

Town of Sebago



Annual Financial Statements
For the Year Ended June 30, 2018

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, 2018, 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, 2018, 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 5, 2018



Management's Discussion and Analysis

Town of Sebago
For the Year Ended June 30, 2018

As Town Manager of Sebago, I offer the readers of these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

Financial Highlights

Financial highlights for the past year include the following:

- The Town's assets exceeded its liabilities by \$7,110,141 at the close of the fiscal year. Of this amount, \$4,602,125 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 \$362,816 as a result of operations throughout the fiscal year, or 5.4%.
- At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,370,061, an increase of \$304,978 from the prior fiscal year. Of this, \$2,002,005 is unassigned and available for spending at the Town's discretion from the General Fund.
- At the end of the fiscal year, the net decrease in the General Fund's fund balance was \$42,394, or -1.8%, from the prior fiscal year.

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, 2018 and 2017
Condensed Statements of Net Position

	2018	2017	\$ Change	% Change
Current assets	\$ 4,752,221	\$ 4,360,376	\$ 391,845	9.0%
Net capital assets	<u>2,492,821</u>	<u>2,474,098</u>	<u>18,723</u>	0.8%
Total assets	7,245,042	6,834,474	410,568	6.0%
Current liabilities	89,045	66,526	22,519	33.8%
Long-term liabilities	<u>8,788</u>	<u>10,100</u>	<u>(1,312)</u>	-13.0%
Total liabilities	97,833	76,626	21,207	27.7%
Deferred inflows of resource	<u>37,068</u>	<u>10,523</u>	<u>26,545</u>	252.3%
Net investment in capital ass	2,492,821	2,473,959	18,862	0.8%
Restricted net position	15,195	12,693	2,502	19.7%
Unrestricted net position	<u>4,602,125</u>	<u>4,260,673</u>	<u>341,452</u>	8.0%
Total net position	<u>\$ 7,110,141</u>	<u>\$ 6,747,325</u>	<u>\$ 362,816</u>	5.4%

Current assets increased by 9% overall. This was combination of a \$427k in in cash and equivalents offset with a decrease of about \$41K in taxes and liens receivable.

Net capital assets increased during the year primarily due to the construction of the new Anderson Road, new vault room, and the office parking lot. During the year, depreciation expense was \$236,940 while the Town added \$256,369 in new capital assets.

Current liabilities saw an increase in its net balance during the year by about \$23k. This is largely to due to timing of payment of payables at year end. The Town's long-term liabilities are solely accrued compensated absences which fluctuate normally from year to year based on employees' unused vacation time.

Most of the Town's net position (65%) 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 35% of total net position and represent the Town's net investment in long-term assets to help deliver goods and services.

Table 2
Fiscal Years Ended June 30, 2018 and 2017
Condensed Statements of Activities

	2018	2017	\$ Change	% Change
General revenues	\$ 5,451,378	\$ 5,090,411	\$ 360,967	7.1%
Program revenues	<u>127,193</u>	<u>128,861</u>	<u>(1,668)</u>	-1.3%
Total revenues	5,578,571	5,219,272	359,299	6.9%
General government	544,038	575,839	(31,801)	-5.5%
Public safety	335,797	307,828	27,969	9.1%
Health and sanitation	143,237	140,053	3,184	2.3%
Public works	667,602	662,055	5,547	0.8%
Town properties	44,407	37,115	7,292	19.6%
Recreation and community	57,836	68,977	(11,141)	-16.2%
Education	3,085,526	3,023,524	62,002	2.1%
County tax	253,257	252,045	1,212	0.5%
Abatements / overlay	2,728	-	2,728	100.0%
Other expenses	<u>81,326</u>	<u>18,905</u>	<u>62,421</u>	330.2%
Total expenses	<u>5,215,754</u>	<u>5,086,341</u>	<u>129,413</u>	2.5%
Change in net position	362,817	132,931	229,886	172.9%
Beginning net position	<u>6,747,324</u>	<u>6,614,394</u>	<u>132,930</u>	2.0%
Ending net position	<u>\$ 7,110,141</u>	<u>\$ 6,747,325</u>	<u>\$ 362,816</u>	5.4%

Overall, total revenue was up by \$359,299 in fiscal year 2018 compared to the prior year. Mostly, this was due to an increase in property taxes (up by \$259,261 from FY17) and excise taxes (up \$35,147 from FY17).

Total expenses were up by \$129,413 compared with the prior year. Pretty much all of the increase was due to a higher assessment from MSAD 61 (an increase of \$62,002) and in Other Expenses (an increase of \$62,421), which is primarily due to the Capital Improvements Fund's FY18 expenditures. Expense increases and decreases in other areas generally offset each other with the largest decreases occurring in the General Government and Recreation and Community (\$31,801 and \$11,141, respectively), and an increase in Public Safety of \$27,969.

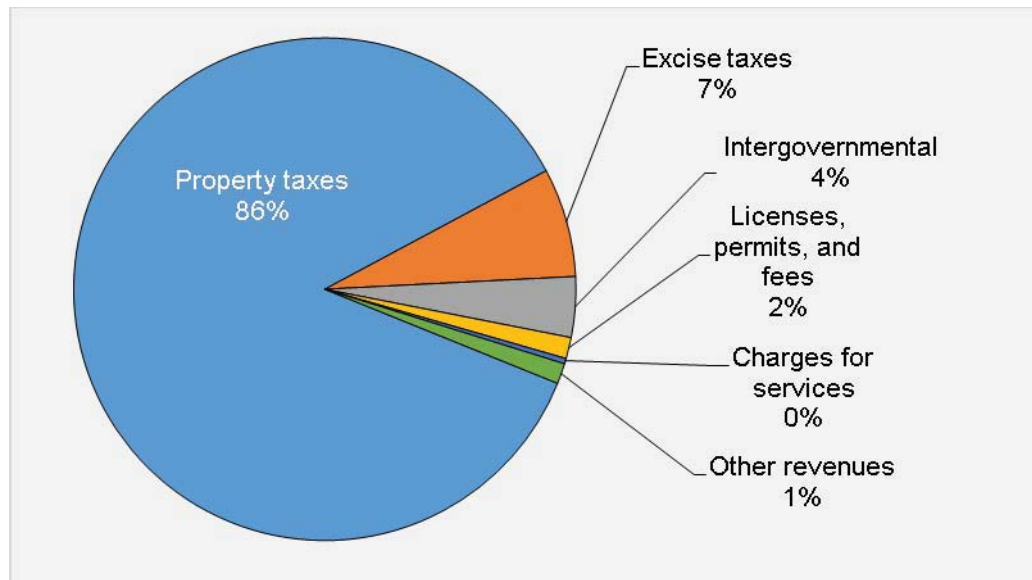
The net result was a net increase in position in FY18 of \$362,817, which represents a 5.4% increase in total net position from the prior year.

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, 2018 and 2017. Note that the revenues recognized in the General Fund differ from the revenues recognized for total governmental activities (see Table 2) 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.

	2018	% of Total	2017	% of Total
Property taxes	\$ 4,706,500	86.1%	\$ 4,528,760	87.1%
Excise taxes	383,102	7.0%	347,955	6.7%
Intergovernmental	212,919	3.9%	197,007	3.8%
Licenses, permits, and fees	74,613	1.4%	62,715	1.2%
Charges for services	19,299	0.4%	12,549	0.2%
Other revenues	71,525	1.3%	51,908	1.0%
Total general fund revenues	<u>\$ 5,467,958</u>		<u>\$ 5,200,894</u>	

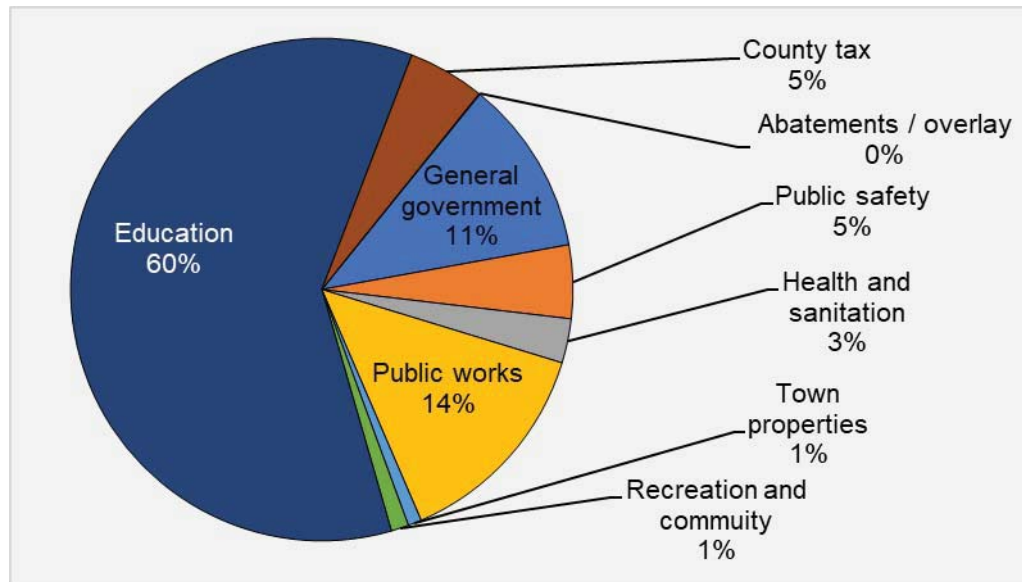
Property taxes make up 86% of the Town's General Fund revenues, with excise taxes being the next highest with 7%. The other sources of revenue make up the remaining 7% of the total.



The following schedule presents a summary of the General Fund's expenses for the fiscal years ended June 30, 2018 and 2017. Note that the expenditures recognized in the General Fund differ from the expenses recognized for total governmental activities (see Table 2) 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.

	2018	% of Total	2017	% of Total
General government	\$ 578,775	11.3%	\$ 557,857	11.6%
Public safety	241,620	4.7%	206,765	4.3%
Health and sanitation	145,802	2.8%	132,957	2.8%
Public works	706,908	13.8%	529,631	11.0%
Town properties	44,407	0.9%	37,115	0.8%
Recreation and community	57,836	1.1%	68,977	1.4%
Education	3,085,526	60.3%	3,023,524	62.9%
County tax	253,257	4.9%	252,045	5.2%
Abatements / overlay	2,728	0.1%	-	0.0%
Total general fund expenditures	<u>\$ 5,116,859</u>		<u>\$ 4,808,871</u>	

Education expenditures take up 60% of the total, while the next three largest categories of expenditures are for general government (11%), public works (14%), and county tax (5%). The remaining departments and categories (e.g., public safety, recreation, etc.) consume only 10% of total general fund expenditures.



As of June 30, 2018, the General Fund's fund balance was \$2,303,668, down by \$42,394 from the prior year. The fund balance is broken down into two components at year end: assigned and unassigned. The assigned portion, \$301,663, represents the amount of fund balance that the Town has budgeted to use in fiscal year 2019, the public works carry forward for roads, and other minor amounts assigned for specific future expenditure. The unassigned portion of \$2,002,005 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.

The Town's original budget contemplated a \$358,159 deficit (commonly referred to as a "budgeted use of fund balance). In January 2018, a special town vote approved \$25,000 in additional expenditures for the School Withdrawal Committee to be funded from the unassigned fund balance. The result is that the Town's final budget was a budgeted deficit of \$383,159.

Total final budgeted expenditures were \$5,346,530. Actual expenditures were \$5,116,859, coming in \$229,671 under budget. Overall, the actual General Fund deficit came in at \$42,394, \$340,765 less than the budgeted deficit of \$383,159.

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 \$1,956,404. The Capital Projects fund accounts for the various individual capital projects approved to be funded through tax levies. At year end, there were 36 different accounts within the Capital Projects fund that are being accounted for.

The fund's balance at the beginning of the year was \$1,623,687. During the year, the Town transferred in from the General Fund a total of \$394,343 to be added to the individual accounts. Additionally, the fund earned interest totaling \$17,177 during the year. During the year, the Town made \$78,803 in expenditures from the fund for specific capital purchases: \$12,473 from the *Municipal Building* account, \$28,670 from the *Town Hall Parking Lot* account, \$5,955 from the *Transfer Station Enhancement* account, \$9,263 from the *Server* account, \$2,045 from the *50 Yard* account, \$6,970 from the *Emergency Generator* account, and \$13,427 from the *Town Office Vault* 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 \$55,630, most of which was from charges for services in the EMS Daytime Rescue fund. Total expenditures from these other governmental funds were \$40,975, 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 \$95,334 and ended the year with fund balances totaling \$109,989.

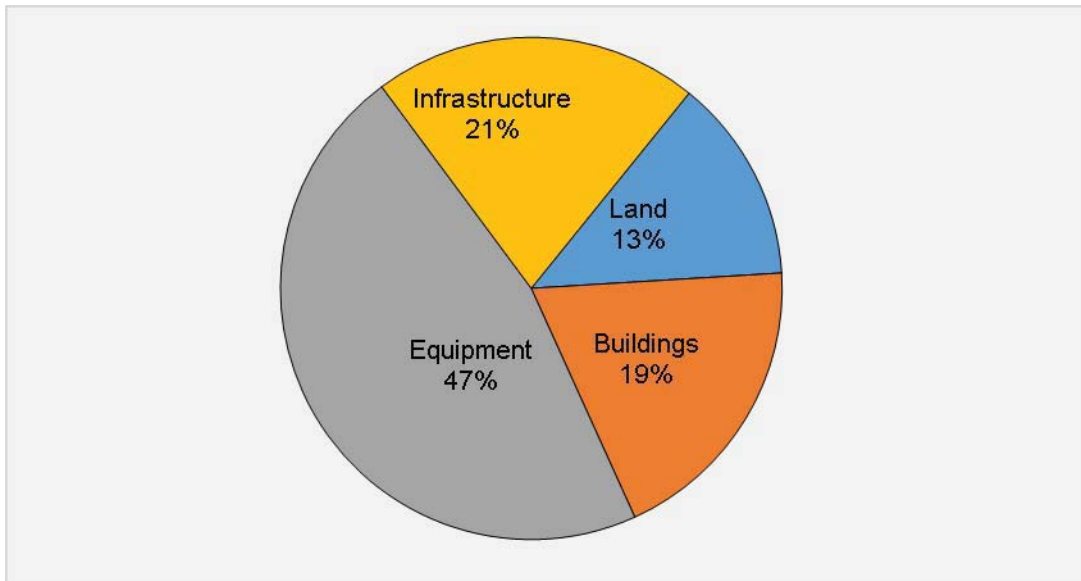
Capital Assets

At year end, the Town carried \$2,492,821 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, 2018 and 2017.

	2018	% of Total	2017	% of Total
Land	\$ 328,758	13.2%	\$ 328,758	13.3%
Buildings	478,726	19.2%	444,834	18.0%
Equipment	1,161,828	46.6%	1,287,840	52.1%
Infrastructure	523,509	21.0%	412,667	16.7%
Net capital assets	<u>\$ 2,492,821</u>		<u>\$ 2,474,099</u>	

Changes in capital asset balances from FY17 to FY18 are the net result of capital additions totaling \$256,369, disposals of assets with a net book value of \$708, and depreciation expense totaling \$236,940.

The disposal of assets mentioned above pertains to the generator that was sold for \$850, and the replacement of the old server. Thus, a net gain of the disposition was recognized for \$142 on the full accrual basis.



Economic Factors and Next Year's Budget and Rates

At its annual town meeting in June, the townspeople approved municipal appropriations for FY 2019 totaling \$2,218,174. This represents a 9% increase over the FY 2018 approved municipal appropriations. Of the FY 2019 appropriations, a total of \$126,984 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 \$157,886. The county assessed the Town \$264,667 for county taxes, and the Town School Department's budget is \$3,168,870. Total original budgeted expenditures for FY 2019, therefore, are \$5,809,596, which equals a 10.5% increase compared to the FY 2018 final budget.

The total tax levy for FY 2019 is \$4,880,316, which translates to a \$13.15 mill rate (an increase of \$0.20 from FY 2018).

Effective July 1, 2018, the Town withdrew from MSAD 61 and established its own municipal school department. The Town, through the school department, will remain responsible for shared debts of MSAD 61 that were incurred before the effective date of the withdrawal. The capital assets related to Sebago Elementary School will be recorded and presented as capital assets of the Town beginning in fiscal year 2019.

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, 2018

	<u>Governmental Activities</u>
Assets	
Cash and equivalents	\$ 4,314,928
Accounts receivable	42,591
Taxes receivable	285,946
Liens receivable	<u>108,756</u>
Total current assets	4,752,221
Land	328,758
Other capital assets	4,471,560
Accumulated depreciation	<u>(2,307,497)</u>
Net capital assets	<u>2,492,821</u>
Total Assets	7,245,042
Liabilities	
Accounts payable	42,146
Accrued expenses	37,762
Customer deposits	<u>9,137</u>
Total current liabilities	89,045
Accrued compensated absences	<u>8,788</u>
Total Liabilities	97,833
Deferred Inflows of Resources	
Prepaid taxes	<u>37,068</u>
Net Position	
Net investment in capital assets	2,492,821
Restricted	15,195
Unrestricted	<u>4,602,125</u>
Total Net Position	<u><u>\$ 7,110,141</u></u>

Statement of Activities

Statement 2

For the Year Ended June 30, 2018

Functions / Programs	Program Revenues			Net (Expense)
				Revenue and
				Changes in
	Expenses	Charges for	Operating Grants and	Net Position
		Services	Contributions	Governmental
				Activities
Primary Government				
Governmental Activities				
General government	\$ 544,038	\$ 17,259	\$ 1,626	\$ (525,153)
Public safety	335,797	52,085	-	(283,712)
Health and sanitation	143,237	-	-	(143,237)
Public works	667,602	-	50,640	(616,962)
Town properties	44,407	225	-	(44,182)
Recreation and community	57,836	1,815	-	(56,021)
Education	3,085,526	-	-	(3,085,526)
County tax	253,257	-	-	(253,257)
Abatements / overlay	2,728	-	-	(2,728)
Other expenses	81,326	-	3,543	(77,783)
Total Primary Government	\$ 5,215,754	\$ 71,384	\$ 55,809	(5,088,561)
General Revenues				
Property taxes				4,744,167
Excise taxes				383,102
Intergovernmental				162,203
Licenses, permits, and fees				74,613
Other revenues				87,151
Net gain on the disposal of assets				142
Total general revenues				<u>5,451,378</u>
Change in net position				362,817
Beginning net position				<u>6,747,324</u>
Ending net position				<u>\$ 7,110,141</u>

Balance Sheet
Governmental Funds
 As of June 30, 2018

Statement 3

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and equivalents	\$ 2,266,698	\$ 1,955,849	\$ 92,381	\$ 4,314,928
Accounts receivable	31,514	-	11,077	42,591
Taxes receivable	285,946	-	-	285,946
Liens receivable	108,756	-	-	108,756
Due from other funds	13,296	555	19,827	33,678
Total Assets	<u>\$ 2,706,210</u>	<u>\$ 1,956,404</u>	<u>\$ 123,285</u>	<u>\$ 4,785,899</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 42,146	\$ -	\$ -	\$ 42,146
Accrued expenses	37,762	-	-	37,762
Customer deposits	9,137	-	-	9,137
Due to other funds	20,382	-	13,296	33,678
Total liabilities	<u>109,427</u>	<u>-</u>	<u>13,296</u>	<u>122,723</u>
Deferred inflows of resources				
Prepaid taxes	37,068	-	-	37,068
Unavailable taxes	256,047	-	-	256,047
Total deferred inflows	<u>293,115</u>	<u>-</u>	<u>-</u>	<u>293,115</u>
Fund balances				
Restricted	-	-	15,195	15,195
Committed	-	1,956,404	94,794	2,051,198
Assigned	301,663	-	-	301,663
Unassigned	2,002,005	-	-	2,002,005
Total fund balances	<u>2,303,668</u>	<u>1,956,404</u>	<u>109,989</u>	<u>4,370,061</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,706,210</u>	<u>\$ 1,956,404</u>	<u>\$ 123,285</u>	<u>\$ 4,785,899</u>

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

Statement 4

As of June 30, 2018

Total governmental fund balances, per Statement 3	\$ 4,370,061
Capital assets reported in the Statement of Net Position are not current financial resources and, therefore, are not reported in the governmental funds.	2,492,821
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued compensated absences payable	(8,788)
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>256,047</u>
Net position of governmental activities, per Statement 1	<u><u>\$ 7,110,141</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances

Statement 5

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 4,706,500	\$ -	\$ -	\$ 4,706,500
Excise taxes	383,102	-	-	383,102
Intergovernmental	212,919	-	-	212,919
Licenses, permits, and fees	74,613	-	-	74,613
Charges for services	19,299	-	52,085	71,384
Other revenues	71,525	17,177	3,545	92,247
Total revenues	5,467,958	17,177	55,630	5,540,765
Expenditures				
General government	578,775	-	-	578,775
Public safety	241,620	-	38,452	280,072
Health and sanitation	145,802	-	-	145,802
Public works	706,908	-	-	706,908
Town properties	44,407	-	-	44,407
Recreation and community	57,836	-	-	57,836
Education	3,085,526	-	-	3,085,526
County tax	253,257	-	-	253,257
Abatements / overlay	2,728	-	-	2,728
Other expenditures	-	78,803	2,523	81,326
Total expenditures	5,116,859	78,803	40,975	5,236,637
Revenue Surplus (Deficit)	351,099	(61,626)	14,655	304,128
Other Financing Sources (Uses)				
Proceeds from sale of assets	850	-	-	850
Transfers in	-	394,343	-	394,343
Transfers out	(394,343)	-	-	(394,343)
Total other financing	(393,493)	394,343	-	850
Net Change in Fund Balance	(42,394)	332,717	14,655	304,978
Beginning Fund Balance	2,346,062	1,623,687	95,334	4,065,083
Ending Fund Balance	\$ 2,303,668	\$ 1,956,404	\$ 109,989	\$ 4,370,061

The accompanying notes are an integral part of these financial statements.

**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, 2018

Total net change in fund balances of governmental funds, per Statement 5 \$ 304,978

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. Losses resulting from the disposal of assets are not 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	256,369
Depreciation expense	(236,940)
Adjustment to gain on disposal of capital assets	(708)

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

Capital lease payments	139
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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	37,667
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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	<u>1,312</u>
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Change in Net Position of Governmental Activities, per Statement 2 \$ 362,817

Statement of Fiduciary Net Position

Statement 7

Fiduciary Funds

As of June 30, 2018

	Agency Funds	Private-purpose Trusts		
	Joseph Potter Fitch Fund	Perpetual Care Funds	Pooled Cemetery Funds	Total
Assets				
Cash	\$ 38,161	\$ 20,744	\$ 15,220	\$ 74,125
Liabilities				
Due to others	\$ 38,161	-	-	38,161
Net Position				
Non-expendable		11,400	8,434	19,834
Expendable		9,344	6,786	16,130
Total Net Position		\$ 20,744	\$ 15,220	\$ 35,964

Statement of Changes in Fiduciary Net Position

Statement 8

Fiduciary Funds

For the Year Ended June 30, 2018

	Private-purpose Trusts		
	Perpetual Care Funds	Pooled Cemetery Funds	Total
Additions			
Interest	\$ 194	\$ 116	\$ 310
Lot sales	600	-	600
Fund Transfer	-	6,144	6,144
Total additions	794	6,260	7,054
Deductions			
For designated purposes	-	18	18
Change in Net Position	794	6,242	7,036
Beginning Net Position	19,950	8,978	28,928
Ending Net Position	<u>\$ 20,744</u>	<u>\$ 15,220</u>	<u>\$ 35,964</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 recognized 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	15 - 40 years
Equipment	5 - 20 years
Infrastructure	10 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	\$ 4,800,318
Accumulated depreciation	<u>(2,307,497)</u>
Net investment in capital assets	<u>\$ 2,492,821</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, 2018, the Town's deposits held at the financial institution totaled \$286,220, of which \$233,973 was insured by the FDIC and \$52,247 was exposed to custodial risk. The balance exposed to custodial credit risk was collateralized by U.S. Government backed obligations of U.S. Government agencies and corporations held by the pledging bank, but not in the Town's name.

Repurchase Agreements

The Town had repurchase agreements with its financial institution at year end totaling \$4,139,811. 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, 2017, to June 30, 2018, fiscal year were committed on September 5, 2017. Taxes were due semi-annually on November 8, 2017 and May 2, 2018. Unpaid taxes are charged interest of 7.0% per annum. The tax commitment was based on the April 1, 2017 assessed real estate and personal property values totaling \$366,023,855.

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 \$16,696.

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, 2018 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 \$4,157 in supplemental taxes during the year and issued no abatements of FY18 tax levies. Additionally, changes in the balance of unavailable property taxes from the prior fiscal year to the current fiscal year resulted in not recognizing \$37,667 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 2018 is \$4,706,500.

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 2018 levy:

Taxable valuation of real estate	\$ 357,945,110
Taxable valuation of personal property	<u>8,078,745</u>
Total taxable valuation	366,023,855
Property tax rate (per thousand)	<u>12.95</u>
Total property tax levy	<u>\$ 4,740,009</u>

Collection of fiscal year 2018 taxes levied is as follows:

Original property tax levy	\$ 4,740,009
Supplemental taxes assessed	<u>4,157</u>
Total taxes levied	4,744,166
Current year taxes receivable outstanding	<u>(285,472)</u>
Total current year tax collections	<u>\$ 4,458,694</u>
Collection rate	94.0%

Note 4 Capital Assets

Capital asset activity during 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable assets				
Land	\$ 328,758	\$ -	\$ -	\$ 328,758
Depreciable assets				
Buidlings	905,131	54,126	-	959,257
Equipment	2,557,173	14,777	(18,564)	2,553,386
Infrastructure	<u>771,451</u>	<u>187,466</u>	<u>-</u>	<u>958,917</u>
Total depreciable assets	<u>4,233,755</u>	<u>256,369</u>	<u>(18,564)</u>	<u>4,471,560</u>
Gross capital assets	4,562,513	256,369	(18,564)	4,800,318
Accumulated depreciation				
Buidlings	460,298	20,233	-	480,531
Equipment	1,269,334	140,080	(17,856)	1,391,558
Infrastructure	<u>358,781</u>	<u>76,627</u>	<u>-</u>	<u>435,408</u>
Total accumulated depreciation	<u>2,088,413</u>	<u>236,940</u>	<u>(17,856)</u>	<u>2,307,497</u>
Net capital assets	<u>\$ 2,474,100</u>	<u>\$ 19,429</u>	<u>\$ (708)</u>	<u>\$ 2,492,821</u>

Note 4 Capital Assets (Continued)

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

General government	\$	20,648
Public safety		55,724
Health and sanitation		5,435
Public works		<u>155,133</u>
Total depreciation expense	\$	<u>236,940</u>

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% (\$307,657) of Cumberland County's outstanding debt of \$35,585,000 and 13.6% (\$1,299,855) of MSAD 61's outstanding debt of \$9,557,756.

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 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 22, 2018, was \$380,850,000, which means its total statutory debt ceiling is \$57,127,500.

Note 8 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, 2018.

Note 9 Interfund Activity

Interfund balances at June 30, 2018, consisted of the following:

	Due From Other Funds	Due To Other Funds
General fund	\$ 13,296	\$ 20,382
Capital projects fund	555	-
Other governmental funds	<u>19,827</u>	<u>13,296</u>
Total interfund balances	<u>\$ 33,678</u>	<u>\$ 33,678</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 received in or expended from another fund's cash account and, therefore, represents an interfund asset or liability, as appropriate.

Note 9 Interfund Activity (Continued)

Inter fund transfers for the year ended June 30, 2018, consisted of the following:

	Transfers In	Transfers Out
General fund	\$ -	\$ 394,343
Capital projects fund	394,343	-
	<u>394,343</u>	<u>-</u>
Total interfund transfers	<u>\$ 394,343</u>	<u>\$ 394,343</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 10 Components of Fund Balances

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

	Restricted	Committed
EMS daytime rescue	\$ -	\$ 90,000
Fuel assistance fund	-	4,794
FEMA Homeland Security	12,103	-
Adelphia cable TV equipment	290	-
Teddy bear fund	162	-
CDBG grant	140	-
Town hall grant	2,500	-
	<u>15,195</u>	<u>-</u>
Totals	<u>\$ 15,195</u>	<u>\$ 94,794</u>

For the Capital Projects Fund, all of its ending fund balance of \$1,956,404 is classified as committed.

For the General Fund, of its \$2,303,668 ending fund balance, \$301,663 is considered assigned as follows:

	Assigned
Roads carryforward	\$ 157,886
FY19 budgeted use of fund balance	126,984
Vault	5,000
Dry hydrants	3,890
Withdrawal committee	4,153
Assigned - other	3,750
	<u>301,663</u>
Totals	<u>\$ 301,663</u>

The remaining \$2,002,005 in the General Fund's fund balance is unassigned.

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

Note 11 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 seven 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 \$7,448 to the plan for fiscal year 2018.

Note 12 Subsequent Events

Effective July 1, 2018, the Town withdrew from MSAD 61 and established its own municipal school department. The Town, through the school department, will remain responsible for shared debts of MSAD 61 that were incurred before the effective date of the withdrawal. The capital assets related to Sebago Elementary School will be recorded and presented as capital assets of the Town beginning in fiscal year 2019.

On July 31, 2018, the Town issued \$145,000 in general obligation bonds for the purchase of a solar array.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 5, 2018, the date the financial statements were available to be issued.

Budgetary Comparison Schedule

Schedule 1

General Fund - Budgetary Basis
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 4,740,380	\$ 4,740,009	\$ 4,706,500	\$ (33,509)
Excise taxes	307,000	307,000	383,102	76,102
Intergovernmental	184,800	201,867	212,919	11,052
Licenses, permits, and fees	61,361	61,361	74,613	13,252
Charges for services	12,400	12,400	19,299	6,899
Other revenues	<u>50,800</u>	<u>50,800</u>	<u>71,525</u>	<u>20,725</u>
Total revenues	5,356,741	5,373,437	5,467,958	94,521
Expenditures				
General government	606,319	631,319	578,775	52,544
Public safety	283,902	283,902	241,620	42,282
Health and sanitation	137,470	145,802	145,802	-
Public works	822,565	811,214	706,908	104,306
Town properties	42,090	45,109	44,407	702
Recreation and community organizations	67,650	67,650	57,836	9,814
Education	3,091,581	3,091,581	3,085,526	6,055
County tax	253,257	253,257	253,257	-
Abatements / overlay	<u>-</u>	<u>16,696</u>	<u>2,728</u>	<u>13,968</u>
Total Expenditures	<u>5,304,834</u>	<u>5,346,530</u>	<u>5,116,859</u>	<u>229,671</u>
Revenue Surplus	51,907	26,907	351,099	324,192
Other Financing Sources (Uses)				
Proceeds from the sale of assets	-	-	850	850
Transfers out	<u>(410,066)</u>	<u>(410,066)</u>	<u>(394,343)</u>	<u>15,723</u>
Total other financing sources (uses)	<u>(410,066)</u>	<u>(410,066)</u>	<u>(393,493)</u>	<u>16,573</u>
Change in Fund Balance	<u>\$ (358,159)</u>	<u>\$ (383,159)</u>	<u>\$ (42,394)</u>	<u>\$ 340,765</u>
Addition to (Use of) Fund Balance				
Assigned	\$ (358,159)	\$ (358,159)	\$ (60,386)	
Unassigned	<u>-</u>	<u>(25,000)</u>	<u>17,992</u>	
	<u>\$ (358,159)</u>	<u>\$ (383,159)</u>	<u>\$ (42,394)</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 special town vote authorized an additional \$25,000 in General Government expenditures for the School Withdrawal Committee. These additional amounts were to be funded from the unassigned fund balance.
- Homestead reimbursement, BETE reimbursement, and the property tax levy estimates were updated at the commitment date as a result of revised calculations. The net increase in budgeted revenues was \$16,696, all of which was off-set with a budgeted overlay expenditure, resulting in no net effect to the budgeted deficit.
- During the year, budget transfers between the Public Works line and the Health and Sanitation line and the Town Properties line were made to cover the latter two lines' budgetary deficits. These transfers were authorized under Article 19 of the annual town meeting and resulted in no net effect to the budgeted deficit.

The net effect of the change above increased the budgeted deficit by \$25,000. The original budgeted deficit (budgeted use of fund balance) was \$358,159; the final budgeted deficit was \$383,159. Actual results of operations was a deficit of \$42,394.

Schedule of Departmental Operations

Schedule 2

For the Year Ended June 30, 2018

	Current Year Appropriations and Amounts Carried Forward	Current Year Expenditures	Unexpended / (Overdrawn)	Unexpended Amounts Carried Forward
General Government				
Administration	\$ 343,400	\$ 312,540	\$ 30,860	\$ -
Selectmen	15,210	16,250	(1,040)	-
Town manager	61,750	61,949	(199)	-
Clerk / tax collector	91,290	79,714	11,576	-
Code enforcement	52,180	52,029	151	-
Health officer	1,080	1,058	22	-
General assistance	10,575	4,142	6,433	-
Elections	3,000	2,657	343	-
Appeals board	150	55	95	-
Planning board	150	-	150	-
Service providers	7,950	7,950	-	-
Special committees	44,584	40,431	4,153	-
Total general government	631,319	578,775	52,544	-
Public Safety				
Alarms	2,500	1,455	1,045	-
Animal control	2,969	3,285	(316)	-
Rescue	66,475	43,354	23,121	-
Daytime rescue	83,462	82,861	601	-
Fire	119,396	102,665	16,731	-
Dispatch	9,100	8,000	1,100	-
Total public safety	283,902	241,620	42,282	-
Health and Sanitation				
Solid waste	139,002	138,491	511	-
Hazardous waste	6,800	7,311	(511)	-
Total health and sanitation	145,802	145,802	-	-
Public Works				
Roads	530,924	348,045	182,879	157,886
Snow removal	280,290	358,863	(78,573)	-
Total public works	811,214	706,908	104,306	157,886

Schedule of Departmental Operations

Schedule 2 (Continued)

For the Year Ended June 30, 2018

	Current Year Appropriations and Amounts Carried Forward	Current Year Expenditures	Unexpended / (Overdrawn)	Unexpended Appropriations Carried Forward
Town Properties				
Street lights	\$ 7,500	\$ 7,491	\$ 9	\$ -
Town hall	13,919	12,758	1,161	-
Town office	10,350	10,956	(606)	-
Town garage	9,650	10,205	(555)	-
Sebago veterans' memorial park	500	476	24	-
Sebago cemetery	150	149	1	-
Associated cemeteries	700	497	203	-
Smal cemeteries	500	78	422	-
Historical society	1,840	1,797	43	-
Total town properties	45,109	44,407	702	-
Recreation				
Sebago days	5,400	5,400	-	-
Memorial day	500	214	286	-
Recreation administration	23,150	14,848	8,302	-
Douglas mountain	1,400	410	990	-
Town beach	3,000	3,392	(392)	-
SYAA	4,000	4,000	-	-
Soccer	3,100	2,616	484	-
Basketball	2,100	1,956	144	-
Library	22,000	22,000	-	-
Food pantry	3,000	3,000	-	-
Total recreation	67,650	57,836	9,814	-
Other Expenditures				
Education	3,091,581	3,085,526	6,055	-
County tax	253,257	253,257	-	-
Overlay / Abatements	16,696	2,728	13,968	-
Total fixed charges	3,361,534	3,341,511	20,023	-
Total All Departments	<u>\$ 5,346,530</u>	<u>\$ 5,116,859</u>	<u>\$ 229,671</u>	<u>\$ 157,886</u>

Combining Balance Sheet

Schedule 3

Nonmajor Special Revenue Funds

As of June 30, 2018

	Assets			
	Cash	Accounts Receivable	Due From Other Funds	Total Assets
EMS daytime rescue	\$ 92,219	\$ 11,077	\$ -	\$ 103,296
Fuel assistance fund	-	-	4,794	4,794
FEMA Homeland Security	-	-	12,103	12,103
Adelphia cable TV equipment	-	-	290	290
Teddy bear fund	162	-	-	162
CDBG grant	-	-	140	140
Town hall grant	-	-	2,500	2,500
Total	<u>\$ 92,381</u>	<u>\$ 11,077</u>	<u>\$ 19,827</u>	<u>\$ 123,285</u>

	Liabilities and Fund Balance		
	Due To Other Funds	Fund Balance	Total L & FB
EMS daytime rescue	\$ 13,296	\$ 90,000	\$ 103,296
Fuel assistance fund	-	4,794	4,794
FEMA Homeland Security	-	12,103	12,103
Adelphia cable TV equipment	-	290	290
Teddy bear fund	-	162	162
CDBG grant	-	140	140
Town hall grant	-	2,500	2,500
Total	<u>\$ 13,296</u>	<u>\$ 109,989</u>	<u>\$ 123,285</u>

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

Schedule 4

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2018

	Beginning Balance	Revenue	Transfers In / (Out)	Expenditures	Ending Balance
EMS daytime rescue	\$ 76,367	\$ 52,085	\$ -	\$ (38,452)	\$ 90,000
Fuel assistance fund	6,274	1,043	-	(2,523)	4,794
FEMA Homeland Security	12,103		-	-	12,103
Adelphia cable TV equipment	290	-	-	-	290
Teddy bear fund	160	2	-	-	162
CDBG grant	140	-	-	-	140
Town hall grant	-	2,500	-	-	2,500
Total	<u>\$ 95,334</u>	<u>\$ 55,630</u>	<u>\$ -</u>	<u>\$ (40,975)</u>	<u>\$ 109,989</u>

Schedule of Ending Account Balance Details

Schedule 5

Capital Projects Fund

As of June 30, 2018

	Assets			Liabilities & Fund Balance	
	Cash	Due From Other Funds	Total Assets	Liabilities	Fund Balance
Plow truck #1	\$ 49,510	\$ -	\$ 49,510	\$ -	\$ 49,510
Plow truck #2	13,740	-	13,740	-	13,740
4x4 backhoe	30,523	-	30,523	-	30,523
Plow truck #3	109,165	-	109,165	-	109,165
Rescue ambulance	50,838	-	50,838	-	50,838
Folly bridge reserve	1,909	-	1,909	-	1,909
Fire engine #2	31,598	-	31,598	-	31,598
Fire engine #3	162,183	-	162,183	-	162,183
Fire engine #4	317,688	-	317,688	-	317,688
Boat	15,314	-	15,314	-	15,314
Revaluation	49,818	-	49,818	-	49,818
Municipal building	18,499	-	18,499	-	18,499
Fire truck tank #1	156,182	-	156,182	-	156,182
Fire truck tank #2	209,420	-	209,420	-	209,420
Town hall parking lot	9	-	9	-	9
Trash compactor	21,352	-	21,352	-	21,352
Transfer station enhancements	7	-	7	-	7
1-ton dump truck	90,674	-	90,674	-	90,674
Public safety building	26,335	-	26,335	-	26,335
Radio repeater	7,910	-	7,910	-	7,910
Land acquisition	73,147	-	73,147	-	73,147
Roll-off truck	48,682	-	48,682	-	48,682
Forestry truck #1	103,353	-	103,353	-	103,353
Public works storage	3,311	-	3,311	-	3,311
Server	899	-	899	-	899
Public works truck	14,693	-	14,693	-	14,693
50 yard	3,986	-	3,986	-	3,986
Cardiac monitor	18,625	-	18,625	-	18,625
Grader	12,475	-	12,475	-	12,475
Roads and equipment	46,716	-	46,716	-	46,716
Excavator	52,747	-	52,747	-	52,747
Emergency generators	5,236	-	5,236	-	5,236
Cascade System	7,549	-	7,549	-	7,549
Public safety building investment	201,756	-	201,756	-	201,756
Town office vault	-	-	-	-	-
Local match for federal grants	-	555	555	-	555
Total	<u>\$ 1,955,849</u>	<u>\$ 555</u>	<u>\$ 1,956,404</u>	<u>\$ -</u>	<u>\$ 1,956,404</u>

Schedule of Changes in Account Balance Details

Schedule 6

Capital Projects Fund

For the Year Ended June 30, 2018

	Beginning Balance	Revenue	Transfers In / (Out)	Expenditures	Ending Balance
Plow truck #1	\$ 36,343	\$ 420	\$ 12,747	\$ -	\$ 49,510
Plow truck #2	738	84	12,918	-	13,740
4x4 backhoe	17,289	241	12,993	-	30,523
Plow truck #3	97,485	987	10,693	-	109,165
Rescue ambulance	30,310	407	20,121	-	50,838
Folly bridge reserve	1,891	18	-	-	1,909
Fire engine #2	8,084	215	23,299	-	31,598
Fire engine #3	144,538	1,465	16,180	-	162,183
Fire engine #4	282,529	2,867	32,292	-	317,688
Boat	12,603	134	2,577	-	15,314
Revaluation	29,421	397	20,000	-	49,818
Municipal building	15,800	172	15,000	(12,473)	18,499
Fire truck tank #1	137,320	1,404	17,458	-	156,182
Fire truck tank #2	191,358	1,908	16,154	-	209,420
Town hall parking lot	19,764	9	8,906	(28,670)	9
Trash compactor	21,152	200	-	-	21,352
Transfer station enhancements	5,955	7	-	(5,955)	7
1-ton dump truck	89,823	851	-	-	90,674
Public safety building	25,778	557	-	-	26,335
Radio repeater	6,765	70	1,075	-	7,910
Land acquisition	72,461	686	-	-	73,147
Roll-off truck	45,825	448	2,409	-	48,682
Forestry truck #1	93,676	939	8,738	-	103,353
Public works storage	3,280	31	-	-	3,311
Server	8,675	31	1,456	(9,263)	899
Public works truck	12,800	131	1,762	-	14,693
50 yard	5,992	39	-	(2,045)	3,986
Cardiac monitor	14,029	159	4,437	-	18,625
Grader	9,856	108	2,511	-	12,475
Roads and equipment	35,157	399	11,160	-	46,716
Excavator	38,745	447	13,555	-	52,747
Emergency generators	7,167	68	4,975	(6,970)	5,240
Cascade System	-	45	7,500	-	7,545
Public safety building investment	100,523	1,233	100,000	-	201,756
Town office vault	-	-	13,427	(13,427)	-
Local match for federal grants	555	-	-	-	555
Total	<u>\$ 1,623,687</u>	<u>\$ 17,177</u>	<u>\$ 394,343</u>	<u>\$ (78,803)</u>	<u>\$ 1,956,404</u>

Schedule of Changes in Account Balance Details

Schedule 7

Pooled Cemetery Fund

For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
Pooled Cemetery Funds				
W. Fitch - Route 107	\$ 1,000	10	-	\$ 1,010
E. Martin	1,327	14	-	1,341
N. & J. Chadbourne	505	-	-	505
F. Fitch - Fitch's Store	861	9	-	870
L.P. Fitch	1,455	15	-	1,470
L. Meserve - Poor Cemetery	1,012	11	-	1,023
A. Rose, Herbet, Elise, G. Gray	202	-	-	202
Haley Cemetery Trust Fund	<u>2,616</u>	<u>6,201</u>	<u>(18)</u>	<u>8,799</u>
 Totals	 <u>\$ 8,978</u>	 <u>\$ 6,260</u>	 <u>\$ (18)</u>	 <u>\$ 15,220</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, 2018, 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 4, 2018.

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.

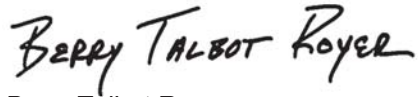
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Berry Talbot Royer". The signature is written in a cursive, flowing style.

Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
December 5, 2018