

Audited Financial Statements
and Other Financial Information

Town of North Berwick, Maine

June 30, 2021



Proven Expertise & Integrity

TOWN OF NORTH BERWICK, MAINE

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JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

Selectboard
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, 2021 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, 2021 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 63 through 69 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 14, 2022, 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 14, 2022

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

(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, 2021. 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 - Pension, 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 \$1,008,879 from \$13,950,770 to \$14,959,649. The Town's total net position for business-type activities increased by \$24,003 from \$249,318 to \$273,321.

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 \$4,383,158 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$273,321.

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

	Governmental Activities		Business-type Activities	
	2021	2020 (Restated)	2021	2020
Assets:				
Current Assets	\$ 5,564,145	\$ 5,042,114	\$ 281,140	\$ 257,940
Noncurrent Assets - Capital Assets	11,734,098	11,496,249	-	-
Total Assets	<u>17,298,243</u>	<u>16,538,363</u>	<u>281,140</u>	<u>257,940</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	136,615	153,518	-	-
Deferred Outflows Related to OPEB	103,756	100,284	-	-
Total Deferred Outflows of Resources	<u>240,371</u>	<u>253,802</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	317,740	402,602	7,819	8,622
Noncurrent Liabilities	2,183,836	2,268,621	-	-
Total Liabilities	<u>2,501,576</u>	<u>2,671,223</u>	<u>7,819</u>	<u>8,622</u>
Deferred Inflows of Resources:				
Prepaid Taxes	33,429	41,056	-	-
Deferred Inflows Related to Pensions	31,763	112,854	-	-
Deferred Inflows Related to OPEB	12,197	16,262	-	-
Total Deferred Inflows of Resources	<u>77,389</u>	<u>170,172</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	10,293,561	9,818,798	-	-
Restricted	282,930	267,689	-	-
Unrestricted	4,383,158	3,864,283	273,321	249,318
Total Net Position	<u>\$ 14,959,649</u>	<u>\$ 13,950,770</u>	<u>\$ 273,321</u>	<u>\$ 249,318</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 4.63%, while total expenses increased by 2.16%. The increase in revenues was primarily attributable to grants and contributions restricted to specific programs. Expenses increased primarily due public safety and education.

Revenues for the Town's business-type activities increased by 7.00% and total expenses decreased by 0.95%.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2020			
	2021	(Restated)	2021	2020
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 679,025	\$ 538,879	\$ 132,816	\$ 117,410
<i>General Revenues:</i>				
Taxes	8,417,910	8,288,963	-	-
Grants and contributions not restricted to specific programs	2,775,751	2,444,736	-	-
Miscellaneous	229,464	294,165	90	6,802
Total Revenues	12,102,150	11,566,743	132,906	124,212
Expenses				
General government	1,178,039	1,155,780	-	-
Public safety	1,998,884	1,857,831	-	-
Health and welfare	40,745	44,286	-	-
Recreation and culture	144,070	186,915	-	-
Education	6,192,884	6,005,189	-	-
Public works	802,782	851,428	-	-
Library	249,144	250,068	-	-
County tax	387,468	372,657	-	-
TIF	21,351	22,066	-	-
Unclassified	21,573	46,786	-	-
Capital outlay	-	7,965	-	-
Interest on long-term debt	56,331	57,947	-	-
Pay-per-throw trash program	-	-	108,903	109,952
Total Expenses	11,093,271	10,858,918	108,903	109,952
Change in Net Position	1,008,879	707,825	24,003	14,260
Net Position - July 1	13,950,770	13,242,945	249,318	235,058
Net Position - June 30	\$ 14,959,649	\$ 13,950,770	\$ 273,321	\$ 249,318

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>2021</u>	<u>2020 (Restated)</u>	<u>Increase/ (Decrease)</u>
Major Fund:			
General Fund:			
Assigned	\$ 792,666	\$ 783,425	\$ 9,241
Unassigned	3,887,377	3,337,799	549,578
Total General Fund	<u>\$ 4,680,043</u>	<u>\$ 4,121,224</u>	<u>\$ 558,819</u>
Nonmajor Funds:			
Capital Projects Funds:			
Committed	\$ 383,516	\$ 336,866	\$ 46,650
Assigned	11,020	341	10,679
Permanent Funds:			
Restricted	282,930	267,689	15,241
Total Nonmajor Funds	<u>\$ 677,466</u>	<u>\$ 604,896</u>	<u>\$ 72,570</u>

The changes to total fund balances for the general fund and the nonmajor funds occurred due to the regular activity of operations.

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 unassigned fund balance and applied receipts. Refer to Schedules A and B for additional information on budget differences.

The general fund actual revenues were in excess of budgeted amounts by \$408,594. This was a result of all revenues being receipted in excess of budgeted amounts with the exception of excise taxes, other revenues and transfers from other funds.

The general fund actual expenditures were under budgeted amounts by \$953,525. All expenditure accounts were within or under budgeted amounts with the exception of public safety and TIF.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2021, the net book value of capital assets recorded by the Town increased by \$237,849 from the prior year. This increase is the result of capital additions of \$694,708, less current year depreciation expense of \$456,859. For additional details refer to Note 5 of Notes to Financial Statements.

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

	2021	2020
Land and improvements	\$ 1,633,945	\$ 1,250,258
Buildings	459,802	487,621
Building improvements	1,834,964	2,311,602
Movable property	1,629,983	1,605,155
Art works and historical treasures	10,000	10,000
Infrastructure	6,165,404	5,831,613
Total	<u>\$ 11,734,098</u>	<u>\$ 11,496,249</u>

Debt

At June 30, 2021, the Town had \$1,440,537 in bonds and a note from direct borrowings outstanding versus \$1,677,451 last year. For additional details on the Town's outstanding debt, refer to Note 6 of Notes to Financial Statements.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

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.

STATEMENT A

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,497,733	\$ 20,825	\$ 5,518,558
Investments	24,447	-	24,447
Accounts receivable (net of allowance for uncollectibles):			
Taxes	237,271	-	237,271
Liens	26,768	-	26,768
Other	38,241	-	38,241
Internal balances	(260,315)	260,315	-
Total current assets	<u>5,564,145</u>	<u>281,140</u>	<u>5,845,285</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	1,260,449	-	1,260,449
Buildings and vehicles net of accumulated depreciation	<u>10,473,649</u>	<u>-</u>	<u>10,473,649</u>
Total noncurrent assets	<u>11,734,098</u>	<u>-</u>	<u>11,734,098</u>
TOTAL ASSETS	<u>17,298,243</u>	<u>281,140</u>	<u>17,579,383</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	136,615	-	136,615
Deferred outflows related to OPEB	<u>103,756</u>	<u>-</u>	<u>103,756</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>240,371</u>	<u>-</u>	<u>240,371</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,538,614</u>	<u>\$ 281,140</u>	<u>\$ 17,819,754</u>

STATEMENT A (CONTINUED)
TOWN OF NORTH BERWICK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 79,986	\$ 7,819	\$ 87,805
Accrued expenses	4,991	-	4,991
Escrows	15,008	-	15,008
Current portion of long-term obligations	217,755	-	217,755
Total current liabilities	<u>317,740</u>	<u>7,819</u>	<u>325,559</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	1,230,169	-	1,230,169
Accrued compensated absences	66,480	-	66,480
Net pension liability	474,920	-	474,920
Net OPEB liability	412,267	-	412,267
Total noncurrent liabilities	<u>2,183,836</u>	<u>-</u>	<u>2,183,836</u>
TOTAL LIABILITIES	<u>2,501,576</u>	<u>7,819</u>	<u>2,509,395</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	33,429	-	33,429
Deferred inflows related to pension	31,763	-	31,763
Deferred inflows related to OPEB	12,197	-	12,197
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>77,389</u>	<u>-</u>	<u>77,389</u>
NET POSITION			
Net investment in capital assets	10,293,561	-	10,293,561
Restricted	282,930	-	282,930
Unrestricted	4,383,158	273,321	4,656,479
TOTAL NET POSITION	<u>14,959,649</u>	<u>273,321</u>	<u>15,232,970</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 17,538,614</u>	<u>\$ 281,140</u>	<u>\$ 17,819,754</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, 2021

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	\$ 1,178,039	\$ 382,085	\$ -	\$ -	\$ (795,954)	\$ -	\$ (795,954)
Public safety	1,998,884	220,464	-	-	(1,778,420)	-	(1,778,420)
Health and welfare	40,745	38,858	-	-	(1,887)	-	(1,887)
Recreation and culture	144,070	35,490	-	-	(108,580)	-	(108,580)
Education	6,192,884	-	-	-	(6,192,884)	-	(6,192,884)
Public works	802,782	2,128	67,296	-	(733,358)	-	(733,358)
Library	249,144	-	-	-	(249,144)	-	(249,144)
County tax	387,468	-	-	-	(387,468)	-	(387,468)
TIF	21,351	-	-	-	(21,351)	-	(21,351)
Unclassified	21,573	-	-	-	(21,573)	-	(21,573)
Interest on long-term debt	56,331	-	-	-	(56,331)	-	(56,331)
Total governmental activities	11,093,271	679,025	67,296	-	(10,346,950)	-	(10,346,950)
Business-type activities:							
Pay-per-throw trash program	108,903	132,816	-	-	-	23,913	23,913
Total business-type activities	108,903	132,816	-	-	-	23,913	23,913
Total government	\$ 11,202,174	\$ 811,841	\$ 67,296	\$ -	(10,346,950)	23,913	(10,323,037)

STATEMENT B (CONTINUED)
TOWN OF NORTH BERWICK, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(10,346,950)	23,913	(10,323,037)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	7,507,074	-	7,507,074
Excise taxes	910,836	-	910,836
Grants and contributions not restricted to specific programs	2,708,455	-	2,708,455
Miscellaneous	229,464	90	229,554
Total general revenues	11,355,829	90	11,355,919
Change in net position	1,008,879	24,003	1,032,882
NET POSITION - JULY 1, RESTATED	13,950,770	249,318	14,200,088
NET POSITION - JUNE 30	\$ 14,959,649	\$ 273,321	\$ 15,232,970

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

STATEMENT C

TOWN OF NORTH BERWICK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,875,334	\$ 622,399	\$ 5,497,733
Investments	-	24,447	24,447
Accounts receivable (net of allowance for uncollectibles):			
Taxes	237,271	-	237,271
Liens	26,768	-	26,768
Other	38,241	-	38,241
Due from other funds	14,795	45,466	60,261
TOTAL ASSETS	<u>\$ 5,192,409</u>	<u>\$ 692,312</u>	<u>\$ 5,884,721</u>
LIABILITIES			
Accounts payable	\$ 79,935	\$ 51	\$ 79,986
Accrued expenses	4,991	-	4,991
Escrows	15,008	-	15,008
Due to other funds	305,781	14,795	320,576
TOTAL LIABILITIES	<u>405,715</u>	<u>14,846</u>	<u>420,561</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	33,429	-	33,429
Deferred tax revenues	73,222	-	73,222
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>106,651</u>	<u>-</u>	<u>106,651</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	282,930	282,930
Committed	-	383,516	383,516
Assigned	792,666	11,020	803,686
Unassigned	3,887,377	-	3,887,377
TOTAL FUND BALANCES	<u>4,680,043</u>	<u>677,466</u>	<u>5,357,509</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,192,409</u>	<u>\$ 692,312</u>	<u>\$ 5,884,721</u>

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, 2021

	Total Governmental Funds
Total Fund Balances	\$ 5,357,509
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	11,734,098
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	73,222
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	136,615
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	103,756
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	(1,440,537)
Accrued compensated absences	(73,867)
Net pension liability	(474,920)
Net OPEB liability	(412,267)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(31,763)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(12,197)
Net position of governmental activities	<u>\$ 14,959,649</u>

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

STATEMENT E

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	\$ 7,549,120	\$ -	\$ 7,549,120
Excise taxes	910,836	-	910,836
Intergovernmental	2,775,751	-	2,775,751
Charges for services	679,025	-	679,025
Miscellaneous revenues	117,389	112,075	229,464
TOTAL REVENUES	<u>12,032,121</u>	<u>112,075</u>	<u>12,144,196</u>
EXPENDITURES			
Current:			
General government	1,048,903	-	1,048,903
Public safety	1,902,228	-	1,902,228
Health and welfare	33,424	-	33,424
Recreation and culture	122,368	-	122,368
Education	6,192,884	-	6,192,884
Public works	592,363	-	592,363
Library	246,333	-	246,333
County tax	387,468	-	387,468
TIF	21,351	-	21,351
Unclassified	3,012	18,561	21,573
Debt service:			
Principal	236,914	-	236,914
Interest	56,331	-	56,331
Capital outlay	650,667	-	650,667
TOTAL EXPENDITURES	<u>11,494,246</u>	<u>18,561</u>	<u>11,512,807</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>537,875</u>	<u>93,514</u>	<u>631,389</u>
OTHER FINANCING SOURCES			
Transfers in	70,144	15,800	85,944
Transfers (out)	(49,200)	(36,744)	(85,944)
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,944</u>	<u>(20,944)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	558,819	72,570	631,389
FUND BALANCES - JULY 1, RESTATED	<u>4,121,224</u>	<u>604,896</u>	<u>4,726,120</u>
FUND BALANCES - JUNE 30	<u>\$ 4,680,043</u>	<u>\$ 677,466</u>	<u>\$ 5,357,509</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, 2021

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 631,389</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	694,708
Depreciation expense	<u>(456,859)</u>
	<u>237,849</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>(42,046)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	(16,903)
OPEB	<u>3,472</u>
	<u>(13,431)</u>
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	<u>236,914</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	81,091
OPEB	<u>4,065</u>
	<u>85,156</u>
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:	
Accrued compensated absences	(14,192)
Net pension liability	(87,320)
Net OPEB liability	<u>(25,440)</u>
	<u>(126,952)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,008,879</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, 2021

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
ASSETS	
Cash and cash equivalents	\$ 20,825
Due from other funds	260,315
TOTAL ASSETS	<u>\$ 281,140</u>
LIABILITIES	
Accounts payable	\$ 7,819
TOTAL LIABILITIES	<u>7,819</u>
NET POSITION	
Unrestricted	273,321
TOTAL NET POSITION	<u>273,321</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 281,140</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, 2021

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
OPERATING REVENUES	
Bag sales	\$ 124,775
Hauler sales	8,041
Other	90
TOTAL OPERATING REVENUES	<u>132,906</u>
OPERATING EXPENSES	
Operation	<u>108,903</u>
TOTAL OPERATING EXPENSES	<u>108,903</u>
CHANGE IN NET POSITION	24,003
NET POSITION - JULY 1	<u>249,318</u>
NET POSITION - JUNE 30	<u><u>\$ 273,321</u></u>

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

STATEMENT I

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 132,816
Internal activity - receipts (payments) from/to other funds	(23,092)
Other receipts	90
Payments to suppliers	(109,706)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>108</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108
CASH AND CASH EQUIVALENTS - JULY 1	<u>20,717</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>\$ 20,825</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 24,003
Changes in operating assets and liabilities:	
(Increase) decrease in due from other funds	(23,092)
(Decrease) increase in accounts payable	(803)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 108</u></u>

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Maine, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March of 2020, the Governor of Maine issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or activities. The state of emergency expired on June 30, 2021.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on and Results of Operations

On March 17, 2020 Maine LD 2167 was issued and executed by the Governor of Maine. In accordance with Executive Order 8, issued by the Governor of Maine on August 26, 2020, the Town of North Berwick utilized the referendum process to approve the annual budget instead of an Open Town Meeting. The referendum was held on June 8, 2021 instead of the traditional April Open Town Meeting. Additional staffing was implemented along with increased personal protective equipment for all poll workers to combat the spread of COVID-19.

Impact on Finances

The Town does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act, American Rescue Plan Act ("ARPA") funding and applicable Federal and/or State programs.

Expected Federal/State Support

The Town may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Town expects that if those actions are necessary, that the Town would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the Town and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

Implementation of New Accounting Standards

During the year ended June 30, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 84 "Fiduciary Activities". This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 "Majority Equity Interests". This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

Statement No 93 "Replacement of Interbank Offered Rates (paragraphs 4-11a)." The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

information. 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 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- 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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 deposit and other evidence 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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2021. Accounts receivable netted with allowances for uncollectible accounts were \$38,241 for the year ended June 30, 2021.

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.

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. 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 capital assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values. An antique fire truck is

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

capitalized as an art and historical item for the Town. This item is categorized as a non-depreciable asset as it is considered inexhaustible.

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.

Pension

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 given annually by vote of the taxpayers and is expressed by the Selectboard.

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.

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 18, 2020 on the assessed value listed as of April 1, 2020, for all real and personal property located in the Town. Taxes were due in two installments on October 2, 2020 and May 7, 2021. Interest on unpaid taxes commenced on October 3, 2020 and May 8, 2021, at 9% 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.

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 \$364,197 for the year ended June 30, 2021.

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).

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021, the Town's cash balances amounting to \$5,518,558 were comprised of bank deposits of \$6,190,047. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash balance. Of these bank deposits, \$5,565,796 was fully insured by federal depository insurance and

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

consequently was not exposed to custodial credit risk and \$624,251 were collateralized by securities held in the name of the financial institution.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 874,251
ICS accounts	5,272,502
Savings accounts	43,294
	<u>\$ 6,190,047</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.

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. Certificates of deposit held with local financial institutions for \$24,447 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2021, the Town's investment in certificates of deposit of \$24,447 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2021 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 14,795	\$ 305,781
Nonmajor capital projects funds	45,466	-
Nonmajor permanent funds	-	14,795
Enterprise fund	260,315	-
	<u>\$ 320,576</u>	<u>\$ 320,576</u>

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2021 consisted of the following:

	Transfers In	Transfer Out
General fund	\$ 70,144	\$ 49,200
Nonmajor capital projects funds	-	36,744
Nonmajor permanent funds	15,800	-
	<u>\$ 85,944</u>	<u>\$ 85,944</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Disposals/ Transfers	Balance, 6/30/21
<u>Governmental activities</u>				
Non-depreciated assets:				
Land and non-dep land imprvs.	\$ 1,250,449	\$ -	\$ -	\$ 1,250,449
Art works and historical treasures	10,000	-	-	10,000
	<u>1,260,449</u>	<u>-</u>	<u>-</u>	<u>1,260,449</u>
Depreciated assets:				
Land improvements	509,987	-	-	509,987
Buildings	1,133,606	-	-	1,133,606
Building improvements	2,810,088	-	-	2,810,088
Movable property	2,614,993	217,462	-	2,832,455
Infrastructure	6,927,754	477,246	-	7,405,000
	<u>13,996,428</u>	<u>694,708</u>	<u>-</u>	<u>14,691,136</u>
Less: accumulated depreciation	<u>(3,760,628)</u>	<u>(456,859)</u>	<u>-</u>	<u>(4,217,487)</u>
	<u>10,235,800</u>	<u>237,849</u>	<u>-</u>	<u>10,473,649</u>
Net capital assets	<u>\$ 11,496,249</u>	<u>\$ 237,849</u>	<u>\$ -</u>	<u>\$ 11,734,098</u>

Current year depreciation:

Administration	\$ 73,909
Police	46,200
Fire	59,043
Rescue	35,454
Public works	210,419
Library	2,811
Parks and recreation	21,702
Transfer station	7,321
Total depreciation expense	<u>\$ 456,859</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21	Current Year Portion
Bonds payable	\$ 1,648,783	\$ -	\$ (208,246)	\$ 1,440,537	\$ 210,368
Note from direct borrowings payable	28,668	-	(28,668)	-	-
	<u>\$ 1,677,451</u>	<u>\$ -</u>	<u>\$ (236,914)</u>	<u>\$ 1,440,537</u>	<u>\$ 210,368</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.	\$ 112,500
\$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.	1,056,887
\$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>271,150</u>
Total bonds payable	<u>\$ 1,440,537</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 \$28,668. Interest is charged at a fixed rate of 2.75% per annum.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - LONG-TERM DEBT (CONTINUED)

	Bonds Payable		Total
	Principal	Interest	Debt Service
2022	\$ 210,368	\$ 50,952	\$ 261,320
2023	212,527	45,087	257,614
2024	79,224	40,716	119,940
2025	81,564	37,789	119,353
2026	84,000	34,733	118,733
2027-2030	272,437	111,223	383,660
2031-2035	408,732	70,843	479,575
2036-2040	91,685	3,780	95,465
	<u>\$ 1,440,537</u>	<u>\$ 395,123</u>	<u>\$ 1,835,660</u>

All bonds payable and notes from direct borrowings payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2021 is as follows:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21	Current Year Portion
Accrued compensated absences	\$ 59,675	\$ 14,192	\$ -	\$ 73,867	\$ 7,387
Net pension liability	387,600	181,435	(94,115)	474,920	-
Net OPEB liability	386,827	45,265	(19,825)	412,267	-
Totals	<u>\$ 834,102</u>	<u>\$ 240,892</u>	<u>\$ (113,940)</u>	<u>\$ 961,054</u>	<u>\$ 7,387</u>

Please see Notes 8, 12 and 13 for detailed information on each of the other long-term obligations.

NOTE 8 - 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 a long-term obligation 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, 2021, the Town's liability for compensated absences is \$73,867.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - RESTRICTED NET POSITION AND FUND BALANCES

At June 30, 2021, the Town has the following restricted net position and fund balances:

Nonmajor permanent funds (Schedule G)	<u>\$ 282,930</u>
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NOTE 10 - COMMITTED FUND BALANCES

At June 30, 2021, the Town has the following committed fund balances:

Nonmajor capital projects funds (Schedule E)	<u>\$ 383,516</u>
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NOTE 11 - ASSIGNED FUND BALANCES

At June 30, 2021, the Town has the following assigned fund balances:

General fund:	
175th anniversary	\$ 14,748
Street lights	20,583
Road engineer	3,100
Complex	6,577
Fire vehicle	40,000
Winter highway	79,207
Fire building	176,985
Transfer station building	1,361
Town office improvement	1,368
Conservation project	3,405
Parks and recreation	35,775
Summer rec	36,011
Mill Field improvements	391
Animal control	20,373
Patch	5,142
Sidewalks	15,109
Road CIP	50,066
HRA funds	54,815
Reserved for FY 2022 budget	227,650
Nonmajor capital projects funds (Schedule E)	<u>11,020</u>
	<u>\$ 803,686</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 - 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.mainebers.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, 62 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2020, there were 301 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 1.92%.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 - 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, 2021 was \$77,212.

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

At June 30, 2021, the Town reported a liability of \$474,920 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2020 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, 2020, the Town's proportion was 0.119533%, which was a decrease of 0.00727% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized net pension revenue of \$23,132. At June 30, 2021, 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, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,499	\$ 5,222
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	30,905	-
Changes in proportion and differences between contributions and proportionate share of contributions	(1)	26,541
Contributions subsequent to the measurement date	<u>77,212</u>	<u>-</u>
Total	<u>\$ 136,615</u>	<u>\$ 31,763</u>

\$77,212 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, 2022. 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:	
2021	\$ (29,119)
2022	4,202
2023	26,249
2024	26,308
2025	-
Thereafter	-

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2020 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, 2021

NOTE 12 - 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 and 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., actual decreases or increases in liabilities and/or in assets which differ 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 reduces the impact of short-term volatility 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, 2020 are as follows:

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2020, compounded annually.

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

Mortality Rates - For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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%

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, 2020 are summarized in the following table.

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%	7.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2020 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 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The following table shows how the collective net pension liability as of June 30, 2020 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	\$ 998,090	\$ 474,920	\$ 46,667

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, 2020 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, 2020 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 2020, this was three years for the PLD Consolidated Plan. For 2019, this was four years for the PLD Consolidated Plan. For 2018 and 2017, this was three years; prior to 2017, this was four years for the PLD Consolidated Plan.

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2020 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' 2020 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

NOTE 13 - 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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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, 2021, the following employees were covered by the benefit terms:

Active members	20
Retirees and spouses	<u>8</u>
Total	<u><u>28</u></u>

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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>
POS C	\$1,119	\$2,509
PPO 500	\$1,030	\$2,310
<u>Medicare</u>		
Medicare-Eligible Retirees	\$589	\$1,179

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

At June 30, 2021, the Town reported a liability of \$412,267 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2021 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, 2021, the Town recognized OPEB expense of \$17,903. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>MMEHT</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,903	\$ -
Changes of assumptions	59,028	12,197
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	19,825	-
Total	<u>\$ 103,756</u>	<u>\$ 12,197</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

\$19,825 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>MMEHT</u>
Plan year ended December 31:	
2022	\$ 17,706
2023	17,709
2024	14,352
2025	18,420
2026	3,547
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, 2021. 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 2.12% per annum for June 30, 2021 was based upon a measurement date of December 26, 2020. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.12%	2.12%	3.12%
Total OPEB liability	\$ 466,529	\$ 412,267	\$ 367,196
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 466,529</u>	<u>\$ 412,267</u>	<u>\$ 367,196</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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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	\$ 364,113	\$ 412,267	\$ 471,102
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 364,113</u>	<u>\$ 412,267</u>	<u>\$ 471,102</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2021, using the following methods and assumptions applied to all periods included in the measurement:

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, 2019. 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Assumptions

The actuarial assumptions used in the January 1, 2021 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, 2021, they are as follows:

Discount Rate - 2.12% per annum for year end 2021 reporting. 2.74% per annum for 2020 year end reporting.

Trend Assumptions:

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007 and version 2020_b was used for this valuation. The following assumptions were input into this model:

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capital 2029+	1.25%
Extra Trend due to Taste/Technology 2029+	1.10%
Expected Health Share of GDP 2029	20.00%
Health Share of GDP Resistance Point	25.00%
Year for Limiting Cost Growth to GDP Growth	2040

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. The rate for the extra trend for taste and technology was set above the baseline of 1.1% (to 1.2%) to move closer to the 30-year average to reflect the future projections from the Centers for Medicare and Medicaid Services Office of the Actuary (CMS OACT). The Medicare Trustee Report and CBO Long-Term Budget Outlook.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

The trends selected from 2020 to 2023 were based on plan design, population weighting, renewal projections and market analysis. For years 2024 to 2028, these are interpolated from 2023 to 2029 (which is the product of the inflation, GDP and extra trend rate assumptions).

Deductibles, Co-payments and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capital GDP growth.

Administrative and claims expense: 3% per annum

Future plan changes: It is assumed that the current Plan and cost-sharing structure remains 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, 2021, 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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 RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP-2014 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, 2021 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, 2020 was \$24,903.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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 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.

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 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, 2021, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 900,000	2.16%	\$ 19,403
RSU #60	2,572,047	29.31%	753,867
			<u>\$ 773,270</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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - CONTINGENCIES (CONTINUED)

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 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, 2021.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16 - RISK MANAGEMENT (CONTINUED)

employment related claims, subject to a \$5,000 retention and a 10% contribution by the member.

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

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

Occasionally, the Town may have layoffs or resignations or even a part-time employee losing a primary job, that lead to larger claims payments than anticipated. When claims exceed the balance of the Town's account, the UC Fund continues to pay the Town's claims with no regard for the negative balance. Repayment of a negative balance is spread out over a period of years to avoid a financial hardship to the Town. 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, 2021. 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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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 Selectboard, 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 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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, 2021, the Town abated property taxes for the following program:

<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%	\$ 22,066

NOTE 18 - RELATED PARTY TRANSACTIONS

The Town 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 - RESTATEMENTS

The net position of the governmental activities and the general fund total fund balance have both been restated at July 1, 2020 to account for an additional miscellaneous revenue of \$1,919 and the change in accrued compensation of \$14,192.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 19 - RESTATEMENTS (CONTINUED)

The beginning governmental activities net position was restated by a total of \$16,111. The resulting restatements increased governmental activities net position from \$13,934,659 to \$13,950,770 and increased the general fund total fund balance from \$4,045,438 to \$4,121,224.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental 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 - Pension
- 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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1, Restated	\$ 4,121,224	\$ 4,121,224	\$ 4,121,224	\$ -
Resources (Inflows):				
Property taxes	7,485,381	7,485,381	7,549,120	63,739
Excise taxes	911,075	911,075	910,836	(239)
Intergovernmental	2,626,742	2,626,742	2,775,751	149,009
Charges for services	434,315	454,223	679,025	224,802
Other revenue	145,500	145,500	117,389	(28,111)
Transfers from other funds	70,750	70,750	70,144	(606)
Amounts Available for Appropriation	<u>15,794,987</u>	<u>15,814,895</u>	<u>16,223,489</u>	<u>408,594</u>
Charges to Appropriations (Outflows):				
General government	1,036,765	1,092,808	1,048,903	43,905
Public safety	1,835,290	1,887,620	1,902,228	(14,608)
Health and welfare	43,697	43,697	33,424	10,273
Recreation and culture	124,675	180,561	122,368	58,193
Education	6,192,884	6,192,884	6,192,884	-
Public works	714,570	756,328	592,363	163,965
Library	262,765	262,765	246,333	16,432
County tax	387,470	387,470	387,468	2
TIF	21,262	21,262	21,351	(89)
Unclassified	374,197	384,312	3,012	381,300
Capital outlay	1,047,263	944,819	650,667	294,152
Debt service:				
Principal	-	236,914	236,914	-
Interest	-	56,331	56,331	-
Transfers to other funds	49,200	49,200	49,200	-
Total Charges to Appropriations	<u>12,090,038</u>	<u>12,496,971</u>	<u>11,543,446</u>	<u>953,525</u>
Budgetary Fund Balance, June 30	<u>\$ 3,704,949</u>	<u>\$ 3,317,924</u>	<u>\$ 4,680,043</u>	<u>\$ 1,362,119</u>
Utilization of unassigned fund balance	<u>\$ 416,275</u>	<u>\$ 803,300</u>	<u>\$ -</u>	<u>\$ (803,300)</u>
	<u>\$ 416,275</u>	<u>\$ 803,300</u>	<u>\$ -</u>	<u>\$ (803,300)</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*

	2021	2020	2019	2018	2017	2016	2015	2014
<u>PLD Plan:</u>								
Proportion of the net pension liability (asset)	0.12%	0.13%	0.13%	0.12%	0.12%	0.10%	0.11%	0.12%
Proportionate share of the net pension liability (asset)	\$ 474,920	\$ 387,600	\$ 366,336	\$ 510,756	\$ 626,869	\$ 318,326	\$ 162,238	\$ 371,264
Covered payroll	\$ 892,513	\$ 921,169	\$ 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	53.21%	42.08%	39.93%	58.26%	73.55%	40.02%	20.30%	44.11%
Plan fiduciary net position as a percentage of the total pension liability	88.35%	90.62%	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>2021</u>	<u>2020</u>	<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	\$ 77,212	\$ 75,679	\$ 77,544	\$ 74,307	\$ 63,938	\$ 55,362	\$ 40,875	\$ 36,881
Contributions in relation to the contractually required contribution	<u>(77,212)</u>	<u>(75,679)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 996,285	\$ 892,513	\$ 921,169	\$ 917,355	\$ 876,629	\$ 852,254	\$ 795,360	\$ 799,014
Contributions as a percentage of covered payroll	7.75%	8.48%	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, 2021

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/20 (Reporting December 31, 2020)	\$ 386,827	\$ -	\$ 386,827
Changes for the year:			
Service cost	9,611	-	9,611
Interest	10,643	-	10,643
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	21,282	-	21,282
Contributions - employer	-	16,096	(16,096)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(16,096)	(16,096)	-
Administrative expense	-	-	-
Net changes	25,440	-	25,440
Balances at 1/1/21 (Reporting December 31, 2021)	<u>\$ 412,267</u>	<u>\$ -</u>	<u>\$ 412,267</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*

	2021	2020	2019	2018
<u>Total OPEB liability</u>				
Service cost (BOY)	9,611	6,055	6,850	4,780
Interest (includes interest on service cost)	10,643	12,307	11,020	11,093
Changes of benefit terms	-	(8,243)	-	-
Differences between expected and actual experience	-	32,135	-	10,436
Changes of assumptions	21,282	57,098	(24,392)	9,679
Benefit payments, including refunds of member contributions	(16,096)	(13,142)	(12,637)	(9,723)
Net change in total OPEB liability	\$ 25,440	\$ 86,210	\$ (19,159)	\$ 26,265
 Total OPEB liability - beginning	\$ 386,827	\$ 300,617	\$ 319,776	\$ 293,511
Total OPEB liability - ending	\$ 412,267	\$ 386,827	\$ 300,617	\$ 319,776
 <u>Plan fiduciary net position</u>				
Contributions - employer	16,096	13,142	12,637	9,723
Contributions - member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(16,096)	(13,142)	(12,637)	(9,723)
Administrative expense	-	-	-	-
Net change in fiduciary net position	-	-	-	-
 Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -
 Net OPEB liability - ending	\$ 412,267	\$ 386,827	\$ 300,617	\$ 319,776
 Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-	-
 Covered payroll	\$ 1,109,295	\$ 1,109,295	\$ 1,033,763	\$ 1,033,763
Net OPEB liability as a percentage of covered payroll	37.2%	34.9%	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*

	2021	2020	2019	2018
<u>MMEHT:</u>				
Employer contributions	\$ 16,096	\$ 13,142	\$ 12,637	\$ 9,723
Benefit payments	(16,096)	(13,142)	(12,637)	(9,723)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,109,295	\$ 1,109,295	\$ 1,033,763	\$ 1,033,763
Contributions as a percentage of covered payroll	0.00%	0.00%	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, 2021

Changes of Assumptions

MEPERS PLD Plan:

There have been no changes in actuarial assumptions since the last measurement date.

MMEHT OPEB Plan:

There was a change in the discount rate from 2.74% to 2.12% per GASB 75 discount rate selection. In addition, medical and prescription drug trend arrays were updated.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental 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, 2021**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 7,485,381	\$ 7,485,381	\$ 7,549,120	\$ 63,739
Excise taxes:				
Auto excise	906,075	906,075	906,076	1
Boat excise tax	5,000	5,000	4,760	(240)
Intergovernmental revenues:				
State revenue sharing	174,000	174,000	263,896	89,896
Homestead exemption	232,824	232,824	209,784	(23,040)
Local road assistance	70,500	70,500	67,296	(3,204)
School resource officer	-	-	86,079	86,079
Tree growth	7,000	7,000	6,287	(713)
Veterans exemption	3,500	3,500	3,317	(183)
General assistance	-	-	315	315
BETE reimbursement	2,138,918	2,138,918	2,137,638	(1,280)
Other intergovernmental	-	-	1,139	1,139
Charges for services:				
Transfer station unclassified	15,000	15,000	3,391	(11,609)
Transfer station bulky waste	15,000	15,000	29,602	14,602
Transfer station returnables	5,000	5,000	5,865	865
General government	147,815	147,815	195,257	47,442
Code enforcement	61,500	61,500	168,778	107,278
Parks and recreation	-	4,558	35,490	30,932
Police department	-	10,297	14,965	4,668
Fire department	-	3,000	3,674	674
Rescue	190,000	190,698	200,363	9,665
Animal control	-	1,355	1,462	107
Highway	-	-	2,128	2,128
Planning/zoning boards	-	-	18,050	18,050
Interest income:				
Interest on investments	20,000	20,000	-	(20,000)
Interest on taxes	55,000	55,000	44,601	(10,399)
Other income:				
Fees on taxes	16,500	16,500	23,736	7,236
Payment in lieu of taxes	11,500	11,500	-	(11,500)
Cable tv	42,500	42,500	46,299	3,799
Scholarships	-	-	2,500	2,500
Other income	-	-	253	253
Transfers from other funds	70,750	70,750	70,144	(606)
TOTAL REVENUES	11,673,763	11,693,671	12,102,265	408,594
USE OF FUND BALANCE				
Unassigned fund balance	416,275	803,300	-	(803,300)
TOTAL USE OF FUND BALANCE	416,275	803,300	-	(803,300)
TOTAL AVAILABLE	\$ 12,090,038	\$ 12,496,971	\$ 12,102,265	\$ (394,706)

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, 2021

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Town office operations	\$ 290,315	\$ 2,378	\$ 292,693	\$ 318,315	\$ (25,622)
Office salaries	177,200	-	177,200	175,176	2,024
Town manager	155,615	-	155,615	154,935	680
FICA/medicare	122,100	-	122,100	111,165	10,935
Insurances	102,500	-	102,500	108,824	(6,324)
HRA insurance	12,000	53,665	65,665	10,850	54,815
Tax assessing	62,000	-	62,000	57,516	4,484
Code enforcement	101,835	-	101,835	78,824	23,011
Planning board	6,000	-	6,000	28,098	(22,098)
Board of appeals	2,000	-	2,000	-	2,000
Selectboard	5,200	-	5,200	5,200	-
	<u>1,036,765</u>	<u>56,043</u>	<u>1,092,808</u>	<u>1,048,903</u>	<u>43,905</u>
Public safety:					
Police department	933,410	10,297	943,707	962,603	(18,896)
Hydrant rental/dispatch/lights	252,400	18,258	270,658	216,133	54,525
Fire department	144,895	3,000	147,895	137,212	10,683
Rescue operations	464,020	698	464,718	475,557	(10,839)
School resource officer	20,565	-	20,565	90,913	(70,348)
Animal control	20,000	20,077	40,077	19,810	20,267
	<u>1,835,290</u>	<u>52,330</u>	<u>1,887,620</u>	<u>1,902,228</u>	<u>(14,608)</u>
Heath and welfare:					
General assistance	5,000	-	5,000	450	4,550
Social services	25,597	-	25,597	20,697	4,900
Cemeteries and historical society	13,100	-	13,100	12,277	823
	<u>43,697</u>	<u>-</u>	<u>43,697</u>	<u>33,424</u>	<u>10,273</u>
Recreation and culture:					
Parks and recreation	91,235	43,748	134,983	91,316	43,667
Conservation	1,000	11,747	12,747	8,761	3,986
Community center	27,440	-	27,440	22,291	5,149
Mill field	5,000	391	5,391	-	5,391
	<u>124,675</u>	<u>55,886</u>	<u>180,561</u>	<u>122,368</u>	<u>58,193</u>

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Education	6,192,884	-	6,192,884	6,192,884	-
Public works:					
Highway operations	431,575	10,478	442,053	360,509	81,544
Winter highway	150,000	31,280	181,280	104,974	76,306
Transfer station	132,995	-	132,995	126,880	6,115
	714,570	41,758	756,328	592,363	163,965
Library	262,765	-	262,765	246,333	16,432
County tax	387,470	-	387,470	387,468	2
TIF	21,262	-	21,262	21,351	(89)
Capital outlay:					
Road project	580,000	(55,494)	524,506	471,340	53,166
LED streetlights	-	519	519	-	519
Canine	1,000	-	1,000	402	598
Police vehicle	42,080	-	42,080	41,475	605
Highway vehicle	173,670	(28,668)	145,002	130,663	14,339
Fire vehicle	103,098	(63,097)	40,001	-	40,001
Police building	-	-	-	-	-
Transfer station	1,500	1,039	2,539	1,178	1,361
Town hall	95,915	(95,915)	-	-	-
Fire building	50,000	132,039	182,039	5,054	176,985
Complex	-	7,133	7,133	555	6,578
	1,047,263	(102,444)	944,819	650,667	294,152
Debt service:					
Principal	-	236,914	236,914	236,914	-
Interest	-	56,331	56,331	56,331	-
	-	293,245	293,245	293,245	-

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified:					
Overlay	364,197	-	364,197	-	364,197
MF festival	5,000	10,115	15,115	367	14,748
Liens	-	-	-	2,436	(2,436)
Unanticipated expenses	5,000	-	5,000	209	4,791
	<u>374,197</u>	<u>10,115</u>	<u>384,312</u>	<u>3,012</u>	<u>381,300</u>
Transfers to other funds:					
Capital projects funds	33,400	-	33,400	33,400	-
Permanent funds	15,800	-	15,800	15,800	-
	<u>49,200</u>	<u>-</u>	<u>49,200</u>	<u>49,200</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 12,090,038</u>	<u>\$ 406,933</u>	<u>\$ 12,496,971</u>	<u>\$ 11,543,446</u>	<u>\$ 953,525</u>

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

TOWN OF NORTH BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 349,070	\$ 273,329	\$ 622,399
Investments	-	24,447	24,447
Due from other funds	45,466	-	45,466
TOTAL ASSETS	<u>\$ 394,536</u>	<u>\$ 297,776</u>	<u>\$ 692,312</u>
LIABILITIES			
Accounts payable	\$ -	\$ 51	\$ 51
Due to other funds	-	14,795	14,795
TOTAL LIABILITIES	<u>-</u>	<u>14,846</u>	<u>14,846</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	282,930	282,930
Committed	383,516	-	383,516
Assigned	11,020	-	11,020
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>394,536</u>	<u>282,930</u>	<u>677,466</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 394,536</u>	<u>\$ 297,776</u>	<u>\$ 692,312</u>

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, 2021

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Interest income	\$ 11,863	\$ 1,497	\$ 13,360
Other income	82,210	16,505	98,715
TOTAL REVENUES	<u>94,073</u>	<u>18,002</u>	<u>112,075</u>
EXPENDITURES			
Program expenses	-	18,561	18,561
TOTAL EXPENDITURES	<u>-</u>	<u>18,561</u>	<u>18,561</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>94,073</u>	<u>(559)</u>	<u>93,514</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,800	15,800
Transfers (out)	(36,744)	-	(36,744)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(36,744)</u>	<u>15,800</u>	<u>(20,944)</u>
NET CHANGE IN FUND BALANCES	57,329	15,241	72,570
FUND BALANCES - JULY 1	<u>337,207</u>	<u>267,689</u>	<u>604,896</u>
FUND BALANCES - JUNE 30	<u>\$ 394,536</u>	<u>\$ 282,930</u>	<u>\$ 677,466</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, 2021

	Town Hall	Equipment Fund	TIF Funds	Caleb Foundation	Total
ASSETS					
Cash and cash equivalents	\$ 10	\$ 338,040	\$ 275	\$ 10,745	\$ 349,070
Due from other funds	-	45,466	-	-	45,466
TOTAL ASSETS	<u>\$ 10</u>	<u>\$ 383,506</u>	<u>\$ 275</u>	<u>\$ 10,745</u>	<u>\$ 394,536</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	10	383,506	-	-	383,516
Assigned	-	-	275	10,745	11,020
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>10</u>	<u>383,506</u>	<u>275</u>	<u>10,745</u>	<u>394,536</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10</u>	<u>\$ 383,506</u>	<u>\$ 275</u>	<u>\$ 10,745</u>	<u>\$ 394,536</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, 2021

	Town Hall	Equipment Fund	TIF Funds	Caleb Foundation	Total
REVENUES					
Interest income	\$ 10	\$ 1,174	\$ 1	\$ 10,678	\$ 11,863
Other income	-	82,210	-	-	82,210
TOTAL REVENUES	<u>10</u>	<u>83,384</u>	<u>1</u>	<u>10,678</u>	<u>94,073</u>
EXPENDITURES					
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>10</u>	<u>83,384</u>	<u>1</u>	<u>10,678</u>	<u>94,073</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	(36,744)	-	-	(36,744)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(36,744)</u>	<u>-</u>	<u>-</u>	<u>(36,744)</u>
NET CHANGE IN FUND BALANCES	10	46,640	1	10,678	57,329
FUND BALANCES - JULY 1	<u>-</u>	<u>336,866</u>	<u>274</u>	<u>67</u>	<u>337,207</u>
FUND BALANCES - JUNE 30	<u>\$ 10</u>	<u>\$ 383,506</u>	<u>\$ 275</u>	<u>\$ 10,745</u>	<u>\$ 394,536</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, 2021

	Hobbs Fund	Greenleaf Endowment	Hanson Fund	Cemetery Fund	Heating Fund	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 243,752	\$ 29,577	\$ 273,329
Investments	18,834	4,222	1,391	-	-	24,447
TOTAL ASSETS	<u>\$ 18,834</u>	<u>\$ 4,222</u>	<u>\$ 1,391</u>	<u>\$ 243,752</u>	<u>\$ 29,577</u>	<u>\$ 297,776</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 51	\$ -	\$ 51
Due to other funds	-	-	-	12,795	2,000	14,795
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,846</u>	<u>2,000</u>	<u>14,846</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	18,834	4,222	1,391	230,906	27,577	282,930
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>18,834</u>	<u>4,222</u>	<u>1,391</u>	<u>230,906</u>	<u>27,577</u>	<u>282,930</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,834</u>	<u>\$ 4,222</u>	<u>\$ 1,391</u>	<u>\$ 243,752</u>	<u>\$ 29,577</u>	<u>\$ 297,776</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, 2021

	Hobbs Fund	Greenleaf Endowment	Hanson Fund	Cemetery Fund	Heating Fund	Total
REVENUES						
Interest income	\$ 117	\$ 38	\$ 9	\$ 1,218	\$ 115	\$ 1,497
Other income	-	-	-	11,950	4,555	16,505
TOTAL REVENUES	<u>117</u>	<u>38</u>	<u>9</u>	<u>13,168</u>	<u>4,670</u>	<u>18,002</u>
EXPENDITURES						
Program expenses	-	-	-	18,561	-	18,561
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,561</u>	<u>-</u>	<u>18,561</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>117</u>	<u>38</u>	<u>9</u>	<u>(5,393)</u>	<u>4,670</u>	<u>(559)</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	117	38	9	10,407	4,670	15,241
FUND BALANCES - JULY 1	<u>18,717</u>	<u>4,184</u>	<u>1,382</u>	<u>220,499</u>	<u>22,907</u>	<u>267,689</u>
FUND BALANCES - JUNE 30	<u>\$ 18,834</u>	<u>\$ 4,222</u>	<u>\$ 1,391</u>	<u>\$ 230,906</u>	<u>\$ 27,577</u>	<u>\$ 282,930</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, 2021

	Land and Construction in Progress	Land Improvements, Buildings and Building Improvements	Vehicles, Machinery and Equipment	Infrastructure	Total
Administration	\$ 518,802	\$ 2,677,692	\$ 29,143	\$ -	\$ 3,225,637
Police	-	27,400	279,098	-	306,498
Fire	90,672	184,924	1,106,623	-	1,382,219
Public works	120,877	275,621	1,106,529	7,386,534	8,889,561
Rescue	40,786	219,186	283,437	-	543,409
Transfer station	61,628	210,381	24,500	-	296,509
Parks and recreation	346,231	774,315	3,125	18,466	1,142,137
Library	43,629	84,162	-	-	127,791
Cemetery	37,824	-	-	-	37,824
Total General Capital Assets	1,260,449	4,453,681	2,832,455	7,405,000	15,951,585
Less: Accumulated Depreciation	-	(1,775,420)	(1,202,472)	(1,239,595)	(4,217,487)
Net General Capital Assets	<u>\$ 1,260,449</u>	<u>\$ 2,678,261</u>	<u>\$ 1,629,983</u>	<u>\$ 6,165,405</u>	<u>\$ 11,734,098</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, 2021

	General Capital Assets 7/1/20	Additions	Disposals/ Transfers	General Capital Assets 6/30/21
Administration	\$ 3,225,637	\$ -	\$ -	\$ 3,225,637
Police	265,023	41,475	-	306,498
Fire	1,382,219	-	-	1,382,219
Public works	8,281,653	607,908	-	8,889,561
Rescue	498,084	45,325	-	543,409
Transfer station	296,509	-	-	296,509
Parks and recreation	1,142,137	-	-	1,142,137
Library	127,791	-	-	127,791
Cemetery	37,824	-	-	37,824
Total General Capital Assets	15,256,877	694,708	-	15,951,585
Less: Accumulated Depreciation	(3,760,628)	(456,859)	-	(4,217,487)
Net General Capital Assets	<u>\$ 11,496,249</u>	<u>\$ 237,849</u>	<u>\$ -</u>	<u>\$ 11,734,098</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

Selectboard
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, 2021 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 14, 2022.

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.

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*. We noted certain other matters that we reported to management of the Town of North Berwick, Maine in a separate letter dated January 14, 2022.

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 14, 2022