

Audited Financial Statements and  
Other Financial Information

Town of Berwick, Maine

June 30, 2018



*Proven Expertise and Integrity*

TOWN OF BERWICK, MAINE

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JUNE 30, 2018

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## INDEPENDENT AUDITORS' REPORT

Board of Selectmen  
Town of Berwick  
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 Berwick, Maine, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of 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

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Berwick, Maine as of June 30, 2018, 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 related information on pages 4 through 24 and 86 through 91 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 Town of Berwick, Maine's basic financial statements. The Schedule of Departmental Operations - General Fund, combining 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 Schedule of Departmental Operations - General Fund, combining 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, Schedule of Departmental Operations - General Fund, the combining 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 September 26, 2018 on our consideration of Town of Berwick, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 the 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 Town of Berwick, Maine's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
September 26, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of the Town of Berwick, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year that ended on June 30, 2018. We encourage the readers to consider the information presented in conjunction with the Town's financial statements, which follow this section.

### Financial Highlights

- The ending net position of the Town of Berwick's governmental activities is \$11,760,551, an increase of \$301,971 or 2.6% when compared to the beginning net position figure of \$11,458,580.
- The ending net position of the Town of Berwick's business-type activities (Berwick Water Dept.) is \$3,583,689, an increase of \$57,955 or 1.6% when compared to the beginning net position figure of \$3,525,734.
- The ending fund balance for Governmental Funds is \$5,469,395. Although expenditures exceeded revenues by (\$1,221,554), with lease proceeds of \$395,199, transfers in of \$939,291 and transfers outs of \$930,925, the net change was a decrease of (\$817,989).
- The General Fund's ending fund balance is \$2,800,587; a decrease of (\$105,833) from the prior year's ending fund balance of \$2,906,420. Of the \$2,800,587, \$172,724 is reserved for nonspendable items such as tax acquired property, inventory, and prepaid expenses, \$236,555 is committed for capital projects, accrued compensated absences and self-funded programs, and \$100,000 from unassigned fund balance to be utilized in fiscal year 2019 to fund highway improvements. A detail listing can be found in the notes to basic financial statements, refer to Note 7.
- The Town of Berwick adopted a fund balance policy in April 2014. The Town must maintain an unassigned fund balance in the General Fund of at least 12.5% of the succeeding year's general fund including county tax and education budgeted appropriations. The General Fund's unassigned fund balance as of June 30, 2018 was \$2,291,308 or 16.3% of the total FY19 budgeted appropriations. The Board of Selectmen can use any excess funds to fund the capital needs of the community as deemed appropriate and voted upon at Town Meeting. The Board of Selectmen will generally review and approve the capital projects during the annual budget process and place warrant articles on the Town Meeting Warrant.

### Overview of the Financial Statements

The Town of 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 and pension 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 Statements

The Governmental-wide Financial Statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting, which is similar to what private-sector companies' use. These statements provide both short-term as well as long-term information in regards to the Town's financial position. This measurement focus takes into account all of the 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* presents information on *all* of the Town's assets, deferred outflow of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in the Town's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 Berwick are:

- *Governmental activities* – Most of the Town's basic services are included here, such as general government, public safety, public works, recreation and culture, health and welfare, and education. Property taxes and state and federal grants finance most of these activities.
- *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. The activity for the Town of Berwick includes the water department.

## Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant *funds* – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

The Town has three kinds of funds -- governmental, proprietary and fiduciary.

- *Governmental funds* – Most of the Town's basic services are included in governmental funds. These fund statements tell how general government services were financed in the current year as well as what remains (fund balance) for future spending. These funds are reported using an accounting method called modified accrual 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 fund balance sheet and the governmental fund 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 Berwick presents seven columns in the governmental funds balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the General Fund, the Special Revenue Funds' Brownfield Cleanup Grants, the Capital Project Funds' Fire Department Reserve and Highway Improvement Reserve, and the Permanent Funds' Lena Clark Trust and Berwick Cemetery Trust. All other funds are shown as non-major and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopts 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 Berwick maintains one proprietary fund, the water department. 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.

- *Fiduciary funds* – These funds are used to account for resources held for the benefit of parties outside the Town of Berwick. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town’s own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

The Town is the trustee, or fiduciary, for the Clark/Clement Trust Fund that is set up primarily as scholarships. These assets, because of a trust arrangement, can only be used for trust beneficiaries. All of the Town’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## Reporting the Town as a Whole

### Net Position

The following is a condensed version of the Statement of Net Position:

	Governmental Activities		Business-type Activities	
	2018	2017 (Restated)	2018	2017
Current assets	\$ 6,550,890	\$ 7,327,261	\$ 444,642	\$ 383,384
Capital assets, net	8,639,807	7,245,197	3,829,572	3,975,650
Noncurrent assets	-	-	24,025	12,005
<b>Total assets</b>	<b>15,190,697</b>	<b>14,572,458</b>	<b>4,298,239</b>	<b>4,371,039</b>
Total deferred outflows of resources	928,688	1,161,786	74,204	94,335
Current liabilities	575,327	494,615	165,936	162,195
Noncurrent liabilities	3,124,759	3,323,068	569,329	740,258
<b>Total liabilities</b>	<b>3,700,086</b>	<b>3,817,683</b>	<b>735,265</b>	<b>902,453</b>
Total deferred inflows of resources	658,748	457,981	53,489	37,187
<b>Net Position:</b>				
Invested in:				
Net investment in capital assets	7,175,413	6,015,500	3,246,185	3,266,968
Restricted	1,691,905	1,585,997	24,025	12,005
Unrestricted	2,893,233	3,857,083	313,479	246,761
<b>Total net position</b>	<b>\$11,760,551</b>	<b>\$11,458,580</b>	<b>\$3,583,689</b>	<b>\$3,525,734</b>

The decrease of (\$776,371) in the current assets category for the governmental activities was primarily due to the decrease in restricted cash from general obligation bonds. With the purchase of the two new fire engines along with equipment, this has reduced the restricted cash from \$1,005,899 in fiscal year 2017 down to \$11,752 at the end of fiscal year 2018.

The increase of \$61,258 in the current asset category for the business-type activities was primarily due to the changes in cash and cash equivalents of \$119,805 and the reduction in the accounts receivable of (\$61,943).

The Capital Asset disclosure in the notes to the financial statements, see Note 5, shows how the changes in capital assets, net of \$1,394,610 for governmental activities resulted. Note 5 also identifies the changes in capital assets for the business-type activities, which saw a reduction of (\$146,078).

The non-current assets for the business-type activities was new in fiscal year 2018 and is the reserve established for the long-term maintenance of the water tower. This reserve was approved by the Public Utilities Commission during the last rate increase case and is to be funded out of increased revenues over the next twenty years with annual contributions of \$12,000.

The increase in the current liabilities of \$80,712 for governmental activities was primarily due to the changes in long-term obligations of \$135,239, which reflects the first year of principal payments on the general obligation bonds for the new fire trucks and work done at the Town Hall. This increase is being offset by a reduction in the accounts payable at year-end of (\$55,285). The business-type activities saw a slight increase in the current liabilities of \$3,741. This was primarily due to the changes in the account payable at year-end, which saw an increase of \$3,451.

The decrease of (\$198,309) in the non-current liabilities for governmental activities was largely due to the reduction in the Town's net pension liability of (\$398,714) and an increase of \$25,109 in net OPEB liability. This was offset by the increase in the capital lease payable amount of \$234,037 and reduction of (\$62,500) in bonds payable. The business-type activities saw a reduction of (\$170,929) in their non-current liabilities. The decrease was in bonds payable (\$138,554) and pension expense (\$32,375).

The change in net investment in capital assets is explained in detail further in the Management Discussion & Analysis under the Capital Assets section.

### **Changes in Net Position**

The following is a condensed version of the Statement of Activities.

	<u><i>Governmental Activities</i></u>		<u><i>Business-type Activities</i></u>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues				
Taxes:				
Property	\$ 10,868,416	\$ 10,274,236	\$ -	\$ -
Excise	1,604,188	1,495,204	-	-
Program revenues				
Charges for services	262,357	264,404	673,215	669,046
Operating grants & contributions	327,052	233,870	-	-
Capital grants & contributions	138,062	226,500	-	-

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2018	2017	2018	2017
Grants and contributions not restricted to specific programs				
Homestead exemption	238,245	181,599	-	-
BETE reimbursement	25,437	25,360	-	-
Other federal aid	259,483	1,026,104	-	-
Other state aid	31,645	29,411	-	-
State revenue sharing	410,267	395,354	-	-
Investment earnings	118,536	172,487	-	-
Miscellaneous revenues	<u>75,496</u>	<u>68,041</u>	<u>10,442</u>	<u>22,770</u>
Total revenues:	14,359,184	14,392,570	683,657	691,816
Expenses				
Current:				
General govt	1,693,782	2,542,437	-	-
Public safety	2,848,198	2,670,718	-	-
Public works	1,382,764	1,442,549	-	-
Health & welfare	42,053	50,303	-	-
Recreation	267,862	246,907	-	-
Education	7,275,022	6,970,843	-	-
County tax	359,843	355,947	-	-
Outside appropriations	12,818	14,274	-	-
Unclassified	172,133	137,382	617,336	620,584
Unallocated depreciation	<u>11,104</u>	<u>12,777</u>	<u>-</u>	<u>-</u>
Total expenses:	14,065,579	14,444,137	617,336	620,584
Net transfers	<u>8,366</u>	<u>8,366</u>	<u>(8,366)</u>	<u>(8,366)</u>
Change in net position	301,971	(43,201)	57,955	62,866
Net position - July 1, Restated	<u>11,458,580</u>	<u>11,501,781</u>	<u>3,525,734</u>	<u>3,462,868</u>
Net position - June 30	<u>\$ 11,760,551</u>	<u>\$ 11,458,580</u>	<u>\$ 3,583,689</u>	<u>\$ 3,525,734</u>

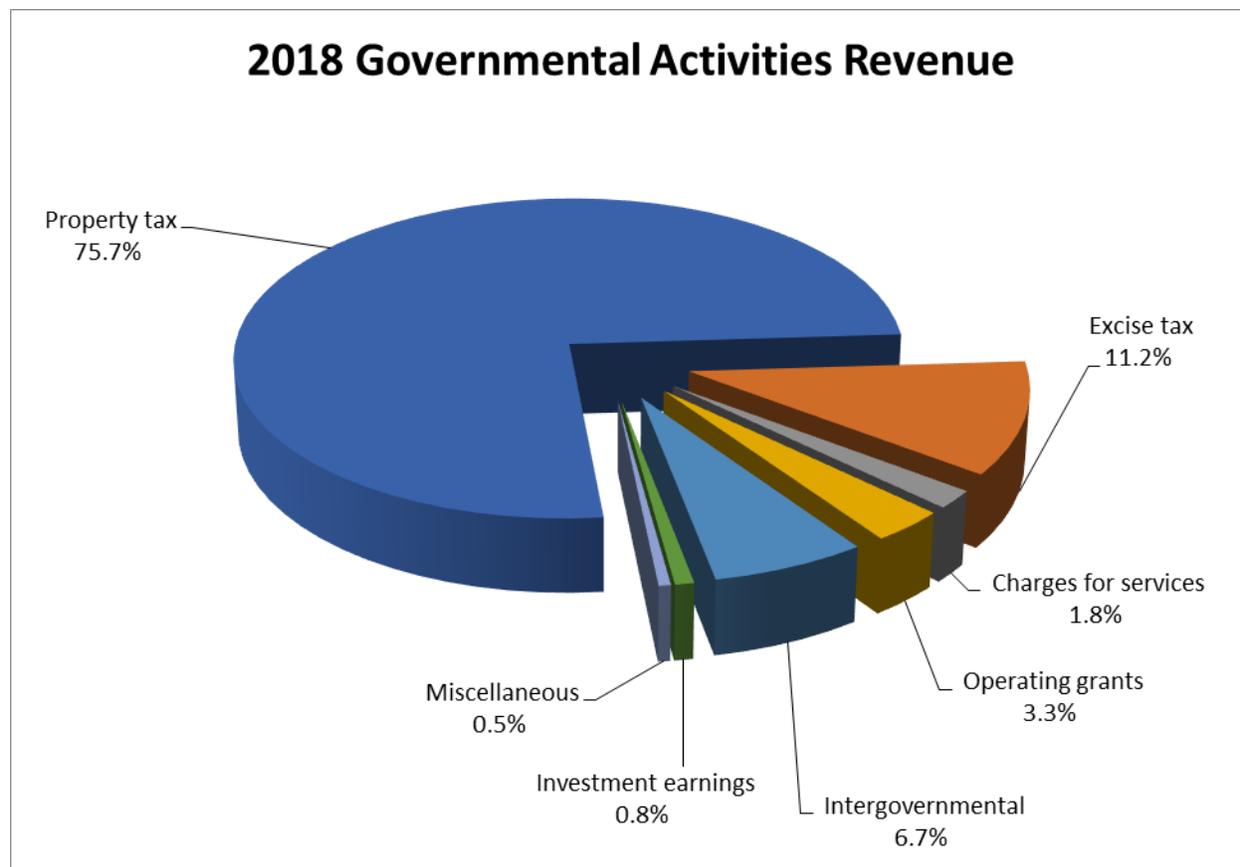
Approximately 75.7% of the Town's revenues come from property taxes, while 11.2% comes from excise taxes and 4.9% from the State of Maine in the form of revenue sharing, homestead exemptions, BETE reimbursements, general assistance reimbursement, and other state aid. During fiscal year 2018, the Town received 1.8% from federal aid, i.e. the EPA Brownfield Grant funds.

The revenue for the Town's governmental activities of \$14,359,184, a decreased of (\$33,386) from the fiscal year 2017's amount of \$14,392,570. There are a number of revenue sources that contributed to this small decrease and they are identified below:

Other federal aid saw a decrease of (74.7%) or (\$766,621) from fiscal year 2017. This was due to fewer grant funds where received from the EPA's Brownfield Cleanup Grant due the majority of the costs associated with the former Prime Tanning site cleanup work was done in fiscal year 2017.

Property taxes saw an increase of \$594,180 or 5.8% when compared to fiscal year 2017. Along with the increase in property taxes, excise taxes saw an increase of \$108,984 or 7.3% increase over fiscal year 2017.

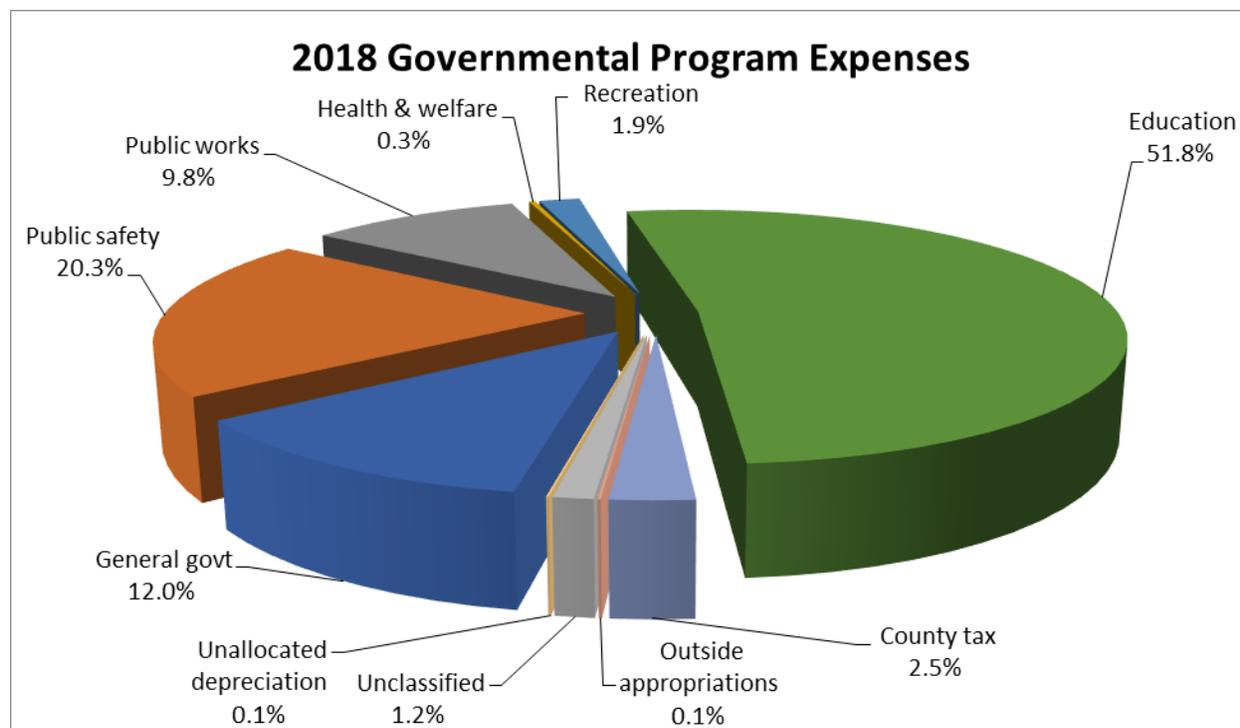
The following pie chart shows the sources of revenue for fiscal year 2018.



The expenses for the Town’s governmental activities were down by (2.6%) or (\$378,558) when compared to fiscal year 2017. The Town’s share of MSAD 60’s budget makes up 51.8% of the expenses for fiscal year 2018 and is up 4.4% or \$304,179 from the fiscal year 2017 assessment. Whereas, the general government activity, which makes up 12.0% of the expenses for fiscal year 2018, saw the largest decrease between the years with expenses down (\$848,655) or (33.3%) from fiscal year 2017. This was due in large part to the expenses associated with the EPA Brownfields Cleanup Grant, which amounted to \$339,242, a (\$900,845) reduction from the fiscal year 2017 amount of \$1,240,087.

Although the Public Safety activity was 20.3% of the expenses for fiscal year 2018, it was only up 6.6% over fiscal year 2017 expenses or \$177,480. This category covers the police and fire operations as well as the public hydrant fees charged by the Berwick Water Dept.

The following pie chart shows the functional expenses for fiscal year 2018.



Proprietary fund revenues were down (\$8,159) or -1.2% due to the decrease in other revenues. In fiscal year 2017, the other revenues category was up \$15,247 due to a reimbursement from the Maine Municipal Bond Bank's Capacity Development grant account for \$15,000 as a 50% match to the \$30,000 expended with Tighe & Bond to develop a Comprehensive System Facilities Plan during fiscal year 2016.

Expenses were down by (\$3,248) or -0.5% in fiscal year 2018 when compared to fiscal year 2017.

### Governmental Activities

The cost of all governmental activities was \$14,065,579. The Town's governmental activities include general government, public safety, public works, health and welfare, recreation, education, county tax, outside appropriations, and unclassified.

However, as shown on the Statement of Activities, the amount that the taxpayers of Berwick ended up financing was \$10,868,416 or 75.7%, while some of the cost was paid by those who directly benefit from the programs -- \$262,357, by other governments and organizations that subsidized certain programs with operating grants and contributions -- \$327,052, and by other governments and organizations that subsidized certain programs with capital grants and contributions - \$138,062. The Town also received \$2,763,297 in other general revenues, such as State Revenue Sharing, motor vehicle and boat excise taxes, homestead exemption, other federal aid, and interest earnings, to fund operations during fiscal year 2018.

As a result of the Governmental activities' revenues of \$14,367,500 exceeding the expenditures of \$14,065,579, the Town of Berwick realized an increase to its net position of \$301,971.

## Proprietary Funds

The cost for the Water Department activities for fiscal year 2018 was \$617,336. The majority of revenues received by the Water Department were from charges for services in the amount of \$673,215. With revenues exceeding expenses, the Water Department realized an increase to its net position of \$57,955.

## The Town's Funds

The following is an analysis of the balances in the Town's major individual funds.

### General Major Governmental Functions

#### General Fund:

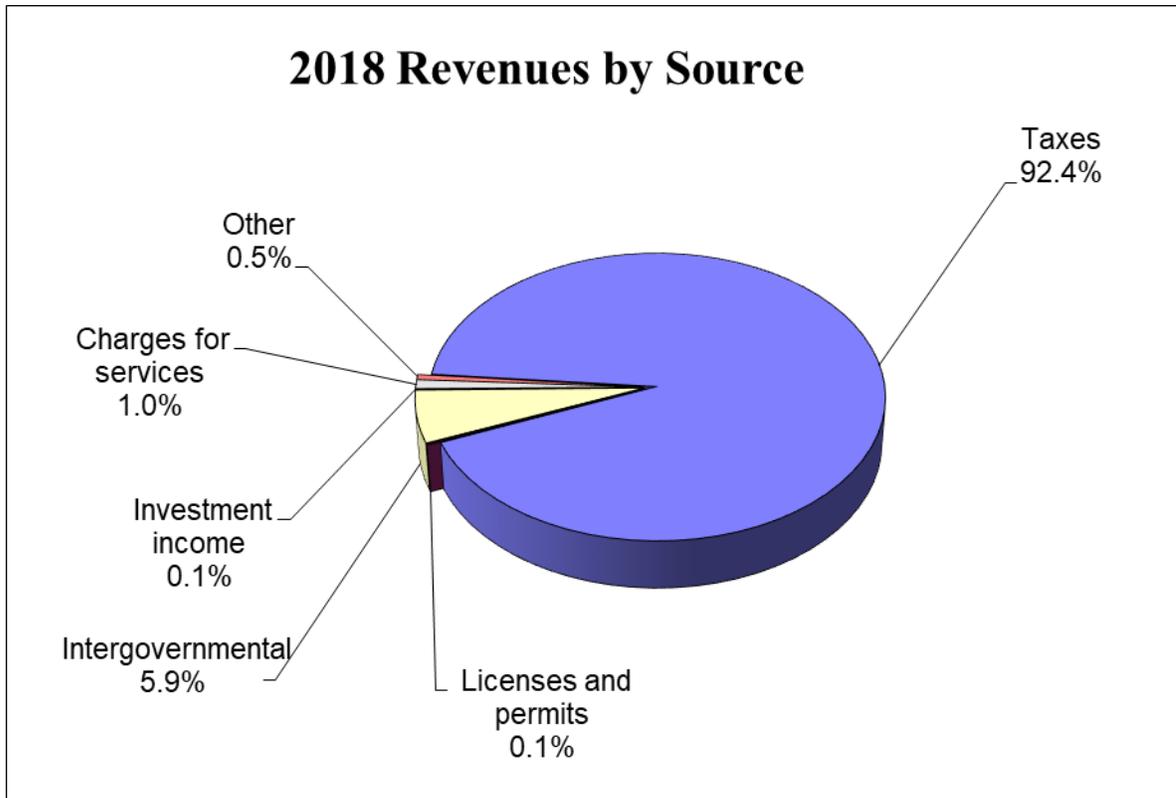
The following table summarizes the fiscal year 2018 revenues by source for the General Fund with the 2017 information for comparison while the pie chart summaries the 2018 revenues by source. Information is from Statement E.

	<u>2018</u>	<u>2017</u>	<u>\$ Chg</u>	<u>% Chg</u>
Revenues by source				
Taxes	\$ 12,371,981	\$ 11,765,351	\$ 606,630	5.2%
Licenses and permits	17,795	11,768	6,027	51.2%
Intergovernmental	785,566	704,700	80,866	11.5%
Investment income	8,317	8,030	287	3.6%
Charges for services	133,581	134,722	(1,141)	-0.8%
Other	75,496	68,041	7,455	11.0%
<b>Total revenue</b>	<b>\$ 13,392,736</b>	<b>\$ 12,692,612</b>	<b>\$ 700,124</b>	<b>5.5%</b>

General Fund revenues saw an increase of 5.5% in fiscal year 2018 when compared to 2017. The following are some of the reasons for the changes in the revenue sources.

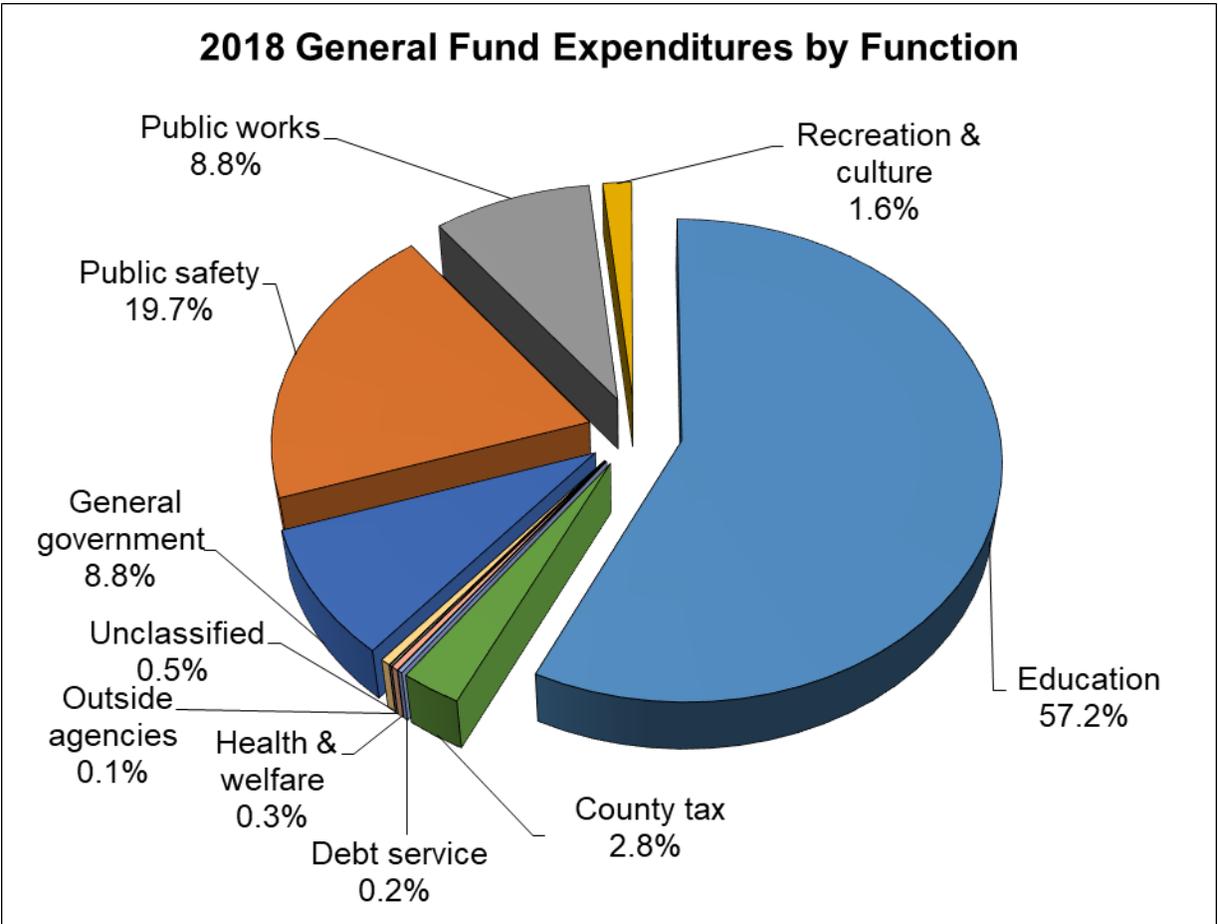
**Taxes:** Revenues in this category include not only real and personal property taxes but motor vehicle and boat excise taxes, and changes in deferred taxes. The property taxes increased \$587,702 from fiscal year 2017 actual, while the excise taxes increased \$108,984.

**Intergovernmental:** Revenues found in this category are generally reimbursements from other governments or grants. The two largest increase in the category was from the homestead exemption reimbursement from the State of Maine, which was up \$56,646, and state revenue sharing, which was up \$14,913.



The following table summarizes the General Fund expenditures by function for fiscal year 2018 with 2017 information for comparison while the pie chart displays the General Fund expenditures by function for fiscal year 2018. Information is from Statement E.

	<u>2018</u>	<u>2017</u>	\$ Chg	% Chg
Expenditure by function				
General government	\$ 1,122,176	\$ 1,105,928	\$ 16,248	1.5%
Public safety	2,497,509	2,433,028	64,481	2.7%
Public works	1,114,350	1,241,761	(127,411)	-10.3%
Recreation & culture	202,433	188,694	13,739	7.3%
Education	7,275,022	6,970,843	304,179	4.4%
County tax	359,843	355,947	3,896	1.1%
Debt service	28,698	-	28,698	n/a
Health & welfare	41,740	41,333	407	1.0%
Outside agencies	12,818	14,274	(1,456)	-10.2%
Unclassified	58,380	47,392	10,988	23.2%
<b>Total expenditures</b>	<b>\$ 12,712,969</b>	<b>\$ 12,399,200</b>	<b>\$ 313,769</b>	<b>2.5%</b>



The General Fund expenditures increased 2.5% or \$313,769 over fiscal year 2017 levels with the education function seeing the largest dollar increase of \$304,179 or 4.4%. Besides the education function, the public safety and debt service saw dollar increases of, \$64,481 and \$28,698 respectively.

The public safety function which saw a 2.7% or \$64,481 increase over fiscal year 2017 was the result of the following:

The biggest contributing factor for the increase in the public safety function is the purchase of dispatch equipment in preparation for switching dispatch service from the Town of South Berwick to City of Sanford Dispatch Center. The cost of the equipment and installation was \$43,300. The goal was to get the switch over done as soon as possible after July 1 so equipment needed to be order and installed prior to the switch over. And, in fiscal year 2018, the second lease payment for the new cruiser purchased in fiscal year 2017 was paid out of the Police operating budget instead of the capital reserve fund.

The Town issued general obligation bonds through the Maine Municipal Bond Bank in May 2016 and during fiscal year 2018 the first interest payments on the \$1,125,000 bond came due. Therefore, the \$28,698 increase in debt service expenditures was the result of this new bond issue.

Offsetting the increases identified above, the public works function saw a decrease of (10.3%) or (\$127,411) from the fiscal year 2017 amount. The following factors have contributed to this reduction in expenditures for the public works function:

- The salt expenditures were \$66,500 less in fiscal year 2018 when compared to fiscal year 2017. The year-end salt inventory adjustment of \$47,700 was a major factor in this expenditure's decrease.
- The waste disposal expenditures for fiscal year 2018 were \$47,700 less than fiscal year 2017 due to a new contract with Waste Management. The Town's contract with Waste Management expired June 30, 2017 and through a bid process for waste disposal services the Town was able to obtain a very favorable 5-year contract with Waste Management. The fiscal year 2018 impact was a 24.8% reduction in the hauling fee – it went from \$186.29 per haul to \$140.00 per haul, while the disposal cost per ton went down 8.7% or from \$74.51 per ton to \$68.00 per ton.
- The Public Works Department in fiscal year 2018 expended approximately \$16,400 less in equipment maintenance when compared to fiscal year 2017. It is the Town's hope that with the newer vehicles purchased in the last couple of years, this trend will continue as older equipment is replaced.

The net results of operations or net change in fund balance for fiscal year 2018 was a reduction of (\$105,833), after transfers in of \$83,699 and transfers out of \$869,299. The following table summarizes the General Fund's fund balance for fiscal year 2018 with 2017 information for comparison.

	<u>2018</u>	<u>2017</u>	\$ Chg	% Chg
<b>Fund Balance</b>				
Nonspendable	\$ 172,724	\$ 145,008	\$ 27,716	19.1%
Committed	236,555	183,585	52,970	28.9%
Assigned	100,000	500,000	(400,000)	-80.0%
Unassigned	2,291,308	2,077,827	213,481	10.3%
<b>Total fund balance</b>	<b>\$ 2,800,587</b>	<b>\$ 2,906,420</b>	<b>\$ (105,833)</b>	<b>-3.6%</b>

The General Fund's total fund balance decreased by -3.6% or (\$105,833) primarily due to the amount approved to be taken from unassigned fund balance to fund capital projects in the next budget year. At the May 2017 Town Meeting, the voters approved using \$500,000 in fiscal year 2018, while at the June 2018 Town Meeting, only \$100,000 was approved by the voters for use in fiscal year 2019.

The unassigned fund balance increase of \$213,481, which helped offset the \$400,000 decrease in the assigned fund balance category as explained above.

### **Special Revenue Fund – Brownfield Cleanup Grants:**

The Special Revenue Fund’s Brownfield Cleanup Grants currently has three sources of revenue – federal EPA grant funds, federal EPA sub-grant funds through Southern Maine Planning and Development Commission (SMPDC), and local match funds from the Fund of Jupiter / Mark Kehaya, the primary creditor in the Prime Tanning bankruptcy case.

The expenditures of the Brownfield Cleanup Grants for fiscal year ended June 30, 2018 were for cleanup and hazardous waste mitigation on the site of the former Prime Tanning property by EnviroVantage (the Contractor) with oversight by Credere Associates (the Engineer). The first of the \$600,000 EPA grant funds have been fully expended during fiscal year 2018 and that grant has been closed out. The majority of the second \$600,000 grant has been expended except for lot 133, which is the parking lot on Wilson Street. Minimal engineering work has been done on the newest grant, which is to address the cleanup at the former “blue hide” building on the corner of Sullivan and Jordan Streets.

The net results of operations for fiscal year 2018 was a decrease of (\$23,116). The following table summarizes the Brownfield Cleanup Grants’ fund balance for fiscal year 2018 with 2017 information for comparison.

	<u>2018</u>	<u>2017</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balances:				
Restricted	\$ <u>80,601</u>	\$ <u>103,717</u>	(\$23,116)	-22.3%
<b>Total fund balance</b>	\$ <u><b>80,601</b></u>	\$ <u><b>103,717</b></u>	<u><b>(\$23,116)</b></u>	<u><b>-22.3%</b></u>

### **Capital Improvement Projects Fund – Fire Department Reserve Fund:**

The Capital Improvement Projects Fund’s Fire Department Reserve Fund during fiscal year 2017 received \$1,000,000 in general obligation bond proceeds to purchase and equip two fire engines. During fiscal year 2018 a total of \$975,647.36 was expended to purchase and equip the two fire engines leaving a balance in this account of approximately \$4,500. The reserve account also received a transfer in of \$125,000 to fund various equipment purchases and building maintenance/repairs. Other equipment purchased during fiscal year 2018 included a hydraulic rescue tool for one of the new engines - \$20,000, replacement of fire hose - \$16,745, and personal protective equipment (PPE) - \$12,030. Also, during fiscal year 2018, \$24,870 was expended on the new fire station design plan.

The net results of operations for fiscal year 2018 was a decrease of (\$959,686), after transfers in of \$125,000 and transfers out of \$25,542. The following table summarizes the Fire Department Reserve Fund’s fund balance for fiscal year 2018 with 2017 information for comparison.

	<u>2018</u>	<u>2017</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balances:				
Committed	\$ <u>262,496</u>	\$ <u>1,222,182</u>	\$(959,686)	-78.5%
<b>Total fund balance</b>	\$ <u><b>262,496</b></u>	\$ <u><b>1,222,182</b></u>	<u><b>\$(959,686)</b></u>	<u><b>-78.5%</b></u>

### **Capital Improvement Projects Fund – Highway Improvement Reserve Fund:**

The Capital Improvement Projects Fund’s Highway Improvement Reserve Fund has only one source of revenue and that is from the Local Road Assistance Program (LRAP). These funds come from the State of Maine’s Department of Transportation and are to be used for road improvements. The fiscal year 2018 LRAP payment from the State was up \$928 from the amount received in fiscal year 2017.

The majority of the expenditures made during fiscal year 2018 from the Highway Improvement Reserve Fund were for the reclamation and binder coat of pavement for three roads – Diamond Hill Road (dirt section), at a cost of \$42,152, Logan Street for \$59,801, and Berwick Road for \$89,938. The Town will need to do a final coat of pavement in the next year or two. Also, two roads were reclaimed with final pavement coat – Haley Road for \$23,214, and Ali Pond Road for \$37,281. The department also hired a vendor to do crack sealing work on various roads throughout town at a cost of \$23,900. They also installed driveway culverts in various locations in town resulting in paving of driveway aprons at a cost of \$10,385.

The net results of operations for fiscal year 2018 was an increase of \$69,274, after transfers in of \$330,000. The following table summarizes the Highway Improvement Reserve Fund’s fund balance for fiscal year 2018 with 2017 information for comparison.

	<u>2018</u>	<u>2017</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balances:				
Committed	\$ <u>235,787</u>	\$ <u>166,513</u>	\$ <u>69,274</u>	41.6%
<b>Total fund balance</b>	\$ <u><b>235,787</b></u>	\$ <u><b>166,513</b></u>	\$ <u><b>69,274</b></u>	<b>41.6%</b>

### **Permanent Fund – Lena Clark Trust Fund and Berwick Cemetery Trust Fund:**

The Permanent Fund’s Lena Clark Trust Fund received \$40,596 in investment income net of unrealized gains and losses during fiscal year 2018. This was a decrease of (\$19,452) or -32.4% when compared to the fiscal year 2017 figure. While the Berwick Cemetery Trust received \$69,613 in investment income net of unrealized gains and losses, which was again a decrease of (\$34,787) or -33.3% when compared to fiscal year 2017.

Investment management fees for fiscal year 2018 for the Lena Clark Trust were up \$415 and for the Berwick Cemetery Trust they were up \$536 when compared to fiscal year 2017. The Cemetery Trust also in late January 2018 remitted to the Berwick Cemetery Association the interest earnings for calendar year 2017, which amounted to \$37,416.

The net results of operations for fiscal year 2018 for the Lena Clark Trust saw an increase of \$25,161; while the Berwick Cemetery Trust saw an increase of \$29,893.

The following table summarizes the Lena Clark Trust Fund's fund balance for fiscal year 2018 with 2017 information for comparison.

	<u>2018</u>	<u>2017</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Nonspendable	\$ 474,538	\$ 459,990	\$ 14,548	3.2%
Restricted	<u>77,598</u>	<u>66,985</u>	<u>10,613</u>	15.4%
<b>Total fund balance</b>	<b><u>\$ 552,136</u></b>	<b><u>\$ 526,975</u></b>	<b><u>\$ 25,161</u></b>	<b>4.8%</b>

The following table summarizes the Berwick Cemetery Trust Fund's fund balance for fiscal year 2018 with 2017 information for comparison.

	<u>2018</u>	<u>2017</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Nonspendable	\$ 920,487	\$ 890,138	\$ 30,349	3.4%
Restricted	<u>7,593</u>	<u>8,049</u>	( <u>456</u> )	-5.7%
<b>Total fund balance</b>	<b><u>\$ 928,080</u></b>	<b><u>\$ 898,187</u></b>	<b><u>\$ 29,893</u></b>	<b>3.3%</b>

### Proprietary Funds

The Town's proprietary funds provide the same type of information fund in the governmental-wide financial statements, but in more detail. The water department had an increase in net position for the current year of \$57,955 and a total net position of \$3,583,689.

### General Fund Budgetary Highlights

As shown in Schedule 1, actual revenues came in under the estimated revenues by (\$478,042) and this shortfall was offset by actual expenditures coming in under budgeted appropriations by \$567,096. However, the general fund still showed a negative net effect on fund balance of (\$105,833).

The unassigned fund balance of \$2,291,308 is 16.3% of the total budgeted appropriations for FY2019 of \$14,018,766. The goal of the Town's fund balance policy is to maintain a General Fund unassigned fund balance of at least 12.5% of the yearly Education, Town, and York County appropriations. The Town's management anticipates that during the FY2020 budget process, the Board of Selectmen will consider utilizing the unassigned fund balance in excess of the 12.5% for the Town's Capital Budget, which is around \$539,000.

The original (or adopted) budget for fiscal year 2017-2018 was \$13,710,815 and along with carryforward amounts and overlay the total original budget was \$13,949,364. In August 2017 the voters of Berwick approved raising a sum not to exceed \$200,000 for the purchase, renovation, and capital improvements for property located at Map/Lot U003-011, 71 Sullivan Street. This warrant article gave the Board of Selectmen the authority to determine how the funds for this purchase would be raised. The Board of Selectmen opted to utilize \$200,000 of the unassigned fund balance. This increased the budget to \$14,149,364. The Board of Selectmen in June made a few budget adjustments between departmental budgets to cover the overage in the Legal Services budget line under the General Expense budget, the overage in the Building Maintenance budget line under the Town Hall budget, and the overage in the Salt

budget line under the Public Works budget. Other than these inter-departmental transfers, there were no other adjustments to the budget.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town increased by \$1,248,532. The change in governmental activities capital assets net was \$1,394,610, while the change in business-type activities capital assets net was (\$146,078).

The following is a summary of the Town of Berwick's capital assets, net of depreciation.

	<b>2018</b>	<b>2017</b>
Art work and historical treasures	\$ 11,000	\$ 11,000
Construction in progress	657,701	557,434
Land and other non depreciable assets	1,036,646	881,646
Buildings and improvements, land improvements	1,263,007	1,253,045
Machinery and equipment	1,284,106	1,110,659
Vehicles	1,890,668	923,141
Infrastructure	6,326,251	6,483,922
	<b><u>\$ 12,469,379</u></b>	<b><u>\$ 11,220,847</u></b>

At the end of fiscal year 2018, the Town had invested \$2,472,783 in a broad range of capital assets. The following chart identifies the assets that were added during fiscal year 2018.

Category		Category Total
Land		
Genl Govt	71 Sullivan Street	\$ 155,000
		<u>155,000</u>
Land improvements		
Public Works	7' slide gate for salt shed	2,435
		<u>2,435</u>
Building and building improvements		
Genl Govt	Town Hall auditorium windows (7)	83,733
	Construction in progress - electrical upgrades to Town Hall	7,928
Recreation	10x20 shed	5,122
		<u>96,783</u>

		Category	Category Total
<b>Machinery and equipment</b>			
Genl Govt	Dell PowerEdge T430 server - Town Hall		9,200
	PowerLite LCD projector w/screen & accys - BCTV		3,129
	4K compact handheld streaming camcorder - BCTV		2,498
	Security camera system - Town Hall		3,792
Public Safety	Holmatro cutter - Fire		7,191
	Holmatro spreader - Fire		6,728
	Holmatro ram - Fire		5,719
	Holmatro pump w/hoses - Fire		6,695
	3CX phone system - Fire		2,345
	Vehicle Stabilizer Struts (2) - Fire		6,746
	Legacy lightbar package (new cruiser) - Police		3,250
	Panasonic CF-31 toughbook - Police		6,833
	IP based HD surveillance solution - Police		8,744
	Cellebrite cellphone autopsy system - Police		9,000
	Watchguard server - Police		6,360
	Microwave link for dispatch communication system - Police & Fire		5,433
	UHF antenna system for dispatch communication system - Police & Fire		4,067
	Site equipment for dispatch communication system - Police & Fire		26,067
	Water	Manganese removal system	
			163,603
<b>Vehicles</b>			
Public Safety	2017 Dodge Charger - Police		25,162
	2017 Ford Explorer (Police Interceptor)		26,747
	2018 Spartan Metro Star Pumper - Fire		472,499
	2018 Spartan Metro Star Pumper - Fire		472,499
Public Works	2017 Trackless MT7 sidewalk tractor		149,999
	2018 Western Star plow truck w/stainless steel body		197,791
			1,344,697
<b>Infrastructure</b>			
Public Works	Ali Pond Road reclamation		37,280
	Haley Road reclamation		23,210
	Construction in progress - Beech Ridge Rd reclaim (Rt 9 to NB line)		27,676
	Construction in progress - Diamond Hill Rd reclaim (NB line to Rocky Ln)		256,705
	Construction in progress - Pond Rd reclaim (Berwick section)		41,611
	Construction in progress - Wentworth Rd reclaim (Saddle to Daltika)		131,892
	Construction in progress - Logan Street reclaim		59,801
	Construction in progress - Berwick Road reclaim		89,938
	Construction in progress - Diamond Hill Rd pave dirt section		42,152
			710,265
<b>Total Assets Added During FY2018</b>			<b>\$ 2,472,783</b>

The total depreciation expense for 2018 was \$600,834. The governmental activities depreciation expense for 2018 was \$454,103, while the business-type activities depreciation expense for 2018 was \$146,731.

The Town has appropriated \$304,600 in fiscal year 2019 for the following capital expenditures:

<b>Capital Item</b>	<b>Funding Amount</b>
Electrical Upgrade - Town Hall Phase 2	\$ 18,000.00
Access Control System - Town Hall	\$ 6,600.00
Cruiser (1) (1st Lease Payment)	\$ 10,000.00
Mobile Radio Upgrades	\$ 10,000.00
SCBA	\$ 5,000.00
Personal Protective Gear	\$ 10,000.00
Stainless Steel Dump Body	\$ 33,000.00
Loader (1st Lease Payment)	\$ 32,000.00
MS4 Outfall Project	\$ 30,000.00
Roads	<u>\$ 150,000.00</u>
<b>Total:</b>	<b>\$ 304,600.00</b>

#### **Source of Funding**

Unassigned Fund Balance	\$ 100,000.00
Tax Rate	\$ 180,000.00
Lena Clark Trust Fund	<u>\$ 24,600.00</u>
<b>Total:</b>	<b>\$ 304,600.00</b>

#### **Allocation by C.I.P. Reserve Account**

Planning	\$ 30,000.00
Town Hall	\$ 24,600.00
Police	\$ 10,000.00
Fire	\$ 25,000.00
Public Works	\$ 65,000.00
Highway Fund	<u>\$ 150,000.00</u>
<b>Total:</b>	<b>\$ 304,600.00</b>

Refer to Note 5 of the Notes to Financial Statements for more detailed information.

### **Long-Term Debt Activity**

As of June 30, 2018, the Town's General Fund had a total of \$1,125,000 in outstanding general obligation bonds. These bonds were issued through the Maine Municipal Bond Bank in May 2016.

The Town's Proprietary Fund – Berwick Water Department, as of June 30, 2018 had a total of \$583,387 in outstanding general obligation debt versus \$720,687 last year. Other obligations include capital leases, vacation and sick time, and net pension liability.

Refer to Note 6 of Notes to Financial Statements for more detailed information.

### **Economic Factors and Next Year's Budget and Tax Rates**

The Town's attorneys are working with Mark Kehaya's attorney to complete the necessary paperwork to transfer three of the five lots formerly owned by Prime Tanning to Mark Kehaya's company, Fund of Jupiter, along with the "pre-treatment" plant parcel owned by the Town. Once these parcels are transferred, Mr. Kehaya can begin with development of the site.

Fiscal year 2019 is the second year of the approved Village Overlay TIF District plan. Unfortunately, with some major changes in taxable valuations on properties within the district, the amount of captured tax revenue for tax year 2019 dropped to \$1,684. The captured tax revenue for 2018 was \$4,478.

As mentioned in last year's financial statements, the Town received another \$200,000 grant from the EPA for cleanup of the former "blue hide or blue sort" building on the corner of Sullivan and Jordan Streets. With minor engineering work beginning in the later part of fiscal year 2018, it is the hope that this cleanup will be completed during fiscal year 2019 so that this parcel can be transferred to Mark Kehaya, Fund of Jupiter for development.

On February 7, 2017, the Board of Selectmen approved impact fees for recreation and open space. Since the implementation of these two impact fees, a total of \$95,400 has been collected - \$47,700 for recreation and \$47,700 for open space. At the Board of Selectmen's February 6, 2018 meeting they approved funding from the recreation impact fee account for a design study for a riverfront park on the former PSNH parcel purchased by the Town in August 2016. Envision Berwick is looking to have parcel developed into a waterfront park, known as the Great Falls Park, with the use of recreation impact fees.

The Board are proceeding with a bond warrant article to be placed on the November 2018 ballot asking the voters to approve up to \$6,000,000 to construct a new fire station and renovate the current police station.

The Town's assessed value ratio as of April 1, 2018 is the same as the April 1, 2017 assessed value ratio, which is 100% and is under the State maximum cap of 110%.

The total assessed value as of April 1, 2018, is \$667,812,192, which is an increase of \$20,835,651 or 3.2% from the prior year.

The Town of Berwick's 2019 tax rate is \$17.60. The following chart shows the change in the Town's tax rate from 2018 to 2019.

	<u>2019</u>	<u>2018</u>	<u>\$ Chg</u>	<u>% Chg</u>
Town	\$ 5.62	\$ 5.35	\$ 0.27	5.0%
School	11.49	11.24	0.25	2.2%
County	<u>0.49</u>	<u>0.56</u>	<u>(0.07)</u>	<u>0.0%</u>
<b>Totals:</b>	<b><u>\$ 17.60</u></b>	<b><u>\$ 17.15</u></b>	<b><u>\$ 0.45</u></b>	<b><u>2.6%</u></b>

The Town's municipal appropriation is \$6,010,725, a decrease of (\$65,225) or -1.1% when compared to FY 2018. An increase in non-property tax revenue of \$96,087 or 4.4%, and a decrease in use of unassigned fund balance of (\$400,000) or -80% resulted in a net appropriation of \$3,640,030, which was an increase of \$238,688 or 7.0%.

The following are some of the increases seen in the municipal budget for fiscal year 2019:

- The new debt service for the two fire trucks and work done on the Town Hall auditorium and clock tower has its first principal payment due during fiscal year 2019 of \$62,500. However, these expenditures will be covered by reserve funds and the Lena Clark Trust fund.
- The Town's workers comp. experience mod increased substantially. The Town has had several major injuries over the past three years, which has negatively affected our premium. We saw a 21.6% increase in January 2018 and anticipate another increase in January 2019.
- Town has contracted with Municipal Resources, the company that provides the Town's assessing services, to perform a statistical revaluation of the Town's real estate accounts. The cost to perform this work will be a total of \$45,000, with three annual installments of \$15,000.
- The Town currently contracts with the Town of South Berwick to provide dispatch services for the Police and Fire Departments. However, the Town will be switching its dispatch services to the City of Sanford resulting in a budget increase of \$32,000 or 19%. The Town of South Berwick is anticipated to go with the City of Sanford as well and cease its dispatching operations.
- The Police Department's budget also saw an increase of \$10,480 or 93.1% in lease payments due to the addition of two more cruisers' lease payments in this budget line.
- The Fire Department, in order to address not only a safety issue for the full-time firefighter/EMTs (there is only one full-time firefighter/EMT per shift) as well as provide needed manpower due to the uncertainty that call company members will be able to respond to calls received, a per diem program was requested in the fiscal year 2019 budget and approved. The cost for this program is \$42,284, roughly a 47% increase in part-time wages and benefits.
- The Town had been contracting its CEO services from the Town of South Berwick. However, the employee providing those services resigned to become the Fire Chief in South Berwick. The Town reached out to other area communities to see if they would be willing to provide Code Enforcement services to Berwick. The Town Manager was unsuccessful with this as well as advertising for a part-time code

officer. Therefore, the position was developed into a full-time CEO/Public Works Director/Engineer. The Planning budget already had the funds budgeted for its share of this newly created full-time position, but the Public Works budget had to add just over \$50,000 in wages & benefits to fund its share.

- The second lease payment for the Trackless sidewalk machine and Western Star 10-Wheeler plow truck purchased in fiscal year 2018 is reflected in the fiscal year 2019 budget. This has resulted in an increase of \$56,852 in the lease purchase budget line.

Although there has been a 4.4% increase in non-property tax revenues and transfers in from the Fire Dept.'s capital reserve fund and the Lena Clark trust fund to cover the debt service cost for FY19, the reduction in the use of unassigned fund balance has contributed to the increase in the net municipal appropriation of \$238,880, which is a 7.0% increase.

The Town's contribution to MSAD #60's budget is \$7,680,220; an increase of \$405,198 or 5.6%. And the County tax assessment saw a decrease of (\$32,022), or -8.9%.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 any questions about this report or need additional information, contact the Town Manager or Finance Director, at 11 Sullivan Street, Berwick, Maine 03901.

**TOWN OF BERWICK, MAINE**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,031,092	\$ 269,064	\$ 4,300,156
Restricted cash - GOB	11,752	-	11,752
Investments	1,477,635	-	1,477,635
Receivables:			
Accounts	115,041	134,777	249,818
Taxes receivable (net of allowance of \$276,843)	373,630	-	373,630
Tax liens	334,165	-	334,165
Due from other governments	34,093	-	34,093
Tax acquired property	3,429	-	3,429
Prepaid expenses	52,111	-	52,111
Inventory	117,184	41,559	158,743
Internal balances	758	(758)	-
<b>Total current assets</b>	<b>6,550,890</b>	<b>444,642</b>	<b>6,995,532</b>
Noncurrent assets:			
Capital assets:			
Non-depreciable capital assets	1,607,701	97,646	1,705,347
Depreciable capital assets, net	7,032,106	3,731,926	10,764,032
Restricted cash - water tower	-	24,025	24,025
<b>Total noncurrent assets</b>	<b>8,639,807</b>	<b>3,853,597</b>	<b>12,493,404</b>
<b>TOTAL ASSETS</b>	<b>15,190,697</b>	<b>4,298,239</b>	<b>19,488,936</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on pensions	913,859	74,204	988,063
Deferred amount on OPEB	14,829	-	14,829
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>928,688</b>	<b>74,204</b>	<b>1,002,892</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 16,119,385</b>	<b>\$ 4,372,443</b>	<b>\$ 20,491,828</b>

**TOWN OF BERWICK, MAINE**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 131,627	\$ 10,324	\$ 141,951
Accrued wages and benefits	52,237	3,038	55,275
Due to other governments	39,628	-	39,628
Other liabilities	101,662	-	101,662
Accrued interest	-	4,577	4,577
Current portion of long-term obligations	250,173	147,997	398,170
<b>Total current liabilities</b>	<b>575,327</b>	<b>165,936</b>	<b>741,263</b>
Noncurrent liabilities:			
Net pension liability	1,533,241	124,496	1,657,737
Net OPEB liability	73,326	-	73,326
Bonds payable	1,062,500	444,833	1,507,333
Capital lease payable	313,388	-	313,388
Accrued compensated absences	142,304	-	142,304
<b>Total noncurrent liabilities</b>	<b>3,124,759</b>	<b>569,329</b>	<b>3,694,088</b>
<b>TOTAL LIABILITIES</b>	<b>3,700,086</b>	<b>735,265</b>	<b>4,435,351</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amount on pensions	658,748	53,489	712,237
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>658,748</b>	<b>53,489</b>	<b>712,237</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,175,413	3,246,185	10,421,598
Restricted	1,691,905	24,025	1,715,930
Unrestricted	2,893,233	313,479	3,206,712
<b>TOTAL NET POSITION</b>	<b>11,760,551</b>	<b>3,583,689</b>	<b>15,344,240</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 16,119,385</b>	<b>\$ 4,372,443</b>	<b>\$ 20,491,828</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,693,782	\$ 93,544	\$ 3,542	\$ 61,162	\$ (1,535,534)	\$ -	\$ (1,535,534)
Public safety	2,848,198	21,781	103,893	-	(2,722,524)	-	(2,722,524)
Public works	1,382,764	51,223	58,960	9,000	(1,263,581)	-	(1,263,581)
Health and welfare	42,053	-	5,680	-	(36,373)	-	(36,373)
Recreation	267,862	95,809	10,247	67,900	(93,906)	-	(93,906)
Education	7,275,022	-	-	-	(7,275,022)	-	(7,275,022)
County tax	359,843	-	-	-	(359,843)	-	(359,843)
Outside appropriations	12,818	-	-	-	(12,818)	-	(12,818)
Unclassified	172,133	-	144,730	-	(27,403)	-	(27,403)
Unallocated depreciation (Note 5)	11,104	-	-	-	(11,104)	-	(11,104)
<b>Total governmental activities</b>	<b>14,065,579</b>	<b>262,357</b>	<b>327,052</b>	<b>138,062</b>	<b>(13,338,108)</b>	<b>-</b>	<b>(13,338,108)</b>
Business-type activities:							
Water department	617,336	673,215	-	-	-	55,879	55,879
<b>Total business-type activities</b>	<b>617,336</b>	<b>673,215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,879</b>	<b>55,879</b>
<b>Total primary government</b>	<b>\$ 14,682,915</b>	<b>\$ 935,572</b>	<b>\$ 327,052</b>	<b>\$ 138,062</b>	<b>(13,338,108)</b>	<b>55,879</b>	<b>(13,282,229)</b>
General revenues:							
Property taxes, levied for general purposes					10,868,416	-	10,868,416
Motor vehicle and boat excise taxes					1,604,188	-	1,604,188
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					410,267	-	410,267
Homestead exemption					238,245	-	238,245
BETE reimbursement					25,437	-	25,437
Other State aid					31,645	-	31,645
Other Federal aid					259,483	-	259,483
Unrestricted investment earnings					118,536	-	118,536
Miscellaneous revenues					75,496	10,442	85,938
Net transfers					8,366	(8,366)	-
<b>Total general revenues and transfers</b>					<b>13,640,079</b>	<b>2,076</b>	<b>13,642,155</b>
Change in net position					301,971	57,955	359,926
Net position - beginning, restated					11,458,580	3,525,734	14,984,314
<b>Net position - ending</b>					<b>\$ 11,760,551</b>	<b>\$ 3,583,689</b>	<b>\$ 15,344,240</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General	Brownfield Cleanup Grants	Fire Department Reserve	Highway Improvement Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 4,013,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,981	\$ 4,031,092
Restricted cash - GOB	11,752	-	-	-	-	-	-	11,752
Investments	-	-	-	-	552,136	925,499	-	1,477,635
Receivables:								
Accounts	71,894	39,000	-	-	-	-	4,147	115,041
Taxes (net of allowance for uncollectibles)	389,283	-	-	-	-	-	-	389,283
Tax liens	334,165	-	-	-	-	-	-	334,165
Due from other governments	4,519	17,478	-	-	-	-	12,096	34,093
Tax acquired property	3,429	-	-	-	-	-	-	3,429
Prepaid expenses	52,111	-	-	-	-	-	-	52,111
Inventory	117,184	-	-	-	-	-	-	117,184
Due from other funds	758	24,123	262,496	235,787	-	2,581	575,484	1,101,229
<b>Total assets</b>	<b>\$ 4,998,206</b>	<b>\$ 80,601</b>	<b>\$ 262,496</b>	<b>\$ 235,787</b>	<b>\$ 552,136</b>	<b>\$ 928,080</b>	<b>\$ 609,708</b>	<b>\$ 7,667,014</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 131,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,627
Accrued wages and benefits	52,237	-	-	-	-	-	-	52,237
Due to other governments	39,628	-	-	-	-	-	-	39,628
Planning escrow accounts	101,662	-	-	-	-	-	-	101,662
Prepaid taxes	15,653	-	-	-	-	-	-	15,653
Due to other funds	1,100,471	-	-	-	-	-	-	1,100,471
Total liabilities	1,441,278	-	-	-	-	-	-	1,441,278
Deferred inflows of resources:								
Deferred tax revenues	756,341	-	-	-	-	-	-	756,341
Total deferred inflows of resources	756,341	-	-	-	-	-	-	756,341
Fund balances:								
Nonspendable	172,724	-	-	-	474,538	920,487	-	1,567,749
Restricted	-	80,601	-	-	77,598	7,593	131,088	296,880
Committed	236,555	-	262,496	235,787	-	-	313,385	1,048,223
Assigned	100,000	-	-	-	-	-	165,235	265,235
Unassigned	2,291,308	-	-	-	-	-	-	2,291,308
Total fund balances	2,800,587	80,601	262,496	235,787	552,136	928,080	609,708	5,469,395
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,998,206</b>	<b>\$ 80,601</b>	<b>\$ 262,496</b>	<b>\$ 235,787</b>	<b>\$ 552,136</b>	<b>\$ 928,080</b>	<b>\$ 609,708</b>	<b>\$ 7,667,014</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2018**

Total fund balances - total governmental funds, Statement C	\$	5,469,395
Amounts reported for governmental activities in the statement of net position (Statement A) are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. More specifically:		
Non-depreciable capital assets	1,607,701	
Depreciable capital assets, net	<u>7,032,106</u>	8,639,807
Deferred outflows of resources are not financial resources and therefore not reported in the funds.		928,688
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds:		
General obligation bonds		(1,125,000)
Capital leases		(401,894)
Compensated absences		(241,471)
Net Pension liability		(1,533,241)
Net OPEB liability		(73,326)
Deferred inflows of resources are not available in the current period and therefore not reported in the funds.		(658,748)
Deferred revenues -- more specifically, property taxes and liens not reported on Statement A		756,341
<b>Net position of governmental activities</b>	<b>\$</b>	<b>11,760,551</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2018**

	General	Brownfield Cleanup Grants	Fire Department Reserve	Highway Improvement Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes								
Preoperty taxes	\$ 10,767,793	-	-	-	-	-	4,478	10,772,271
Excise taxes	1,604,188	-	-	-	-	-	-	1,604,188
Licenses and permits	17,795	-	-	-	-	-	-	17,795
Intergovernmental	785,566	254,964	-	58,960	-	-	28,440	1,127,930
Investment income, net of unrealized gains/(losses)	8,317	-	-	-	40,596	69,613	10	118,536
Charges for services	133,581	61,162	-	-	-	5,030	338,050	537,823
Unclassified	75,496	-	-	-	-	-	9,000	84,496
Total revenues	13,392,736	316,126	-	58,960	40,596	74,643	379,978	14,263,039
Expenditures:								
Current:								
General government	1,122,176	-	-	-	-	-	10,971	1,133,147
Public safety	2,497,509	-	1,059,144	-	-	-	37,826	3,594,479
Public works	1,114,350	-	-	-	-	-	-	1,114,350
Recreation & culture	202,433	-	-	-	-	-	61,359	263,792
Education	7,275,022	-	-	-	-	-	-	7,275,022
County tax	359,843	-	-	-	-	-	-	359,843
Debt service	28,698	-	-	-	-	-	-	28,698
Health & welfare	41,740	-	-	-	-	-	313	42,053
Outside appropriations	12,818	-	-	-	-	-	-	12,818
Unclassified	58,380	-	-	-	4,351	44,750	64,652	172,133
Capital outlay	-	339,242	-	319,686	-	-	829,330	1,488,258
Total expenditures	12,712,969	339,242	1,059,144	319,686	4,351	44,750	1,004,451	15,484,593
Excess (deficiency) of revenues over (under) expenditures	679,767	(23,116)	(1,059,144)	(260,726)	36,245	29,893	(624,473)	(1,221,554)
Other financing sources (uses):								
Long-term debt issued	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	395,199	395,199
Transfers in	83,699	-	125,000	330,000	-	-	400,592	939,291
Transfers out	(869,299)	-	(25,542)	-	(11,084)	-	(25,000)	(930,925)
Total other financing sources (uses)	(785,600)	-	99,458	330,000	(11,084)	-	770,791	403,565
Net change in fund balances	(105,833)	(23,116)	(959,686)	69,274	25,161	29,893	146,318	(817,989)
Fund balances, beginning of year	2,906,420	103,717	1,222,182	166,513	526,975	898,187	463,390	6,287,384
<b>Fund balances, end of year</b>	<b>\$ 2,800,587</b>	<b>80,601</b>	<b>262,496</b>	<b>235,787</b>	<b>552,136</b>	<b>928,080</b>	<b>609,708</b>	<b>5,469,395</b>

*See accompanying notes to financial statements.*

**TOWN OF 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, 2018**

Net change in fund balances - total governmental funds (from Statement E)	\$ (817,989)
<p>Amounts reported for governmental activities in the statement of activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital asset purchases capitalized	1,978,048
Capital assets disposed	(129,335)
Depreciation expense	(454,103)
	1,394,610
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	96,145
Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period and therefore is not reported in the funds.	(233,098)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in accrued compensated absences. (Note 6)	(13,338)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in capital leases. (Note 6)	(297,197)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in net pension and net OPEB liability. (Note 6)	373,605
Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period and therefore is not reported in the funds. (Note 9)	(200,767)
<b>Change in net position of governmental activities (see Statement B)</b>	<b>\$ 301,971</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Enterprise Funds</b>
	<b>Water</b>
	<b>Department</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 269,064
Accounts receivable (net of allowance for uncollectibles, \$3,500)	134,777
Inventory	41,559
<b>Total current assets</b>	<b>445,400</b>
Noncurrent assets:	
Capital assets:	
Land	97,646
Construction in progress	-
Buildings and improvements	1,435,014
Vehicles and equipment	1,048,977
Plant / infrastructure	4,020,580
<b>Total capital assets</b>	<b>6,602,217</b>
Less: accumulated depreciation	(2,772,645)
Restricted cash - water tower	24,025
<b>Total noncurrent assets</b>	<b>3,853,597</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on pensions	74,204
<b>Total deferred outflows of resources</b>	<b>74,204</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,373,201</b>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Accounts payable	\$ 10,324
Accrued payroll and related liabilities	3,038
Accrued interest	4,577
Current portion of long-term debt	147,997
Due to other funds	758
<b>Total current liabilities</b>	<b>166,694</b>
Noncurrent liabilities:	
Bonds payable	444,833
Net pension liability	124,496
<b>Total noncurrent liabilities</b>	<b>569,329</b>
<b>Total liabilities</b>	<b>736,023</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amount on pensions	53,489
<b>Total deferred inflows of resources</b>	<b>53,489</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,246,185
Restricted for water tower	24,025
Unrestricted	313,479
<b>Total net position</b>	<b>3,583,689</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 4,373,201</b>

*See accompanying notes to financial statements.*

Statement H

**TOWN OF BERWICK, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2018**

		<b>Enterprise Funds</b>
		<b>Water</b>
		<b>Department</b>
<hr/>		
Operating revenues:		
Charges for services	\$	673,215
Other		7,089
Total operating revenues		<hr/> 680,304 <hr/>
Operating expenses:		
Labor and salaries		169,716
Employee benefits		71,034
Payroll taxes		19,308
Audit services		1,900
Contract labor and other services		40,404
Operating supplies		38,890
Equipment / equipment maintenance		18,147
Purchase of power		34,154
Utilities		9,372
Water testing		5,525
Sewer disposal		17,680
Postage		2,740
Clothing		3,435
Depreciation		146,731
Miscellaneous		16,088
Total operating expenses		<hr/> 595,124 <hr/>
Operating income (loss)		<hr/> 85,180 <hr/>
Nonoperating revenues (expenses):		
Interest income		3,353
Interest expense		(22,212)
Transfers in		21,634
Transfers out		(30,000)
Total nonoperating revenues (expenses)		<hr/> (27,225) <hr/>
Change in net position		57,955
Net position, beginning of year, restated		<hr/> 3,525,734 <hr/>
<b>Net position, end of year</b>	<b>\$</b>	<b>3,583,689</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2018**

	Enterprise Funds
	Water
	Department
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 735,158
Other receipts	7,089
Payments to employees	(186,262)
Payments to suppliers	(258,491)
Net cash provided (used) by operating activities	297,494
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(30,000)
Net cash provided (used) by noncapital financing activities	(30,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(653)
Principal payments on bond payable	(137,300)
Interest payments on bond payable	(22,703)
Transfers - debt service	21,634
Net cash provided (used) by capital and related financing activities	(139,022)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	3,353
Net cash provided (used) by investing activities	3,353
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	131,825
<b>CASH AND CASH EQUIVALENTS - JULY 1</b>	161,264
<b>CASH AND CASH EQUIVALENTS - JUNE 30</b>	\$ <b>293,089</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>	
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 85,180
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	146,731
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	61,943
(Increase) decrease in inventory	(2,927)
(Increase) decrease in deferred outflows of resources	20,131
(Decrease) increase in accounts payable	3,451
(Decrease) increase in accrued payroll	431
(Decrease) increase in due to other funds	(469)
(Decrease) increase in compensated absences	(904)
(Decrease) increase in net pension liability	(32,375)
(Decrease) increase in deferred inflows of resources	16,302
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ <b>297,494</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

			<b>Private-purpose Trust Fund Clark Clement Scholarship</b>
<hr/>			
<b>ASSETS</b>			
Cash and cash equivalents	\$	33,988	
<b>Total assets</b>			<b>33,988</b>
<hr/>			
<b>LIABILITIES</b>			
Accounts payable			-
<b>Total liabilities</b>			<b>-</b>
<hr/>			
<b>NET POSITION</b>			
Restricted - donor endowment		30,000	
Unrestricted		3,988	
<b>Total net position</b>			<b>33,988</b>
<hr/>			
<b>TOTAL LIABILITIES AND NET POSTION</b>	<b>\$</b>		<b>33,988</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2018**

		<b>Private-purpose Trust Funds Clark Clement Scholarship</b>
<hr/>		
Additions:		
Investment income	\$	17
Total additions		17
<hr/>		
Deductions:		
Scholarships awarded		-
Total deductions		-
<hr/>		
Change in net position		17
Net position, beginning of year		33,971
<hr/>		
<b>Net position, end of year</b>	<b>\$</b>	<b>33,988</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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 by GASB Statement No. 14 and amended by GASB Statement No. 39 and Statement No. 61

**B. 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 water department is categorized as business-type activities. 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 is 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.). 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues, 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.

**C. Measurement Focus – Basic Financial Statements & 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 Town reports the following major governmental funds:

- 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.
- b. The Special Revenue Funds' Brownfield Clean-up Grants have been presented as a major fund as the result of receiving seven \$200,000 Brownfield clean up grants from the Environmental Protection Agency (EPA). The first \$600,000 grant was awarded to the Town in July 2015, the second \$600,000 grant was awarded in May 2016, and the last \$200,000 grant was awarded in July 2017. The majority of the clean-up work occurred during fiscal year 2018 with more than \$1,200,000 in expenditures.
- c. The Capital Projects Funds' Fire Department Reserve has been presented as a major fund due to the issuance of General Obligation Bonds to purchase and equipment two fire engines at a cost of \$1,000,000. During fiscal year 2018 the two fire engines were received and equipped.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- d. The Capital Projects Funds' Highway Improvement Reserve has been presented as a major fund. This reserve fund accounts for the construction and repair of roads, bridges, and sidewalks, and includes the cost of engineering services and any associated drainage work. It also accounts for the repair, maintenance, construction, and/or renovation work on the Public Works facilities such as the salt shed and garage.
- e. The Permanent Funds' Lena Clark Trust has been presented as a major fund. This fund was established in 1928 to construct a Town Hall and provide on-going capital maintenance for the Town Hall. Only the interest may be utilized for major building repairs.
- f. The Permanent Funds' Berwick Cemetery Association Trust has been presented as a major fund. This fund was established to be used for the care and upkeep of the Evergreen Cemetery. Only the interest may be utilized and is annually remitted to the Berwick Cemetery Association to assist in funding their maintenance and upkeep of the cemetery.

Additionally, the Town reports the following non-major fund types:

- a. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- 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 proprietary activity. Non-operating 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:

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has one private-purpose trust fund which is the Clark-Clement Scholarship.

The emphasis in fund financial statements is on the major funds in either the government or business-type activities categories. Non-major 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.

**D. 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 and fiduciary fund 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

“Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**E. 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 is called for the purposes of adopting the proposed budget after public notice of the meeting is given.
3. The budget is adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds, Capital Improvement Projects Funds, or Proprietary Funds.

**F. 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 deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town of Berwick has a formal investment policy, and also follows the State of Maine Statutes.

**G. Inventories and Prepaid Items**

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using first-in/first-out (FIFO) method. The costs of inventories are recognized as expenditures when used (consumption method).

Inventories of the Town consists of the trash bag inventory maintained by the Town Clerks' Department, the gas and diesel fuel remaining in the tanks at year-end, the salt remaining in the salt shed at year-end, and various parts and supplies maintained by the Public Works Department such as culverts, oil, street sign parts, plow parts, etc. Inventories of the Water Department consists of water treatment chemicals, and parts and supplies to maintain hydrants, valves, and pumps.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**H. 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 the 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 government-wide financial statements as "internal balances".

**I. 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.

**J. Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$276,843 as of June 30, 2018 for taxes and liens receivables.

**K. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

All retirements have been recorded by eliminating the net carrying values.

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

Estimated use lives are as follows:

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

**L. Restricted Cash**

Effective October 1, 2015, the Maine Public Utilities Commission approved a rate increase to fund the repair and maintenance of the Town’s water tank over a twenty-year period. The Town is required to set aside revenues collected on an annual basis. At June 30, 2018, cash receipts and interest earned totaling \$24,025 was unspent and restricted.

**M. Long-term Obligations**

The accounting treatment of long-term debt 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 debt to be repaid from governmental and business-type activities is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, capital leases, compensated absences, and net pension 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 fund is the same in the fund statements as it is in the government-wide statements.

**N. Compensated Absences**

The Town’s policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term liabilities in the government-wide financial statements.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2018, the Town's liability for compensated absences is \$250,914. For more detailed information on compensated absences see Note 6, E.

**O. Pensions**

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

**P. OPEB**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Municipal Employees Health Trust (MMEHT) and additions to/deductions from MMEHT'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. Investments are reported at fair value.

**Q. 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 currently has two types of item, deferred outflows related to pensions and deferred outflows related to OPEB. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualify for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. 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.

**S. Fund Balances**

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

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

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

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

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

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

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

During fiscal year 2014, the Board of Selectmen adopted a Fund Balance Policy. It is the policy of the Town of Berwick to maintain an unassigned fund balance in the General Fund at 12.5% of the succeeding year’s budgeted appropriations for the General Fund including education and county tax.

The policy establishes a process and criteria for the continued evaluation of that target level as conditions warrant. The policy also establishes a process for maintaining the targeted level of unassigned fund balance, and the priority for the use of amounts in excess of the target. 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.

The General Fund unassigned fund balance total of \$2,291,308 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

The following is a summary of the various components of fund balances by funds with the change from 2017 to 2018:

<b>Town of Berwick, Maine</b>			
<b>Fund Balances - Governmental Funds</b>			
<b>June 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>\$ Change</b>
<b>Major Funds:</b>			
General Fund:			
Nonspendable	\$ 172,724	\$ 145,008	\$ 27,716
Committed	236,555	183,585	52,970
Assigned	100,000	500,000	(400,000)
Unassigned	2,291,308	2,077,827	213,481
Subtotal General Fund	2,800,587	2,906,420	(105,833)

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>
<b>Major Funds:</b>			
Brownfield Cleanup Grants:			
Restricted	80,601	103,717	(23,116)
Fire Department Reserve:			
Committed	262,496	1,222,182	(959,686)
Highway Improvement Reserve:			
Committed	235,787	166,513	69,274
Lena Clark Trust:			
Nonspendable	474,538	459,990	14,548
Restricted	77,598	66,985	10,613
Cemetery Trust:			
Nonspendable	920,487	890,138	30,349
Restricted	7,593	8,049	(456)
<b>Total Major Funds</b>	<b>\$ <u>4,859,687</u></b>	<b>\$ <u>5,823,994</u></b>	<b>\$ <u>(964,307)</u></b>
<b>Non-major Funds:</b>			
Special Revenue Funds:			
Restricted	113,107	39,147	73,960
Committed	162,209	82,131	80,078
Assigned	165,235	138,807	26,428
Capital Projects Funds:			
Committed	151,176	185,334	(34,158)
Permanent Funds:			
Restricted	17,981	17,971	10
<b>Total Non-major Funds</b>	<b>\$ <u>609,708</u></b>	<b>\$ <u>463,390</u></b>	<b>\$ <u>146,318</u></b>

**T. Revenue Recognition – Property Taxes – Modified Accrual Basis**

The Town’s property tax for the current year was levied August 15, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on October 16, 2017 and April 17, 2018. Interest on unpaid taxes commenced on October 17, 2017 and April 18, 2018, at 7% 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.

**U. 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 BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**V. Operating/Non-Operating Proprietary Fund Revenues**

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

**W. 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.

**X. 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.

**Y. Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

**Z. Implementation of New Accounting Standards**

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Statement No. 81, “*Irrevocable Split-Interest Agreements*”. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements – in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, “*Omnibus 2017*”. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, “*Certain Debt Extinguishment Issues*”. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

**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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

**A. 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 not have a policy covering custodial credit risk for deposits. However, 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, 2018, the Town’s cash balances amounting to \$4,370,302 were comprised of deposits of \$4,488,724. Of these balances, \$292,006 were fully insured by federal depository insurance and consequently not exposed to custodial credit risk. The remaining balance of \$4,196,718 was collateralized with securities held by the institution in the Town’s name in the amount of \$4,000,366, with the remaining balance not insured or collateralized and therefore was subject to custodial risk. Cash equivalents of \$34,369 were covered by the Securities Investor Protection Corporation (SIPC).

At June 30, 2018, cash consisted of the following:

	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Checking, savings, NOW, and certificates of deposit accounts		
Government Funds	4,334,648	4,488,724
Cash equivalents	34,369	34,369
Petty Cash - Government Funds	<u>1,285</u>	<u>-</u>
<b>Totals</b>	<b>\$ <u>4,370,302</u></b>	<b>\$ <u>4,523,093</u></b>

**B. 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 not have a policy for custodial credit risk for investments. Of the Town’s investments, \$465,631 were covered by the Securities Investor Protection Corporation (SIPC). The remaining investments of \$977,635 were uncollateralized and uninsured.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2018, the Town’s investments were comprised of the following:

Investment Type	Fair Value	Maturities		
		Not Applicable	Less than 1 Year	1 Year to 5 Years
Mutual funds, ETFs and closed-end funds	\$ 1,431,557	-	1,431,557	-
Fixed income	11,709	11,709	-	-
<b>Total Fair Value:</b>	<b>1,443,266</b>	<b>11,709</b>	<b>1,431,557</b>	<b>-</b>
<b>% of Portfolio:</b>	<b>100.0%</b>	<b>0.8%</b>	<b>99.2%</b>	<b>0.0%</b>

**Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2018:

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Agency Securities	\$ 11,709	\$ 11,709	\$ -	\$ -
Total debt securities	11,709	11,709	-	-
Equity securities:				
Mutual funds - domestic and foreign	\$ 1,096,484	\$ 1,096,484	\$ -	\$ -
Exchange traded funds	335,073	335,073	-	-
Total equity securities	1,431,557	1,431,557	-	-
Total investments by fair value level	1,443,266	\$ 1,443,266	\$ -	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	34,369			
Total cash equivalents measured at the NAV	34,369			
Total investments and cash equivalents measured at fair value	\$ 1,477,635			

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. The Town has no Level II or III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board’s measurement principles for investment companies.

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 not have an investment policy on credit risk. As of June 30, 2018, the Town’s investments in a U.S. Treasury Bond of \$11,709 was rated AAA by the Standard & Poor’s Rating Service.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

**NOTE 3 – RECEIVABLES**

**A. Receivables**

Receivables as of year-end for the Town’s individual major funds and non-major funds, and enterprise fund (water department) in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Enterprise Fund</u>	<u>Brownfield Cleanup Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 389,283	\$ -	\$ -	\$ -	\$ 389,283
Tax Liens	334,165	-	-	-	334,165
Accounts	71,894	134,777	39,000	4,147	249,818
Intergovernmental	4,519	-	17,478	12,096	34,093
<b>Net total receivables</b>	<b>\$ 799,861</b>	<b>\$ 134,777</b>	<b>\$ 56,478</b>	<b>\$ 16,243</b>	<b>\$ 1,007,359</b>



**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 3 – RECEIVABLES (Continued)**

Of the total taxes committed for the year ended June 30, 2018, the amount allocated to the Village Overlay Tax Increment Financing District was \$4,478.

**C. Intergovernmental Receivables**

Intergovernmental receivables are comprised of the following:

General fund - FEMA reimbursement	\$	4,519
Other governmental funds:		
Brownfield grants special revenue funds:		
EPA brownfield cleanup grants		17,478
Police grants special revenue funds:		
OUI grant		459
ATV grant		1,417
Seatbelt grant		3,707
Speed enforcement grant		2,496
Distracted driver enforcement grant		4,017
<b>Total</b>	<b>\$</b>	<b>34,093</b>

**NOTE 4 – INTERFUND ACCOUNTS**

Individual interfund loans receivable and payable balances at June 30, 2018 were as follows:

	<b>Interfund loans receivable</b>	<b>Interfund loans payable</b>
Governmental Funds:		
General fund	\$ 758	\$ 1,100,471
EPA brownfield grant	24,123	-
Fire department reserve	262,496	-
Highway improvement reserve	235,787	-
Cemetery trust fund	2,581	
Enterprise fund	-	758

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 4 – INTERFUND ACCOUNTS (Continued)**

	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>
Other Governmental Funds:		
Special revenue funds:		
Town hall water damage	230	-
Town hall auditorium	3,131	-
Village overlay TIF district	4,478	-
Police grants	1,261	-
Recreation trips	49,047	-
Recreation programs	95,421	-
Riverfront project	6,964	-
Farmers' market	1,961	-
Community center	1,749	-
Ice rink	350	-
Recreation impact fee	45,211	-
Open space impact fee	47,700	-
BEBA (fuel assistance)	4,145	-
MMEHT wellness incentive grant	201	-
York Hospital grant	250	-
Berwick community TV	162,209	-
Capital projects funds:		
Town hall reserve	34,054	-
Planning reserve	10,170	-
Police department reserve	24,566	-
Civil defense	3,156	-
Highway equipment reserve	46,247	-
Transfer station reserve	153	-
Recreation improvement reserve	32,830	-
<b>Totals:</b>	<b>\$ <u>1,101,229</u></b>	<b>\$ <u>1,101,229</u></b>

The purpose of the interfunds is to charge revenue and expenditure activity to the appropriate funds. With centralized cash, everything is received and disbursed through the general fund except certain water department transactions. With interfund accounts, it allows the activity to be recorded within the proper fund, even though the activity occurs within the general fund cash account.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 4 – INTERFUND ACCOUNTS (Continued)**

Interfund transfers during the year ended June 30, 2018 consisted of the following:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
General Fund	\$ 83,699	\$ 869,299
Fire department reserve fund	125,000	25,542
Highway improvement reserve fund	330,000	-
Lena Clark trust fund	-	11,084
Enterprise fund (water department)	21,634	30,000
Other governmental funds:		
Special revenue funds:		
Recreation fees fund	-	25,000
Capital project funds:		
Town Hall reserve fund	7,927	-
Planning reserve fund	50,000	-
Police department reserve fund	75,165	-
Highway equipment reserve fund	67,500	-
Recreation improvement reserve fund	200,000	-
Total other governmental funds	400,592	25,000
<b>Totals</b>	<b>\$ 960,925</b>	<b>\$ 960,925</b>

The transfers out comprised of the following:

1. From the General Fund: to provide funds for various capital projects (\$847,665) and the Town's share of the 1999 general obligation bond payment (\$21,634).
2. From the Fire Department Reserve Fund: to provide funds from the engine reserve account to cover the interest on the 2017 general obligation bond for two new fire engines (\$25,542).
3. From the Permanent Fund's Lena Clark Trust Fund: to provide funds to begin the electrical upgrade work in the Town Hall and to cover the interest on the 2017 general obligation bonds issued to purchase and install windows in the auditorium and replace the clock faces and workings in the clock tower. (\$11,084).
4. From the Enterprise Fund (Water Department): to provide funding for accounting and administrative services provided to the water department during fiscal year 2018 (\$30,000).
5. From the Special Revenue Fund's Recreation Fees Fund: to provide funding to offset the recreation operations budget for fiscal year 2018 (\$25,000).

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets is as follows:

	Balance 6/30/17	Additions & Reclassifications	Deductions & Reclassifications	Balance 6/30/18
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 784,000	\$ 155,000	\$ -	\$ 939,000
Works of Art	11,000	-	-	11,000
Construction in Progress	518,281	199,818	(60,398)	657,701
<i>Total Capital Assets, not being depreciated</i>	<u>1,313,281</u>	<u>354,818</u>	<u>(60,398)</u>	<u>1,607,701</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	168,111	2,435	-	170,546
Buildings and Improvements	1,255,534	88,855	-	1,344,389
Machinery and Equipment	1,121,366	276,752	(5,505)	1,392,613
Vehicles	2,513,054	1,194,698	(568,677)	3,139,075
Infrastructure	4,508,531	60,490	-	4,569,021
<i>Total Capital Assets, being depreciated</i>	<u>9,566,596</u>	<u>1,623,230</u>	<u>(574,182)</u>	<u>10,615,644</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(150,151)	(5,250)	-	(155,401)
Buildings and Improvements	(617,671)	(47,635)	-	(665,306)
Machinery and Equipment	(561,981)	(105,338)	6,540	(660,779)
Vehicles	(1,628,107)	(153,176)	498,705	(1,282,578)
Infrastructure	(676,770)	(142,704)	-	(819,474)
<b>Total Accumulated Depreciation</b>	<u>(3,634,680)</u>	<u>(454,103)</u>	<u>505,245</u>	<u>(3,583,538)</u>
<b>Total Capital Assets, being depreciated, net</b>	<u>5,931,916</u>	<u>1,169,127</u>	<u>(68,937)</u>	<u>7,032,106</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 7,245,197</u>	<u>\$ 1,523,945</u>	<u>\$ (129,335)</u>	<u>\$ 8,639,807</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

	<u>2018</u>	<u>2017</u>
Administration	\$ 24,931	\$ 16,136
Police	70,570	55,405
Fire	98,458	95,145
Public Works	237,398	219,374
Recreation	7,670	7,166
Recycling	3,972	3,924
Town-wide	11,104	12,777
<b>Total depreciation expense</b>	<u>\$ 454,103</u>	<u>\$ 409,927</u>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 5 – CAPITAL ASSETS (continued)**

	Balance 6/30/17	Additions & Reclassifications	Deductions & Reclassifications	Balance 6/30/18
<b><u>Business-type Activities</u></b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 97,646	\$ -	\$ -	\$ 97,646
Construction in Progress	39,153	-	(39,153)	-
<i>Total Capital Assets, not being depreciated</i>	<u>136,799</u>	<u>-</u>	<u>(39,153)</u>	<u>97,646</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	-	-	-	-
Buildings and Improvements	1,435,014	-	-	1,435,014
Machinery and Equipment	968,937	39,806	-	1,008,743
Vehicles	40,234	-	-	40,234
Infrastructure	4,020,580	-	-	4,020,580
<i>Total Capital Assets, being depreciated</i>	<u>6,464,765</u>	<u>39,806</u>	<u>-</u>	<u>6,504,571</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(837,792)	(28,443)	-	(866,235)
Machinery and Equipment	(417,663)	(38,808)	-	(456,471)
Vehicles	(2,040)	(4,023)	-	(6,063)
Infrastructure	(1,368,419)	(75,457)	-	(1,443,876)
Total Accumulated Depreciation	<u>(2,625,914)</u>	<u>(146,731)</u>	<u>-</u>	<u>(2,772,645)</u>
Total Capital Assets, being depreciated, net	<u>3,838,851</u>	<u>(106,925)</u>	<u>-</u>	<u>3,731,926</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,975,650</u>	<u>\$ (106,925)</u>	<u>\$ (39,153)</u>	<u>\$ 3,829,572</u>
<b>Grand Total</b>	<b>\$ 11,220,847</b>	<b>\$ 1,417,020</b>	<b>\$ (168,488)</b>	<b>\$ 12,469,379</b>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 6 – LONG TERM DEBT**

**A. Statutory Debt Limit**

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specific purposes in excess of certain percentages of state valuation of such municipality. At June 30, 2018, the Town was in compliance with the State limitations.

**B. Changes in Long-term Debt**

Long-term liability activity for the year ended June 30, 2018, was as follows:

**Governmental Activities:**

	Balance 7/1/2017	Additions	Deletions	6/30/2018	Current Portion
Capital leases	\$ 104,697	\$ 395,199	\$ (98,002)	\$ 401,894	\$ 88,506
Bonds payable	1,125,000	-	-	1,125,000	62,500
Accrued compensated absences	228,133	31,905	(18,567)	241,471	99,167
Net OPEB liability	48,217	25,109	-	73,326	-
Net pension liability	1,931,955	789,356	(1,188,070)	1,533,241	-
<b>Governmental activities</b>					
<b>long-term liabilities</b>	<b><u>\$ 3,438,002</u></b>	<b><u>\$ 1,241,569</u></b>	<b><u>\$ (1,304,639)</u></b>	<b><u>\$ 3,374,932</u></b>	<b><u>\$ 250,173</u></b>

**Business-type Activities:**

	Balance 7/1/2017	Additions	Deletions	6/30/2018	Current Portion
Bonds payable	\$ 720,687	\$ -	\$ (137,300)	\$ 583,387	\$ 138,554
Accrued compensated absences	10,347	357	(1,261)	9,443	9,443
Net pension liability	156,871	64,094	(96,469)	124,496	-
<b>Business-type activities</b>					
<b>long-term liabilities</b>	<b><u>\$ 887,905</u></b>	<b><u>\$ 64,451</u></b>	<b><u>\$ (235,030)</u></b>	<b><u>\$ 717,326</u></b>	<b><u>\$ 147,997</u></b>

**C. Bonds and Notes Payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds are issued as serial bonds, generally with equal amounts of principal maturing each year.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 6 – LONG TERM DEBT (Continued)**

The following is a summary of outstanding bonds payable at June 30, 2018:

e following is a summary of outstanding bonds payable:

	<u><b>Governmental Activities</b></u>
<p>\$1,125,000 - 2017 General Obligation Bond due in annual principal and interest installments through 11/01/2037. Interest is charged at various rates over the life of the bond starting at 1.26% and increasing to 3.91% with the last payment. This bond is broken down into two components - the first is \$1,000,000 for two fire engines plus equipment and has term of 20 years. The second is \$125,000 for windows including installation in the Town Hall auditorium and replacement of the clock workings in the Clock Tower at Town Hall and has a term of 10 years.</p>	<p style="text-align: right;">\$ 1,125,000</p> <hr style="width: 100%;"/> <p style="text-align: right;"><b>\$ 1,125,000</b></p> <hr style="width: 100%;"/>
<p>\$681,050 - 1999 General Obligation Bond due in annual principal and interest installments through February 2027. Interest is charged at a rate of 4.5% per annum. Annual payments are \$43,268.</p>	<p style="text-align: right;">\$ 314,246</p>
<p>\$434,627 - 2009 General Obligation Bond due in semi-annual principal and administrative fee installments through October 2019. This is a drinking water state revolving loan so no interest is charged. Semi-annual principal payments are either \$500 or \$28,487.</p>	<p style="text-align: right;">85,462</p>
<p>\$434,627 - 2009 General Obligation Bond due in semi-annual principal and administrative fee installments through October 2019. This is an ARRA drinking water state revolving loan so no interest is charged. Also, there was \$254,913 of principal forgiveness on this loan as a result of the American Recovery and Reinvestment Act of 2009. Semi-annual principal payments are either \$500 or \$11,226.</p>	<p style="text-align: right;">33,679</p>
<p>\$300,000 - 2012 General Obligation Bond due in annual principal and semi-annual interest installments through November 2022. Interest is charged at a rate of between 1.48% and 2.585% per annum. Annual principal payments are \$30,000.</p>	<p style="text-align: right;">150,000</p> <hr style="width: 100%;"/> <p style="text-align: right;"><b>\$ 583,387</b></p> <hr style="width: 100%;"/>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 6 – LONG TERM DEBT (Continued)**

The General Fund pays all governmental activities long-term debt service requirements. The annual debt service requirements to amortize bonds and notes payable are as follows:

<u>Governmental activities</u>			<b>Total</b>
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2019	62,500	30,355	92,855
2020	62,500	29,517	92,017
2021	62,500	28,576	91,076
2022	62,500	27,523	90,023
2023	62,500	26,358	88,858
2024-2028	312,500	110,719	423,219
2029-2033	250,000	70,376	320,376
2034-2038	250,000	24,233	274,233
	<u>\$ 1,125,000</u>	<u>\$ 347,657</u>	<u>\$ 1,472,657</u>

The Proprietary Funds' Water Department pays all business-type activities long-term debt service requirements. The annual debt service requirements to amortize bonds and notes payable are as follows:

<u>Business-type activities</u>			<b>Total</b>
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2019	138,555	16,868	155,423
2020	100,151	15,074	115,225
2021	61,807	13,145	74,952
2022	63,239	11,084	74,323
2023	64,734	8,895	73,629
2024-2027	154,901	17,785	172,686
	<u>\$ 583,387</u>	<u>\$ 82,851</u>	<u>\$ 666,238</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ending June 30, 2018 was \$18,732.

**C. Capital Leases**

The Town has entered into a seven-year lease agreement for the purchase of a loader/backhoe, a five-year lease for the purchase of a fully equipped police cruiser, a five-year lease for a 2017 Ford Explorer and 2017 Dodge Charger, and a six-year lease for a 2017 MT Trackless Sidewalk machine and a 2018 Western Star 10-Wheeler plow truck. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded in the governmental-wide financial statements at the present value of future minimum lease payments as of the date of their inception.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 6 – LONG TERM DEBT (Continued)**

The following is a summary of the capital lease commitment as of June 30, 2018:

	<b>Original Purchase Price</b>	<b>Annual Depreciation Expense</b>	<b>Total Minimum Lease Payments</b>	<b>Interest</b>	<b>Present Value of Minimum Lease Payments</b>
Loader/Backhoe	\$ 108,800	\$ 7,712	\$ 49,307	\$ 1,920	47,387
2017 Cruiser & Equipment	53,300	5,357	33,757	1,793	31,964
2017 Dodge Charger	22,662	5,032	19,228	1,373	17,855
2017 Ford Explorer	26,747	5,349	22,694	1,620	21,074
2017 MT Trackless Sidewalk Machine	149,999	15,000	132,608	11,631	120,977
2018 Western Star 10-Wheeler Plow Truck	197,791	19,779	178,273	15,636	162,637
	<b>\$ 559,299</b>	<b>\$ 58,229</b>	<b>\$ 435,867</b>	<b>\$ 33,973</b>	<b>\$ 401,894</b>

The following is a schedule of future minimum lease payments under the capital leases and the present value of the minimum lease payment at June 30, 2018:

<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Lease Obligation</b>
2019	\$ 88,506	\$ 11,930	\$ 100,436
2020	91,063	9,373	100,436
2021	93,422	6,741	100,163
2022	68,620	4,036	72,656
2023	60,283	1,893	62,176
	<b>\$ 401,894</b>	<b>\$ 33,973</b>	<b>\$ 435,867</b>

**D. Compensated Absences**

The Town's policy relating to compensated absences is described in Note 1, N. The long-term portion of this debt, amounting to \$142,304 for governmental activities at June 30, 2018, is expected to be paid in future years from future resources.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 6 – LONG TERM DEBT (Continued)**

Long-term compensated absences as of June 30, 2018, are comprised of the following:

<u>Type of Leave</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Sick paid upon termination	\$ 142,304	\$ -
Vacation	53,450	8,863
Annual leave (Police Union)	37,526	-
Compensatory time	8,191	580
	<u>\$ 241,471</u>	<u>\$ 9,443</u>

**NOTE 7 – COMPONENTS OF FUND BALANCES**

As of June 30, 2018, other fund balance components consisted of the following:

	<b>Nonspendable</b>	<b>Restricted</b>	<b>Committed</b>	<b>Assigned</b>
General Fund:				
Tax acquired property	\$ 3,429	-	-	-
Prepaid expenses	52,111	-	-	-
Inventory	117,184	-	-	-
Contingency	-	-	33,392	-
FF/EMT contingency	-	-	30,000	-
Use of fund balance -				
FY19 capital projects	-	-	-	100,000
MS4 stormwater program	-	-	3,802	-
Update properties	-	-	5,000	-
ADA repairs and modifications	-	-	11,004	-
Economic development	-	-	41,538	-
Emergency management	-	-	1,823	-
Triumph restoration	-	-	4,138	-
Recreation donation	-	-	858	-
Unfunded liability (accrd comp)	-	-	105,000	-

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 7 – COMPONENTS OF FUND BALANCES (Continued)**

Special Revenue Funds:

Town Hall water damage	-	-	-	230
Town Hall auditorium	-	-	-	3,131
Village Overlay TIF District	-	4,478	-	-
EPA Brownfields grant	-	80,601	-	-
Police outside details	-	-	-	14,807
OUI grant	-	98	-	-
Recreation - trips	-	-	-	50,207
Recreation - Summer programs	-	-	-	96,860
Riverfront	-	6,964	-	-
Farmers' market	-	1,961	-	-
Community center	-	1,749	-	-
Ice rink	-	350	-	-
Recreation impact fee	-	45,211	-	-
Open space impact fee	-	47,700	-	-
BEBA fuel assistance	-	4,145	-	-
MMEHT wellness incentive grant	-	201	-	-
York Hospital grant	-	250	-	-
Cable TV	-	-	162,209	-

Capital Projects Funds:

Town Hall reserve	-	-	34,054	-
Planning reserve	-	-	10,170	-
Police Department reserve	-	-	24,566	-
Fire Department reserve	-	-	262,496	-
Civil defense	-	-	3,156	-
Highway equipment reserve	-	-	46,247	-
Highway infrastructure reserve	-	-	235,787	-
Transfer Station reserve	-	-	153	-
Recreation improvement reserve	-	-	32,830	-

Permanent Funds:

Cemetery trust	920,487	7,593	-	-
Lena Clark trust	474,538	77,598	-	-
McCue Lord trust	-	1,191	-	-
Lord's cemetery trust	-	1,191	-	-
Webster cemetery	-	4,207	-	-
Lena Clark Cemetery Road	-	7,553	-	-
Monument fund	-	837	-	-
300th anniversary	-	3,002	-	-

<b>Total governmental funds:</b>	<b>\$ 1,567,749</b>	<b>296,880</b>	<b>1,048,223</b>	<b>265,235</b>
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**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 8 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool.

Currently, the Town participates in a public entity risk pool and self-insured risk pool sponsored by the Maine Municipal Association, which provides the following insurance coverage to the Town: property and casualty, liability, vehicle, workers' compensation, and unemployment compensation.

Maine Municipal Association's Risk Management Services provides all underwriting, marketing, claims and loss prevention service to program participants. The financial condition of the program is excellent and includes sound financial management and the purchase of high quality reinsurance. Each program is managed individually and overseen by its own board of elected and appointed municipal officials.

If the assets of the MMA Property and Casualty Pool, Worker's Compensation Pool or the Unemployment Compensation Pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal liability and other obligations and to maintain actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment upon its members for the amount needed to make up the deficiency. There has been no such deficiency in the past three years. Management believes that no such deficiency exists as of June 30, 2018.

Further information including financial statements for the Maine Municipal Association Pools may be obtained from MMA Risk Management Services, 60 Community Drive, Augusta, ME 04330.

Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2018. There have been no significant reductions in the commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

**NOTE 9 – PENSION PLANS**

**A. MainePERS – Consolidated Plan – Defined Benefit Pension Plan**

**Description of Plan** – Both the Town and 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

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 9 – PENSION PLANS (Continued)**

and required supplementary information for the Consolidated Plan. The report may be obtained online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at 1-800-451-9800.

**Benefits Provided** - MainePERS 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 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 his/her 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.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawals of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%.

**Funding Policy** – 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. Plan members are required to contribute 8.0% of their annual covered salary depending upon the plan they are in and the Town of Berwick is required to contribute an actuarially determined rate. The current rates are 9.6% and 15.7% of annual covered payroll for fiscal year 2018. The contribution rates of plan members and the Town of Berwick are established and may be amended by the MainePERS Board of Trustees. Actual plan contributions made by the Town were \$227,033, \$207,520 and \$184,475 for the years ended June 30, 2018, 2017, and 2016 respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the Town reported a pension liability of \$1,657,737 for its proportionate share of the net pension liabilities in the plan. The net pension liabilities were measured as of June 30, 2017, 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. As of June 30, 2017, the Town's proportion was 0.404882%, which was an increase of 0.011751% from its proportion measured as of June 30, 2016 at 0.393131%.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 9 – PENSION PLANS (Continued)**

For the year ended June 30, 2018, the Town recognized total pension expense of \$54,038. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>PLD Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 79,642
Changes in assumptions	141,063	-
Net difference between projected and actual earnings on pension plan investments	571,304	616,888
Changes in proportion and differences between contributions and proportionate share of contributions	48,663	15,707
Contributions subsequent to the measurement date	227,033	-
Total	\$ 988,063	\$ 712,237

The \$227,033 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, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>PLD Plan</b>
Plan year ended June 30:	
2018	\$ (23,279)
2019	\$ 173,815
2020	\$ 11,122
2021	\$ (112,865)
2022	\$ -
Thereafter	\$ -

**Actuarial Methods and Assumptions** – The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement, except as noted:

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 9 – PENSION PLANS (Continued)**

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

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

Experience gains and losses, i.e., 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, 2017 are as follows:

*Investment Rate of Return* – For the PLD Plan, 6.875% per annum for the year ended June 30, 2017, compounded annually.

*Inflation Rate* – For the PLD Plan, 2.75% for the year ended June 30, 2017.

*Annual Salary Increases, Merit and Inflation* – Members of the consolidated plan for PLDs, 2.75% to 9.0% per year.

*Mortality Rates* – For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

*Cost of Living Benefit Increases* – 2.20% per annum for the year ended June 30, 2017.

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

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 9 – PENSION PLANS (Continued)**

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 of June 30, 2017 are summarized in the following table:

	<b>PLD Plan</b>	
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

*Discount Rate* - The PLD Plan’s discount rate used to measure the collective total pension liability was 6.875% for 2017. 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.

The following table shows how the collective net pension liability/(asset) as of June 30, 2017 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 6.875% for the PLD Consolidated Plan.

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
<b><u>PLD Plans:</u></b>			
Discount rate	5.875%	6.875%	7.875%
District's proportionate share of the net pension liability	\$ 3,325,930	\$ 1,657,737	\$ 401,846

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 9 – PENSION PLANS (Continued)**

**Changes in Net Pension Liability** – Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions:

*Difference 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 resources. For the PLD Consolidated Plan this was three (3) years; prior to 2017, this was four (4) years for the PLD Consolidated Plan.

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

*Changes in Assumptions* - Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members of each plan. The actuarial assumptions used for the year ended June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. 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. There were no changes in assumptions for the fiscal year ended June 30, 2017.

*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' 2017 Comprehensive Annual Financial Report available online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (800) 451-9800.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 9 – PENSION PLANS (Continued)**

**B. Deferred Compensation Plan**

**Description of Plan** – In addition to the MainePERS Defined Benefit Pension Plan, the Town of Berwick offers all its full-time employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary, in addition to Town contributions, if applicable, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liabilities for the compensation deferred by the plan participants, including earnings on plan assets, are not included in the Town's financial statements.

**Funding Policy** – The contribution requirements of plan members and the Town are established and may be amended by the Town's Board of Selectmen. For employees that choose to participate in the 457 plan alone, the Town will match up to 4% of the employee's annual salary. For the Town's employees that participate in the Town's Regular AC defined benefit plan with MainePERS, the Town will match an amount up to 2% of their annual salary. For both employee groups, there are no minimum deferral requirements to receive the Town's contributions. The employee's and the Town's matching contributions vest 100% with the employee when contributed.

The Town's contributions to the plan including employee contributions for 2018, 2017, and 2016 were \$21,933, \$17,929, and \$15,285, respectively.

**C. Other Retirement Contributions**

Additionally, the Town participates in the Social Security Retirement Program. The Town's contributions to Social Security were \$172,341, \$169,881, and \$157,676 for the years ended June 30, 2018, 2017, and 2016.

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS**

**Description of Plan** - 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 employees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

report that includes financial statements and required supplementary information. That report may be obtained by contacting 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, 2018, the following employees were covered by the benefit terms:

Active members	13
Retirees and spouses	-
Total	13

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

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

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
PPO 500	\$925.31	\$2,075.59
<u>Medicare</u>		
Medicare-Eligible Retirees	\$527.65	\$1,055.29

**Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - At June 30, 2018, the Town reported a liability of \$73,326 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2018 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$10,371. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,556	\$ -
Changes of assumptions	8,273	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
<b>Total</b>	<b>\$ 14,829</b>	<b>\$ -</b>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan year ended June 30:	
2019	\$ 2,119
2020	2,119
2021	2,119
2022	2,119
2023	2,119
Thereafter	4,234

**Discount Rate** - The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.44% per annum for December 31, 2018 was based upon a measurement date of December 31, 2017. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
Discount rate	2.44%	3.44%	4.44%
Total OPEB liability	\$ 87,511	\$ 73,326	\$ 62,002
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 87,511</u>	<u>\$ 73,326</u>	<u>\$ 62,002</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
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**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 61,103	\$ 73,326	\$ 89,159
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 61,103</u>	<u>\$ 73,326</u>	<u>\$ 89,159</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%

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

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

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

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

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

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 3.44% per annum.

Trend Assumptions:

- Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.
- Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.
- Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.
- Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.
- Administrative and claims expense - 3% per annum.

Medical and drug trends were blended to develop non-Medicare and Medicare trends based on experience weight as listed below.

FYE	Non-Medicare		Medicare		Non-Medicare Blended	Medicare Blended
	Medical	Drug	Medical	Drug		
2018	8.20%	9.60%	4.93%	9.60%	8.46%	8.27%
2019	7.90%	9.20%	4.87%	9.20%	8.15%	8.00%
2020	7.60%	8.80%	4.80%	8.80%	7.83%	7.72%
2021	7.30%	8.40%	4.73%	8.40%	7.51%	7.44%
2022	7.00%	8.00%	4.67%	8.00%	7.20%	7.15%
2023	6.70%	7.60%	4.60%	7.60%	6.88%	6.85%
2024	6.40%	7.20%	4.53%	7.20%	6.56%	6.55%
2025	6.10%	6.80%	4.47%	6.80%	6.24%	6.24%
2026	5.80%	6.40%	4.40%	6.40%	5.92%	5.93%
2027	5.50%	6.00%	4.33%	6.00%	5.60%	5.61%
2028	5.20%	5.60%	4.27%	5.60%	5.28%	5.29%
2029	4.90%	5.20%	4.20%	5.20%	4.96%	4.97%
2030	4.60%	4.80%	4.13%	4.80%	4.64%	4.65%
2031	4.30%	4.40%	4.07%	4.40%	4.32%	4.33%
2032	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

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

Age	Tier 1 (Those hired before 7/1/14)		Tier 2 (Those hired on or after 7/1/14)	
	No Additional Employer Payment	With Additional Employer Payment	No Additional Employer Payment	With Additional Employer Payment
55	5%	5%	5%	5.5%
56	5%	5%	5%	5.5%
57	5%	5%	5%	5.5%
58	5%	5%	5%	5.5%
59	20%	20%	5%	5.5%
60	20%	25%	5%	5.5%
61	20%	25%	5%	5.5%
62	20%	25%	5%	5.5%
63	20%	25%	5%	5.5%
64	20%	25%	20%	25%
65	25%	45%	20%	40%
66	25%	30%	20%	25%
67	25%	30%	20%	25%
68	25%	30%	20%	25%
69	25%	30%	20%	25%
70	100%	100%	100%	100%

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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Rates of Turnover - Termination rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Years of Service	Revised
0	25.0%
1	20.0%
2	15.0%
3	12.0%
4	10.0%
5	9.0%
6	6.0%
7+	4.0%

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

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

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

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC \_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Participation Rates -

Age	No Additional Employer Payment	With Additional Employer Payment
55	5%	80%
56	8%	80%
57	11%	80%
58	14%	80%
59	17%	80%
60	20%	80%
61	22%	90%
62	24%	90%
63	26%	90%
64	29%	90%
65	32%	90%
66	34%	90%
67	36%	90%
68	38%	90%
69	40%	90%
70	50%	90%

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

Significant actuarial assumptions employed by the actuary for Claim and Expense Assumptions as of January 1, 2018 are as follows:

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
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**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Monthly Per Capita Claims and Expense Cost - For all medical and prescription drug benefits for the year 2018 is expressed per adult covered beneficiary.

Age	POS A				POS 200			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$311	\$565	\$99	\$122	\$296	\$538	\$95	\$118
45	\$411	\$585	\$128	\$146	\$391	\$557	\$123	\$141
50	\$539	\$674	\$163	\$173	\$513	\$641	\$157	\$166
55	\$694	\$824	\$203	\$202	\$660	\$784	\$195	\$195
60	\$878	\$971	\$248	\$234	\$835	\$923	\$239	\$226
64	\$1,045	\$986	\$288	\$262	\$993	\$938	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	POS C				PPO 500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$306	\$556	\$99	\$122	\$289	\$524	\$95	\$118
45	\$404	\$575	\$128	\$146	\$381	\$542	\$123	\$141
50	\$530	\$662	\$163	\$173	\$499	\$624	\$157	\$166
55	\$683	\$811	\$203	\$202	\$643	\$764	\$195	\$195
60	\$863	\$955	\$248	\$234	\$813	\$899	\$239	\$226
64	\$1,027	\$969	\$288	\$262	\$968	\$913	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	PPO 1000				PPO 1500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$281	\$510	\$95	\$118	\$273	\$495	\$95	\$118
45	\$371	\$528	\$123	\$141	\$360	\$512	\$123	\$141
50	\$486	\$608	\$157	\$166	\$472	\$589	\$157	\$166
55	\$627	\$744	\$195	\$195	\$608	\$722	\$195	\$195
60	\$792	\$876	\$239	\$226	\$768	\$850	\$239	\$226
64	\$943	\$890	\$278	\$253	\$914	\$863	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Age	PPO 2500 Medical		Rx	
	Male	Female	Male	Female
40	\$261	\$474	\$95	\$118
45	\$345	\$491	\$123	\$141
50	\$452	\$565	\$157	\$166
55	\$583	\$692	\$195	\$195
60	\$737	\$815	\$239	\$226
64	\$877	\$828	\$278	\$253
65	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432

Claims reflect all medical and prescription plans offered based on completed incurred experience through June 30, 2017 and projected to 2018 and associate enrollment in the various program options offered.

Annual administrative and claims adjudication expenses are assumed to be \$430 per period for the year 2018.

Claims below age 65 have been loaded 4.3% for medical and 2.8% for drugs for the cost of children enrolled as dependent of eligible retirees. This figure is based on the expected cost for children of the current retirees. This assumption implicitly assumes that future retirees will have the same child distribution as current retirees.

No covered persons under 65 are assumed to be on Medicare and participants age 65 or older are assumed to be enrolled in Medicare.

Affordable Care Act (ACA) and Healthcare Marketplace - A 2.5% load has been built in to reflect the potential impact of changes from the ACA and its impact on the marketplace and program costs. Some key items are PCORI fees, the extra government subsidies for Medicare Part D that can be enrolled in through an Employer Group Waiver Program, minimum loss ratio requirements that impacted some fully insured programs, federal premium taxes, taxes and requirements on providers in the healthcare system, dynamics of the marketplace with Exchanges, Accountable Care Organizations, etc, and the potential impact of the Excise Tax associated with high-costs employer sponsored health plans.

Medical Plan Election - employees will continue in their current medical plan for their entire career.

Second-to-Die Spousal Life Insurance - not explicitly valued and was estimated to impact roughly 0.2% of the Plan's total liability.

Dependent Children - no liability assumed for dependent children's benefits.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 10- OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**Changes in Net OPEB Liability** - Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

*Differences between Expected and Actual Experience* - The difference between expected and actual experience 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, 2018 was \$6,556.

*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 January 1, 2018 and January 1, 2017 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

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

**OPEB Plan Fiduciary Net Position** - Additional financial and actuarial information with respect to this Plan can be found at the Town office at 11 Sullivan Street, Berwick, Maine 03901.

**NOTE 11 – OVERLAPPING DEBT**

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2018, the Town's share was approximately:

		<u>Outstanding Debt</u>		<u>Town's Percentage</u>		<u>Total Share</u>
County of York	\$	3,900,000		1.66%	\$	64,740
MSAD No. 60		3,367,816		39.39%		<u>1,326,583</u>
					<b>\$</b>	<b><u>1,391,323</u></b>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 12 – LEASE COMMITMENT**

On August 31, 2011, the Town signed a 75 year ground lease with Bateman Investments, LLC to lease certain land and structures to the lessee for \$1 per year. The lease allows the lessee to perform certain improvements and repairs to the property as outlined in the agreement. The lessee will be the owner of all improvements to the property until such time as the lease expires at which time the lessor becomes the owner of the improvements.

**NOTE 13 – CONTINGENCIES**

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.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirements may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

**NOTE 14 – TAX INCREMENT FINANCING DISTRICT**

Tax increment financing (TIF) pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance development by utilizing the future increase property tax receipts attributable to the development. Under the statutory framework, the municipality designates a tax increment-financing district and adopts a development program (the Development Program) stating the means and objectives for the development district.

The municipality may designate, or "capture", all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the "captured" assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs.

Tax increment financing districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single development district may not exceed 2% of the total acreage of the municipality, (b) the total area of all districts within a municipality may not exceed 5% of the total acreage of the municipality, and (c) the aggregate value of equalized taxable property of all districts within the municipality as of the April 1<sup>st</sup> preceding the date of designation of each such district cannot exceed 5% of the municipality's total value of equalized taxable property, excluding from this limit any district involving project costs in excess of \$10,000,000 the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality's total assessed value.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 14 – TAX INCREMENT FINANCING DISTRICT (Continued)**

The increase in assessed value captured by the municipality is excluded from the municipality's equalized just value for each year's State valuation filed with the Secretary of State in accordance with Title 36, Section 208 and 305 of the Maine Revised Statutes, as amended, and is therefore not included in calculating the municipality's share of State educational aid, State municipal revenue sharing, the county tax or the 15% debt limitation for the municipality pursuant to Title 30-A, Section 5231 of the Maine Revised Statutes, as amended.

On July 17, 2017 the Town received a letter from the State of Maine's Department of Economic and Community Development (DECD) regarding its Tax Increment Financing (TIF) application. The Town's Downtown Municipal TIF District and Program was approved for a term of 20 years beginning July 1, 2017 and ending June 30, 2037. The original assessed value of the District of \$13,203,300 as of March 31, 2016 (April 1, 2015) is comprised of 33.32 acres and is known as the Village Overlay District.

The Town's voters approved allowing 100% of the captured value within the District to be utilized for projects and activities outlined in the application submitted to the State DECD.

As further described in the Program, Town revenue allocation is projected at \$4,750,751 and may facilitate funding for an estimated \$9,625,000 in public costs and associated debt, if any. Approved public activities and projects costs are as follows:

Within the District:

1. Reimbursement agreements with and associated payments to companies/developers (Credit Enhancement Agreements)	\$1,900,300
2. Street and roadway improvements	\$4,500,000
3. Repair, replacement, and expansion of critical public infrastructure	\$2,500,000
4. Construction of certain streetscape and greenway amenities	\$ 500,000
5. Professional services	\$ 25,000
6. Prorated municipal administrative expense	\$ 50,000

Within the Municipality

1. Economic development programs, events and marketing	\$ 100,000
2. Grant matching related to economic development activities	\$ 50,000

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 15 – RELATED-PARTY TRANSACTIONS**

During fiscal year 2018, the Town of Berwick had the following related party transactions to report.

The Board of Selectmen Chair is related to an employee hired during fiscal year 2018. Although the Town has a nepotism policy, the Town Manager felt that hiring of this employee would not be in violation of the Town's nepotism policy. The wages and benefits paid to this employee during fiscal year 2018 totalled \$36,426. During the fiscal year, the Board Chairman did not have to recuse himself from any financial transactions that would benefit him or his relative.

During fiscal year 2018, the Town hired the company of another Selectman to provide irrigation services to the Town Hall and Recreation field. The total cost of these services was \$548.

At the June Town Meeting, a new Selectman was voted in who is related to an existing Town employee. Given the timing of his appointment in mid-June 2018, he has not had to recuse himself from any financial transactions that would benefit him or his relative during fiscal year 2018. He has also been briefed by the Town Clerk on items that might come before the Board that he would need to recuse himself from any vote due to his relationship to the current Town employee.

**NOTE 16 – RESTATEMENT**

The net position of the governmental activities has been restated at July 1, 2017 to account for the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an amendment of GASB Statement No. 45, as amended (issued 06/04), and GASB Statement No. 57 (issued 12/09). As a result, the beginning balance was restated by (\$48,217).

**NOTE 17 – SUBSEQUENT EVENTS**

At the Board of Selectmen meeting on September 4, 2018, the Board approved placing a warrant article on the November 2018 ballot to issue general obligation bonds in an amount not to exceed \$6,000,000 for the design, construction and improvements of a new fire station and the design, construction and improvements for a police department building renovation. If approved by the voters and the bond is issued in Spring 2019, the estimated impact on the tax rate for fiscal year 2020 will be \$0.29 and for fiscal year 2021 it will be \$0.74.

On September 6, 2018, the Town Manager with authority from the Board of Selectmen signed over four parcels the Town tax-acquired through the Prime Tanning bankruptcy to the primary creditor, Mark Kehaya, Fund of Jupiter. A fifth parcel, formerly the pre-treatment plant for Prime Tanning, was also turned over to Mr. Kehaya. These five parcels will hopefully be redeveloped into retail, commercial, and residential space.

**TOWN OF BERWICK, MAINE**  
**Required Supplementary Information**  
**June 30, 2018**

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

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

**TOWN OF BERWICK, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budgetary Basis**  
**All Budgeted Governmental Funds**  
**For the year ended June 30, 2018**

	General Fund			Variance with final budget positive (negative)
	Budgeted amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 12,202,438	12,202,438	12,371,981	169,543
Licenses and permits	11,000	11,000	17,795	6,795
Intergovernmental	763,140	763,140	785,566	22,426
Interest income	55,000	55,000	61,783	6,783
Charges for services	124,200	124,200	133,581	9,381
Other revenues	515,000	715,000	22,030	(692,970)
Total revenues	13,670,778	13,870,778	13,392,736	(478,042)
Expenditures:				
Current:				
General government	1,210,905	1,210,905	1,122,176	88,729
Public safety	2,583,172	2,583,172	2,497,509	85,663
Public works	1,212,895	1,212,895	1,114,350	98,545
Recreation and culture	210,865	210,865	202,433	8,432
Education	7,275,022	7,275,022	7,275,022	-
County tax	359,843	359,843	359,843	-
Debt service	40,000	40,000	28,698	11,302
Health and welfare	46,578	46,578	41,740	4,838
Outside appropriations	14,036	14,036	12,818	1,218
Unclassified	143,163	326,749	58,380	268,369
Total expenditures	13,096,479	13,280,065	12,712,969	567,096
Excess (deficiency) of revenues over (under) expenditures	574,299	590,713	679,767	89,054
Other financing sources (uses):				
Utilization of committed fund balance	-	183,586	-	(183,586)
Transfers in from water department	30,000	30,000	30,000	-
Transfers in from special revenue funds	25,000	25,000	25,000	-
Transfer in from capital reserve fund	35,500	35,500	25,542	(9,958)
Transfer in from Lena Clark Trust	4,500	4,500	3,157	(1,343)
Transfers to highway improvement reserve	(330,000)	(330,000)	(330,000)	-
Transfers to capital projects funds	(317,665)	(517,665)	(517,665)	-
Transfers to water department	(21,634)	(21,634)	(21,634)	-
Total other financing sources (uses)	(574,299)	(590,713)	(785,600)	(194,887)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	(105,833)	(105,833)
Net change in fund balance			(105,833)	
Fund balances, beginning of year			2,906,420	
<b>Fund balances, end of year</b>	<b>\$</b>		<b>2,800,587</b>	

*See accompanying notes to financial statements.*

**SCHEDULE 2**

**TOWN OF BERWICK, MAINE  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**LAST 10 FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>					
Proportion of the net pension liability	0.40%	0.39%	0.38%	0.40%	0.41%
Proportionate share of the net pension liability	\$ 1,657,737	\$ 2,088,826	\$ 1,220,216	\$ 618,310	\$ 1,273,810
Covered-employee payroll	\$ 1,709,570	\$ 1,575,504	\$ 1,431,047	\$ 1,387,898	\$ 1,312,202
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.97%	132.58%	85.27%	44.55%	97.07%
Plan fiduciary net position as a percentage of the total pension liability	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 presented for those years for which information is available.

**SCHEDULE 3**

**TOWN OF BERWICK, MAINE  
SCHEDULE OF CONTRIBUTIONS**

**LAST 10 FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>					
Contractually required contribution	\$ 227,033	\$ 207,520	\$ 184,475	\$ 156,335	\$ 139,293
Contributions in relation to the contractually required contribution	<u>\$ (227,033)</u>	<u>\$ (207,520)</u>	<u>\$ (184,475)</u>	<u>\$ (156,335)</u>	<u>\$ (139,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 1,735,966	\$ 1,709,570	\$ 1,575,504	\$ 1,431,047	\$ 1,387,898
Contributions as a percentage of covered-employee payroll	13.08%	12.14%	11.71%	10.92%	10.04%

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

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u>          </u>	<u>          </u>	<u>          </u>
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 48,217	\$ -	\$ 48,217
Changes for the year:			
Service cost	6,197	-	6,197
Interest	2,055	-	2,055
Changes of benefits	-	-	-
Differences between expected and actual experience	7,493	-	7,493
Changes of assumptions	9,455	-	9,455
Contributions - employer	-	91	(91)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(91)	(91)	-
Administrative expense	-	-	-
Net changes	25,109	-	25,109
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 73,326</u>	<u>\$ -</u>	<u>\$ 73,326</u>

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

	2018
<u>Total OPEB Liability</u>	
Service cost (BOY)	\$ 6,197
Interest (includes interest on service cost)	2,055
Changes of benefit terms	-
Differences between expected and actual experience	7,493
Changes of assumptions	9,455
Benefit payments, including refunds of member contributions	(91)
Net change in total OPEB liability	\$ 25,109
Total OPEB liability - beginning	\$ 48,217
Total OPEB liability - ending	\$ 73,326
<u>Plan fiduciary net position</u>	
Contributions - employer	91
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(91)
Administrative expense	-
Net change in fiduciary net position	-
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	\$ -
Net OPEB liability - ending	\$ 73,326
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 831,195
Net OPEB liability as a percentage of covered payroll	8.8%

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

**TOWN OF BERWICK, MAINE  
SCHEDULE OF CONTRIBUTIONS -OPEB  
LAST 10 FISCAL YEARS\***

	2018
<u>MMEHT:</u>	
Contributions - employer	\$ 91
Benefit payments	(91)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 831,195
Contributions as a percentage of covered- employee payroll	0.00%

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

**TOWN OF BERWICK, MAINE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

**Maine Municipal Health Trust**

**Changes in Assumptions**

The funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

**TOWN OF BERWICK, MAINE**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2018**

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

- Comparative Balance Sheet – General Fund
- General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
- Combining Balance Sheet – Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds
- Combining Balance Sheet – Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Funds
- Combining Balance Sheet – Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Capital Projects Funds
- Combining Balance Sheet – Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

**TOWN OF BERWICK, MAINE**  
**Comparative Balance Sheets - General Fund**  
**June 30, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,013,111	3,826,993
Restricted cash - GOB	11,752	1,005,899
Receivables:		
Accounts	71,894	47,299
Taxes (net of allowance for uncollectibles, \$276,843 and \$279,590)	389,283	394,212
Tax liens	334,165	320,253
Due from other governments	4,519	-
Tax acquired property	3,429	14,386
Prepaid expenses	52,111	61,084
Inventory	117,184	69,538
Due from other funds	758	7,534
<b>Total assets</b>	<b>\$ 4,998,206</b>	<b>5,747,198</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	131,627	93,491
Accrued wages and benefits	52,237	45,112
Due to other governments	39,628	37,796
Planning escrow accounts	101,662	109,861
Prepaid taxes	15,653	16,953
Due to other funds	1,100,471	1,877,369
<b>Total liabilities</b>	<b>1,441,278</b>	<b>2,180,582</b>
Deferred inflows of resources:		
Deferred tax revenues	756,341	660,196
<b>Total deferred inflows of resources</b>	<b>756,341</b>	<b>660,196</b>
Fund balance:		
Nonspendable	172,724	145,008
Committed	236,555	183,585
Assigned	100,000	500,000
Unassigned	2,291,308	2,077,827
<b>Total fund balance</b>	<b>2,800,587</b>	<b>2,906,420</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 4,998,206</b>	<b>5,747,198</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Year ended June 30, 2018**

(with comparative actual amounts for the year ended June 30, 2017)

	2018		Variance positive (negative)	2017 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 10,827,438	10,863,938	36,500	10,274,236
Change in deferred property tax revenue	-	(96,145)	(96,145)	(4,089)
Excise taxes	1,375,000	1,604,188	229,188	1,495,204
Total taxes	12,202,438	12,371,981	169,543	11,765,351
Licenses and permits:				
Animal control fees	4,500	10,051	5,551	5,662
Town clerk fees	6,500	7,744	1,244	6,106
Total licenses and permits	11,000	17,795	6,795	11,768
Intergovernmental:				
State revenue sharing	390,000	410,267	20,267	395,354
Homestead exemption	237,271	238,245	974	181,599
BETE reimbursement	26,461	25,437	(1,024)	25,360
General assistance	7,000	3,613	(3,387)	3,266
Other state grants	26,400	28,032	1,632	26,145
COPS in school	76,008	75,453	(555)	72,976
FEMA reimbursement	-	4,519	4,519	-
Total intergovernmental	763,140	785,566	22,426	704,700
Interest and costs on taxes	47,500	53,466	5,966	58,072
Investment income	7,500	8,317	817	8,030
Total interest income	55,000	61,783	6,783	66,102
Charges for services:				
Police fees and fines	8,000	4,939	(3,061)	4,698
Planning fees	5,000	27,505	22,505	25,915
Building/elec/plumb permits	70,000	48,244	(21,756)	64,850
Fire and rescue fees	200	1,670	1,470	334
Miscellaneous public works	1,000	2,024	1,024	1,059
Transfer station fees	40,000	49,199	9,199	37,866
Total charges for services	124,200	133,581	9,381	134,722

**TOWN OF BERWICK, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	2018		Variance positive (negative)	2017 Actual
	Budget	Actual		
Revenues, continued:				
Other revenues:				
Miscellaneous	\$ 15,000	22,030	7,030	9,969
Use of surplus	700,000	-	(700,000)	-
Total other revenues	715,000	22,030	(692,970)	9,969
Total revenues	13,870,778	13,392,736	(478,042)	12,692,612
Expenditures:				
Current:				
General government:				
General expense account	277,690	262,755	14,935	240,354
Town administration	340,463	332,920	7,543	319,858
Town clerk	261,836	246,285	15,551	245,253
Planning	128,289	94,056	34,233	133,983
Assessing	77,000	71,610	5,390	73,415
Town Hall	125,627	114,550	11,077	93,065
Total general government	1,210,905	1,122,176	88,729	1,105,928
Public safety:				
Police department	1,625,942	1,579,277	46,665	1,538,113
Fire department	760,842	721,844	38,998	698,527
Hydrants	196,388	196,388	-	196,388
Total public safety	2,583,172	2,497,509	85,663	2,433,028
Public works:				
Highway	790,060	695,112	94,948	797,651
Refuse disposal	422,835	419,238	3,597	444,110
Total public works	1,212,895	1,114,350	98,545	1,241,761
Recreation and Culture:				
Parks & Recreation	111,865	103,433	8,432	94,694
Berwick Library Association	99,000	99,000	-	94,000
Total recreation	210,865	202,433	8,432	188,694
Education	7,275,022	7,275,022	-	6,970,843

**TOWN OF BERWICK, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	2018		Variance positive (negative)	2017 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
County Tax	\$ 359,843	359,843	-	355,947
Debt Service				
Principal	-	-	-	-
Interest	40,000	28,698	11,302	-
Total debt service	40,000	28,698	11,302	-
Health and Welfare:				
General assistance	10,000	5,162	4,838	4,436
Sewer District	36,578	36,578	-	36,897
Total health and welfare	46,578	41,740	4,838	41,333
Outside Appropriations:				
Christmas decorations	1,000	32	968	574
Memorial Day	1,200	1,200	-	1,200
Seacoast Shipyard Association	500	500	-	500
Coast Bus Service	11,086	11,086	-	10,500
American Legion	-	-	-	1,500
Miscellaneous	250	-	250	-
Total outside appropriations	14,036	12,818	1,218	14,274
Unclassified:				
Operating contingency	46,402	13,010	33,392	6,658
FF/EMT contingency	30,000	-	30,000	-
Unfunded liability	105,000	-	105,000	-
Federal stormwater program	21,730	17,928	3,802	18,235
Economic development	45,633	4,095	41,538	15,526
Emergency management	2,021	198	1,823	136
Recreation donation	858	-	858	-
ADA repairs/modifications	11,004	-	11,004	-
Update of properties	5,000	-	5,000	-
Triumph restoration	4,138	-	4,138	-
Overlay	54,963	23,149	31,814	6,837
Total unclassified	326,749	58,380	268,369	47,392

SCHEDULE A-2, Cont.

**TOWN OF BERWICK, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	2018		Variance positive (negative)	2017 Actual
	Budget	Actual		
Total expenditures	\$ 13,280,065	12,712,969	567,096	12,399,200
Excess of revenues over expenditures	590,713	679,767	89,054	293,412
Other financing sources (uses):				
Utilization of committed fund balance	183,586	-	(183,586)	-
Transfers to highway improvement reserve	(330,000)	(330,000)	-	(350,000)
Transfers to capital projects funds	(517,665)	(517,665)	-	(271,500)
Transfers to water department	(21,634)	(21,634)	-	(21,634)
Transfer in from special revenue fund	25,000	25,000	-	20,000
Transfer in from capital reserve fund	35,500	25,542	(9,958)	-
Transfer in from Lena Clark Trust	4,500	3,157	(1,343)	-
Transfers in from water department	30,000	30,000	-	30,000
Total other financing sources (uses)	(590,713)	(785,600)	(194,887)	(593,134)
Excess of revenues and other financing sources over expenditures and other uses - budgetary basis	-	(105,833)	(105,833)	(299,722)
Net change in fund balance		(105,833)		(299,722)
Fund balance, beginning of year		2,906,420		3,206,142
<b>Fund balance, end of year</b>	<b>\$</b>	<b>2,800,587</b>		<b>2,906,420</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2018**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	-	17,981	17,981
Accounts receivable (net of allowance for uncollectibles)	4,147	-	-	4,147
Due from other governments	12,096	-	-	12,096
Due from other funds	424,308	151,176	-	575,484
<b>Total assets</b>	<b>\$ 440,551</b>	<b>151,176</b>	<b>17,981</b>	<b>609,708</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Restricted	113,107	-	17,981	131,088
Committed	162,209	151,176	-	313,385
Assigned	165,235	-	-	165,235
<b>Total fund balance</b>	<b>440,551</b>	<b>151,176</b>	<b>17,981</b>	<b>609,708</b>
<b>Total liabilities and fund balances</b>	<b>\$ 440,551</b>	<b>151,176</b>	<b>17,981</b>	<b>609,708</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Taxes	\$ 4,478	-	-	4,478
Investment income, net of unrealized gains/(losses)	-	-	10	10
Intergovernmental	28,440	-	-	28,440
Charges for services	338,050	-	-	338,050
Total revenues	370,968	9,000	10	379,978
Expenditures:				
Capital outlay	-	829,330	-	829,330
Other	165,502	9,619	-	175,121
Total expenditures	165,502	838,949	-	1,004,451
Excess (deficiency) of revenues over (under) expenditures	205,466	(829,949)	10	(624,473)
Other financing sources (uses):				
Long-term debt issued	-	-	-	-
Capital leases	-	395,199	-	395,199
Transfers in	-	400,592	-	400,592
Transfers out	(25,000)	-	-	(25,000)
Total other financing sources (uses)	(25,000)	795,791	-	770,791
Net change in fund balances	180,466	(34,158)	10	146,318
Fund balances, beginning of year	260,085	185,334	17,971	463,390
<b>Fund balances, end of year</b>	<b>\$ 440,551</b>	<b>151,176</b>	<b>17,981</b>	<b>609,708</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Special Revenue Funds**  
**June 30, 2018**

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

The Town of Berwick as established special revenue funds for the following purposes:

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

The Town of Berwick as established special revenue funds for the following purposes:

**Town Hall Water Damage Fund** – To account for an insurance claim made in fiscal year 2010 for water damage to the Town Hall.

**Tee Shirts Fund** -- To account for the sale of Berwick logo items such as t-shirts, sweatshirts, and hats. This account was fully expended during fiscal year 2018 and the Town will no longer be providing such items for sale.

**Town Hall Auditorium** – To account for the revenues and associated expenditures from rental of the Town Hall auditorium. With new windows installed and heating system repaired, it is the Town's hope to utilize this space for community functions such as plays, musical performances, movie night, and senior activities.

**Village Overlay TIF** – To account for the tax increment financing (TIF) revenues and associated expenditures related to the State approved TIF District in the downtown area. This is a 20-year program, with the original assessed value of the District set at \$13,203,300 as of March 31, 2016 – the April 1, 2015 assessment date for tax purposes and is comprised of 33.32 acres. The incremental assessed valuation will be 100% captured during the 20-year program and utilized for projects and activities outlined in the application to the State Department of Economic and Community Development (DECD).

**EPA Brownfield Cleanup Grant Fund** – To account for the grant funds received from the EPA and expenditures incurred to clean-up the former Prime Tanning site in downtown Berwick. The Town was awarded \$1,400,000 in grant funds with a local match of \$280,000 along with \$200,000 in Brownfields Cleanup funds passed through Southern Maine Planning and Development Commission with a local match of \$40,000, for a total of \$1,920,000 to cleanup this Brownfields site. The EPA Brownfield Cleanup Grant has been presented as a major fund. See Statement C and E.

**Police Grants Fund** – To account for various federal and state grants for special programs administered by the Police Department, as well as the Police outside detail activity.

**Recreation Trips Fund** – To account for the funds collected and expended by the Recreation Department for special trips and events sponsored by the Recreation Department.

**TOWN OF BERWICK, MAINE**  
**Special Revenue Funds**  
**June 30, 2018**

**Recreation Fund** – To account for the funds raised by the Recreation Department either through fees or fundraising and are used for the purchase, repair of equipment, recreation programs and events.

**Riverfront Fund** – To account for funds donated and expended by the Riverfront Committee for the development and ongoing maintenance of a canoe/kayak launch on the Salmon Falls River.

**Farmers' Market Fund** – To account for funds donated and collected from vendors to cover the costs associated with running the winter farmers' markets from October to April.

**Community Center Fund** – To account for donations received to assist in the development of a community center.

**Ice Rink Fund** – To account for donations received to fund the costs associated with an ice rink at the former Estabrook-Doran School.

**Impact Fees Fund** – To account for the impact fees received for recreation and open space. The recreation impact fees are to enhance recreation facilities such as a community center and equipment, while the open space impact fee is dedicated to the acquisition of open space. All impact fees received must be expended within ten (10) years of the date first collected or they must be refunded to the owner of record of the parcel they were collected on.

**BEBA Fuel Fund** – To account for funds received to assist eligible Berwick residents with heating fuel expenditures. The fund is overseen by the General Assistance Administrator.

**Wellness Incentive Grant Fund** -- To account for the wellness grant program funded by Maine Municipal Employees Health Trust.

**York Hospital Grant Fund** – To account for grant funds received from York Hospital for health related programs such as non-smoking campaigns and designated smoke free areas within the Town.

**Berwick Community Television (BCTV)** – To account for the cable franchise fees received and set aside to operate a community television station. The Town voters approved setting aside the cable franchise fees specifically for this purpose – Article 10, Special Town Meeting on November 3, 2009.

**TOWN OF BERWICK, MAINE**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2018**  
(with comparative actual amounts at June 30, 2017)

	Town Hall Water Damage	Tee Shirts	Town Hall Auditorium	Village Overlay TIF	Police Grants	Fire Grants	Recreation Trips	Recreation Fees	Riverfront	Farmers' Market
<b>ASSETS</b>										
Accounts receivable (net of allowance for uncollectibles)	\$ -	-	-	-	1,548	-	1,160	1,439	-	-
Due from other governments	-	-	-	-	12,096	-	-	-	-	-
Due from other funds	230	-	3,131	4,478	1,261	-	49,047	95,421	6,964	1,961
<b>Total assets</b>	<b>230</b>	<b>-</b>	<b>3,131</b>	<b>4,478</b>	<b>14,905</b>	<b>-</b>	<b>50,207</b>	<b>96,860</b>	<b>6,964</b>	<b>1,961</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:										
Restricted	-	-	-	4,478	98	-	-	-	6,964	1,961
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	230	-	3,131	-	14,807	-	50,207	96,860	-	-
<b>Total fund balances</b>	<b>230</b>	<b>-</b>	<b>3,131</b>	<b>4,478</b>	<b>14,905</b>	<b>-</b>	<b>50,207</b>	<b>96,860</b>	<b>6,964</b>	<b>1,961</b>
<b>Total liabilities and fund balances</b>	<b>\$ 230</b>	<b>-</b>	<b>3,131</b>	<b>4,478</b>	<b>14,905</b>	<b>-</b>	<b>50,207</b>	<b>96,860</b>	<b>6,964</b>	<b>1,961</b>

**TOWN OF BERWICK, MAINE**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2018**

(with comparative actual amounts at June 30, 2017)

	Community Center	Ice Rink	Rec Impact Fees	Open Space Impact Fees	BEBA	MMEHT Wellness Incentive	York Hospital	Berwick Community Television	Totals	
									2018	2017
<b>ASSETS</b>										
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	4,147	2,679
Due from other governments	-	-	-	-	-	-	-	-	12,096	13,861
Due from other funds	1,749	350	45,211	47,700	4,145	201	250	162,209	424,308	249,852
<b>Total assets</b>	<b>1,749</b>	<b>350</b>	<b>45,211</b>	<b>47,700</b>	<b>4,145</b>	<b>201</b>	<b>250</b>	<b>162,209</b>	<b>440,551</b>	<b>266,392</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	6,307
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,307</b>
Fund balances:										
Restricted	1,749	350	45,211	47,700	4,145	201	250	-	113,107	39,147
Committed	-	-	-	-	-	-	-	162,209	162,209	82,131
Assigned	-	-	-	-	-	-	-	-	165,235	138,807
<b>Total fund balances</b>	<b>1,749</b>	<b>350</b>	<b>45,211</b>	<b>47,700</b>	<b>4,145</b>	<b>201</b>	<b>250</b>	<b>162,209</b>	<b>440,551</b>	<b>260,085</b>
<b>Total liabilities and fund balances</b>	<b>1,749</b>	<b>350</b>	<b>45,211</b>	<b>47,700</b>	<b>4,145</b>	<b>201</b>	<b>250</b>	<b>162,209</b>	<b>440,551</b>	<b>266,392</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Non-Major Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**June 30, 2018**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	Town Hall Water Damage	Tee Shirts	Town Hall Auditorium	Village Overlay TIF	Police Grants	Fire Grants	Recreation Trips	Recreation Fees	Riverfront	Farmers' Market
Revenues:										
Taxes	\$ -	-	-	4,478	-	-	-	-	-	-
Intergovernmental	-	-	-	-	25,940	2,500	-	-	-	-
Charges for services	-	-	3,542	-	15,172	-	44,723	51,086	4,370	5,877
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>3,542</b>	<b>4,478</b>	<b>41,112</b>	<b>2,500</b>	<b>44,723</b>	<b>51,086</b>	<b>4,370</b>	<b>5,877</b>
Expenditures:										
Program expense	633	644	411	-	35,326	2,500	44,550	7,471	644	5,869
<b>Total expenditures</b>	<b>633</b>	<b>644</b>	<b>411</b>	<b>-</b>	<b>35,326</b>	<b>2,500</b>	<b>44,550</b>	<b>7,471</b>	<b>644</b>	<b>5,869</b>
Excess (deficiency) of revenues over (under) expenditures	(633)	(644)	3,131	4,478	5,786	-	173	43,615	3,726	8
Other financing sources:										
Transfers - in	-	-	-	-	-	-	-	-	-	-
Transfers - out	-	-	-	-	-	-	-	(25,000)	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>	<b>-</b>	<b>-</b>
Net change in fund balance	(633)	(644)	3,131	4,478	5,786	-	173	18,615	3,726	8
Fund balances, beginning of year	863	644	-	-	9,119	-	50,034	78,245	3,238	1,953
<b>Fund balances, end of year</b>	<b>\$ 230</b>	<b>-</b>	<b>3,131</b>	<b>4,478</b>	<b>14,905</b>	<b>-</b>	<b>50,207</b>	<b>96,860</b>	<b>6,964</b>	<b>1,961</b>

**TOWN OF BERWICK, MAINE**  
**Non-Major Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**June 30, 2018**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	Community Center	Ice Rink	Rec Impact Fees	Open Space Impact Fees	BEBA	MMEHT Wellness Incentive	York Hospital	Berwick Community Television	<u>Totals</u>	
									2018	2017
Revenues:										
Taxes	-	-	-	-	-	-	-	-	4,478	-
Intergovernmental	-	-	-	-	-	-	-	-	28,440	32,064
Charges for services	-	-	33,950	33,950	650	-	-	144,730	338,050	209,438
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>33,950</b>	<b>33,950</b>	<b>650</b>	<b>-</b>	<b>-</b>	<b>144,730</b>	<b>370,968</b>	<b>241,502</b>
Expenditures:										
Program expense	-	-	2,489	-	313	-	-	64,652	165,502	154,361
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>2,489</b>	<b>-</b>	<b>313</b>	<b>-</b>	<b>-</b>	<b>64,652</b>	<b>165,502</b>	<b>154,361</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	31,461	33,950	337	-	-	80,078	205,466	87,141
Other financing sources:										
Transfers - in	-	-	-	-	-	-	-	-	-	-
Transfers - out	-	-	-	-	-	-	-	-	(25,000)	(20,000)
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>	<b>(20,000)</b>
Net change in fund balance	-	-	31,461	33,950	337	-	-	80,078	180,466	67,141
Fund balances, beginning of year	1,749	350	13,750	13,750	3,808	201	250	82,131	260,085	192,944
<b>Fund balances, end of year</b>	<b>1,749</b>	<b>350</b>	<b>45,211</b>	<b>47,700</b>	<b>4,145</b>	<b>201</b>	<b>250</b>	<b>162,209</b>	<b>440,551</b>	<b>260,085</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Capital Projects Funds**  
**June 30, 2018**

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. The projects also include significant purchase of vehicles and equipment, as well as the servicing of leases and bonds associated with those purchases.

The Town's individual capital project funds were established for the following purposes:

**Highway Improvement Reserve** – To account for the construction and repair of roads, bridges, and sidewalks, and includes the cost of engineering services and any associated drainage work. It also accounts for the repair, maintenance, construction, and/or renovation work on the Public Works facilities such as the salt shed and garage. The Highway Improvement Reserve has been presented as a major fund. See Statement C and E.

**Town Hall Reserve** – This reserve is made up of two parts:

- The first is to account for the purchase of equipment by the General Government departments such as Town Administration, Town Clerk, Code and Assessing and generally includes funding for software, computers, servers, voting booths, telephone systems, and photocopiers.
- The second part is to account for funds set aside to perform major repairs to municipal buildings such as roof replacement, masonry work, HVAC system replacement, window replacement, etc.

**Planning Reserve** – To account for the purchase of a map plotter for the Planning department and the capital project costs associated with the MS4 permit and stormwater improvements, particularly the outfalls located off of Moulton Street.

**Police Department Reserve** – To account for the purchase police cruisers, law enforcement equipment such as radios, repeaters and antennas, and repairs, renovations and upgrades to Police Station. It also includes the activity of the drug forfeiture account.

**Fire Department Reserve** – To account for the purchase and maintenance of vehicles and fire apparatus, firefighting equipment such as SCBA equipment, PPEs or bunker gear, radios, and fire hose, and fire station repairs, renovations and upgrades. The Fire Department Reserve has been presented as a major fund. See Statement C and E.

**Civil Defense** – To account for unspent funds appropriated to the Emergency Management Account in the Appropriation budget between budget years 1989 and 1999, and any remaining balances were transferred to the Civil Defense account.

**Highway Equipment Reserve** – To account for the purchase and maintenance of vehicles and equipment.

**Transfer Station Reserve** – To account for the maintenance, repairs and upgrades to the transfer station facility.

**Recreation Improvement Reserve** – To account for the maintenance, repairs and upgrades to the recreation facilities and fields.

SCHEDULE F

TOWN OF BERWICK, MAINE  
 Combining Balance Sheet  
 Capital Projects Funds  
 June 30, 2018

(with comparative actual amounts at June 30, 2017)

	Town Hall Reserve	Planning Reserve	Police Department Reserve	Civil Defense	Highway Equipment Reserve	Transfer Station Reserve	Recreation Improvement Reserve	Totals	
								2018	2017
<b>ASSETS</b>									
Due from other funds	\$ 34,054	10,170	24,566	3,156	46,247	153	32,830	151,176	185,334
<b>Total assets</b>	<b>34,054</b>	<b>10,170</b>	<b>24,566</b>	<b>3,156</b>	<b>46,247</b>	<b>153</b>	<b>32,830</b>	<b>151,176</b>	<b>185,334</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-
Fund balances:									
Committed	34,054	10,170	24,566	3,156	46,247	153	32,830	151,176	185,334
Total fund balances	34,054	10,170	24,566	3,156	46,247	153	32,830	151,176	185,334
<b>Total liabilities and fund balances</b>	<b>\$ 34,054</b>	<b>10,170</b>	<b>24,566</b>	<b>3,156</b>	<b>46,247</b>	<b>153</b>	<b>32,830</b>	<b>151,176</b>	<b>185,334</b>

See accompanying notes to financial statements.

SCHEDULE G

**TOWN OF BERWICK, MAINE**  
**Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**June 30, 2018**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	Town Hall Reserve	Planning Reserve	Police Department Reserve	Civil Defense	Highway Equipment Reserve	Transfer Station Reserve	Recreation Improvement Reserve	Totals	
								2018	2017
Revenues:									
Miscellaneous income	\$ -	-	-	-	9,000	-	-	9,000	-
Total revenues	-	-	-	-	9,000	-	-	9,000	-
Expenditures:									
Program expense	9,283	-	-	-	-	-	336	9,619	334
Capital outlay	33,659	72,108	116,804	-	407,966	-	198,793	829,330	285,026
Total expenditures	42,942	72,108	116,804	-	407,966	-	199,129	838,949	285,360
Excess (deficiency) of revenues over (under) expenditures	(42,942)	(72,108)	(116,804)	-	(398,966)	-	(199,129)	(829,949)	(285,360)
Other financing sources:									
Long-term debt issued	-	-	-	-	-	-	-	-	125,000
Capital leases	-	-	49,409	-	345,790	-	-	395,199	53,300
Transfers - in	7,927	50,000	75,165	-	67,500	-	200,000	400,592	115,762
Transfers - out	-	-	-	-	-	-	-	-	(1,612)
Total other financing sources	7,927	50,000	124,574	-	413,290	-	200,000	795,791	292,450
Net change in fund balance	(35,015)	(22,108)	7,770	-	14,324	-	871	(34,158)	7,090
Fund balances, beginning of year	69,069	32,278	16,796	3,156	31,923	153	31,959	185,334	178,244
<b>Fund balances, end of year</b>	<b>\$ 34,054</b>	<b>10,170</b>	<b>24,566</b>	<b>3,156</b>	<b>46,247</b>	<b>153</b>	<b>32,830</b>	<b>151,176</b>	<b>185,334</b>

*See accompanying notes to financial statements.*

## TOWN OF BERWICK, MAINE

### Permanent Funds

June 30, 2018

Permanent funds are used to account for assets held by the Town of 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.

**Berwick Cemetery Association Trust** -- Established to be used for the care and upkeep of the Evergreen Cemetery. Only the interest may be utilized and is annually remitted to the Berwick Cemetery Association to assist in funding their maintenance and upkeep of the cemetery. The Berwick Cemetery Association Trust has been presented as a major fund. See Statement C and E.

**Lena Clark Trust** – Established in 1928 to construct a Town Hall and provide on-going capital maintenance for the Town Hall. Only the interest may be utilized for major building repairs. The Lena Clark Trust has been presented as a major fund. See Statement C and E.

**Cemetery Trust** -- Various funds established to be used for the care and upkeep of the various town cemeteries. These include the McCue Lord Trust, Lord's Cemetery Maintenance Trust, Webster Cemetery, and Lena Clark Cemetery Road Trust.

**Monument Trust** – Established for the care and upkeep of the monument in front of Town Hall.

**300<sup>th</sup> Anniversary Trust** -- Established to account for the activity surrounding the Town's 300<sup>th</sup> celebration with residual funds to be set aside for future Town-wide celebrations.

SCHEDULE H

TOWN OF BERWICK, MAINE

Combining Balance Sheet

Permanent Funds

June 30, 2018

(with comparative actual amounts at June 30, 2017)

	McCue Lord Trust	Lord's Cemetery Maintenance	Webster Cemetery	Lena Clark Cemetery Road	Monument Fund	300th Anniversary	Totals	
							2018	2017
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,191	1,191	4,207	7,553	837	3,002	17,981	17,971
<b>Total assets</b>	<b>1,191</b>	<b>1,191</b>	<b>4,207</b>	<b>7,553</b>	<b>837</b>	<b>3,002</b>	<b>17,981</b>	<b>17,971</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Due to other funds	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:								
Restricted	1,191	1,191	4,207	7,553	837	3,002	17,981	17,971
<b>Total fund balances</b>	<b>1,191</b>	<b>1,191</b>	<b>4,207</b>	<b>7,553</b>	<b>837</b>	<b>3,002</b>	<b>17,981</b>	<b>17,971</b>
<b>Total liabilities and and fund balances</b>	<b>\$ 1,191</b>	<b>1,191</b>	<b>4,207</b>	<b>7,553</b>	<b>837</b>	<b>3,002</b>	<b>17,981</b>	<b>17,971</b>

See accompanying notes to financial statements.

SCHEDULE I

**TOWN OF BERWICK, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Permanent Funds**  
**June 30, 2018**  
**(with comparative actual amounts for the year ended June 30, 2017)**

	McCue Lord Trust	Lord's Cemetery Maintenance	Webster Cemetery	Lena Clark Cemetery Road	Monument Fund	300th Anniversary	Totals	
							2018	2017
Revenues:								
Investment income	\$ 1	1	2	4	-	2	10	9
Other	-	-	-	-	-	-	-	103
Total revenues	1	1	2	4	-	2	10	112
Expenditures:								
Other miscellaneous	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-	-	-
Net change in fund balance	1	1	2	4	-	2	10	112
Fund balances, beginning of year	1,190	1,190	4,205	7,549	837	3,000	17,971	17,859
<b>Fund balances, end of year</b>	<b>\$ 1,191</b>	<b>1,191</b>	<b>4,207</b>	<b>7,553</b>	<b>837</b>	<b>3,002</b>	<b>17,981</b>	<b>17,971</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**

**General Capital Assets**

**June 30, 2018**

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.

SCHEDULE J

**TOWN OF BERWICK, MAINE**  
**Schedule of Capital Assets Used in the Operation of Governmental Funds by Function and Activity**  
**June 30, 2018**  
 (with comparative actual amounts for the year ended June 30, 2017)

Function and Activity	Land and Non-depreciable Assets	Buildings, Bldg Imprvmnts, & Land Imprvmnts	Furniture Fixtures, Equipment, & Vehicles	Infrastructure	Totals	
					2018	2017
Administration	\$ -	-	132,657	-	132,657	129,579
Recycling	98,100	40,251	25,000	-	163,351	163,351
Fire	77,200	137,410	2,299,930	-	2,514,540	1,924,117
Police	-	394,290	455,506	-	849,796	790,120
Public Works	74,200	291,654	1,567,210	4,569,021	6,502,085	6,208,061
Recreation	58,200	163,485	24,283	-	245,968	240,846
Water	97,646	1,474,820	1,009,171	4,020,580	6,602,217	6,562,411
Town Wide	642,300	487,845	27,102	-	1,157,247	905,522
Construction in progresss	657,701	-	-	-	657,701	557,434
<b>Total governmental fund capital assets</b>	<b>1,705,347</b>	<b>2,989,755</b>	<b>5,540,859</b>	<b>8,589,601</b>	<b>18,825,562</b>	<b>17,481,441</b>
Less: Accumulated Depreciation	-	(1,689,247)	(2,403,586)	(2,263,350)	(6,356,183)	(6,260,594)
<b>Net governmental fund capital assets</b>	<b>\$ 1,705,347</b>	<b>1,300,508</b>	<b>3,137,273</b>	<b>6,326,251</b>	<b>12,469,379</b>	<b>11,220,847</b>

*See accompanying notes to financial statements.*

SCHEDULE K

**TOWN OF BERWICK, MAINE**  
**Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity**  
**June 30, 2018**

<b>Function and Activity</b>	<b>Balance 2017</b>	<b>Additions / Reclass</b>	<b>Deletions / Reclass</b>	<b>Balance 2018</b>
Administration	\$ 129,579	8,583	(5,505)	132,657
Recycling	163,351	-	-	163,351
Fire	1,924,117	980,422	(389,999)	2,514,540
Police	790,120	121,663	(61,987)	849,796
Public Works	6,208,061	410,715	(116,691)	6,502,085
Recreation	240,846	5,122	-	245,968
Water	6,562,411	39,806	-	6,602,217
Town Wide	905,522	251,725	-	1,157,247
Contruction in progresss	557,434	199,818	(99,551)	657,701
<b>Total governmental fund capital assets</b>	<b>\$ 17,481,441</b>	<b>2,017,854</b>	<b>(673,733)</b>	<b>18,825,562</b>
Less: Accumulated Depreciation	(6,260,594)	(600,834)	505,245	(6,356,183)
<b>Net governmental fund capital assets</b>	<b>11,220,847</b>	<b>1,417,020</b>	<b>(168,488)</b>	<b>12,469,379</b>

*See accompanying notes to financial statements.*



*Proven Expertise and Integrity*

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

Board of Selectmen  
Town of Berwick  
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 Berwick, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Berwick, Maine's basic financial statements, and have issued our report thereon dated September 26, 2018.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
September 26, 2018