded at the amount of expired tax liens plus the cost involved in foreclosure. Liens and any current taxes on the same parcel are not included as part of the tax acquired property account until expiration of statutory time limits.

Note 3 Property Taxes (Continued)

The following summarizes the fiscal year 2017 levy:

Taxable valuation of real estate	\$ 357,020,740
Taxable valuation of personal property	<u>7,467,009</u>
Total taxable valuation	364,487,749
Property tax rate (per thousand)	<u>12.30</u>
Total property tax levy	<u>\$ 4,483,199</u>

Collection of fiscal year 2017 taxes levied is as follows:

Original property tax levy	\$ 4,483,199
Supplemental taxes assessed	<u>1,706</u>
Total taxes levied	4,484,905
Current year taxes receivable outstanding	<u>(333,963)</u>
Total current year tax collections	<u>\$ 4,150,942</u>
Collection rate	92.6%

Note 4 Capital Assets

Capital asset activity during 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable assets				
Land	\$ 328,758	\$ -	\$ -	\$ 328,758
Depreciable assets				
Buildings	905,131	-	-	905,131
Equipment	2,463,166	206,016	(112,009)	2,557,173
Infrastructure	<u>771,448</u>	<u>-</u>	<u>-</u>	<u>771,448</u>
Total depreciable assets	<u>4,139,745</u>	<u>206,016</u>	<u>(112,009)</u>	<u>4,233,752</u>
Gross capital assets	4,468,503	206,016	(112,009)	4,562,510
Accumulated depreciation				
Buildings	439,215	21,083	-	460,298
Equipment	1,191,535	143,137	(65,339)	1,269,333
Infrastructure	<u>287,416</u>	<u>71,365</u>	<u>-</u>	<u>358,781</u>
Total accumulated depreciation	<u>1,918,166</u>	<u>235,585</u>	<u>(65,339)</u>	<u>2,088,412</u>
Net capital assets	<u>\$ 2,550,337</u>	<u>\$ (29,569)</u>	<u>\$ (46,670)</u>	<u>\$ 2,474,098</u>

Note 4 Capital Assets (Continued)

Depreciation expense was charged to governmental activities functions in the Statement of Activities as follows:

General government	\$ 24,224
Public safety	56,841
Health and sanitation	7,096
Public works	<u>147,424</u>
Total depreciation expense	<u>\$ 235,585</u>

The cost of capital assets under lease obligations is included in general capital assets, and totaled \$7,584 at June 30, 2017. Accumulated amortization of the leased capital assets at June 30, 2017, was \$7,456. Amortization of assets under lease obligations is included in depreciation expense.

Note 5 Overlapping Debt

The Town's proportionate share of Cumberland County's and Maine School Administrative District No. 61's bonded debt is not reported in the Town's financial statements. Debt service is included in the annual County and School assessments to the Town. The Town's share is 0.86% (\$323,760) of Cumberland County's outstanding debt of \$37,435,000 and 13.4% (\$1,419,595) of MSAD 61's outstanding debt of \$10,593,991.

Note 6 Contingent Liabilities**State and Federal Grants**

The Town participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Litigation

The Town is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the Town has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the Town.

Note 7 Capital Lease Obligations

The Town has a capital lease agreement for a copier that expires in July 2017. Annual payments are made in the amount of principal and interest due on the debt.

The present value of the minimum lease payments due on the lease is \$139. All of it is classified as currently due at year end.

Note 8 Statutory Debt Limit

In accordance with 30-A MRSA, Section 5702, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of its state valuation. Additionally, no municipality shall incur a debt in the aggregate in excess of 15% of its state valuation. The Town's valuation, per the Maine Revenue Service, as of January 18, 2017, was \$364,450,000, which means its total statutory debt ceiling is \$54,667,500.

Note 9 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 either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association.

Based on coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2017.

Note 10 Interfund Activity

Interfund balances at June 30, 2017, consisted of the following:

	Due From Other Funds	Due To Other Funds
General fund	\$ 20,669	\$ 19,362
Capital projects fund	555	3,308
Other governmental funds	<u>18,807</u>	<u>17,361</u>
Total interfund balances	<u>\$ 40,031</u>	<u>\$ 40,031</u>

The balances represent amounts one fund is owed from or owes to another fund, usually due to the use of a centralized checking account. When this occurs, revenue or expenditures in one fund are actually received in or expended from another fund's cash account and, therefore, represents an interfund asset or liability, as appropriate.

Note 10 Interfund Activity (Continued)

Inter fund transfers for the year ended June 30, 2017, consisted of the following:

	Transfers In	Transfers Out
General fund	\$ -	\$ 324,291
Capital projects fund	<u>324,291</u>	<u>-</u>
Total interfund transfers	<u><u>\$ 324,291</u></u>	<u><u>\$ 324,291</u></u>

Transfers occur when one fund contributes resources to another fund with no expectation of being repaid. The transfers from the General Fund to the Capital Projects Fund represent the amounts approved at the annual town meeting for additions to new capital improvement projects.

Note 11 Components of Fund Balances

For non-major special revenue funds, fund balances categorized as follows:

	Restricted	Committed
EMS daytime rescue	\$ -	\$ 76,367
Fuel assistance fund	-	6,274
FEMA Homeland Security	12,103	-
Adelphia cable TV equipment	290	-
Teddy bear fund	160	-
CDBG grant	<u>140</u>	<u>-</u>
Totals	<u><u>\$ 12,693</u></u>	<u><u>\$ 82,641</u></u>

For the Capital Projects Fund, all of its ending fund balance of \$1,623,687 is classified as committed.

For the General Fund, of its \$2,346,062 ending fund balance, \$362,049 is considered assigned as follows:

	Assigned
School withdrawal committee carryforward	\$ 19,584
Roads carryforward	175,075
Dry hydrants	3,890
FY18 budgeted use of fund balance	<u>163,500</u>
Totals	<u><u>\$ 362,049</u></u>

The remaining \$1,997,524 in the General Fund's fund balance is unassigned.

See Note 1 *Fund Balance Components* for definitions of these categories.

Note 12 Retirement Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 408(p) on November 14, 2000. The plan, available to eligible Town employees, permits them to defer a portion of their salary until future years. The Town matches up to 3% of each qualified employees' earnings. An employee who regularly works 20 hours per week and has completed a period of 30 days of consecutive employment may become a participant in this plan. Currently eight employees participate in this plan.

Assets of the plan are placed in trusts for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred, including earnings on plan assets, are not included in the Town's financial statements. The Town contributed \$7,918 to the plan for fiscal year 2017.

Note 13 Prior Period Restatement

During the year, management noted an error in the prior period financial statements. Currently liabilities reported \$3,890 in balances that are not considered liabilities, as defined by the GASB's reporting standards. Therefore, this \$3,890 was reclassified as part of fund balance / net position. The net result is that the beginning General Fund's fund balance and the governmental activities' net position were restated upward by \$3,890.

Note 14 Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 21, 2017, the date the financial statements were available to be issued.

Budgetary Comparison Schedule
General Fund - Budgetary Basis
For the Year Ended June 30, 2017

Schedule 1

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 4,556,700	\$ 4,483,199	\$ 4,528,760	\$ 45,561
Excise taxes	276,500	276,500	347,955	71,455
Intergovernmental	169,710	182,801	197,007	14,206
Licenses, permits, and fees	57,030	57,030	62,715	5,685
Charges for services	11,900	11,900	12,549	649
Other revenues	47,800	47,800	51,908	4,108
Total revenues	5,119,640	5,059,230	5,200,894	141,664
Expenditures				
General government	548,259	573,259	557,857	15,402
Public safety	259,747	259,747	206,765	52,982
Health and sanitation	123,270	123,270	132,957	(9,687)
Public works	681,551	681,551	529,631	151,920
Town properties	45,415	45,415	37,115	8,300
Recreation and community organizations	64,018	64,018	68,977	(4,959)
Education	3,023,524	3,023,524	3,023,524	-
County tax	252,045	252,045	252,045	-
Abatements / overlay	-	54,590	-	54,590
Total Expenditures	<u>4,997,829</u>	<u>5,077,419</u>	<u>4,808,871</u>	<u>268,548</u>
Revenue Surplus (Deficit)	121,811	(18,189)	392,023	410,212
Other Financing Sources (Uses)				
Proceeds from the sale of assets	-	-	329	329
Transfers out	(324,291)	(324,291)	(324,291)	-
Total other financing sources (uses)	<u>(324,291)</u>	<u>(324,291)</u>	<u>(323,962)</u>	<u>329</u>
Change in Fund Balance	<u>\$ (202,480)</u>	<u>\$ (342,480)</u>	<u>\$ 68,061</u>	<u>\$ 410,541</u>
Addition to (Use of) Fund Balance				
Assigned	\$ (202,480)	\$ (202,480)	\$ 159,569	
Unassigned	-	(140,000)	(91,508)	
	<u>\$ (202,480)</u>	<u>\$ (342,480)</u>	<u>\$ 68,061</u>	

Note 1 Budgetary Accounting

Each year a budget is adopted for the general fund. The budget is presented on the budgetary basis, which differs slightly from the modified accrual basis of accounting, upon which the General Fund's financial statements are presented. Formal budgetary integration is employed as a management control device during the year for the general fund.

Note 2 Original and Final Budget Differences

The original budget is the appropriated budget in place before the start of the fiscal year. The final budget includes any changes made to the original budget during the fiscal year. The differences between the original and final budgets are as follows:

- A clerical error in calculating the tax commitment reduced the estimated property taxes line by \$73,501.
- Updated estimates from intergovernmental revenues sources at the date of the tax commitment increased this line by \$13,091.
- A special election held in January, 2017, approved an additional \$25,000 for the school withdrawal committee and is included in the general government line.
- Overlay allowed under state statute and calculated at the date of the tax commitment was \$54,590.

The net effect of the changes above increased the budgeted deficit by \$140,000. The original budgeted deficit (budgeted use of fund balance) was \$202,480; the final budgeted deficit was \$342,480. Actual results of operations was a *surplus* of \$68,061 instead of a deficit.

Note 3 Expenditures in Excess of Appropriations

During the year, the following budget lines were over-expended compared to their final budgeted appropriations:

Health and sanitation	\$ 9,687
Recreation and community organizations	<u>4,959</u>
Total over-expenditures	<u><u>\$ 14,646</u></u>

Schedule of Departmental Operations

Schedule 2

For the Year Ended June 30, 2017

	Current Year Appropriations and Amounts Carried Forward	Current Year Expenditures	Unexpended / (Overdrawn)	Unexpended Amounts Carried Forward
General Government				
Administration	\$ 297,480	\$ 297,382	\$ 98	\$ -
Selectmen	15,170	15,380	(210)	-
Town manager	60,825	69,785	(8,960)	-
Clerk / tax collector	91,290	91,957	(667)	-
Code enforcement	46,980	47,542	(562)	-
Health officer	820	742	78	-
General assistance	10,575	4,771	5,804	-
Elections	2,700	2,763	(63)	-
Appeals board	150	-	150	-
Planning board	150	-	150	-
Service providers	6,900	6,900	-	-
Special committees	40,219	20,635	19,584	19,584
Total general government	573,259	557,857	15,402	19,584
Public Safety				
Alarms	2,500	2,395	105	-
Animal control	3,400	1,860	1,540	-
Rescue	58,120	39,478	18,642	-
Daytime rescue	65,462	65,462	-	-
Fire	121,165	89,268	31,897	-
Dispatch	9,100	8,302	798	-
Total public safety	259,747	206,765	52,982	-
Health and Sanitation				
Solid waste	122,470	131,844	(9,374)	-
Hazardous waste	800	1,113	(313)	-
Total health and sanitation	123,270	132,957	(9,687)	-
Public Works				
Roads	403,261	228,186	175,075	175,075
Snow removal	278,290	301,445	(23,155)	-
Total public works	681,551	529,631	151,920	175,075

Schedule of Departmental Operations

Schedule 2 (Continued)

For the Year Ended June 30, 2017

	Current Year Appropriations and Amounts Carried Forward	Current Year Expenditures	Unexpended / (Overdrawn)	Unexpended Appropriations Carried Forward
Town Properties				
Street lights	\$ 7,000	\$ 7,442	\$ (442)	\$ -
Town hall	11,825	8,672	3,153	-
Town office	10,750	9,787	963	-
Town garage	11,150	7,203	3,947	-
Sebago veterans' memorial park	500	402	98	-
Sebago cemetery	150	149	1	-
Associated cemeteries	700	610	90	-
Smal cemeteries	1,500	1,567	(67)	-
Historical society	<u>1,840</u>	<u>1,283</u>	<u>557</u>	<u>-</u>
Total town properties	45,415	37,115	8,300	-
Recreation				
Sebago days	5,400	5,400	-	-
Memorial day	800	1,037	(237)	-
Recreation administration	19,788	24,663	(4,875)	-
Douglas mountain	1,400	979	421	-
Town beach	4,150	4,139	11	-
SYAA	4,000	4,000	-	-
Soccer	2,600	2,531	69	-
Basketball	1,505	1,853	(348)	-
Library	22,000	22,000	-	-
Food pantry	<u>2,375</u>	<u>2,375</u>	<u>-</u>	<u>-</u>
Total recreation	64,018	68,977	(4,959)	-
Other Expenditures				
Education	3,023,524	3,023,524	-	-
County tax	252,045	252,045	-	-
Overlay / Abatements	<u>54,590</u>	<u>-</u>	<u>54,590</u>	<u>-</u>
Total fixed charges	<u>3,330,159</u>	<u>3,275,569</u>	<u>54,590</u>	<u>-</u>
Total All Departments	<u>\$ 5,077,419</u>	<u>\$ 4,808,871</u>	<u>\$ 268,548</u>	<u>\$ 194,659</u>

Combining Balance Sheet

Schedule 3

Nonmajor Special Revenue Funds

As of June 30, 2017

	Assets			
	Cash	Accounts Receivable	Due From Other Funds	Total Assets
EMS daytime rescue	\$ 80,418	\$ 13,310	\$ -	\$ 93,728
Fuel assistance fund	-	-	6,274	6,274
FEMA Homeland Security	-	-	12,103	12,103
Adelphia cable TV equipment	-	-	290	290
Teddy bear fund	160	-	-	160
CDBG grant	-	-	140	140
Total	<u>\$ 80,578</u>	<u>\$ 13,310</u>	<u>\$ 18,807</u>	<u>\$ 112,695</u>

	Liabilities and Fund Balance		
	Due To Other Funds	Fund Balance	Total L & FB
EMS daytime rescue	\$ 17,361	\$ 76,367	\$ 93,728
Fuel assistance fund	-	6,274	6,274
FEMA Homeland Security	-	12,103	12,103
Adelphia cable TV equipment	-	290	290
Teddy bear fund	-	160	160
CDBG grant	-	140	140
Total	<u>\$ 17,361</u>	<u>\$ 95,334</u>	<u>\$ 112,695</u>

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances**

Schedule 4

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Beginning Balance	Revenue	Transfers In / (Out)	Expenditures	Ending Balance
EMS daytime rescue	\$ 73,158	\$ 47,431	\$ -	\$ (44,222)	\$ 76,367
Fuel assistance fund	5,814	2,184	-	(1,724)	6,274
FEMA Homeland Security	9,912	2,191	-	-	12,103
Adelphia cable TV equipment	290	-	-	-	290
Teddy bear fund	158	2	-	-	160
CDBG grant	140	-	-	-	140
Total	<u>\$ 89,472</u>	<u>\$ 51,808</u>	<u>\$ -</u>	<u>\$ (45,946)</u>	<u>\$ 95,334</u>

Schedule of Ending Account Balance Details

Schedule 5

Capital Projects Fund

As of June 30, 2017

	Assets			Liabilities & Fund Balance	
	Cash	Due From Other Funds	Total Assets	Liabilities	Fund Balance
Plow truck #1	\$ 36,343	\$ -	\$ 36,343	\$ -	\$ 36,343
Plow truck #2	738	-	738	-	738
4x4 backhoe	17,289	-	17,289	-	17,289
Plow truck #3	97,485	-	97,485	-	97,485
Rescue ambulance	30,310	-	30,310	-	30,310
Folly bridge reserve	1,891	-	1,891	-	1,891
Brush dump	-	-	-	-	-
Fire engine #2	8,084	-	8,084	-	8,084
Fire engine #3	144,538	-	144,538	-	144,538
Fire engine #4	282,529	-	282,529	-	282,529
Boat	12,603	-	12,603	-	12,603
Revaluation	29,421	-	29,421	-	29,421
Municipal building	15,800	-	15,800	-	15,800
Fire truck tank #1	137,320	-	137,320	-	137,320
Fire truck tank #2	191,358	-	191,358	-	191,358
Town hall parking lot	23,072	-	23,072	3,308	19,764
Trash compactor	21,155	-	21,155	-	21,155
Transfer station enhancements	5,955	-	5,955	-	5,955
1-ton dump truck	89,823	-	89,823	-	89,823
Public safety building	25,778	-	25,778	-	25,778
Radio repeater	6,765	-	6,765	-	6,765
Land acquisition	72,461	-	72,461	-	72,461
Roll-off truck	45,825	-	45,825	-	45,825
Forestry truck #1	93,676	-	93,676	-	93,676
Public works storage	3,280	-	3,280	-	3,280
Route 114 drainage	-	-	-	-	-
Server	8,675	-	8,675	-	8,675
Public works truck	12,800	-	12,800	-	12,800
50 yard	5,992	-	5,992	-	5,992
Cardiac monitor	14,029	-	14,029	-	14,029
Grader	9,856	-	9,856	-	9,856
Roads and equipment	35,157	-	35,157	-	35,157
Excavator	38,745	-	38,745	-	38,745
Emergency generators	7,164	-	7,164	-	7,164
Public safety building investment	100,523	-	100,523	-	100,523
Local match for federal grants	-	555	555	-	555
Total	<u>\$ 1,626,440</u>	<u>\$ 555</u>	<u>\$ 1,626,995</u>	<u>\$ 3,308</u>	<u>\$ 1,623,687</u>

Schedule of Changes in Account Balance Details

Schedule 6

Capital Projects Fund

For the Year Ended June 30, 2017

	Beginning Balance	Revenue	Transfers In / (Out)	Expenditures	Ending Balance
Plow truck #1	\$ 23,402	\$ 180	\$ 12,761	\$ -	\$ 36,343
Plow truck #2	134,753	306	8,695	(143,016)	738
4x4 backhoe	17,197	92	-	-	17,289
Plow truck #3	86,238	508	10,739	-	97,485
Rescue ambulance	10,022	140	20,148	-	30,310
Folly bridge reserve	1,881	10	-	-	1,891
Brush dump	11,324	-	(11,324)	-	-
Fire engine #2	8,041	43	-	-	8,084
Fire engine #3	127,534	755	16,249	-	144,538
Fire engine #4	248,581	1,475	32,473	-	282,529
Boat	9,953	65	2,585	-	12,603
Revaluation	29,263	158	-	-	29,421
Municipal building	11,126	63	10,907	(6,296)	15,800
Fire truck tank #1	119,110	715	17,495	-	137,320
Fire truck tank #2	163,807	993	26,558	-	191,358
Town hall parking lot	29,499	156	-	(9,891)	19,764
Trash compactor	21,038	117	-	-	21,155
Transfer station enhancements	11,395	34	(4,480)	(994)	5,955
1-ton dump truck	80,335	470	9,018	-	89,823
Public safety building	1,005	130	24,643	-	25,778
Radio repeater	5,655	35	1,075	-	6,765
Land acquisition	72,072	389	-	-	72,461
Roll-off truck	43,292	242	2,291	-	45,825
Forestry truck #1	84,274	491	8,911	-	93,676
Public works storage	3,263	17	-	-	3,280
Route 114 drainage	8,839	-	(8,839)	-	-
Server	6,801	45	1,829	-	8,675
Public works truck	10,946	67	1,787	-	12,800
50 yard	4,796	31	1,165	-	5,992
Cardiac monitor	9,522	70	4,437	-	14,029
Grader	7,289	50	2,517	-	9,856
Roads and equipment	20,035	172	14,950	-	35,157
Excavator	24,981	188	13,576	-	38,745
Emergency generators	3,004	35	4,125	-	7,164
Public safety building investment	-	523	100,000	-	100,523
Local match for federal grants	<u>555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>555</u>
Total	<u>\$ 1,450,828</u>	<u>\$ 8,765</u>	<u>\$ 324,291</u>	<u>\$ (160,197)</u>	<u>\$ 1,623,687</u>

Schedule of Changes in Account Balance Details

Schedule 7

Pooled Cemetery Fund

For the Year Ended June 30, 2017

	Beginning Balance	Additions	Deductions	Ending Balance
Pooled Cemetery Funds				
O. Douglas - Haley	\$ 100	\$ 1	\$ -	\$ 101
F. Meserve - Haley	150	1	-	151
W. Fitch - Route 107	995	5	-	1,000
E. Martin	1,321	6	-	1,327
N. & J. Chadbourne	503	2	-	505
F. Fitch - Fitch's Store	857	4	-	861
L.P. Fitch	1,448	7	-	1,455
E. Martin - Haley	100	-	-	100
L. Meserve - Poor Cemetery	1,007	5	-	1,012
E. Douglas - Haley	100	-	-	100
A. Gray, Stiles, G. McKenney	200	1	-	201
J. & C. Haley	100	-	-	100
M. & M. Tripp - Haley	100	-	-	100
W. McDonald - Haley	50	-	-	50
E. N. Durrell - Haley	200	1	-	201
G. & E. Douglas - Haley	100	-	-	100
L. & G. Lewis - Haley	402	2	-	404
G. Durrell - Haley	1,003	5	-	1,008
A. Rose, Herbet, Elise, G. Gray	201	1	-	202
Totals	<u>\$ 8,937</u>	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ 8,978</u>



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Selectmen
Town of Sebago, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Sebago, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Sebago's basic financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control over Financial Reporting

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



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
December 21, 2017