

Audited Financial Statements  
and Other Financial Information

**Town of North Berwick, Maine**

June 30, 2019



*Proven Expertise & Integrity*

TOWN OF NORTH BERWICK, MAINE

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JUNE 30, 2019

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## INDEPENDENT AUDITORS' REPORT

Board of Selectmen  
Town of North Berwick  
North Berwick, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of North Berwick, Maine, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Town of North Berwick, Maine's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

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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, business-type activities, each major fund and the aggregate remaining fund information of the Town of North Berwick, Maine as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 11 and 61 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of the Town of North Berwick's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Berwick's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
January 21, 2020

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**(UNAUDITED)**

The following management's discussion and analysis of Town of North Berwick, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

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

**Basic Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

Both of the above-mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of North Berwick are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, health and welfare, recreation and culture, education, public works, library and unclassified.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of North Berwick include a Pay-Per-Throw Trash Program.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of North Berwick, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of North Berwick can be divided into two categories: governmental funds and proprietary funds.

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

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

The Town of North Berwick presents only two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

*Proprietary Funds:* The Town of North Berwick maintains a proprietary fund, the Pay-Per-Throw Trash Program. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Fund.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Changes in Net OPEB Liability, a Schedule of Changes in Net OPEB Liability and Related Ratios, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

### **Other Supplementary Information**

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

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

Our analysis below focuses on the net position and changes in net position of the Town's governmental and business-type activities. The Town's total net position for governmental activities increased by \$1,174,669 from \$12,052,165 to \$13,226,834. The Town's total net position for business-type activities increased by \$11,259 from \$223,799 to \$235,058.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$3,706,914 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$235,058.

**Table 1**  
**Town of North Berwick, Maine**  
**Net Position**  
**June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets:</b>				
Current Assets	\$ 4,776,041	\$ 4,467,140	\$ 241,257	\$ 231,153
Noncurrent Assets	11,169,006	10,681,571	-	-
Total Assets	<u>15,945,047</u>	<u>15,148,711</u>	<u>241,257</u>	<u>231,153</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows Related to Pensions	186,144	342,494	-	-
Deferred Outflows Related to OPEB	26,048	16,763	-	-
Total Deferred Outflows of Resources	<u>212,192</u>	<u>359,257</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>				
Current Liabilities	385,745	456,847	6,199	7,354
Noncurrent Liabilities	2,395,136	2,742,954	-	-
Total Liabilities	<u>2,780,881</u>	<u>3,199,801</u>	<u>6,199</u>	<u>7,354</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid Taxes	36,525	36,798	-	-
Deferred Inflows Related to Pensions	92,672	219,204	-	-
Deferred Inflows Related to OPEB	20,327	-	-	-
Total Deferred Inflows of Resources	<u>149,524</u>	<u>256,002</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	9,256,583	8,536,088	-	-
Restricted: Permanent Funds	263,337	271,560	-	-
Unrestricted	3,706,914	3,244,517	235,058	223,799
Total Net Position	<u>\$ 13,226,834</u>	<u>\$ 12,052,165</u>	<u>\$ 235,058</u>	<u>\$ 223,799</u>

**Table 2**  
**Town of North Berwick, Maine**  
**Change in Net Position**  
**For the Years Ended June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 680,860	\$ 649,000	\$ 106,350	\$ 106,945
<i>General Revenues:</i>				
Taxes	8,321,071	8,032,953	-	-
Grants and contributions not restricted to specific programs	2,193,181	1,708,301	-	-
Miscellaneous	221,562	180,706	936	4,549
<b>Total Revenues</b>	<b>11,416,674</b>	<b>10,570,960</b>	<b>107,286</b>	<b>111,494</b>
<b>Expenses</b>				
General government	922,245	1,052,622	-	-
Public safety	1,836,000	1,886,268	-	-
Health and welfare	36,198	34,011	-	-
Recreation and culture	182,444	183,024	-	-
Education	5,771,377	5,424,382	-	-
Public works	741,798	1,029,386	-	-
Library	238,640	229,098	-	-
County tax	356,337	379,059	-	-
TIF	23,048	22,512	-	-
Unclassified	58,809	49,975	-	-
Interest on long-term debt	75,109	70,564	-	-
Pay-per-throw trash program	-	-	96,027	93,387
<b>Total Expenses</b>	<b>10,242,005</b>	<b>10,360,901</b>	<b>96,027</b>	<b>93,387</b>
<b>Change in Net Position</b>	<b>1,174,669</b>	<b>210,059</b>	<b>11,259</b>	<b>18,107</b>
<b>Net Position - July 1, Restated</b>	<b>12,052,165</b>	<b>11,842,106</b>	<b>223,799</b>	<b>205,692</b>
<b>Net Position - June 30</b>	<b>\$ 13,226,834</b>	<b>\$ 12,052,165</b>	<b>\$ 235,058</b>	<b>\$ 223,799</b>

**Revenues and Expenses**

Revenues for the Town's governmental activities increased by 8.00%, while total expenses decreased by 1.15%. The increase in revenues was attributable to all revenue categories coming in higher than last fiscal year with the largest increase in grants and contributions restricted to specific programs. Expenses decreased primarily

due to decreases in public works, general government and public safety, which was partially offset by an increase in education.

Revenues for the Town's business-type activities decreased by 3.77%, while total expenses increased by 2.83%.

### Financial Analysis of the Town's Fund Statements

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

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

	<u>2019</u>	<u>2018</u>
Major Fund:		
General Fund:		
Assigned	\$ 643,048	\$ 586,352
Unassigned	<u>3,127,890</u>	<u>2,881,792</u>
Total General Fund	<u>\$ 3,770,938</u>	<u>\$ 3,468,144</u>
Nonmajor Funds:		
Capital Projects Funds:		
Committed	\$ 347,092	\$ 321,645
Assigned	329	314
Permanent Funds:		
Restricted	<u>263,337</u>	<u>271,560</u>
Total Nonmajor Funds	<u>\$ 610,758</u>	<u>\$ 593,519</u>

The general fund total fund balance increased by \$302,794 from the prior fiscal year primarily due to revenues and transfers from other funds exceeding expenditures and transfers to other funds. The nonmajor funds total fund balance increased by \$17,239 from the prior fiscal year primarily due to activity in the capital projects funds.

*Proprietary funds:* The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

## Budgetary Highlights

Differences between the original and final budget for the general fund include the use of assigned fund balance and applied receipts. Refer to Schedules A and B for additional information on budget differences.

The general fund actual revenues were over budget by \$398,878. This was a result of all revenues being receipted over budgeted amounts with the exception of property taxes, excise taxes, intergovernmental and transfers from other funds.

The general fund actual expenditures were under budget by \$569,317. All expenditure accounts were within or under budgeted amounts with the exception of public works.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the Town increased by \$487,435 from the prior year. This increase is the result of capital additions of \$884,261, less net disposals of \$8,584 and current year depreciation expense of \$388,242. For additional details refer to Note 4 of Notes to Financial Statements.

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

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Land and improvements	\$ 1,621,731	\$ 1,490,776
Buildings	516,038	544,379
Building improvements	1,914,225	1,945,153
Movable property	1,508,033	1,318,476
Art works and historical treasures	10,000	10,000
Infrastructure	5,598,979	5,372,787
Total	<u>\$ 11,169,006</u>	<u>\$ 10,681,571</u>

### Debt

At June 30, 2019, the Town had \$1,912,423 in bonds and a note from direct borrowings outstanding versus \$2,145,483 last year. For additional details on the Town's outstanding debt, refer to Note 5 of Notes to Financial Statements.

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

The Town's unassigned fund balance remains at a level sufficient to sustain government operations for a period of approximately three months while also maintaining significant reserves for future operations, capital and program needs.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager at P.O. Box 422, North Berwick, Maine 03906.

## TOWN OF NORTH BERWICK, MAINE

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,596,996	\$ 20,488	\$ 4,617,484
Investments	24,074	-	24,074
Accounts receivable (net of allowance for uncollectibles):			
Taxes	259,438	-	259,438
Liens	40,351	-	40,351
Other	75,951	-	75,951
Internal balances	(220,769)	220,769	-
Total current assets	<u>4,776,041</u>	<u>241,257</u>	<u>5,017,298</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	1,643,723	-	1,643,723
Buildings and vehicles net of accumulated depreciation	9,525,283	-	9,525,283
Total noncurrent assets	<u>11,169,006</u>	<u>-</u>	<u>11,169,006</u>
<b>TOTAL ASSETS</b>	<u>15,945,047</u>	<u>241,257</u>	<u>16,186,304</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	186,144	-	186,144
Deferred outflows related to OPEB	26,048	-	26,048
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>212,192</u>	<u>-</u>	<u>212,192</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 16,157,239</u>	<u>\$ 241,257</u>	<u>\$ 16,398,496</u>

STATEMENT A (CONTINUED)  
TOWN OF NORTH BERWICK, MAINE

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 80,791	\$ 6,199	\$ 86,990
Accrued expenses	716	-	716
Due to other governments	50,662	-	50,662
Escrows	12,967	-	12,967
Current portion of long-term obligations	240,609	-	240,609
Total current liabilities	<u>385,745</u>	<u>6,199</u>	<u>391,944</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	1,648,783	-	1,648,783
Note from direct borrowings payable	28,668	-	28,668
Accrued compensated absences	50,732	-	50,732
Net pension liability	366,336	-	366,336
Net OPEB liability	300,617	-	300,617
Total noncurrent liabilities	<u>2,395,136</u>	<u>-</u>	<u>2,395,136</u>
<b>TOTAL LIABILITIES</b>	<u>2,780,881</u>	<u>6,199</u>	<u>2,787,080</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	36,525	-	36,525
Deferred inflows related to pensions	92,672	-	92,672
Deferred inflows related to OPEB	20,327	-	20,327
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>149,524</u>	<u>-</u>	<u>149,524</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,256,583	-	9,256,583
Restricted for: Permanent funds	263,337	-	263,337
Unrestricted	3,706,914	235,058	3,941,972
<b>TOTAL NET POSITION</b>	<u>13,226,834</u>	<u>235,058</u>	<u>13,461,892</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 16,157,239</u>	<u>\$ 241,257</u>	<u>\$ 16,398,496</u>

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

## STATEMENT B

## TOWN OF NORTH BERWICK, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 922,245	\$ 273,829	\$ -	\$ -	\$ (648,416)	\$ -	\$ (648,416)
Public safety	1,836,000	272,929	-	-	(1,563,071)	-	(1,563,071)
Health and welfare	36,198	38,371	-	-	2,173	-	2,173
Recreation and culture	182,444	79,471	-	-	(102,973)	-	(102,973)
Education	5,771,377	-	-	-	(5,771,377)	-	(5,771,377)
Public works	741,798	16,260	70,228	-	(655,310)	-	(655,310)
Library	238,640	-	-	-	(238,640)	-	(238,640)
County tax	356,337	-	-	-	(356,337)	-	(356,337)
TIF	23,048	-	-	-	(23,048)	-	(23,048)
Unclassified	58,809	-	-	-	(58,809)	-	(58,809)
Interest on long-term debt	75,109	-	-	-	(75,109)	-	(75,109)
Total governmental activities	<u>10,242,005</u>	<u>680,860</u>	<u>70,228</u>	<u>-</u>	<u>(9,490,917)</u>	<u>-</u>	<u>(9,490,917)</u>
Business-type activities:							
Pay-per-throw trash program	<u>96,027</u>	<u>106,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,323</u>	<u>10,323</u>
Total business-type activities	<u>96,027</u>	<u>106,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,323</u>	<u>10,323</u>
Total government	<u>\$ 10,338,032</u>	<u>\$ 787,210</u>	<u>\$ 70,228</u>	<u>\$ -</u>	<u>(9,490,917)</u>	<u>10,323</u>	<u>(9,480,594)</u>

STATEMENT B (CONTINUED)  
TOWN OF NORTH BERWICK, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(9,490,917)</u>	<u>10,323</u>	<u>(9,480,594)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	7,501,173	-	7,501,173
Excise taxes	819,898	-	819,898
Grants and contributions not restricted to specific programs	2,122,953	-	2,122,953
Miscellaneous	<u>221,562</u>	<u>936</u>	<u>222,498</u>
Total general revenues	<u>10,665,586</u>	<u>936</u>	<u>10,666,522</u>
Change in net position	1,174,669	11,259	1,185,928
NET POSITION - JULY 1, RESTATED	<u>12,052,165</u>	<u>223,799</u>	<u>12,275,964</u>
NET POSITION - JUNE 30	<u>\$ 13,226,834</u>	<u>\$ 235,058</u>	<u>\$ 13,461,892</u>

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

## TOWN OF NORTH BERWICK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,130,283	\$ 466,713	\$ 4,596,996
Investments	-	24,074	24,074
Accounts receivable (net of allowance for uncollectibles):			
Taxes	259,438	-	259,438
Liens	40,351	-	40,351
Other	75,951	-	75,951
Due from other funds	42,854	165,934	208,788
<b>TOTAL ASSETS</b>	<b><u>\$ 4,548,877</u></b>	<b><u>\$ 656,721</u></b>	<b><u>\$ 5,205,598</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 77,682	\$ 3,109	\$ 80,791
Accrued expenses	716	-	716
Due to other governments	50,662	-	50,662
Due to other funds	386,703	42,854	429,557
Escrows	12,967	-	12,967
Accrued compensated absences	56,369	-	56,369
<b>TOTAL LIABILITIES</b>	<b><u>585,099</u></b>	<b><u>45,963</u></b>	<b><u>631,062</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	36,525	-	36,525
Deferred revenues	156,315	-	156,315
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>192,840</u></b>	<b><u>-</u></b>	<b><u>192,840</u></b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	263,337	263,337
Committed	-	347,092	347,092
Assigned	643,048	329	643,377
Unassigned	3,127,890	-	3,127,890
<b>TOTAL FUND BALANCES</b>	<b><u>3,770,938</u></b>	<b><u>610,758</u></b>	<b><u>4,381,696</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 4,548,877</u></b>	<b><u>\$ 656,721</u></b>	<b><u>\$ 5,205,598</u></b>

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

## TOWN OF NORTH BERWICK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 4,381,696
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	11,169,006
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	156,315
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	186,144
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	26,048
Long-term obligations shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(1,855,088)
Note from direct borrowings payable	(57,335)
Net pension liability	(366,336)
Net OPEB liability	(300,617)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(92,672)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	<u>(20,327)</u>
Net position of governmental activities	<u><u>\$ 13,226,834</u></u>

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

## TOWN OF NORTH BERWICK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	\$ 7,489,751	\$ -	\$ 7,489,751
Excise taxes	819,898	-	819,898
Intergovernmental	2,193,181	-	2,193,181
Charges for services	680,860	-	680,860
Miscellaneous revenues	104,512	117,050	221,562
TOTAL REVENUES	<u>11,288,202</u>	<u>117,050</u>	<u>11,405,252</u>
EXPENDITURES			
Current:			
General government	963,076	-	963,076
Public safety	1,794,041	-	1,794,041
Health and welfare	28,986	-	28,986
Recreation and culture	163,340	-	163,340
Education	5,771,377	-	5,771,377
Public works	976,095	-	976,095
Library	235,829	-	235,829
County tax	356,337	-	356,337
TIF	23,048	-	23,048
Unclassified	16,115	42,694	58,809
Debt service:			
Principal	204,393	-	204,393
Interest	75,109	-	75,109
Capital outlay	434,779	-	434,779
TOTAL EXPENDITURES	<u>11,042,525</u>	<u>42,694</u>	<u>11,085,219</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>245,677</u>	<u>74,356</u>	<u>320,033</u>
OTHER FINANCING SOURCES			
Transfers in	72,917	15,800	88,717
Transfers (out)	(15,800)	(72,917)	(88,717)
TOTAL OTHER FINANCING SOURCES (USES)	<u>57,117</u>	<u>(57,117)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	302,794	17,239	320,033
FUND BALANCES - JULY 1	<u>3,468,144</u>	<u>593,519</u>	<u>4,061,663</u>
FUND BALANCES - JUNE 30	<u>\$ 3,770,938</u>	<u>\$ 610,758</u>	<u>\$ 4,381,696</u>

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

## TOWN OF NORTH BERWICK, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 320,033</u>
<p>Amounts reported for governmental activities in the Statement of Activities          (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities          report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset acquisitions	884,261
Capital asset net disposals	(8,584)
Depreciation expense	<u>(388,242)</u>
	<u>487,435</u>
<p>Revenues in the Statement of Activities that do not provide current financial resources          as revenues in the funds:</p>	
Taxes and liens receivable	<u>11,422</u>
<p>Deferred outflows of resources are a consumption of net position by the          government that are applicable to a future reporting period and therefore are          not reported in the funds:</p>	
Pension	(156,350)
OPEB	9,285
	<u>(147,065)</u>
<p>Repayment of long-term debt principal is an expenditure in governmental funds,          but the repayment reduces long-term obligations in the Statement of Net Position</p>	
	<u>233,060</u>
<p>Deferred inflows of resources are an acquisition of net position by the          government that are applicable to a future reporting period and therefore are          not reported in the funds:</p>	
Pension	126,532
OPEB	(20,327)
	<u>106,205</u>
<p>Some expenses reported in the Statement of Activities do not require the use of          current financial resources and therefore are not reported as expenditures in          governmental funds:</p>	
Net pension liability	144,420
Net OPEB liability	19,159
	<u>163,579</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,174,669</u></u>

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

## TOWN OF NORTH BERWICK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2019

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
ASSETS	
Cash and cash equivalents	\$ 20,488
Due from other funds	220,769
TOTAL ASSETS	<u>\$ 241,257</u>
LIABILITIES	
Accounts payable	\$ 6,199
TOTAL LIABILITIES	<u>6,199</u>
NET POSITION	
Unrestricted	<u>235,058</u>
TOTAL NET POSITION	<u>235,058</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 241,257</u>

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

## TOWN OF NORTH BERWICK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
OPERATING REVENUES	
Bag sales	\$ 106,350
Other	936
TOTAL OPERATING REVENUES	<u>107,286</u>
OPERATING EXPENSES	
Operation	<u>96,027</u>
TOTAL OPERATING EXPENSES	<u>96,027</u>
CHANGE IN NET POSITION	11,259
NET POSITION - JULY 1	<u>223,799</u>
NET POSITION - JUNE 30	<u><u>\$ 235,058</u></u>

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

## TOWN OF NORTH BERWICK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 106,350
Internal activity - receipts (payments) from/to other funds	(9,961)
Other receipts	936
Payments to suppliers	<u>(97,182)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>143</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	143
CASH AND CASH EQUIVALENTS - JULY 1	<u>20,345</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>\$ 20,488</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 11,259
Changes in operating assets and liabilities:	
(Increase) decrease in due from other funds	(9,961)
(Decrease) increase in accounts payable	<u>(1,155)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 143</u></u>

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Town of North Berwick was incorporated under the laws of the State of Maine. The Town operates under a selectmen-manager form of government and provides the following services: general government, public safety, health and welfare, recreation and culture, education, public works, library and unclassified.

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

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

**Implementation of New Accounting Standards**

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations". This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Pay-Per-Throw Trash Program is categorized as a business-type activity. All other activities of the Town are categorized as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

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

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

1. Governmental Funds:

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

Major fund:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor funds:

- b. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

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

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Accrual

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

2. Modified Accrual

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

**Budget**

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

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

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

**Deposits and Investments**

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

It is the policy of the Town of North Berwick, Maine to invest public funds in a manner in which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the Town and conforming to all state and local statutes governing the investment of public funds.

**Receivables**

Receivables include amounts due from governmental agencies and ambulance receivables. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$75,951 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

**Transactions Between Funds**

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

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

**Long-term Obligations**

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

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable, a note from direct borrowings payable, accrued compensated absences, net pension liability and net OPEB liability.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Pensions**

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

**OPEB**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Net Position**

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Balances**

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

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

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

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

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town adopted a set of financial policies in 2012 to guide the financial operation of the Town. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

**Deferred Outflows and Inflows of Resources**

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

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

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

The Town's property tax for the current year was levied August 21, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due on in two installments on October 6, 2018 and May 4, 2019. Interest on unpaid taxes commenced on October 7, 2018 and May 5, 2019, at 8% per annum.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$311,889 for the year ended June 30, 2019.

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

**Program Revenues**

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

**Operating/Nonoperating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Encumbrance Accounting**

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

**Use of Estimates**

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

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

**Deposits:**

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

At June 30, 2019, the Town's cash balances amounting to \$4,617,484 were comprised of bank deposits of \$4,584,040. Of these bank deposits, \$500,000 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$4,084,040 was collateralized with securities held by the financial institution's agent in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 275,436
Money market accounts	4,292,555
Savings accounts	16,049
	<u>\$ 4,584,040</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does have a policy for custodial credit risk for investments.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, the Town's investments were comprised of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>
Certificates of Deposit	<u>\$ 24,074</u>	<u>\$ -</u>	<u>\$ 4,155</u>	<u>\$ 19,919</u>

The certificates of deposit of \$24,074 were collateralized with securities held by the financial institution's agent in the Town's name.

Credit risk - Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does have an investment policy on credit risk. Generally, the Town invests excess funds in cash management accounts and various insured certificates of deposit.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ 42,854	\$ 386,703
Nonmajor capital projects funds	165,934	3,515
Nonmajor permanent funds	-	39,339
Enterprise fund	220,769	-
	<u>\$ 429,557</u>	<u>\$ 429,557</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18 (Restated)	Additions	Disposals	Balance, 6/30/19
<u>Governmental activities</u>				
Non-depreciated assets:				
Land and non-dep land imprvs.	\$ 1,533,223	\$ 100,500	\$ -	\$ 1,633,723
Art works and historical treasures	10,000	-	-	10,000
	<u>1,543,223</u>	<u>100,500</u>	<u>-</u>	<u>1,643,723</u>
Depreciated assets:				
Land improvements	40,605	43,508	-	84,113
Buildings	1,270,779	-	-	1,270,779
Building improvements	2,704,592	41,347	-	2,745,939
Movable property	3,562,303	347,424	(23,540)	3,886,187
Infrastructure	6,210,051	351,482	-	6,561,533
	<u>13,788,330</u>	<u>783,761</u>	<u>(23,540)</u>	<u>14,548,551</u>
Less: accumulated depreciation	<u>(4,649,982)</u>	<u>(388,242)</u>	<u>14,956</u>	<u>(5,023,268)</u>
	<u>9,138,348</u>	<u>395,519</u>	<u>(8,584)</u>	<u>9,525,283</u>
Net capital assets	<u>\$ 10,681,571</u>	<u>\$ 496,019</u>	<u>\$ (8,584)</u>	<u>\$ 11,169,006</u>

Current year depreciation:

Administration	\$ 81,888
Police	34,795
Fire	48,102
Rescue	26,954
Public works	167,376
Library	2,811
Parks and recreation	19,104
Transfer station	7,212
Total depreciation expense	<u>\$ 388,242</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance, 7/1/2018	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Bonds payable	\$ 2,059,481	\$ -	\$ (204,393)	\$ 1,855,088	\$ 206,305
Note from direct borrowings payable	86,002	-	(28,667)	57,335	28,667
	<u>\$ 2,145,483</u>	<u>\$ -</u>	<u>\$ (233,060)</u>	<u>\$ 1,912,423</u>	<u>\$ 234,972</u>

The following is a summary of the outstanding bonds payable:

\$225,000 General Obligation Bond payable, interest at a fixed rate varying from 0.65% to 2.83% and annual principal payments of \$22,500. Maturity in November of 2025.	\$ 157,500
\$1,605,000 General Obligation Bond payable, interest at a fixed rate of 4.13% and annual principal payments varying from \$29,709 to \$92,135. Maturity in January of 2036.	1,155,388
\$1,355,500 General Obligation Bond payable, interest at a fixed rate varying from 2.086% to 2.41% and annual principal payments of \$135,550. Maturity in October of 2022.	<u>542,200</u>
Total bonds payable	<u>\$ 1,855,088</u>

The following is a summary of the outstanding note from direct borrowings payable:

The Town leases a loader under a lease agreement that is cancelable upon non-appropriation of funds. The term of the lease is for a four-year period expiring in September of 2020. Annual principal payments are \$28,667. Interest is charged at a fixed rate of 2.75% per annum.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bond and note from direct borrowings principal and interest requirements for the following fiscal years ending June 30:

	Bonds Payable		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	Debt Service
2020	\$ 206,305	\$ 61,252	\$ 28,667	\$ -	\$ 296,224
2021	208,296	56,331	28,668	-	293,295
2022	210,368	50,952	-	-	261,320
2023	212,527	45,087	-	-	257,614
2024	79,224	40,716	-	-	119,940
2025-2029	365,707	160,123	-	-	525,830
2030-2034	392,540	87,035	-	-	479,575
2035-2039	180,121	11,210	-	-	191,331
	<u>\$ 1,855,088</u>	<u>\$ 512,706</u>	<u>\$ 57,335</u>	<u>\$ -</u>	<u>\$ 2,425,129</u>

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	Balance, 7/1/2018	Additions	Deletions	Balance, 6/30/19	Current Year Portion
Accrued compensated absences	\$ 62,428	\$ -	\$ (6,059)	\$ 56,369	\$ 5,637
Net pension liability	510,756	126,532	(270,952)	366,336	-
Net OPEB liability	319,776	17,870	(37,029)	300,617	-
Totals	<u>\$ 892,960</u>	<u>\$ 144,402</u>	<u>\$ (314,040)</u>	<u>\$ 723,322</u>	<u>\$ 5,637</u>

Please see Notes 7, 11 and 12 for detailed information on each of the other long-term obligations.

NOTE 7 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. As of June 30, 2019, the Town's liability for compensated absences is \$56,369.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2019, the Town has the following restricted fund balances:

Nonmajor permanent funds (Schedule G)	<u>\$ 263,337</u>
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NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2019, the Town has the following committed fund balances:

Nonmajor capital projects funds (Schedule E)	<u>\$ 347,092</u>
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NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2019, the Town has the following assigned fund balances:

General fund:	
175th anniversary	\$ 12,129
Complex	5,131
Parking lot	1,791
Highway garage	1,086
Fire building	115,016
Transfer station building	2,524
Town computer	4,267
Town office improvement	3,690
Parks and recreation	27,428
Summer rec	44,829
Mill Field improvements	3,635
Animal control	14,729
Sidewalks	16,355
Road CIP	2,840
Wheeler	105,000
HRA funds	54,698
Reserved for FY 2020 budget	227,900
Nonmajor capital projects funds (Schedule E)	329
	<u>\$ 643,377</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

**Plan Description**

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

**Benefits Provided**

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2018, there were 304 employers in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.40%.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's plan members are part of the PLD's plan "IN" and "AN" and are required to contribute 8.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 10.90% of covered payroll for the IN plan and 7.30% of covered payroll for the AN plan. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2019 was \$77,544.

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

At June 30, 2019, the Town reported a liability of \$366,336 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the Town's proportion was 0.133856%, which was an increase of 0.00911% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized net pension revenue of \$114,602. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,147	\$ 4,023
Changes of assumptions	58,470	-
Net difference between projected and actual earnings on pension plan investments	-	88,456
Changes in proportion and differences between contributions and proportionate share of contributions	48,983	193
Contributions subsequent to the measurement date	77,544	-
Total	<u>\$ 186,144</u>	<u>\$ 92,672</u>

\$77,544 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Plan year ended June 30:	
2019	\$ 84,540
2020	14,425
2021	(60,176)
2022	(22,862)
2023	-
Thereafter	-

**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Actuarial Cost Method*

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

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

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

*Asset Valuation Method*

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

*Amortization*

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

*Investment Rate of Return* - 6.75% per annum for the year ended June 30, 2018; the rate was 6.875% in 2017, compounded annually.

*Salary Increases, Merit and Inflation* - 2.75% to 9.00% per year

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

*Mortality Rates* - For active members and non-disabled retirees of the PLD Consolidated and State Employee and Teacher Plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

*Cost of Living Benefit Increases* - 1.91%; in 2017 the rate was 2.20%

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2018 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

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

*Discount Rate*

The discount rate used to measure the collective total pension liability was 6.75% for 2018 for the Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for each of the Plans.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net pension liability	\$ 863,406	\$ 366,336	\$ (98,288)

**Changes in Net Pension Liability**

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2018 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2018 with the following exceptions.

*Differences between Expected and Actual Experience*

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2018, this was three years; prior to 2018, this was four years for the PLD Consolidated Plan.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

*Differences between Expected and Actual Investment Earnings*

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

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the *Actuarial Methods and Assumptions* section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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

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

**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

**Plan Description**

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. No assets are accumulated in a trust that meets the criterion of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

**Benefits Provided**

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

**Employees Covered by Benefit Terms**

At January 1, 2019, the following employees were covered by the benefit terms:

Active members	19
Retirees and spouses	<u>7</u>
Total	<u><u>26</u></u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**Contributions**

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

**Retiree Premium Amounts:**

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
PPO 500	\$925	\$2,076
<u>Medicare</u>		
Medicare-Eligible Retirees	\$528	\$1,055

**Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the Town reported a liability of \$300,617 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2019 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2019, the Town recognized OPEB revenue of \$8,117. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,958	\$ -
Changes of assumptions	6,453	20,327
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	12,637	-
<b>Total</b>	<b>\$ 26,048</b>	<b>\$ 20,327</b>

\$12,637 were reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MMEHT
Plan year ended December 31:	
2020	\$ (713)
2021	(713)
2022	(713)
2023	(710)
2024	(4,067)
Thereafter	-

**Discount Rate**

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 4.10% per annum for June 30, 2019 was based upon a measurement date of December 27, 2018. The sensitivity of net OPEB liability to changes in discount rate are as follows:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Total OPEB liability	\$ 338,819	\$ 300,617	\$ 268,890
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 338,819</u>	<u>\$ 300,617</u>	<u>\$ 268,890</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

**Healthcare Trend**

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 265,997	\$ 300,617	\$ 342,863
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 265,997</u>	<u>\$ 300,617</u>	<u>\$ 342,863</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

**Actuarial Methods and Assumptions**

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2018, using the following methods and assumptions applied to all periods included in the measurement:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

*Actuarial Cost Method*

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

*Amortization*

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

*Assumptions*

The actuarial assumptions used in the January 1, 2018 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 4.10% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC 2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

**Changes in Net OPEB Liability**

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

*Differences between Expected and Actual Experience*

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2019 was \$6,958.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

*Differences between Projected and Actual Earnings on OPEB Plan Investments*

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

**OPEB Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to this Plan can be found at the Town office at P.O. Box 422, North Berwick, Maine 03906.

NOTE 13 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

	<u>Excess</u>
Capital improvements - Police cruiser (Article 13)	\$ 27,780
Street lights, hydrant rental, dispatch (Article 14)	252
General Public Works (Article 18)	24,269
Cemeteries and Historical Society (Article 34)	1,491
Liens	<u>3,072</u>
	<u>\$ 56,864</u>

At the April 6, 2019 annual Town Meeting, the Town approved Article 12 which allowed the Town to purchase the police cruiser prior to the start of the new fiscal year. This overdraft will be covered by funds raised in the fiscal year 2020 tax commitment.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 13 - EXPENDITURES OVER APPROPRIATIONS (CONTINUED)

All other overdrafts are covered by Article 3, which was approved at the annual Town Meeting, and allowed for all balances, both debits and credits in all departments of Town be lapsed.

NOTE 14 - CONTINGENCIES

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2019, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 2,900,000	2.11%	\$ 61,074
RSU #60	4,229,187	29.60%	1,251,839
			<u>\$ 1,312,914</u>

In the normal course of operations, the Town receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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

NOTE 15 - LANDFILL CLOSURE

The North Berwick landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Federal and state laws require that certain post-closure care be met. The Town estimates that on an annual basis, some immaterial costs will be incurred for post-closure care. The annual amount will be paid for within the Town's annual operating budget.

NOTE 16 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town participates in a public entity risk pool sponsored by the Maine Municipal

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - RISK MANAGEMENT (CONTINUED)

Association. The Maine Municipal Association Group Risk Pool is a state-chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations, and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2019.

The Town is a member of the Maine Municipal Association - Property and Casualty Pool and pays an annual premium for its coverage. Under the property portion of the policy, coverage is provided after a per occurrence deductible is met. The limit of coverage for liability claims brought under the Maine Tort Claims Act is \$400,000 per occurrence. A \$2,000,000 limit of liability is provided for liability claims outside the Maine Tort Claims Act. There is no aggregate liability limit. Coverage for Public Officials Liability, including Employment Practices, is a part of the program. Coverage is on an occurrence basis, rather than a "claims made" form. A \$2,000,000 limit of liability is provided for all claims for Wrongful Acts seeking monetary damages pursuant to federal or state law for which the Maine Tort Claims Act does not provide immunity or limitations. Each member has a \$4,000,000 annual aggregate limit. An annual sublimit of \$100,000 per member applies for all back wages and/or future salary awards for employment related claims, subject to a \$5,000 retention and a 10% contribution by the member.

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - RISK MANAGEMENT (CONTINUED)

Reimbursement Employers. In other words, the Fund reimburses the Maine DOL on the Town's behalf only when the Town has unemployment claims from present or former employees.

Occasionally, the Town may have layoffs or resignations or even a part-time employee losing a primary job, that lead to larger claims payments than anticipated. When claims exceed the balance of the Town's account, the UC Fund continues to pay the Town's claims with no regard for the negative balance. Repayment of a negative balance is spread out over a period of years to avoid a financial hardship to the Town. Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2019. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 17 - TAX INCREMENT FINANCING DISTRICT AND ABATEMENTS

The Town has established a tax increment financing district in accordance with Maine statutes to finance economic development programs located in the Town of North Berwick, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the district's so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

Canal Street Affordable Housing Development District Development Program

On November 28, 2006, the North Berwick Board of Selectmen, as well the Maine State Housing Authority, approved a Tax Increment Financing District to expand and diversify the Town's tax base, improve its economy and provide affordable, livable, rental housing developments for senior citizens. The area of the District is approximately 4 acres at the old woolen mill property, divided into approximately 40 rental housing units. The potential projects that will be implemented under this Development Program include: renovation of the mill buildings, removal of the outlying buildings, remediation of environmental contamination of the site and other redevelopments. The original assessed value of the property is \$606,600. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$707,200 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$3,400,000. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value for 20 years. The tax increment revenues will be deposited by the Town

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 17 - TAX INCREMENT FINANCING DISTRICT AND ABATEMENTS  
(CONTINUED)

into the Development Program Fund for a period of 20 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5227(3)(A).

The TIF District will remain in place for a period of 20 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 20 years or the remainder of the term of the District designation, whichever is less. No more than 50% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Selectmen shall determine, in its discretion, whether it is necessary or appropriate to enter any Credit Enhancement Agreement to grant these abatements. The state law does not provide for the recapture of abated taxes in the event an abatement recipient does not fill the commitment it makes in return for the tax abatement. The Town does not currently expect that any of the costs of the projects will be financed through issuance of any municipal indebtedness.

**Abatements**

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities. The Town currently only has one tax abatement agreement, the North Berwick Affordable Housing Limited Partnership, which is summarized below:

*North Berwick Affordable Housing Limited Partnership*

On November 28, 2006, the Town of North Berwick, Maine entered into a credit enhancement agreement with the Caleb Foundation for the development of rental housing units and to provide affordable housing in the Town to senior citizens. The agreement is effective for 20 years. The original valuation of the property was \$606,600. 50% of the property taxes to be generated on the improvements within the District will be returned to the developer for 20 years. The remaining 50% will be retained by the Town and used to fund the development plan of the District.

For the fiscal year ended June 30, 2019, the Town abated property taxes for the following program:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 17 - TAX INCREMENT FINANCING DISTRICT AND ABATEMENTS  
(CONTINUED)

<u>Tax Abatement Program</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
North Berwick Affordable Housing Limited Partnership	50%	\$ 23,048

NOTE 18 - RELATED PARTY TRANSACTIONS

One of the Town's Selectman owns a business that provides services to the Town. The Town was doing business with this business prior to the owner becoming a selectman. During the fiscal year ended June 30, 2019, payments to this vendor totaled \$9,375.

The Town also has related party transactions in relation to the Library and the North Berwick Rescue Squad. Both payroll and accounts payable are paid by the Town, even though they are separate legal entities. In both instances, the Town is only the payor and does not have the ability to refute items (AP/Payroll) submitted for payment.

NOTE 19 - RESTATEMENT

The beginning balance for capital assets has been restated as of July 1, 2018, totalling \$847,779. This restatement was the result of prior year's fixed assets being understated. The governmental activities beginning net position increased by \$847,779, from \$11,204,386 to \$12,052,165.

## Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

## TOWN OF NORTH BERWICK, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,468,144	\$ 3,468,144	\$ 3,468,144	\$ -
Resources (Inflows):				
Property taxes	7,502,555	7,502,555	7,489,751	(12,804)
Excise taxes	820,450	820,450	819,898	(552)
Intergovernmental	2,129,692	2,206,632	2,193,181	(13,451)
Charges for services	210,590	265,184	680,860	415,676
Other revenue	87,500	89,500	104,512	15,012
Transfers from other funds	77,920	77,920	72,917	(5,003)
Amounts Available for Appropriation	<u>14,296,851</u>	<u>14,430,385</u>	<u>14,829,263</u>	<u>398,878</u>
Charges to Appropriations (Outflows):				
General government	983,987	1,054,169	963,076	91,093
Public safety	1,718,158	1,842,236	1,794,041	48,195
Health and welfare	43,127	43,127	28,986	14,141
Recreation and culture	113,495	211,718	163,340	48,378
Education	5,771,377	5,771,377	5,771,377	-
Public works	908,135	958,901	976,095	(17,194)
Library	243,000	243,000	235,829	7,171
County tax	356,337	356,337	356,337	-
TIF	23,049	23,049	23,048	1
Unclassified	321,889	341,581	16,115	325,466
Capital outlay	335,302	472,671	434,779	37,892
Debt service:				
Principal	188,692	218,567	204,393	14,174
Interest	75,109	75,109	75,109	-
Transfers to other funds	15,800	15,800	15,800	-
Total Charges to Appropriations	<u>11,097,457</u>	<u>11,627,642</u>	<u>11,058,325</u>	<u>569,317</u>
Budgetary Fund Balance, June 30	<u>\$ 3,199,394</u>	<u>\$ 2,802,743</u>	<u>\$ 3,770,938</u>	<u>\$ 968,195</u>
Utilization of assigned fund balance	\$ -	\$ 390,101	\$ -	\$ (390,101)
Utilization of unassigned fund balance	268,750	275,300	-	(275,300)
	<u>\$ 268,750</u>	<u>\$ 665,401</u>	<u>\$ -</u>	<u>\$ (665,401)</u>

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

TOWN OF NORTH BERWICK, MAINE

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

	2019	2018	2017	2016	2015	2014
<u>PLD Plan:</u>						
Proportion of the net pension liability (asset)	0.13%	0.12%	0.12%	0.10%	0.11%	0.12%
Proportionate share of the net pension liability (asset)	\$ 366,336	\$ 510,756	\$ 626,869	\$ 318,326	\$ 162,238	\$ 371,264
Covered-employee payroll	\$ 917,355	\$ 876,629	\$ 852,254	\$ 795,360	\$ 799,014	\$ 841,589
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.93%	58.26%	73.55%	40.02%	20.30%	44.11%
Plan fiduciary net position as a percentage of the total pension liability	91.14%	86.43%	81.61%	88.27%	94.10%	87.50%

\* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

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

## TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS  
LAST 10 FISCAL YEARS\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>						
Contractually required contribution	\$ 77,544	\$ 74,307	\$ 63,938	\$ 55,362	\$ 40,875	\$ 36,881
Contributions in relation to the contractually required contribution	<u>(77,544)</u>	<u>(74,307)</u>	<u>(63,938)</u>	<u>(55,362)</u>	<u>(40,875)</u>	<u>(36,881)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered-employee payroll	\$ 921,169	\$ 917,355	\$ 876,629	\$ 852,254	\$ 795,360	\$ 799,014
Contributions as a percentage of covered payroll	8.42%	8.10%	7.29%	6.50%	5.14%	4.62%

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

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

## TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/18 (Reporting December 31, 2018)	\$ 319,776	\$ -	\$ 319,776
Changes for the year:			
Service cost	6,850	-	6,850
Interest	11,020	-	11,020
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(24,392)	-	(24,392)
Contributions - employer	-	12,637	(12,637)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(12,637)	(12,637)	-
Administrative expense	-	-	-
Net changes	<u>(19,159)</u>	<u>-</u>	<u>(19,159)</u>
Balances at 1/1/19 (Reporting December 31, 2019)	<u>\$ 300,617</u>	<u>\$ -</u>	<u>\$ 300,617</u>

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

## TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
AND RELATED RATIOS  
LAST 10 FISCAL YEARS\*

	<u>2019</u>	<u>2018</u>
<u>Total OPEB liability</u>		
Service cost (BOY)	6,850	4,780
Interest (includes interest on service cost)	11,020	11,093
Changes of benefit terms	-	-
Differences between expected and actual experience	-	10,436
Changes of assumptions	(24,392)	9,679
Benefit payments, including refunds of member contributions	<u>(12,637)</u>	<u>(9,723)</u>
Net change in total OPEB liability	\$ (19,159)	\$ 26,265
Total OPEB liability - beginning	\$ 319,776	\$ 293,511
Total OPEB liability - ending	\$ 300,617	\$ 319,776
<u>Plan fiduciary net position</u>		
Contributions - employer	12,637	9,723
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(12,637)	(9,723)
Administrative expense	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 300,617</u>	<u>\$ 319,776</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-
Covered payroll	\$ 1,033,763	\$ 1,033,763
Net OPEB liability as a percentage of covered payroll	29.1%	30.9%

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

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

## TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB  
LAST 10 FISCAL YEARS\*

	<u>2019</u>	<u>2018</u>
<u>MMEHT:</u>		
Employer contributions	\$ 12,637	\$ 9,723
Benefit payments	<u>(12,637)</u>	<u>(9,723)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ -	\$ -
Contributions as a percentage of covered payroll	0.00%	0.00%

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019

**Changes of Assumptions**

MEPERS Pension Plan:

For the PLD Consolidated Plan, the discount rate was reduced from 6.875% to 6.75%. In addition, the cost of living benefit increases for the PLD Plan decreased from 2.20% to 1.91%.

MMEHT Health Plan:

There was a change in the discount rate from 3.44% to 4.10% per GASB 75 discount rate selection.

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

## Other Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

## TOWN OF NORTH BERWICK, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 7,502,555	\$ 7,502,555	\$ 7,489,751	\$ (12,804)
Excise taxes:				
Auto excise	815,450	815,450	815,450	-
Boat excise tax	5,000	5,000	4,448	(552)
Intergovernmental revenues:				
State revenue sharing	137,000	137,000	138,335	1,335
Homestead exemption	173,021	173,021	158,996	(14,025)
Local road assistance	70,500	70,500	70,228	(272)
School resource officer	-	76,940	76,940	-
Tree growth	9,000	9,000	7,049	(1,951)
Vetererans exemption	3,500	3,500	3,450	(50)
General assistance	-	-	344	344
BETE reimbursement	1,736,671	1,736,671	1,736,753	82
Other intergovernmental	-	-	1,086	1,086
Charges for services:				
Transfer station unclassified	5,500	5,500	6,324	824
Transfer station bulky waste	15,000	15,000	24,131	9,131
Transfer station returnables	9,500	9,500	7,916	(1,584)
General government	130,590	132,807	138,368	5,561
Code enforcement	50,000	50,000	103,567	53,567
Parks and recreation	-	15,432	79,471	64,039
Police department	-	30,420	37,889	7,469
Fire department	-	-	15,684	15,684
Rescue	-	-	216,942	216,942
Animal control	-	22	2,414	2,392
Highway	-	-	16,260	16,260
Planning/zoning boards	-	6,503	31,894	25,391
Interest income:				
Interest on investments	9,500	9,500	23,285	13,785
Interest on taxes	20,000	20,000	16,051	(3,949)
Other income:				
Cable tv	40,000	40,000	45,509	5,509
Scholarships	-	2,000	2,500	500
Other income	18,000	18,000	17,167	(833)
Transfers from other funds	77,920	77,920	72,917	(5,003)
<b>TOTAL REVENUES</b>	<u>10,828,707</u>	<u>10,962,241</u>	<u>11,361,119</u>	<u>398,878</u>
<b>USE OF FUND BALANCE</b>				
Assigned fund balance	-	390,101	-	(390,101)
Unassigned fund balance	268,750	275,300	-	(275,300)
<b>TOTAL USE OF FUND BALANCE</b>	<u>268,750</u>	<u>665,401</u>	<u>-</u>	<u>(665,401)</u>
<b>TOTAL AVAILABLE</b>	<u>\$ 11,097,457</u>	<u>\$ 11,627,642</u>	<u>\$ 11,361,119</u>	<u>\$ (266,523)</u>

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

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES</b>					
General government:					
Town office operations	\$ 265,390	\$ 6,595	\$ 271,985	\$ 255,235	\$ 16,750
Office salaries	173,047	-	173,047	167,284	5,763
Town manager	146,115	-	146,115	141,953	4,162
FICA/medicare	115,500	-	115,500	114,481	1,019
Insurances	108,250	-	108,250	102,919	5,331
HRA insurance	10,000	57,084	67,084	15,574	51,510
Tax assessing	58,000	-	58,000	55,866	2,134
Code enforcement	93,485	-	93,485	93,792	(307)
Planning board	6,000	6,503	12,503	11,576	927
Board of appeals	3,000	-	3,000	196	2,804
Selectmen	5,200	-	5,200	4,200	1,000
	<u>983,987</u>	<u>70,182</u>	<u>1,054,169</u>	<u>963,076</u>	<u>91,093</u>
Public safety:					
Police department	854,140	30,420	884,560	878,671	5,889
Hydrant rental/dispatch/lights	249,800	-	249,800	250,052	(252)
Fire department	136,410	6,550	142,960	142,960	-
Rescue operations	439,808	-	439,808	426,554	13,254
School resource officer	18,000	76,940	94,940	78,323	16,617
Animal control	20,000	10,168	30,168	17,481	12,687
	<u>1,718,158</u>	<u>124,078</u>	<u>1,842,236</u>	<u>1,794,041</u>	<u>48,195</u>
Heath and welfare:					
General assistance	7,500	-	7,500	415	7,085
Social services	23,812	-	23,812	15,265	8,547
Cemeteries and historical society	11,815	-	11,815	13,306	(1,491)
	<u>43,127</u>	<u>-</u>	<u>43,127</u>	<u>28,986</u>	<u>14,141</u>
Recreation and culture:					
Parks and recreation	84,650	92,231	176,881	129,185	47,696
Conservation	1,000	-	1,000	4,731	(3,731)
Community center	22,845	2,357	25,202	25,892	(690)
Mill field	5,000	3,635	8,635	3,532	5,103
	<u>113,495</u>	<u>98,223</u>	<u>211,718</u>	<u>163,340</u>	<u>48,378</u>

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Education	5,771,377	-	5,771,377	5,771,377	-
Public works:					
Highway operations	656,860	50,766	707,626	717,079	(9,453)
Winter highway	125,000	-	125,000	139,816	(14,816)
Transfer station	126,275	-	126,275	119,200	7,075
	908,135	50,766	958,901	976,095	(17,194)
Library	243,000	-	243,000	235,829	7,171
County tax	356,337	-	356,337	356,337	-
TIF	23,049	-	23,049	23,048	1
Capital outlay:					
Parking lot	-	5,795	5,795	4,004	1,791
Canine	600	-	600	808	(208)
Police vehicle	39,250	-	39,250	67,030	(27,780)
Rescue vehicle	65,000	25,000	90,000	216,694	(126,694)
Highway vehicle	103,670	40,000	143,670	76,646	67,024
Fire vehicle	38,782	-	38,782	38,781	1
Transfer station	13,000	6,163	19,163	16,639	2,524
Highway building	-	3,625	3,625	2,539	1,086
Fire building	75,000	50,000	125,000	9,984	115,016
Complex	-	6,786	6,786	1,654	5,132
	335,302	137,369	472,671	434,779	37,892
Debt service:					
Principal	188,692	29,875	218,567	204,393	14,174
Interest	75,109	-	75,109	75,109	-
	263,801	29,875	293,676	279,502	14,174

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified:					
Overlay	311,889	-	311,889	-	311,889
MF festival	5,000	17,692	22,692	10,913	11,779
Scholarship	-	2,000	2,000	2,000	-
Liens	-	-	-	3,072	(3,072)
Unanticipated expenses	5,000	-	5,000	130	4,870
	<u>321,889</u>	<u>19,692</u>	<u>341,581</u>	<u>16,115</u>	<u>325,466</u>
Transfers to other funds:					
Permanent funds	15,800	-	15,800	15,800	-
	<u>15,800</u>	<u>-</u>	<u>15,800</u>	<u>15,800</u>	<u>-</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u><u>\$ 11,097,457</u></u>	<u><u>\$ 530,185</u></u>	<u><u>\$ 11,627,642</u></u>	<u><u>\$ 11,058,325</u></u>	<u><u>\$ 569,317</u></u>

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

## TOWN OF NORTH BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 185,002	\$ 281,711	\$ 466,713
Investments	-	24,074	24,074
Due from other funds	165,934	-	165,934
<b>TOTAL ASSETS</b>	<b><u>\$ 350,936</u></b>	<b><u>\$ 305,785</u></b>	<b><u>\$ 656,721</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 3,109	\$ 3,109
Due to other funds	3,515	39,339	42,854
<b>TOTAL LIABILITIES</b>	<b><u>3,515</u></b>	<b><u>42,448</u></b>	<b><u>45,963</u></b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	263,337	263,337
Committed	347,092	-	347,092
Assigned	329	-	329
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>347,421</u></b>	<b><u>263,337</u></b>	<b><u>610,758</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 350,936</u></b>	<b><u>\$ 305,785</u></b>	<b><u>\$ 656,721</u></b>

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

## TOWN OF NORTH BERWICK, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Interest income	\$ 1,326	\$ 2,139	\$ 3,465
Other income	97,053	16,532	113,585
TOTAL REVENUES	<u>98,379</u>	<u>18,671</u>	<u>117,050</u>
EXPENDITURES			
Program expenses	-	42,694	42,694
TOTAL EXPENDITURES	<u>-</u>	<u>42,694</u>	<u>42,694</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>98,379</u>	<u>(24,023)</u>	<u>74,356</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,800	15,800
Transfers (out)	(72,917)	-	(72,917)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(72,917)</u>	<u>15,800</u>	<u>(57,117)</u>
NET CHANGE IN FUND BALANCES	25,462	(8,223)	17,239
FUND BALANCES - JULY 1	<u>321,959</u>	<u>271,560</u>	<u>593,519</u>
FUND BALANCES - JUNE 30	<u>\$ 347,421</u>	<u>\$ 263,337</u>	<u>\$ 610,758</u>

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

## Capital Projects Funds

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

TOWN OF NORTH BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2019

	Town Hall	Equipment Fund	TIF Funds	Caleb Foundation	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,716	\$ 179,957	\$ 271	\$ 58	\$ 185,002
Due from other funds	-	165,934	-	-	165,934
<b>TOTAL ASSETS</b>	<u>\$ 4,716</u>	<u>\$ 345,891</u>	<u>\$ 271</u>	<u>\$ 58</u>	<u>\$ 350,936</u>
<b>LIABILITIES</b>					
Due to other funds	\$ 3,515	\$ -	\$ -	\$ -	\$ 3,515
<b>TOTAL LIABILITIES</b>	<u>3,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,515</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	1,201	345,891	-	-	347,092
Assigned	-	-	271	58	329
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>1,201</u>	<u>345,891</u>	<u>271</u>	<u>58</u>	<u>347,421</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,716</u>	<u>\$ 345,891</u>	<u>\$ 271</u>	<u>\$ 58</u>	<u>\$ 350,936</u>

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

## TOWN OF NORTH BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Town Hall	Equipment Fund	TIF Funds	Caleb Foundation	Total
REVENUES					
Interest income	\$ 51	\$ 1,260	\$ 2	\$ 13	\$ 1,326
Other income	-	97,053	-	-	97,053
TOTAL REVENUES	<u>51</u>	<u>98,313</u>	<u>2</u>	<u>13</u>	<u>98,379</u>
EXPENDITURES					
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>51</u>	<u>98,313</u>	<u>2</u>	<u>13</u>	<u>98,379</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	(72,917)	-	-	(72,917)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(72,917)</u>	<u>-</u>	<u>-</u>	<u>(72,917)</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	51	25,396	2	13	25,462
FUND BALANCES (DEFICITS) - JULY 1	<u>1,150</u>	<u>320,495</u>	<u>269</u>	<u>45</u>	<u>321,959</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 1,201</u>	<u>\$ 345,891</u>	<u>\$ 271</u>	<u>\$ 58</u>	<u>\$ 347,421</u>

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

## Permanent Funds

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

TOWN OF NORTH BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2019

	Hobbs Fund	Greenleaf Endowment	Hanson Fund	Cemetery Fund	Heating Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 259,899	\$ 21,812	\$ 281,711
Investments	18,549	4,155	1,370	-	-	24,074
<b>TOTAL ASSETS</b>	<u>\$ 18,549</u>	<u>\$ 4,155</u>	<u>\$ 1,370</u>	<u>\$ 259,899</u>	<u>\$ 21,812</u>	<u>\$ 305,785</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 3,109	\$ -	\$ 3,109
Due to other funds	-	-	-	39,339	-	39,339
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,448</u>	<u>-</u>	<u>42,448</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	18,549	4,155	1,370	217,451	21,812	263,337
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>18,549</u>	<u>4,155</u>	<u>1,370</u>	<u>217,451</u>	<u>21,812</u>	<u>263,337</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 18,549</u>	<u>\$ 4,155</u>	<u>\$ 1,370</u>	<u>\$ 259,899</u>	<u>\$ 21,812</u>	<u>\$ 305,785</u>

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

## TOWN OF NORTH BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Hobbs Fund	Greenleaf Endowment	Hanson Fund	Cemetery Fund	Heating Fund	Total
REVENUES						
Interest income	\$ 165	\$ 23	\$ 12	\$ 1,803	\$ 136	\$ 2,139
Other income	-	-	-	7,835	8,697	16,532
TOTAL REVENUES	<u>165</u>	<u>23</u>	<u>12</u>	<u>9,638</u>	<u>8,833</u>	<u>18,671</u>
EXPENDITURES						
Program expenses	-	-	-	39,023	3,671	42,694
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,023</u>	<u>3,671</u>	<u>42,694</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>165</u>	<u>23</u>	<u>12</u>	<u>(29,385)</u>	<u>5,162</u>	<u>(24,023)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	15,800	-	15,800
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,800</u>	<u>-</u>	<u>15,800</u>
NET CHANGE IN FUND BALANCES	165	23	12	(13,585)	5,162	(8,223)
FUND BALANCES - JULY 1	<u>18,384</u>	<u>4,132</u>	<u>1,358</u>	<u>231,036</u>	<u>16,650</u>	<u>271,560</u>
FUND BALANCES - JUNE 30	<u>\$ 18,549</u>	<u>\$ 4,155</u>	<u>\$ 1,370</u>	<u>\$ 217,451</u>	<u>\$ 21,812</u>	<u>\$ 263,337</u>

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

## General Capital Assets

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

## TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2019

	Land and Construction in Progress	Land Improvements, Buildings and Building Improvements	Vehicles, Machinery and Equipment	Infrastructure	Total
Administration	\$ 570,943	\$ 2,711,373	\$ 286,701	\$ -	\$ 3,569,017
Police	-	20,500	398,414	-	418,914
Fire	90,672	175,532	1,428,732	-	1,694,936
Public works	132,077	244,870	1,298,544	6,543,067	8,218,558
Rescue	40,786	219,186	420,171	-	680,143
Transfer station	68,328	203,681	50,500	-	322,509
Parks and recreation	659,464	438,282	3,125	18,466	1,119,337
Library	43,629	87,407	-	-	131,036
Cemetery	37,824	-	-	-	37,824
Total General Capital Assets	1,643,723	4,100,831	3,886,187	6,561,533	16,192,274
Less: Accumulated Depreciation	-	(1,682,560)	(2,378,154)	(962,554)	(5,023,268)
Net General Capital Assets	<u>\$ 1,643,723</u>	<u>\$ 2,418,271</u>	<u>\$ 1,508,033</u>	<u>\$ 5,598,979</u>	<u>\$ 11,169,006</u>

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

## TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Administration	\$ 3,445,157	\$ 135,400	\$ (11,540)	\$ 3,569,017
Police	358,634	66,780	(6,500)	418,914
Fire	1,689,262	5,674	-	1,694,936
Public works	7,816,885	401,673	-	8,218,558
Rescue	468,949	216,694	(5,500)	680,143
Transfer station	306,527	15,982	-	322,509
Parks and recreation	1,077,279	42,058	-	1,119,337
Library	131,036	-	-	131,036
Cemetery	37,824	-	-	37,824
	<hr/>	<hr/>	<hr/>	<hr/>
Total General Capital Assets	15,331,553	884,261	(23,540)	16,192,274
Less: Accumulated Depreciation	<u>(4,649,982)</u>	<u>(388,242)</u>	<u>14,956</u>	<u>(5,023,268)</u>
Net General Capital Assets	<u>\$ 10,681,571</u>	<u>\$ 496,019</u>	<u>\$ (8,584)</u>	<u>\$ 11,169,006</u>

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



*Proven Expertise & Integrity*

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

Board of Selectmen  
Town of North Berwick  
North Berwick, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of North Berwick, Maine as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Town of North Berwick, Maine's basic financial statements, and have issued our report thereon dated January 21, 2020.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
January 21, 2020