

*TOWN OF SORRENTO, MAINE*

*FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR  
ENDED JUNE 30, 2019*

**TOWN OF SORRENTO, MAINE**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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## ***INDEPENDENT AUDITOR'S REPORT***

Members of the Board of Selectmen  
Town of Sorrento  
Sorrento, ME 04677

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Sorrento, Maine (the Town) as of and for the fiscal year ended June 30, 2019, including the related notes to the financial statements, which collectively comprise 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Sorrento, Maine, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sorrento, Maine's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully Submitted,

*James W. Wadman, C.P.A.*

James W. Wadman, C.P.A.  
April 14, 2022

**TOWN OF SORRENTO, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**

Management of the Town of Sorrento, Maine provides this *Management's Discussion and Analysis* of the Town's financial performance for readers of the Town's financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Position* – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2019 by \$3,637,636 (presented as “net position”). Of this amount, \$689,675 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

*Changes in Net Position* – The Town's total net position decreased by \$85,846 (a 2.3% decrease) for the fiscal year ended June 30, 2019. Net position of governmental activities decreased by \$81,072 (a 2.4% decrease), while net assets of business-type activities showed a decrease of \$4,775 (a 1.7% decrease).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the fiscal year ended June 30, 2019; the Town's governmental funds reported a combined ending fund balance of \$655,485 with \$208,617 being general unassigned fund balance. This unassigned fund balance represents approximately 23.8% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's had no outstanding long-term debt obligations during the current fiscal year. No new debt obligations were issued.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

**Government-wide Financial Statements**

The Government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The government-wide financial statements can be found on pages 8-9 of this report.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided

to explain the differences created by the integrated approach. The basic governmental fund financial statements and the fiduciary fund financial statements can be found on pages 10-11 and 15-16, respectively, of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 17-23 of this report.

**Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

The largest portion of the Town's net position (80.3%) reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets); less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

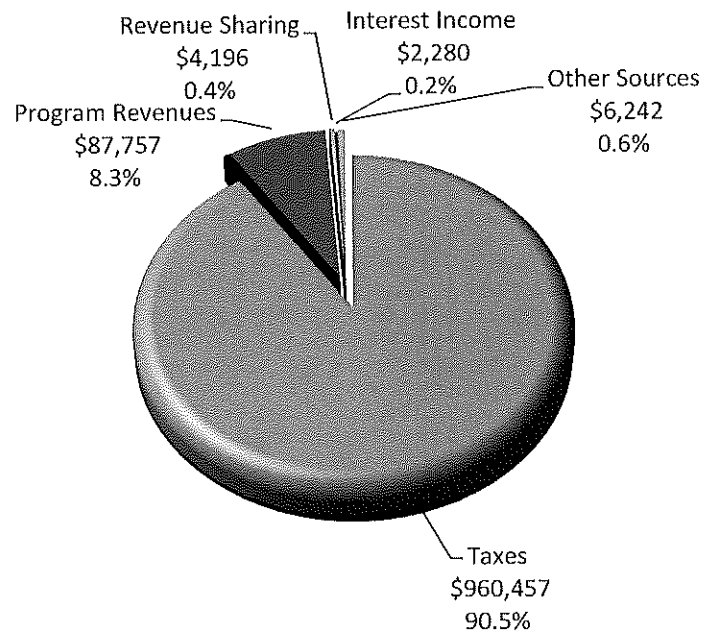
|                                    | <i>Governmental<br/>Activities</i> | <i>Business-like<br/>Activities</i> | <i>Total 2019</i> | <i>Total 2018</i> |
|------------------------------------|------------------------------------|-------------------------------------|-------------------|-------------------|
| Current Assets                     | \$ 724,527                         | \$ 40,973                           | \$ 765,500        | \$ 628,070        |
| Capital Assets                     | \$ 2,651,403                       | \$ 267,813                          | \$ 2,919,216      | \$ 3,132,780      |
| Total Assets                       | \$ 3,375,930                       | \$ 308,786                          | \$ 3,684,716      | \$ 3,760,850      |
| Other Liabilities                  | \$ 26,847                          | \$ 0                                | \$ 26,847         | \$ 14,454         |
| Internal Balances                  | \$ (30,158)                        | \$ 30,158                           | \$ 0              | \$ 0              |
| Deferred Inflows                   | \$ 20,233                          | \$ 0                                | \$ 20,233         | \$ 22,913         |
| Net Position;                      |                                    |                                     |                   |                   |
| Invested in Capital Assets         | \$ 2,651,403                       | \$ 267,813                          | \$ 2,919,216      | \$ 3,132,780      |
| Restricted                         | \$ 20,733                          | \$ 8,012                            | \$ 28,745         | \$ 19,303         |
| Unrestricted                       | \$ 686,872                         | \$ 2,803                            | \$ 689,675        | \$ 571,400        |
| Total Liabilities and Net Position | \$ 3,375,930                       | \$ 308,786                          | \$ 3,684,716      | \$ 3,760,850      |

**Changes in Net Position**

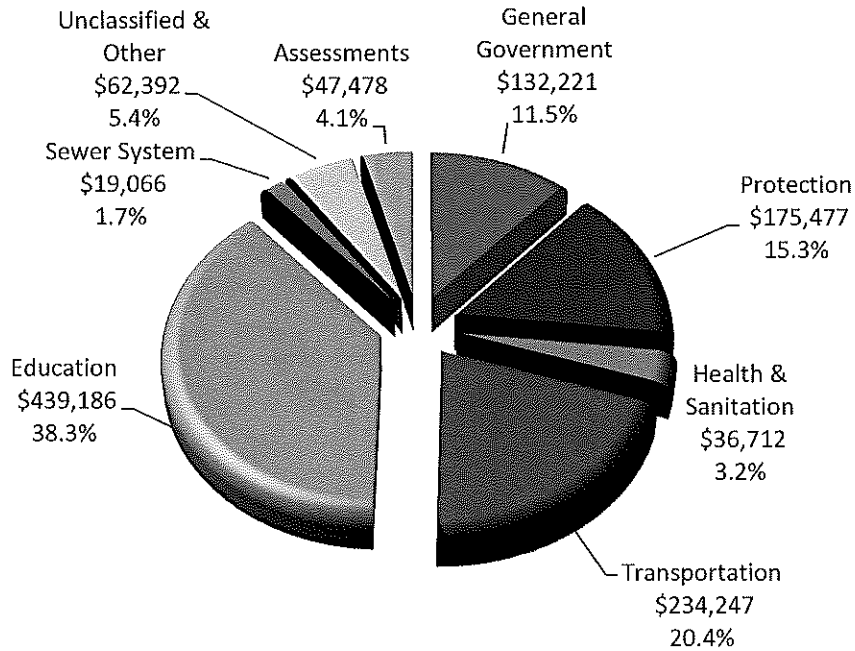
Approximately 91 percent of the Town's total revenue came from property and excise taxes, approximately 4 percent came from State subsidies and grants, and approximately 5 percent came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-type activity assets represents \$228,794 of the total expenses for the fiscal year.

|                         | <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Total 2019</i> | <i>Total 2018</i> |
|-------------------------|--------------------------------|---------------------------------|-------------------|-------------------|
| Revenues;               |                                |                                 |                   |                   |
| Tax Revenues            | \$ 960,457                     |                                 | \$ 960,457        | \$ 976,703        |
| Program Revenues        | \$ 73,466                      | \$ 14,291                       | \$ 87,757         | \$ 82,870         |
| Interest                | \$ 2,280                       |                                 | \$ 2,280          | \$ 4,642          |
| Revenue Sharing         | \$ 4,196                       |                                 | \$ 4,196          | \$ 7,130          |
| Other                   | \$ 6,242                       |                                 | \$ 6,242          | \$ 12,632         |
| Total                   | \$ 1,046,641                   | \$ 14,291                       | \$ 1,060,932      | \$ 1,083,977      |
| Expenses;               |                                |                                 |                   |                   |
| General Government      | \$ 132,221                     |                                 | \$ 132,221        | \$ 134,953        |
| Protection              | \$ 175,477                     |                                 | \$ 175,477        | \$ 203,678        |
| Health/Sanitation       | \$ 36,712                      |                                 | \$ 36,712         | \$ 35,545         |
| Transportation          | \$ 234,247                     |                                 | \$ 234,247        | \$ 236,200        |
| Education               | \$ 439,186                     |                                 | \$ 439,186        | \$ 456,285        |
| Unclassified            | \$ 62,392                      |                                 | \$ 62,392         | \$ 67,427         |
| Assessments             | \$ 47,478                      |                                 | \$ 47,478         | \$ 45,261         |
| Sewer System            |                                | \$ 19,066                       | \$ 19,066         | \$ 17,420         |
| Total                   | \$ 1,127,713                   | \$ 19,066                       | \$ 1,146,779      | \$ 1,196,769      |
| Changes in Net Position | \$ (81,072)                    | \$ (4,775)                      | \$ (85,847)       | \$ (112,792)      |

### Revenues by Source - Governmental and Business-Type



## Expenditures by Source - Governmental and Business-Type



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

#### Governmental Funds

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$655,485, an increase of \$111,249 in comparison with the prior year. Approximately 31.8 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

Variations between actual General Fund revenues and expenditures and the final budget included the following:

- Revenues were under budgeted amounts by \$16,790 mainly due an increase in unavailable tax revenues.
- \$115,698 positive variance in expenditures. Public Safety was under budget by \$26,062 due to greater revenues than anticipated. Additionally, Public Transportation was under budget by \$38,971 mainly due to lower than expected road repairs and sand and salt expenditures. Administration expenses were under budget by \$18,437 mainly due to unspent comprehensive planning funds that have been reserved as well as lower than anticipated expenditures. Other expenses were under budget by \$32,227 mainly due to overlay.



**Proprietary Funds**

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary fund financial statements can be found on pages 12-14 of this report.

**CAPITAL ASSET ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business-like activities amounts to \$7,568,106; net of accumulated depreciation of \$4,648,891 leaving a net book value of \$2,919,215. Current year additions include roof improvements and tanker repairs. There were no current year retirements or impairments.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Sorrento, 79 Pomola Avenue, Sorrento, ME 04677.

**TOWN OF SORRENTO, MAINE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

(Exhibit I)

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>              |
|--|------------------------------------|-------------------------------------|---------------------------|
| <i>Assets</i>  |                                    |                                     |                           |
| Cash   | \$655,477                          | \$33,277                            | \$688,755                 |
| Accounts Receivable, net of Allowance for Uncollectible Accounts | \$4,083                            | \$7,696                             | \$11,779                  |
| Taxes and Tax Liens Receivable                                   | \$64,966                           |                                     | \$64,966                  |
| <i>Net Investment in Capital Assets:</i>                         |                                    |                                     |                           |
| Land   | \$19,178                           |                                     | \$19,178                  |
| Other Capital Assets, net of Accumulated Depreciation            | \$2,632,225                        | \$267,813                           | \$2,900,037               |
| <b><u>Total Assets</u></b>                                       | <b><u>\$3,375,929</u></b>          | <b><u>\$308,786</u></b>             | <b><u>\$3,684,715</u></b> |
| <i>Liabilities and Net Position</i>                              |                                    |                                     |                           |
| <i>Liabilities</i>   |                                    |                                     |                           |
| Accounts Payable   | \$26,847                           |                                     | \$26,847                  |
| Internal Balances  | (\$30,158)                         | \$30,158                            | \$0                       |
| <b><u>Total Liabilities</u></b>                                  | <b><u>(\$3,312)</u></b>            | <b><u>\$30,158</u></b>              | <b><u>\$26,847</u></b>    |
| <i>Deferred Inflows of Resources:</i>                            |                                    |                                     |                           |
| Property Taxes Collected in Advance                              | \$20,233                           |                                     | \$20,233                  |
| <b><u>Total Deferred Inflows of Resources</u></b>                | <b><u>\$20,233</u></b>             | <b><u>\$0</u></b>                   | <b><u>\$20,233</u></b>    |
| <i>Net Position:</i>   |                                    |                                     |                           |
| Net Investment in Capital Assets                                 | \$2,651,403                        | \$267,813                           | \$2,919,215               |
| Restricted   | \$20,733                           | \$8,012                             | \$28,745                  |
| Unrestricted   | \$686,873                          | \$2,802                             | \$689,675                 |
| <b><u>Total Net Position</u></b>                                 | <b><u>\$3,359,008</u></b>          | <b><u>\$278,628</u></b>             | <b><u>\$3,637,636</u></b> |
| <b><u>Total Liabilities &amp; Net Position</u></b>               | <b><u>\$3,375,929</u></b>          | <b><u>\$308,786</u></b>             | <b><u>\$3,684,715</u></b> |

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**TOWN OF SORRENTO, MAINE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(Exhibit II)

| <u>Functions/Programs</u>                          | <u>Expenses</u>    | <u>Program Revenues</u>     |                                  | <u>Net (Expense) Revenue and Changes in Net Position</u> |                                 |                      |
|--|--------------------|-----------------------------|----------------------------------|--|---------------------------------|----------------------|
|  |                    | <u>Charges for Services</u> | <u>Operating/ Capital Grants</u> | <u>Governmental Activities</u>                           | <u>Business-type Activities</u> | <u>Total</u>         |
| <u>Primary Government</u>                          |                    |                             |                                  |  |                                 |                      |
| <u>Governmental Activities</u>                     |                    |                             |                                  |  |                                 |                      |
| General Government                                 | \$132,220          | \$5,538                     |                                  | (\$126,682)  |                                 | (\$126,682)          |
| Protection   | \$175,477          |                             | \$28,405                         | (\$147,072)  |                                 | (\$147,072)          |
| Health & Sanitation                                | \$36,712           | \$8,812                     |                                  | (\$27,900)   |                                 | (\$27,900)           |
| Transportation                                     | \$234,247          | \$14,365                    | \$13,920                         | (\$205,962)  |                                 | (\$205,962)          |
| Education  | \$439,186          |                             |                                  | (\$439,186)  |                                 | (\$439,186)          |
| Unclassified                                       | \$62,392           | \$2,426                     |                                  | (\$59,966)   |                                 | (\$59,966)           |
| Assessments  | \$47,478           |                             |                                  | (\$47,478)   |                                 | (\$47,478)           |
| <u>Total Governmental Activities</u>               | <u>\$1,127,713</u> | <u>\$31,141</u>             | <u>\$42,325</u>                  | <u>(\$1,054,247)</u>                                     | <u>\$0</u>                      | <u>(\$1,054,247)</u> |
| <u>Business-type Activities</u>                    |                    |                             |                                  |  |                                 |                      |
| Sewer Department                                   | \$19,066           | \$14,291                    | \$0                              |  | (\$4,775)                       | (\$4,775)            |
| <u>Total Business-type Activities</u>              | <u>\$19,066</u>    | <u>\$14,291</u>             | <u>\$0</u>                       | <u>\$0</u>   | <u>(\$4,775)</u>                | <u>(\$4,775)</u>     |
| <u>Total Primary Government</u>                    | <u>\$1,146,779</u> | <u>\$45,432</u>             | <u>\$42,325</u>                  | <u>(\$1,054,247)</u>                                     | <u>(\$4,775)</u>                | <u>(\$1,059,022)</u> |
| <u>General Revenues:</u>                           |                    |                             |                                  |  |                                 |                      |
| Tax Revenues, Including Homestead Exemption        |                    |                             |                                  | \$902,278  |                                 | \$902,278            |
| Excise Taxes                                       |                    |                             |                                  | \$58,178   |                                 | \$58,178             |
| State Revenue Sharing                              |                    |                             |                                  | \$4,196  |                                 | \$4,196              |
| Interest   |                    |                             |                                  | \$2,280  |                                 | \$2,280              |
| Interest and Fees on Delinquent Taxes              |                    |                             |                                  | \$4,506  |                                 | \$4,506              |
| Other Revenues                                     |                    |                             |                                  | \$1,736  |                                 | \$1,736              |
| <u>Total Revenues, Special Items and Transfers</u> |                    |                             |                                  | <u>\$973,176</u>   | <u>\$0</u>                      | <u>\$973,176</u>     |
| <u>Changes in Net Position</u>                     |                    |                             |                                  | <u>(\$81,072)</u>  | <u>(\$4,775)</u>                | <u>(\$85,846)</u>    |
| <u>Net Position - Beginning</u>                    |                    |                             |                                  | <u>\$3,440,080</u>                                       | <u>\$283,402</u>                | <u>\$3,723,482</u>   |
| <u>Net Position - Ending</u>                       |                    |                             |                                  | <u>\$3,359,008</u>                                       | <u>\$278,628</u>                | <u>\$3,637,636</u>   |

The Notes to the Financial Statements are an Integral Part of this Statement.

**TOWN OF SORRENTO, MAINE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

(Exhibit III)

| <u>Assets</u>  | <u>General<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|--------------------------------------|---|
| Cash   | \$509,140               | \$146,337                            | \$655,477                               |
| Accounts Receivable, net   | \$4,083                 |                                      | \$4,083                                 |
| Taxes and Tax Liens Receivable   | \$64,966                |                                      | \$64,966                                |
| Due From Other Funds   | \$49,648                | \$103,892                            | \$153,540                               |
| Due From Proprietary Funds   | \$30,158                |                                      | \$30,158                                |
| <u>Total Assets</u>  | <u>\$657,996</u>        | <u>\$250,229</u>                     | <u>\$908,225</u>                        |
| <u>Liabilities, Deferred Inflows &amp; Fund Balances</u>   |                         |                                      |   |
| <u>Liabilities:</u>  |                         |                                      |   |
| Accounts Payable   | \$26,847                |                                      | \$26,847                                |
| Due to Other Funds   | \$103,892               | \$49,648                             | \$153,540                               |
| <u>Total Liabilities</u>   | <u>\$130,738</u>        | <u>\$49,648</u>                      | <u>\$180,386</u>                        |
| <u>Deferred Inflows of Resources:</u>  |                         |                                      |   |
| Property Taxes Collected in Advance  | \$20,233                |                                      | \$20,233                                |
| Unavailable Property Taxes   | \$52,120                |                                      | \$52,120                                |
| <u>Total Deferred Inflows of Resources</u>   | <u>\$72,353</u>         | <u>\$0</u>                           | <u>\$72,353</u>                         |
| <u>Fund Balances:</u>  |                         |                                      |   |
| Restricted   | \$8,658                 | \$12,075                             | \$20,733                                |
| Committed  | \$137,101               | \$188,506                            | \$325,607                               |
| Assigned   | \$100,528               |                                      | \$100,528                               |
| Unassigned   | \$208,617               |                                      | \$208,617                               |
| <u>Total Fund Balances</u>   | <u>\$454,905</u>        | <u>\$200,581</u>                     | <u>\$655,485</u>                        |
| <u>Total Liabilities, Deferred Inflows &amp; Fund Balances</u>   | <u>\$657,996</u>        | <u>\$250,229</u>                     | <u>\$908,225</u>                        |
| <u>Total Fund Balance - Governmental Funds</u>   |                         |                                      | \$655,485                               |
| <i>Net position reported for governmental activities in the statement of net position is different because:</i>  |                         |                                      |   |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds   |                         |                                      | \$2,651,403                             |
| Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as unavailable revenue (a deferred inflow) in governmental funds |                         |                                      | \$52,120                                |
| <u>Net Position of Governmental Activities</u>   |                         |                                      | <u>\$3,359,008</u>                      |

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**TOWN OF SORRENTO, MAINE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(Exhibit IV)

|  | <u>General</u><br><u>Fund</u> | <u>Capital</u><br><u>Projects</u><br><u>Fund</u> | <u>Total</u><br><u>Governmental</u><br><u>Funds</u> |
|--|-------------------------------|--|---|
| <u>Revenues:</u>   |                               |  |   |
| Tax Revenues, Including Homestead Exemption  | \$887,139                     |  | \$887,139   |
| State Road Assistance  |                               | \$13,920   | \$13,920  |
| Excise Taxes   | \$55,403                      | \$2,775  | \$58,178  |
| State Revenue Sharing  | \$4,196                       |  | \$4,196   |
| Interest   | \$2,000                       | \$280  | \$2,280   |
| Interest and Fees on Delinquent Taxes  | \$4,506                       |  | \$4,506   |
| Mooring Fees   |                               | \$14,365   | \$14,365  |
| Other Revenues   | \$1,736                       |  | \$1,736   |
| <u>Total Revenues</u>  | <u>\$954,981</u>              | <u>\$31,340</u>                                  | <u>\$986,321</u>                                    |
| <u>Expenditures (Net of Departmental Revenues):</u>  |                               |  |   |
| <u>Current:</u>  |                               |  |   |
| General Government   | \$118,163                     |  | \$118,163   |
| Protection   | \$84,993                      |  | \$84,993  |
| Health & Sanitation  | \$27,900                      |  | \$27,900  |
| Highways & Bridges   | \$97,387                      |  | \$97,387  |
| Education  | \$439,186                     |  | \$439,186   |
| Unclassified   | \$59,966                      |  | \$59,966  |
| Assessments  | \$47,478                      |  | \$47,478  |
| <u>Total Expenditures</u>  | <u>\$875,073</u>              | <u>\$0</u>                                       | <u>\$875,073</u>                                    |
| <u>Excess of Revenues over Expenditures</u>  | <u>\$79,908</u>               | <u>\$31,340</u>                                  | <u>\$111,249</u>                                    |
| <u>Other Financing Sources (Uses):</u>   |                               |  |   |
| Operating Transfers In   | \$59,470                      | \$70,000   | \$129,470   |
| Operating Transfers Out  | (\$70,000)                    | (\$59,470)                                       | (\$129,470)   |
| <u>Net Change in Fund Balances</u>   | <u>\$69,379</u>               | <u>\$41,870</u>                                  | <u>\$111,249</u>                                    |
| <u>Beginning Fund Balances</u>   | <u>\$385,526</u>              | <u>\$158,711</u>                                 | <u>\$544,237</u>                                    |
| <u>Ending Fund Balances</u>  | <u>\$454,905</u>              | <u>\$200,581</u>                                 | <u>\$655,485</u>                                    |
| <u>Reconciliation to Statement of Activities, change in Net Position:</u>  |                               |  |   |
| Net Change in Fund Balances - Above  |                               |  | \$111,249   |
| Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are recorded as unavailable revenue (a deferred inflow) in governmental funds |                               |  | \$15,139  |
| Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.          |                               |  | (\$207,460)   |
| <u>Changes in Net Position of Governmental Activities</u>  |                               |  | <u>(\$81,072)</u>                                   |

The Notes to the Financial Statements are an Integral Part of this Statement.

**TOWN OF SORRENTO, MAINE**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2019**

(Exhibit V)

|   | <u>Assets</u> | <u>Sewer Fund</u> |
|---|---------------|-------------------|
| <u>Current Assets:</u>                    |               |                   |
| Cash                                      |               | \$33,277          |
| Accounts Receivable, net                  |               | \$7,696           |
|   |               | <hr/>             |
| <u>Total Current Assets</u>               |               | \$40,973          |
|   |               | <hr/>             |
| <u>Noncurrent Assets:</u>                 |               |                   |
| <u>Capital Assets:</u>                    |               |                   |
| Depreciable Assets                        |               | \$455,495         |
| Accumulated Depreciation                  |               | (\$187,682)       |
|   |               | <hr/>             |
| <u>Total Noncurrent Assets</u>            |               | \$267,813         |
|   |               | <hr/>             |
| <u>Total Assets</u>                       |               | \$308,786         |
|   |               | <hr/> <hr/>       |
| <u>Liabilities and Net Position</u>       |               |                   |
| <u>Liabilities</u>                        |               |                   |
| <u>Current Liabilities:</u>               |               |                   |
| Due to General Fund                       |               | \$30,158          |
|   |               | <hr/>             |
| <u>Total Current Liabilities</u>          |               | \$30,158          |
|   |               | <hr/>             |
| <u>Net Position (Deficit)</u>             |               |                   |
| Net Investment in Capital Assets          |               | \$267,813         |
| Restricted                                |               | \$8,012           |
| Unrestricted                              |               | \$2,802           |
|   |               | <hr/>             |
| <u>Total Net Position</u>                 |               | \$278,628         |
|   |               | <hr/>             |
| <u>Total Liabilities and Net Position</u> |               | \$308,786         |
|   |               | <hr/> <hr/>       |

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SORRENTO, MAINE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Exhibit VI)

|  | <u>Sewer Fund</u>       |
|--|-------------------------|
| <u>Operating Revenues:</u>               |                         |
| Charges for Services                     | \$14,237                |
| Interest Earned                          | \$54                    |
|  | <hr/>                   |
| <u>Total Operating Revenues</u>          | <u>\$14,291</u>         |
| <u>Operating Expenses:</u>               |                         |
| Supplies and Repairs                     | \$12,961                |
| Depreciation                             | \$6,105                 |
|  | <hr/>                   |
| <u>Total Operating Expenses</u>          | <u>\$19,066</u>         |
| <u>Net Profit (Loss) from Operations</u> | (\$4,775)               |
| <u>Net Position - Beginning</u>          | <u>\$283,402</u>        |
| <u>Net Position - Ending</u>             | <u><u>\$278,628</u></u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

**TOWN OF SORRENTO, MAINE**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(Exhibit VII)

|   | <u>Sewer Fund</u> |
|---|-------------------|
| <u>Cash Flows from Operating Activities:</u>  |                   |
| Received from Customers   | \$15,154          |
| Other Revenues  | \$54              |
| Payments to Suppliers and Vendors   | (\$12,961)        |
| Increase/(Decrease) in Due to Other Funds   | (\$1,693)         |
|   | <hr/>             |
| <u>Cash Flows from Operations</u>   | \$554             |
|   | <hr/>             |
| <u>Net Cash Flows</u>   | \$554             |
|   | <hr/>             |
| <u>Beginning Cash Balance</u>   | \$32,723          |
|   | <hr/>             |
| <u>Ending Cash Balance</u>  | \$33,277          |
|   | <hr/> <hr/>       |
| <br><u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</u> |                   |
| Operating Income (Loss)   | (\$4,775)         |
| Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities;      |                   |
| Depreciation  | \$6,105           |
| Changes in Assets and Liabilities;  |                   |
| Receivables, net  | \$917             |
| Due From Other Funds  | (\$1,693)         |
|   | <hr/>             |
| <u>Cash Flows from Operations</u>   | \$554             |
|   | <hr/> <hr/>       |

*The Notes to the Financial Statements are an Integral Part of this Statement.*



TOWN OF SORRENTO, MAINE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Exhibit IX)

|                               | <u>Private Purpose<br/>Trust Fund<br/>Marie R.<br/>Crabtree</u> |
|-------------------------------|---|
| <u>Additions</u>              |   |
| Investment Earnings           | <u>\$1</u>  |
| <u>Total Additions</u>        | \$1   |
| <u>Beginning Net Position</u> | <u>\$630</u>  |
| <u>Ending Net Position</u>    | <u><u>\$631</u></u>   |

*The Notes to the Financial Statements are an Integral Part of this Statement.*

TOWN OF SORRENTO, MAINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Sorrento, Maine (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the governmental accounting and financial reporting principles. The more significant of the Town's accounting principles are described below.

A. Financial Reporting Entity

The accompanying financial statements present the government of the Town of Sorrento, Maine which is identified based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 14, as amended, *The Financial Reporting Entity*. The Town is governed under a Selectmen form of government. The Town engages in a comprehensive range of municipal services, including administrative services, public safety, health and sanitation, transportation, education and cultural services. The financial statements include all operations of the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the Town. Fiduciary activities, whose resources are not available to finance the Town's programs are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *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, standard revenues and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major enterprise fund is reported as separate columns in the respective fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when transactions occur and expenses and deductions are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants are recognized as revenue as soon as all eligibility requirements have been met.

In the Statement of Activities, amounts reported as program revenues include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, are recognized only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital fund is the Town's fund for maintaining resources for capital projects.

The Town reports the following major enterprise fund:

The sewer fund accounts for the activities of the sewerage operations. The Town operates the sewer collection system and related administrative costs.

Additionally, the Town reports the following fund types:

Private purpose trust funds account for monies held in trust by the Town, the investment earnings from which may only be used for the operation of the program.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Assets, Liabilities, Deferred Inflows/Outflows and Net Position or Fund Equity

##### Deposits

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. These investments are not specifically identified with any one fund.

The Town may invest in certificates of deposit, in time deposits, and in any securities in which State of Maine Statutes authorize them to invest in.

For purposes of the Statement of Cash Flows, the Town's proprietary funds consider cash equivalents to be all highly liquid investments with maturities of 12 months or less.

##### Accounts Receivable and Payable

All material receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>  | <u>Years</u> |
|----------------|--------------|
| Buildings      | 50           |
| Infrastructure | 15-50        |
| Sewer Lines    | 20-50        |
| Equipment      | 5-10         |

Governmental Fund Balances

The Town has identified June 30, 2019 fund balances on the balance sheet as follows:

|  | <u>General<br/>Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Fiduciary<br/>Fund</u> | <u>Total</u> |
|--|-------------------------|----------------------------------|---------------------------|--------------|
| <u>Nonspendable</u>                    |                         |                                  |                           |              |
| Permanent Fund Principal               |                         |                                  | \$145                     | \$145        |
| <u>Restricted</u>                      |                         |                                  |                           |              |
| State Road Assistance                  |                         | \$12,075                         |                           | \$12,075     |
| Comprehensive Plan                     | \$8,658                 |                                  |                           | \$8,658      |
| <u>Committed</u>                       |                         |                                  |                           |              |
| Harbor Sinking Fund                    |                         | \$7,856                          |                           | \$7,856      |
| Administration                         | \$7,860                 |                                  |                           | \$7,860      |
| Fire Truck                             |                         | \$72,591                         |                           | \$72,591     |
| Storm Water Catch Basin                |                         | \$15,000                         |                           | \$15,000     |
| Fishermen's Floats                     |                         | \$30,000                         |                           | \$30,000     |
| Legal Services                         | \$2,077                 |                                  |                           | \$2,077      |
| Planning Board                         | \$2,832                 |                                  |                           | \$2,832      |
| Town Property Repair                   | \$27,592                |                                  |                           | \$27,592     |
| Community Building Improvements        |                         | \$1,356                          |                           | \$1,356      |
| Community Building Operations          | \$5,143                 |                                  |                           | \$5,143      |
| Community Building Activity Fund       | \$2,250                 |                                  |                           | \$2,250      |
| Fire Safety                            | \$27,859                |                                  |                           | \$27,859     |
| Tax Maps                               | \$2,118                 |                                  |                           | \$2,118      |
| Old Doane's Pt. and Bragdon Cemeteries | \$6,000                 |                                  |                           | \$6,000      |
| Fire Safety Fundraising                | \$25,151                |                                  |                           | \$25,151     |
| Law Enforcement                        | \$5,083                 |                                  |                           | \$5,083      |
| Fire Responder Training                | \$2,348                 |                                  |                           | \$2,348      |
| Dry Hydrant                            | \$667                   |                                  |                           | \$667        |
| Public Safety                          | \$790                   |                                  |                           | \$790        |

|                              | <u>General<br/>Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Permanent<br/>Fund</u> | <u>Total</u>     |
|------------------------------|-------------------------|----------------------------------|---------------------------|------------------|
| <u>Committed (Continued)</u> |                         |                                  |                           |                  |
| Senior Wellness Committee    | \$460                   |                                  |                           | \$460            |
| Shoreline Improvement        | \$12,300                |                                  |                           | \$12,300         |
| Shellfish Conservation       | \$6,571                 |                                  |                           | \$6,571          |
| Capital Improvements         |                         | \$61,703                         |                           | \$61,703         |
| <u>Assigned</u>              |                         |                                  |                           |                  |
| Audit Fees                   | \$875                   |                                  |                           | \$875            |
| Ambulance                    | \$411                   |                                  |                           | \$411            |
| Town Roads                   | \$60,001                |                                  |                           | \$60,001         |
| Sand/Salt Stockpile          | \$5,383                 |                                  |                           | \$5,383          |
| Village Green                | \$2,263                 |                                  |                           | \$2,263          |
| Village Fire House           | \$11,195                |                                  |                           | \$11,195         |
| Animal Control               | \$2,648                 |                                  |                           | \$2,648          |
| Solid Waste                  | \$12,911                |                                  |                           | \$12,911         |
| Plumbing Inspection          | \$2,279                 |                                  |                           | \$2,279          |
| Selectmen Salaries           | \$621                   |                                  |                           | \$621            |
| Code Enforcement             | \$1,941                 |                                  |                           | \$1,941          |
| Permanent Fund Income        |                         |                                  | \$486                     | \$486            |
| <u>Unassigned</u>            | <u>\$208,617</u>        |                                  |                           | <u>\$208,617</u> |
| <u>Total Fund Balances</u>   | <u>\$454,905</u>        | <u>\$200,581</u>                 | <u>\$631</u>              | <u>\$656,117</u> |

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the Town classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts are constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through town meeting voting and does not lapse at year-end.

Assigned - includes fund balance amount that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the Board of Selectmen.

Unassigned - includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The Town considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

The Board of Selectmen are authorized to make assignments pursuant to their appointment. Committed fund balances are determined based on the need of town meeting votes.

#### Net Position

Net position is required to be classified into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted* - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$20,733 of restricted net position, of which enabling legislation restricts \$0.

*Unrestricted* - This component consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

#### E. Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with GAAP. Budgetary control is exercised at the selectman level, since individual department heads do not exist. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

#### F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 2 - Deposits

##### Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town's deposit policy for custodial credit risk requires compliance with the provisions authorized by Maine State Statutes. The Town requires that, at the time funds are deposited, there is collateral in place to cover the deposits in excess of the FDIC insurance limits.

State Statutes require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

The financial institutions holding the Town's cash accounts is participating in the FDIC Program. For time and savings deposit accounts, the Town's savings accounts, including certificates of deposit, are insured up to \$250,000 by the FDIC. Separately, for demand deposit accounts, the Town's cash accounts, including checking and money market accounts, are insured up to \$250,000 by the FDIC. Any cash deposits in excess of the \$250,000 FDIC limits are not covered by collateral and thus, custodial credit risk could exist. In order to avoid having unprotected deposits in excess of the \$250,000 FDIC limits, the Town invests excess funds into a sweep repurchase account that is separately collateralized by U.S. Treasury Securities.

At year end, the carrying value of the Town's deposits was \$689,264 and the bank balance was \$696,299. The Town has no uninsured and uncollateralized deposits as of June 30, 2019.

#### Note 3 - Property Taxes

Property taxes were assessed on April 1, 2018 and committed on November 7, 2018. Interest of 8% per annum is charged on delinquent taxes. Tax liens are recorded on property taxes remaining unpaid eight to twelve months after the commitment date. Tax liens unpaid for a period of eighteen months expire and the property becomes tax acquired by the Town. For governmental funds, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. Accordingly, \$52,120 of the property taxes receivable have been classified as unavailable property tax revenue on the general fund balance sheet.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

|   | <i>Beginning<br/>Balance</i> | <i>Increases</i>   | <i>Decreases</i> | <i>Ending<br/>Balance</i> |
|---|------------------------------|--------------------|------------------|---------------------------|
| <i>Governmental Activities:</i>                     |                              |                    |                  |                           |
| <i>Capital assets not being depreciated</i>         |                              |                    |                  |                           |
| Land  | \$19,178                     |                    |                  | \$19,178                  |
| <i>Capital assets being depreciated</i>             |                              |                    |                  |                           |
| Land Improvements                                   | \$91,870                     |                    |                  | \$91,870                  |
| Buildings   | \$727,865                    | \$7,450            |                  | \$735,315                 |
| Equipment   | \$1,012,458                  | \$7,779            |                  | \$1,020,237               |
| Infrastructure                                      | \$5,246,011                  |                    |                  | \$5,246,011               |
| <i>Total capital assets being depreciated</i>       | <u>\$7,078,204</u>           | <u>\$15,229</u>    | <u>\$0</u>       | <u>\$7,093,433</u>        |
| <i>Less accumulated depreciation for</i>            |                              |                    |                  |                           |
| Land Improvements                                   | \$18,374                     | \$6,125            |                  | \$24,499                  |
| Buildings   | \$282,216                    | \$15,375           |                  | \$297,591                 |
| Equipment   | \$407,687                    | \$69,925           |                  | \$477,612                 |
| Infrastructure                                      | \$3,530,243                  | \$131,264          |                  | \$3,661,507               |
| <i>Total accumulated depreciation</i>               | <u>\$4,238,520</u>           | <u>\$222,689</u>   | <u>\$0</u>       | <u>\$4,461,209</u>        |
| <i>Net capital assets being depreciated</i>         | <u>\$2,839,684</u>           | <u>(\$207,460)</u> | <u>\$0</u>       | <u>\$2,632,225</u>        |
| <i>Governmental Activities Capital Assets, net</i>  | <u>\$2,858,862</u>           | <u>(\$207,460)</u> | <u>\$0</u>       | <u>\$2,651,403</u>        |
| <i>Business-type Activities:</i>                    |                              |                    |                  |                           |
| <i>Capital assets being depreciated</i>             |                              |                    |                  |                           |
| Sewer System  | \$455,495                    |                    |                  | \$455,495                 |
| <i>Total capital assets being depreciated</i>       | <u>\$455,495</u>             | <u>\$0</u>         | <u>\$0</u>       | <u>\$455,495</u>          |
| <i>Less accumulated depreciation for</i>            |                              |                    |                  |                           |
| Sewer System  | \$181,577                    | \$6,105            |                  | \$187,682                 |
| <i>Total accumulated depreciation</i>               | <u>\$181,577</u>             | <u>\$6,105</u>     | <u>\$0</u>       | <u>\$187,682</u>          |
| <i>Net capital assets being depreciated</i>         | <u>\$273,918</u>             | <u>(\$6,105)</u>   | <u>\$0</u>       | <u>\$267,813</u>          |
| <i>Business-type Activities Capital Assets, net</i> | <u>\$273,918</u>             | <u>(\$6,105)</u>   | <u>\$0</u>       | <u>\$267,813</u>          |

Depreciation expense was charged to functions/programs of the primary government as follows:

|   |  |                  |
|---|--|------------------|
| <i>Governmental Activities</i>                                    |  |                  |
| General Government  |  | \$15,969         |
| Protection  |  | \$69,858         |
| Highways, including depreciation of general infrastructure assets |  | \$136,861        |
| <b>Total Depreciation Expense - Governmental Activities</b>       |  | <u>\$222,689</u> |

**Note 5 - Interfund Transactions**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. At June 30, 2019, the individual fund interfund receivable and payable balances consisted of the following:

|                       | <u>Due to</u> | <u>Due from</u>     |                              |                         |
|-----------------------|---------------|---------------------|------------------------------|-------------------------|
|                       |               | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Sewer Department</u> |
| General Fund          |               |                     | \$49,648                     | \$30,158                |
| Capital Projects Fund |               | \$103,892           |                              |                         |
|                       |               | <u>\$103,892</u>    | <u>\$49,648</u>              | <u>\$30,158</u>         |

The change in the balance of the accounts during the current year represent appropriation transfers between the Capital Projects Fund and the General Fund as well as activity in the Sewer Department. The balances are expected to be repaid upon need of the funds.

**Note 6 - Restricted Net Position**

The Town reports restricted net position totaling \$20,733 on its statement of net position. These restricted net position represents the restricted fund balances detailed in the governmental fund balance note above.

**Note 7 - Participation in Public Entity Risk Pool**

The Town participates in Public Entity Risk Pools for the purposes of Workers Compensation, Property and Liability Insurance and Unemployment Compensation. The Public Entity Risk Pool is administered by the Maine Municipal Association. The Public Entity Risk Pools were established for the purposes of lowering costs for member are for developing specific programs to control losses. Members pay annual premiums to the Maine Municipal Association for the participation in the respective programs.

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters for which it carries municipal and commercial insurance. The Town is not aware of any material actual or potential claim liabilities which should be recognized at June 30, 2019.



**TOWN OF SORRENTO, MAINE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(Exhibit X)

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|-------------------------|------------------|---|
| <i>Revenues:</i>                                    |                            |                         |                  |   |
| Tax Revenues, Including Homestead Exemption         | \$903,025                  | \$903,025               | \$887,139        | (\$15,886)                                      |
| Excise Taxes  | \$63,358                   | \$63,358                | \$55,403         | (\$7,955)                                       |
| State Revenue Sharing                               | \$5,388                    | \$5,388                 | \$4,196          | (\$1,192)                                       |
| Interest Earned                                     | \$0                        | \$0                     | \$2,000          | \$2,000   |
| Interest on Delinquent Taxes                        | \$0                        | \$0                     | \$4,506          | \$4,506   |
| Other Revenues                                      | \$0                        | \$0                     | \$1,736          | \$1,736   |
| <u>Total Revenues</u>                               | <u>\$971,771</u>           | <u>\$971,771</u>        | <u>\$954,981</u> | <u>(\$16,790)</u>                               |
| <i>Expenditures (Net of Departmental Revenues):</i> |                            |                         |                  |   |
| Administration                                      | \$136,600                  | \$136,600               | \$118,163        | \$18,437  |
| Protection  | \$111,055                  | \$111,055               | \$84,993         | \$26,062  |
| Health & Sanitation                                 | \$34,000                   | \$34,000                | \$27,900         | \$6,100   |
| Highways & Bridges                                  | \$136,358                  | \$136,358               | \$97,387         | \$38,971  |
| Education   | \$439,186                  | \$439,186               | \$439,186        | \$0   |
| Unclassified  | \$61,205                   | \$61,205                | \$59,966         | \$1,239   |
| Assessments   | \$72,367                   | \$72,367                | \$47,478         | \$24,889  |
| <u>Total Expenditures</u>                           | <u>\$990,771</u>           | <u>\$990,771</u>        | <u>\$875,073</u> | <u>\$115,698</u>                                |
| <u>Excess of Revenues over Expenditures</u>         | <u>(\$19,000)</u>          | <u>(\$19,000)</u>       | <u>\$79,908</u>  | <u>\$98,908</u>                                 |
| <i>Other Financing Sources (Uses):</i>              |                            |                         |                  |   |
| Operating Transfers In                              | \$59,000                   | \$59,000                | \$59,470         | \$470   |
| Operating Transfers Out                             | (\$70,000)                 | (\$70,000)              | (\$70,000)       | \$0   |
| <u>Net Change in Fund Balances</u>                  | <u>(\$30,000)</u>          | <u>(\$30,000)</u>       | <u>\$69,379</u>  | <u>\$99,379</u>                                 |
| <u>Beginning Fund Balances</u>                      | <u>\$385,526</u>           | <u>\$385,526</u>        | <u>\$385,526</u> | <u>\$0</u>                                      |
| <u>Ending Fund Balances</u>                         | <u>\$355,526</u>           | <u>\$355,526</u>        | <u>\$454,905</u> | <u>\$99,379</u>                                 |

**TOWN OF SORRENTO, MAINE**  
**SCHEDULE OF DEPARTMENTAL OPERATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| Department                             | Beginning Balance | Appropriations | Departmental Revenues | Operating Transfers | Total Available | Expenditures | Lapsed Unexpended (Overdraft) | Ending Balance |
|--|-------------------|----------------|-----------------------|---------------------|-----------------|--------------|-------------------------------|----------------|
| <b>General Government:</b>             |                   |                |                       |                     |                 |              |                               |                |
| Administration                         | \$0               | \$40,000       | \$1,192               | \$0                 | \$41,192        | \$33,332     | \$0                           | \$7,860        |
| Salaries                               | \$621             | \$34,500       | \$0                   | \$0                 | \$35,121        | \$34,500     | \$0                           | \$621          |
| Payroll Taxes                          | \$0               | \$4,000        | \$0                   | \$0                 | \$4,000         | \$4,177      | (\$177)                       | \$0            |
| Health Insurance                       | \$0               | \$15,600       | \$0                   | \$0                 | \$15,600        | \$15,490     | \$110                         | \$0            |
| Audit                                  | \$0               | \$7,000        | \$0                   | \$0                 | \$7,000         | \$6,125      | \$0                           | \$875          |
| Legal                                  | \$6,689           | \$2,000        | \$0                   | \$0                 | \$8,689         | \$6,612      | \$0                           | \$2,077        |
| Tax Maps                               | \$1,118           | \$1,000        | \$0                   | \$0                 | \$2,118         | \$0          | \$0                           | \$2,118        |
| Planning Board/HGPC                    | \$2,832           | \$0            | \$0                   | \$0                 | \$2,832         | \$0          | \$0                           | \$2,832        |
| Code Enforcement                       | \$770             | \$2,000        | \$1,871               | \$0                 | \$4,641         | \$2,700      | \$0                           | \$1,941        |
| Plumbing Permits                       | \$1,175           | \$2,000        | \$1,315               | \$0                 | \$4,490         | \$2,211      | \$0                           | \$2,279        |
| Town Property Repair                   | \$25,719          | \$15,000       | \$0                   | \$0                 | \$40,719        | \$13,127     | \$0                           | \$27,592       |
| Comprehensive Planning Committee       | \$658             | \$8,000        | \$0                   | \$0                 | \$8,658         | \$0          | \$0                           | \$8,658        |
| Community Building - Operations        | \$3,910           | \$5,500        | \$675                 | \$0                 | \$10,085        | \$4,942      | \$0                           | \$5,143        |
| Community Building - Activity          | \$2,250           | \$0            | \$0                   | \$0                 | \$2,250         | \$0          | \$0                           | \$2,250        |
|  | \$45,742          | \$136,600      | \$5,053               | \$0                 | \$187,395       | \$123,216    | (\$67)                        | \$64,246       |
| <b>Protection:</b>                     |                   |                |                       |                     |                 |              |                               |                |
| Hydrant Rental                         | \$0               | \$43,355       | \$0                   | \$0                 | \$43,355        | \$42,856     | \$499                         | \$0            |
| Fire Department                        | \$6,470           | \$40,000       | \$19,258              | \$0                 | \$65,728        | \$37,869     | \$0                           | \$27,859       |
| Fire Chief                             | \$0               | \$3,000        | \$0                   | \$0                 | \$3,000         | \$3,000      | \$0                           | \$0            |
| Fire Safety Fundraising                | \$7,040           | \$0            | \$0                   | \$0                 | \$7,040         | \$3,699      | \$0                           | \$3,342        |
| Fire Safety Fundraising - Auxiliary    | \$1,536           | \$0            | \$2,675               | \$0                 | \$4,211         | \$0          | \$0                           | \$4,211        |
| Fire Safety Fundraising - Rescue Squad | \$14,125          | \$0            | \$6,472               | \$0                 | \$20,596        | \$2,998      | \$0                           | \$17,598       |
| First Responder Training               | \$2,348           | \$0            | \$0                   | \$0                 | \$2,348         | \$0          | \$0                           | \$2,348        |
| Dry Fire Hydrant                       | \$667             | \$0            | \$0                   | \$0                 | \$667           | \$0          | \$0                           | \$667          |
| Public Safety                          | \$435             | \$1,500        | \$0                   | \$0                 | \$1,935         | \$1,146      | \$0                           | \$790          |
| Law Enforcement                        | \$6,528           | \$0            | \$0                   | \$0                 | \$6,528         | \$1,446      | \$0                           | \$5,083        |
| Streetlights                           | \$0               | \$4,200        | \$0                   | \$0                 | \$4,200         | \$4,421      | (\$221)                       | \$0            |
| Insurance                              | \$0               | \$19,000       | \$1,977               | \$0                 | \$20,977        | \$17,941     | \$3,036                       | \$0            |
|  | \$39,149          | \$111,055      | \$30,383              | \$0                 | \$180,587       | \$115,375    | \$3,315                       | \$61,897       |

**TOWN OF SORRENTO, MAINE**  
**SCHEDULE OF DEPARTMENTAL OPERATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(Exhibit A-1 - Page 2 of 2)

|                                      | Beginning<br>Balance | Appropriations | Departmental<br>Revenues | Operating<br>Transfers | Total<br>Available | Expenditures | Lapsed<br>Unexpended<br>(Overdraft) | Ending<br>Balance |
|--------------------------------------|----------------------|----------------|--------------------------|------------------------|--------------------|--------------|-------------------------------------|-------------------|
| <b>Highways &amp; Bridges:</b>       |                      |                |                          |                        |                    |              |                                     |                   |
| Town Roads                           | \$20,819             | \$58,000       | \$0                      | \$0                    | \$78,819           | \$18,818     | \$0                                 | \$60,001          |
| Winter Roads                         | \$0                  | \$63,358       | \$0                      | \$0                    | \$63,358           | \$63,358     | \$0                                 | \$0               |
| Sand and Salt Stockpile/Repairs      | \$5,594              | \$15,000       | \$0                      | \$0                    | \$20,594           | \$15,211     | \$0                                 | \$5,383           |
|                                      | \$26,413             | \$136,358      | \$0                      | \$0                    | \$162,771          | \$97,387     | \$0                                 | \$65,384          |
| <b>Health &amp; Sanitation:</b>      |                      |                |                          |                        |                    |              |                                     |                   |
| Solid Waste                          | \$6,811              | \$34,000       | \$8,812                  | \$0                    | \$49,623           | \$36,712     | \$0                                 | \$12,911          |
|                                      | \$6,811              | \$34,000       | \$8,812                  | \$0                    | \$49,623           | \$36,712     | \$0                                 | \$12,911          |
| <b>Unclassified:</b>                 |                      |                |                          |                        |                    |              |                                     |                   |
| Recreation Center                    | \$0                  | \$7,500        | \$0                      | \$0                    | \$7,500            | \$7,500      | \$0                                 | \$0               |
| General Assistance                   | \$0                  | \$5,000        | \$0                      | \$0                    | \$5,000            | \$0          | \$5,000                             | \$0               |
| Ambulance                            | \$0                  | \$2,466        | \$0                      | \$0                    | \$2,466            | \$2,055      | \$0                                 | \$411             |
| Senior Wellness Committee            | \$460                | \$0            | \$0                      | \$0                    | \$460              | \$0          | \$0                                 | \$460             |
| Community Organizations              | \$0                  | \$14,239       | \$0                      | \$0                    | \$14,239           | \$14,239     | \$0                                 | \$0               |
| Harbor and Pier                      | \$0                  | \$21,000       | \$0                      | \$470                  | \$21,470           | \$21,470     | \$0                                 | \$0               |
| Village Green                        | \$0                  | \$5,000        | \$250                    | \$0                    | \$5,250            | \$2,987      | \$0                                 | \$2,263           |
| Village Fire House                   | \$10,227             | \$0            | \$1,500                  | \$0                    | \$11,727           | \$531        | \$0                                 | \$11,195          |
| Animal Control                       | \$2,500              | \$0            | \$676                    | \$0                    | \$3,176            | \$528        | \$0                                 | \$2,648           |
| Shoreline Improvement Project        | \$13,300             | \$1,000        | \$0                      | \$0                    | \$14,300           | \$2,000      | \$0                                 | \$12,300          |
| Shellfish Conservation               | \$12,652             | \$3,000        | \$0                      | \$0                    | \$15,652           | \$9,081      | \$0                                 | \$6,571           |
| Old Doane's Pt. & Bragdon Cemeteries | \$6,000              | \$2,000        | \$0                      | \$0                    | \$8,000            | \$2,000      | \$0                                 | \$6,000           |
|                                      | \$45,140             | \$61,205       | \$2,426                  | \$470                  | \$109,241          | \$62,392     | \$5,000                             | \$41,849          |
| <b>Assessments and Debt Service:</b> |                      |                |                          |                        |                    |              |                                     |                   |
| Education                            | \$0                  | \$439,186      | \$0                      | \$0                    | \$439,186          | \$439,186    | \$0                                 | \$0               |
| County Tax                           | \$0                  | \$47,478       | \$0                      | \$0                    | \$47,478           | \$47,478     | \$0                                 | \$0               |
| Overlay                              | \$0                  | \$24,889       | \$0                      | \$0                    | \$24,889           | \$0          | \$24,889                            | \$0               |
|                                      | \$0                  | \$511,553      | \$0                      | \$0                    | \$511,553          | \$486,664    | \$24,889                            | \$0               |
|                                      | \$163,256            | \$990,771      | \$46,673                 | \$470                  | \$1,201,170        | \$921,746    | \$33,137                            | \$246,288         |

TOWN OF SORRENTO, MAINE  
SCHEDULE OF CHANGES IN UNASSIGNED FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Exhibit A-2)

|  |          |                  |
|--|----------|------------------|
| <u>Beginning Unassigned Fund Balance</u>     |          | \$222,270        |
| <u>Additions:</u>                            |          |                  |
| Lapsed Accounts                              | \$33,137 |                  |
| Interest Earned                              | \$2,000  |                  |
| Interest and Fees on Delinquent Taxes        | \$4,506  |                  |
| Supplemental Taxes                           | \$8,440  |                  |
| Tree Growth and Veteran's Reimbursements     | \$1,736  |                  |
|  | <hr/>    |                  |
| <u>Total Additions</u>                       |          | \$49,820         |
| <u>Reductions:</u>                           |          |                  |
| Appropriations from Unassigned Fund Balance  | \$30,000 |                  |
| Increase in Unavailable Tax Revenue          | \$15,139 |                  |
| Abatements Granted                           | \$9,187  |                  |
| Excise Taxes (net of appropriation)          | \$7,955  |                  |
| State Revenue Sharing (net of appropriation) | \$1,192  |                  |
|  | <hr/>    |                  |
| <u>Total Reductions</u>                      |          | \$63,473         |
|  |          | <hr/>            |
| <u>Ending Unassigned Fund Balance</u>        |          | <u>\$208,617</u> |

TOWN OF SORRENTO, MAINE  
SCHEDULE OF VALUATION, COMMITMENT AND COLLECTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Exhibit A-3)

Taxable Valuation:

|                    |               |
|--------------------|---------------|
| Land and Buildings | \$106,198,500 |
| Personal Property  | \$292,000     |
|                    | <hr/>         |

|                                |               |
|--------------------------------|---------------|
| <u>Total Taxable Valuation</u> | \$106,490,500 |
|--------------------------------|---------------|

|                               |       |           |
|-------------------------------|-------|-----------|
| <u>Rate per \$1 Valuation</u> | <hr/> | \$0.00840 |
|-------------------------------|-------|-----------|

|                       |           |
|-----------------------|-----------|
| <u>Tax Commitment</u> | \$894,520 |
|-----------------------|-----------|

Collections and Adjustments:

|                    |           |
|--------------------|-----------|
| Cash Collections   | \$847,039 |
| Abatements Granted | \$9,187   |
| Supplemental Taxes | (\$8,440) |
|                    | <hr/>     |

|  |       |           |
|--|-------|-----------|
| <u>Total Collections and Adjustments</u> | <hr/> | \$847,786 |
|--|-------|-----------|

|                                   |             |          |
|-----------------------------------|-------------|----------|
| <u>Uncollected Taxes June 30,</u> | <hr/> <hr/> | \$46,734 |
|-----------------------------------|-------------|----------|

TOWN OF SORRENTO, MAINE  
SCHEDULE OF CAPITAL RESERVE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

|                            | <u>Balance</u><br><u>7/1/2018</u> | <u>Investment</u><br><u>Earnings</u><br><u>(Net of Fees)</u> | <u>Revenues</u> | <u>Transfers</u><br><u>to</u><br><u>Reserves</u> | <u>Expenditures</u> | <u>Transfers</u><br><u>from</u><br><u>Reserves</u> | <u>Balance</u><br><u>6/30/2019</u> |
|----------------------------|-----------------------------------|--|-----------------|--|---------------------|--|------------------------------------|
| <u>Reserve Funds:</u>      |                                   |  |                 |  |                     |  |                                    |
| Harbor Sinking Fund        | \$12,080                          | \$106  | \$17,140        |  |                     | (\$21,470)   | \$7,856                            |
| State Road Assistance      | \$11,137                          | \$18   | \$13,920        |  |                     | (\$13,000)   | \$12,075                           |
| Fire Truck                 | \$57,542                          | \$49   |                 | \$15,000   |                     |  | \$72,591                           |
| Community Building         | \$1,356                           |  |                 |  |                     |  | \$1,356                            |
| Capital Improvements       | \$56,596                          | \$108  |                 | \$30,000   |                     | (\$25,000)   | \$61,703                           |
| Storm Water Catch Basin    | \$15,000                          |  |                 |  |                     |  | \$15,000                           |
| Fisherment's Floats        | \$5,000                           |  |                 | \$25,000   |                     |  | \$30,000                           |
| <u>Total Reserve Funds</u> | <u>\$158,711</u>                  | <u>\$280</u>   | <u>\$31,060</u> | <u>\$70,000</u>                                  | <u>\$0</u>          | <u>(\$59,470)</u>                                  | <u>\$200,581</u>                   |