

Federal Compliance Audit

Town of Berwick, Maine

June 30, 2017



*Proven Expertise and Integrity*

TOWN OF BERWICK, MAINE

CONTENTS

JUNE 30, 2017

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 23
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT- WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	24
STATEMENT B - STATEMENT OF ACTIVITIES	25
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	26
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	27
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	28
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	29
STATEMENT G – STATEMENT OF NET POSITION – PROPRIETARY FUNDS	30
STATEMENT H - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	31
STATEMENT I - STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	32
STATEMENT J - STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	33
STATEMENT K - STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS	34

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	72
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	73
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	74
SCHEDULE 3 – SCHEDULE OF CONTRIBUTIONS	74
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	75

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	76
SCHEDULE A-1 - COMPARATIVE BALANCE SHEET – GENERAL FUND	77
SCHEDULE A-2 – GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL	78 - 81
SCHEDULE B - COMBINING BALANCE SHEET – ALL OTHER GOVERNMENTAL FUNDS	82
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL OTHER GOVERNMENTAL FUNDS	83
SPECIAL REVENUE FUND DESCRIPTION	84 - 85
SCHEDULE D - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	86
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	87
CAPITAL PROJECTS FUND DESCRIPTION	88
SCHEDULE F - COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUND	89

SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS	90
PERMANENT FUNDS DESCRIPTION	91
SCHEDULE H - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	92
SCHEDULE I - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR PERMANENT FUNDS	93
GENERAL CAPITAL ASSETS DESCRIPTION	94
SCHEDULE J - SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY	95
SCHEDULE K - SCHEDULE OF CHANGES IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY FUNCTION AND ACTIVITY	96
<u>FEDERAL COMPLIANCE</u>	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	97
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	98
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 <i>GOVERNMENT AUDITING STANDARDS</i>	99 - 100
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	101 - 103
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	104



*Proven Expertise and Integrity*

## 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, 2017, 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

3 Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609  
[www.rhrsmith.com](http://www.rhrsmith.com)

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, 2017, 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 related information on pages 4 through 23 and 73 through 75 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles,*

*and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Departmental Operations - General Fund, combining financial statements, capital asset schedules and the schedule of expenditures of federal awards 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, capital asset schedules and the schedule of expenditures of federal awards 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 November 20, 2017 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  
November 20, 2017

## 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, 2017. 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 \$11,506,797, a decrease of (\$43,201) or -0.4% when compared to the beginning net position figure of \$11,549,998.
- The ending net position of the Town of Berwick's business-type activities (Berwick Water Dept.) is \$3,525,734, an increase of \$62,866 or 1.8% when compared to the beginning net position figure of \$3,462,868.
- The ending fund balance for Governmental Funds is \$6,287,384. Although expenditures exceeded revenues by (\$357,158), with the issuance of general obligation bonds of \$1,125,000, lease proceeds of \$53,300, transfers in of \$675,762 and transfers outs of \$667,396, the net change was an increase of \$829,508.
- The General Fund's ending fund balance is \$2,906,420; a decrease of (\$299,722) from the prior year's ending fund balance of \$3,206,142. Of the \$2,906,420, \$145,008 is reserved for nonspendable items such as tax acquired property, inventory, and prepaid expenses, and \$683,585 is committed for capital projects, accrued compensated absences and self-funded programs. 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, 2017 was \$2,077,827 or 13.7% of the total FY18 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	
	2017	2016 (Restated)	2017	2016 (Restated)
Current assets	\$ 7,327,261	\$ 6,401,667	\$ 383,384	\$ 413,825
Capital assets, net	7,245,197	6,817,356	3,975,650	4,026,555
Noncurrent assets	-	-	12,005	-
Total assets	<u>14,572,458</u>	<u>13,219,023</u>	<u>4,371,039</u>	<u>4,440,380</u>
Total deferred outflows of resources	1,161,786	664,247	94,335	53,935
Current liabilities	494,615	387,661	162,195	167,577
Noncurrent liabilities	<u>3,274,851</u>	<u>1,310,799</u>	<u>740,258</u>	<u>812,325</u>
Total liabilities	<u>3,769,466</u>	<u>1,698,460</u>	<u>902,453</u>	<u>979,902</u>
Total deferred inflows of resources	457,981	634,812	37,187	51,545
Net Position:				
Invested in:				
Net investment in capital assets	6,015,500	6,739,747	3,266,968	3,162,223
Restricted	1,585,997	1,453,851	12,005	-
Unrestricted	<u>3,905,300</u>	<u>3,356,400</u>	<u>246,761</u>	<u>300,645</u>
Total net position	<u>\$ 11,506,797</u>	<u>\$ 11,549,998</u>	<u>\$ 3,525,734</u>	<u>\$ 3,462,868</u>

The increase of \$925,594 in the current assets category for the governmental activities was primarily due to the increases in general fund investments of \$1,033,632 and \$108,363 in due from other governments along with a decrease of (\$153,021) in taxes receivable, (\$61,987) in liens receivable and in inventory of (\$67,734). The decrease of (\$30,441) in the current assets

category for the business-type activities was primarily due to the changes in cash and cash equivalents of (\$23,046) and inventory of (\$5,771).

The Capital Asset disclosure in the notes to the financial statements, see Note 5, shows how the changes in capital assets, net of \$427,841 for governmental activities resulted. Note 5 also identifies the changes in capital assets for the business-type activities. The net change was a reduction of (\$50,905).

The noncurrent assets for the business-type activities was new in fiscal year 2017 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 \$106,954 for governmental activities was primarily due to the changes in the accounts payable at year-end of \$84,123 and current portion of long-term obligations of \$14,957. The business-type activities saw a decrease in the current liabilities of (\$5,382). This was primarily due to the changes in the account payable at year-end, which saw a decrease of (\$9,320). This decrease was offset by an increase of \$4,002 in the current portion of long-term obligations.

The increase of \$1,964,052 in the noncurrent liabilities for governmental activities was the result of the following items. The issuance of general obligation bonds in the amount of \$1,125,000 occurred in November 2016 and was the largest contributor to the increase in this category. Also, the Town's net pension liability increased by \$803,377. The business-type activities saw a reduction of (\$72,067) in their noncurrent liabilities. The decrease of (\$137,300) was in bonds payable, partially offset by an increase in net pension liability of \$65,233.

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>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Taxes:				
Property	\$ 10,274,236	\$ 10,218,635	\$ -	\$ -
Excise	1,495,204	1,401,368	-	-
Program revenues:				
Charges for services	264,404	261,532	669,046	651,070
Operating grants & contributions	233,870	232,756	-	-
Capital grants & contributions	226,500	481,546	-	-

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2017	2016	2017	2016
Grants and contributions not restricted to specific programs:				
Homestead exemption	181,599	122,588	-	-
BETE reimbursement	25,360	26,635	-	-
Other federal aid	1,026,104	114,826	-	-
Other state aid	29,411	31,445	-	-
State revenue sharing	395,354	413,142	-	-
Investment earnings	172,487	23,374	-	-
Miscellaneous revenues	<u>68,041</u>	<u>111,602</u>	<u>22,770</u>	<u>7,523</u>
Total revenues:	14,392,570	13,439,449	691,816	658,593
Expenses				
Current:				
General government	2,542,437	1,335,173	-	-
Public safety	2,670,718	2,463,236	-	-
Public works	1,442,549	1,520,830	-	-
Health & welfare	50,303	44,234	-	-
Recreation & culture	246,907	240,941	-	-
Education	6,970,843	6,696,358	-	-
County tax	355,947	351,554	-	-
Outside appropriations	14,274	11,624	-	-
Unclassified	137,382	151,949	620,584	592,520
Unallocated depreciation	<u>12,777</u>	<u>12,958</u>	<u>-</u>	<u>-</u>
Total expenses:	14,444,137	12,828,857	620,584	592,520
Net transfers	<u>8,366</u>	<u>15,234</u>	<u>(8,366)</u>	<u>(15,234)</u>
Change in net position	(43,201)	625,826	62,866	50,839
Net position - July 1, restated	<u>11,549,998</u>	<u>10,924,172</u>	<u>3,462,868</u>	<u>3,412,029</u>
Net position - June 30	<u>\$ 11,506,797</u>	<u>\$ 11,549,998</u>	<u>\$ 3,525,734</u>	<u>\$ 3,462,868</u>

Approximately 71.4% of the Town's revenues come from property taxes, while 10.4% comes from excise taxes and 4.4% 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 2017, the Town received 7.1% from federal aid, i.e. the EPA Brownfield Grant funds.

The revenue for the Town's governmental activities of \$14,392,570 increased \$953,121, which was just over a 7.1% increase from the fiscal year 2016's amount of \$13,439,449. There are a number of revenue sources that contributed to this substantial increase and they are identified below:

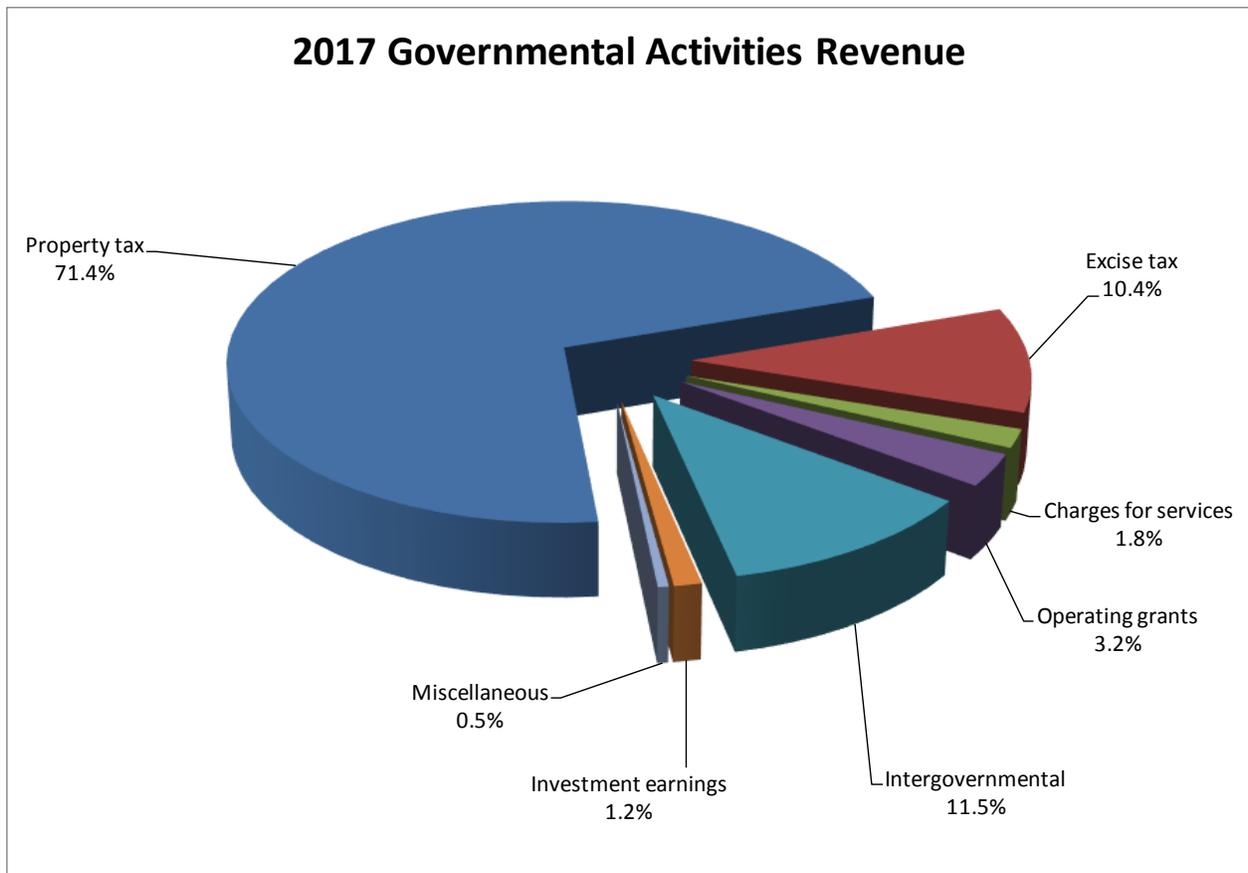
Capital grants and contributions saw an increase of \$949,192 or 134.0% over fiscal year 2016. The major contributors to this increase was the grant funds received from the EPA's Brownfield Cleanup Grant of \$1,026,104 for costs associated with the former Prime Tanning site cleanup work.

Investment earnings saw a significant increase of 637.9% or \$149,113 over fiscal year 2016. The largest contributor to this increase was the net gain seen on the investments for the Cemetery Trust Fund and the Lena Clark Trust Fund for the fiscal year.

The homestead exemption saw an increase of \$59,011 or 48.1% increase over fiscal year 2016. Although there was 39 fewer homestead exemptions for tax year 2017 than tax year 2016, the exemption amount for tax year 2017 was \$20,000 compared to \$10,600 for tax year 2016. In both years the Town received a 50% reimbursement from the State of Maine.

Excise taxes saw an increase of \$93,836 or 6.7% increase over fiscal year 2016. New vehicles being registered bring in a higher excise taxes and during fiscal year 2017 \$262,846 was collected in excise taxes for year 1, which are current or new model year vehicle registrations and slightly lower than what year 1 was for fiscal year 2016.

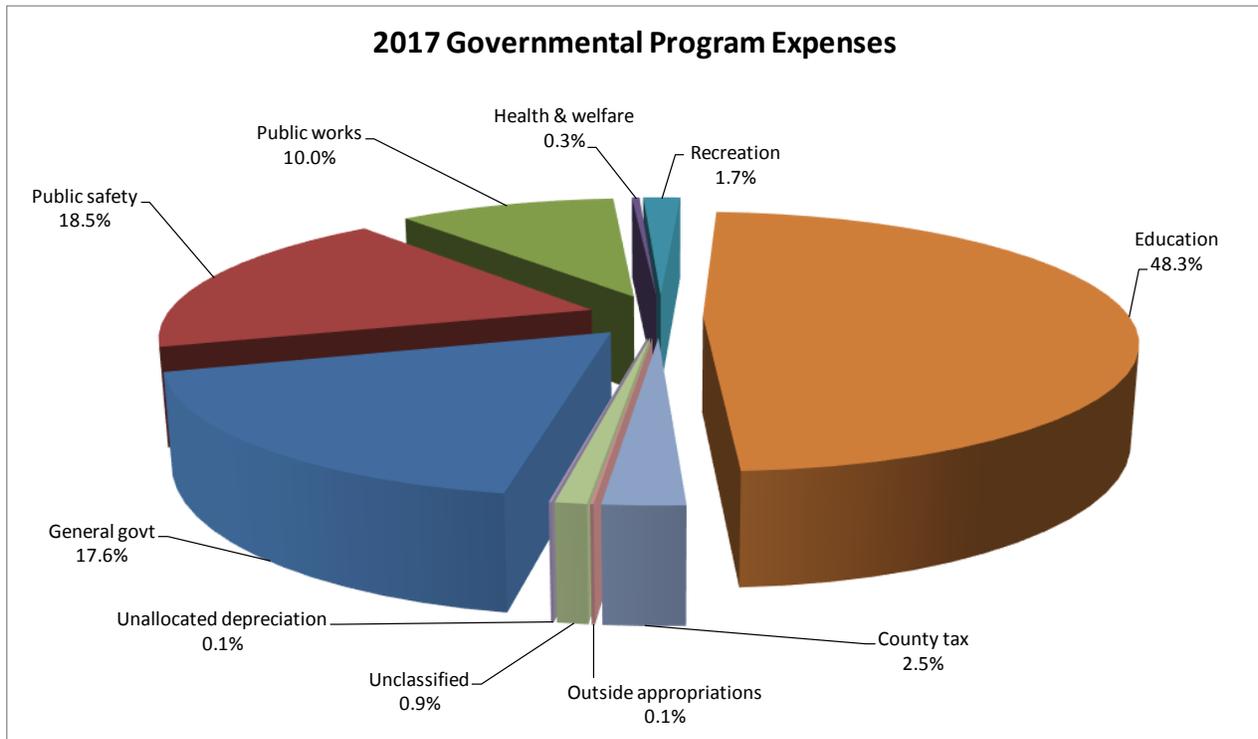
The following pie chart shows the sources of revenue for fiscal year 2017.



The expenses for the Town's governmental activities were up by 12.6% or \$1,615,280 when compared to fiscal year 2016. The Town's share of MSAD 60's budget makes up 48.3% of the expenses for fiscal year 2017 and is up 4.1% or \$274,485 from the fiscal year 2016 assessment. Whereas, the general government activity, which makes up 17.6% of the expenses for fiscal year 2017, saw the largest increase between the years with expenses up \$1,207,264 or 90.4% over fiscal year 2016. This was due in large part to the expenses associated with the EPA Brownfields Cleanup Grant, which amounted to \$1,240,087.

Although the Public Safety activity was 18.5% of the expenses for fiscal year 2017, it was only up 8.4% over fiscal year 2016 expenses. 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 2017.



Proprietary fund revenues were up \$33,223 or 5.0% due to the increase in miscellaneous revenues. Miscellaneous revenues were 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 up only \$28,064 or 4.7% in fiscal year 2017 when compared to fiscal year 2016. The Water Dept. in an attempt to address the manganese issue in the water supply worked with an engineering firm to develop a procedure to remove the manganese from the water as it enters the plant. As of June 30, 2017, the department had expended just over \$39,000 on this project, which is anticipated to be completed by August 2017. The offset to these increased expenses was the reduction in depreciation expense for fiscal year 2017. The depreciation expense was (\$19,290) or -12.0% lower than for fiscal year 2016.

### Governmental Activities

The cost of all governmental activities was \$14,444,137. 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 \$10,274,236 or 71.1%, while some of the cost was paid by those who directly benefit from the programs -- \$264,404, by other governments and organizations that subsidized certain programs with operating grants and contributions -- \$233,870, and by other governments and organizations that subsidized certain programs with capital grants and contributions - \$226,500. The Town also received \$3,393,560 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 2017.

As a result of the Governmental activities' expenses of \$14,444,137 exceeding the revenues of \$14,400,936, the Town of Berwick realized a decrease to its net position of (\$43,201).

### **Proprietary Funds**

The cost for the Water Department activities for fiscal year 2017 was \$620,584. The majority of revenues received by the Water Department were from charges for services in the amount of \$669,046. With revenues exceeding expenses, the Water Department realized an increase to its net position of \$62,866.

### **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 2017 revenues by source for the General Fund with the 2016 information for comparison while the pie chart summaries the 2016 revenues by source. Information is from Statement E.

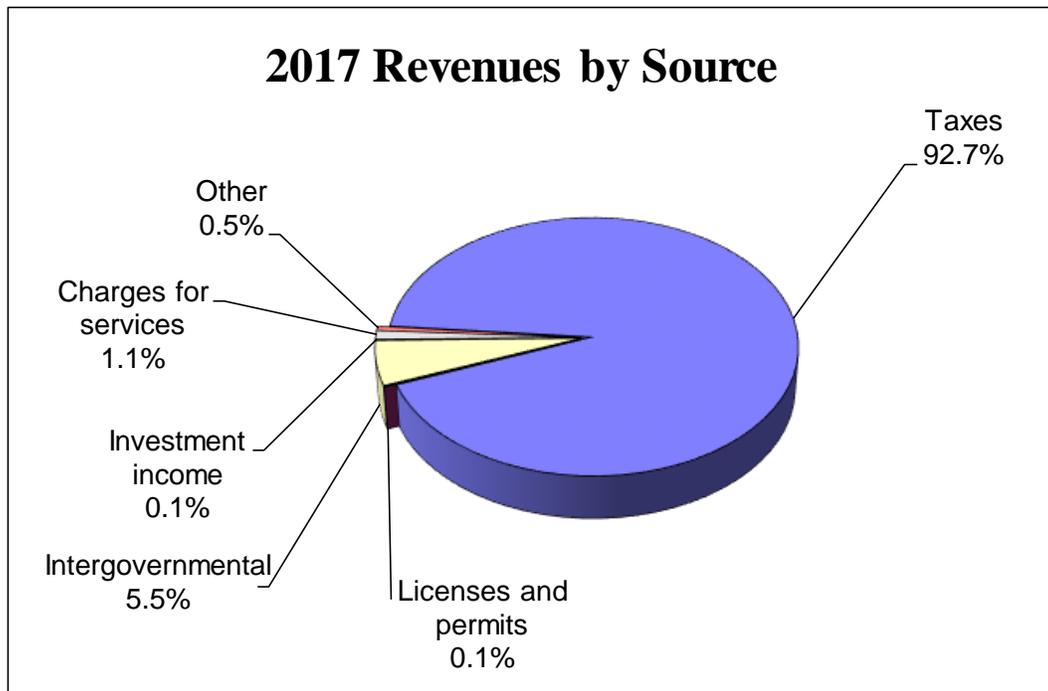
	<u>2017</u>	<u>2016</u>	\$ Chg.	% Chg.
Revenues by source:				
Taxes	\$ 11,765,351	\$ 11,757,673	\$ 7,678	0.1%
Licenses and permits	11,768	17,480	(5,712)	-32.7%
Intergovernmental	704,700	666,740	37,960	5.7%
Investment income	8,030	7,927	103	1.3%
Charges for services	134,722	140,521	(5,799)	-4.1%
Other	<u>68,041</u>	<u>111,602</u>	<u>(43,561)</u>	-39.0%
<b>Total revenue</b>	<b><u>\$ 12,692,612</u></b>	<b><u>\$ 12,701,943</u></b>	<b><u>\$ (9,331)</u></b>	<b>-0.1%</b>

General Fund revenues saw a decrease of -0.1% in fiscal year 2017 when compared to 2016. The following are some of the reasons for the changes in the revenue sources.

Intergovernmental: Revenues found in this category are generally reimbursements from other governments or grants. The largest increase in the category was from the homestead exemption reimbursement from the State of Maine, which was up \$59,011. As mentioned in a previous

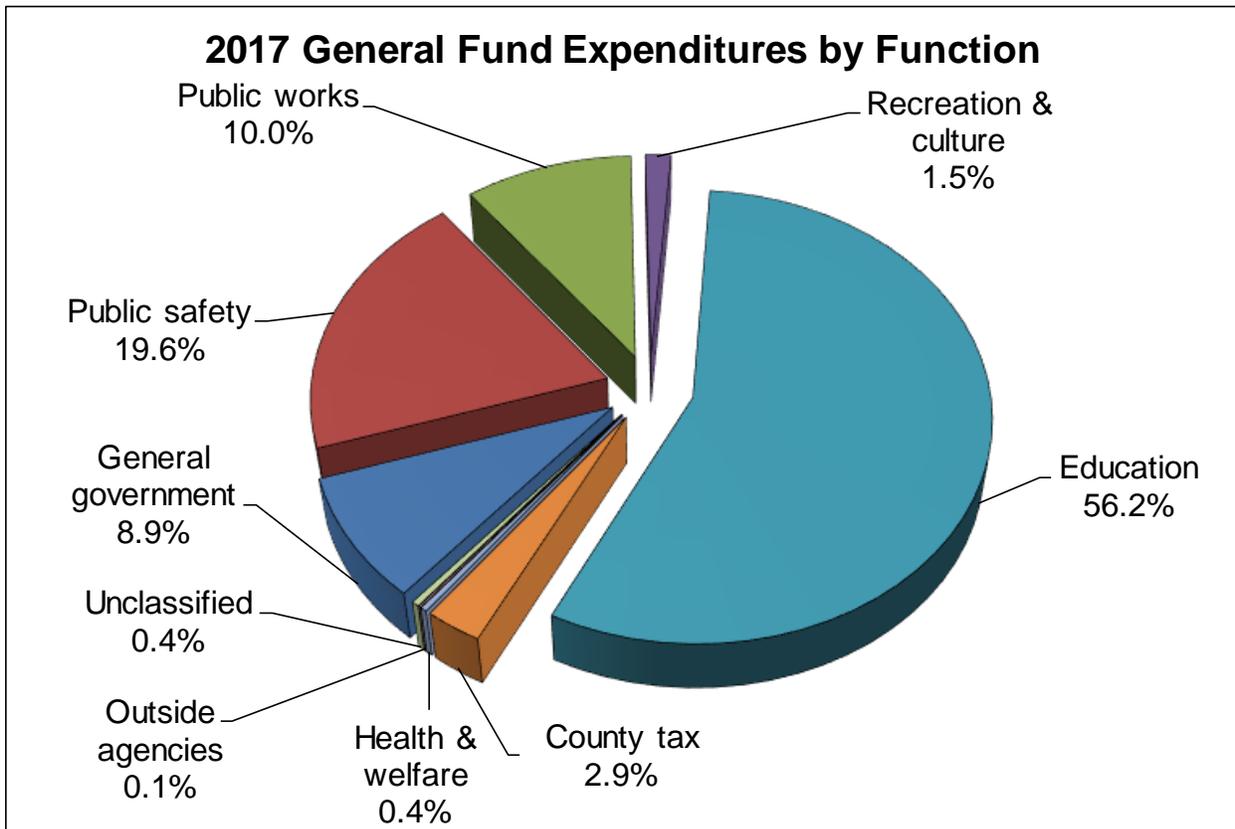
section, the number of exemptions were down in tax year 2017 but the amount being reimbursed was up from \$10,600 to \$20,000.

Other: The decrease in this category of (\$43,561) or -39.0% from fiscal year 2016 to fiscal year 2017 was primarily due to the decrease in the miscellaneous category, which amounted to (\$34,702) or -77.7%. Under the miscellaneous category in fiscal year 2016 there were a number of large revenues collections such as the net proceeds from the sale of a tax acquired property (i.e. after all the taxes were paid off) in the amount of \$19,956 and the sale of four old Town vehicles which generated \$9,500 in revenue for the Town.



The following table summarizes the General Fund expenditures by function for fiscal year 2017 with 2016 information for comparison while the pie chart displays the General Fund expenditures by function for fiscal year 2017. Information is from Statement E.

	<u>2017</u>	<u>2016</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenditure by function:				
General government	\$ 1,105,928	\$ 1,074,271	\$ 31,657	2.9%
Public safety	2,433,028	2,270,077	162,951	7.2%
Public works	1,241,761	1,076,856	164,905	15.3%
Recreation & culture	188,694	186,873	1,821	1.0%
Education	6,970,843	6,696,358	274,485	4.1%
County tax	355,947	351,554	4,393	1.2%
Health & welfare	41,333	43,651	(2,318)	-5.3%
Outside agencies	14,274	11,624	2,650	22.8%
Unclassified	<u>47,392</u>	<u>37,635</u>	<u>9,757</u>	<u>25.9%</u>
<b>Total expenditures</b>	<b><u>\$ 12,399,200</u></b>	<b><u>\$ 11,748,899</u></b>	<b><u>\$ 650,301</u></b>	<b><u>5.5%</u></b>



The General Fund expenditures increased 5.5% or \$650,301 over fiscal year 2016 levels with the education function seeing the largest dollar increase of \$274,485 or 4.1%. However, other functions such as outside agencies and unclassified saw large percentage changes but small dollar increases. Besides the education function, the public safety and public works functions saw large dollar increases as well, \$162,951 and \$164,905 respectively.

The public safety function which saw a 7.2% or \$162,951 increase over fiscal year 2016 was the result of the following:

The increase in wages and benefits for police and fire was \$171,690, which was the result of hiring one new police officer and one new firefighter/EMT during fiscal year 2017. The budgeted wages and benefits for these two new positions was \$156,662. The remainder of the increase in these budget lines was due to negotiated wage increases with the two unions.

The public works function saw an increase of 15.3% or \$164,905 over the fiscal year 2016 amount. A number of factors resulted in the increased expenses during fiscal year 2017. The salt expenditures for fiscal year 2017 were \$117,930 more than in fiscal year 2016 due to the impact of the work done on the salt shed walls. More information about this impact is explained under the non-spendable fund balance section later on in this section. Wages and benefits increased by \$34,095 or 10% as a result of the Teamsters' union contract settlement. Fiscal year 2017 was the first year that the lease payment for the loader/backhoe purchased during fiscal year 2015 was budgeted in the operating budget instead of being paid out of the public works capital reserve account. The impact of this shift was \$16,527. And finally, the building maintenance expense increased by \$14,179 or 399.4% due to the installation of a new sliding gate at the entrance to the public works facility in the amount of \$9,000.

The net results of operations or net change in fund balance for fiscal year 2017 was a reduction of (\$299,722), after transfers in of \$50,000 and transfers out of \$643,134. The following table summarizes the General Fund's fund balance for fiscal year 2017 with 2016 information for comparison.

	<u>2017</u>	<u>2016</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Nonspendable	\$ 145,008	\$ 194,150	\$ (49,142)	(25.3%)
Committed	683,585	635,940	47,645	35.0%
Unassigned	<u>2,077,827</u>	<u>2,376,052</u>	<u>(298,225)</u>	(12.6%)
<b>Total fund balance</b>	<b><u>\$ 2,906,420</u></b>	<b><u>\$ 3,206,142</u></b>	<b><u>\$ (299,722)</u></b>	<b>(9.3%)</b>

The General Fund's total fund balance decreased by -9.3% or (\$299,722) due to a number of factors.

The Nonspendable category saw a reduction of just over 25% primarily due to the change in the inventory valuation, which dropped by \$67,734. The Public Works Department, after repairing the salt shed walls, was able to re-fill the shed with salt before the end of the fiscal year resulting in the higher inventory valuation at June 30, 2016. However, the salt stockpile was used up during the winter of 2016-17 and the department was unable to replenish its supply once the funds budgeted for salt were used up. Offsetting this reduction was an increase of \$12,365 in the tax acquired property value. This was the result of the Board of Selectmen voting to move four real estate properties that had multiple years of foreclosed tax liens to the tax acquired property account and place the properties in the Town of Berwick's name beginning with tax year 2018. The Board also had the Town Manager put these properties out to tax acquired property bid and they sold two of the four properties as of June 30, 2017.

There were three items in the Committed category that resulted in the \$47,645 increase to the June 30, 2017 amount and they were: an increase of \$23,000 in the unfunded liability reserve to help fund the accrued compensated absence liability; an increase in the economic development carryforward account of \$14,474, which is primarily for the local match to any potential grants received for economic development such as sidewalks, street lights, and other infrastructure grant projects; and the Board's contingency carryforward account saw an increase of \$8,342.

#### **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 Kahaya, primary creditor in the Prime Tanning bankruptcy case.

The expenditures of the Brownfield Cleanup Grants for fiscal year ended June 30, 2017 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 net results of operations for fiscal year 2017 was a decrease of (\$14,983). The following table summarizes the Brownfield Cleanup Grants' fund balance for fiscal year 2017 with 2016 information for comparison.

	<u>2017</u>	<u>2016</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Restricted	\$ <u>103,717</u>	\$ <u>118,700</u>	(\$ <u>14,983</u> )	-12.6%
<b>Total fund balance</b>	<b>\$ <u>103,717</u></b>	<b>\$ <u>118,700</u></b>	<b>(\$<u>14,983</u>)</b>	<b>-12.6%</b>

**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. The reserve account also received a transfer in of \$145,000 to fund various equipment purchases and building maintenance/repairs.

The expenditures incurred during fiscal year 2017 from the Fire Department Reserve account were primarily for the purchase and installation of a new repeater and antenna - \$29,629, purchased a hydraulic rescue tool for one of the new fire engines - \$19,833, various building repairs/improvements to the radio room and station - \$10,872, and personal protective equipment for the firefighters - \$8,664.

The net results of operations for fiscal year 2017 was an increase of \$1,072,104, after transfers in of \$145,000 and general obligation bond proceeds of \$1,000,000. The following table summarizes the Fire Department Reserve Fund's fund balance for fiscal year 2017 with 2016 information for comparison.

	<u>2017</u>	<u>2016</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Committed	\$ <u>1,222,182</u>	\$ <u>150,078</u>	\$ <u>1,072,104</u>	714.4%
<b>Total fund balance</b>	<b>\$ <u>1,222,182</u></b>	<b>\$ <u>150,078</u></b>	<b>\$<u>1,072,104</u></b>	<b>714.4%</b>

**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 2017 LRAP payment from the State was up \$176 from the amount received in fiscal year 2016.

The majority of the expenditures made during fiscal year 2017 from the Highway Improvement Reserve Fund were for the reclamation and binder coat of pavement for four roads – Diamond Hill Road, (from North Berwick line to Rocky Lane), at a cost of \$256,705, Wentworth Road, (from Saddle to Daltika), at a cost of \$131,892, Pond Road, (Berwick section), at a cost of \$41,611, and Beech Ridge Road, (Route 9 to North Berwick line), at a cost of \$27,675. The total cost to reclaim and put a binder coat of pavement on these four roads was \$457,883. The Town will need to do a final coat of pavement in the next year or two. The Town also replaced the roof on the salt shed at a cost of \$38,135.

The net results of operations for fiscal year 2017 was a decrease of (\$126,329), after transfers in of \$365,000. The following table summarizes the Highway Improvement Reserve Fund's fund balance for fiscal year 2017 with 2016 information for comparison.

	<u>2017</u>	<u>2016</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Committed	\$ 166,513	\$ 292,842	(\$126,329)	-43.1%
<b>Total fund balance</b>	<b><u>\$ 166,513</u></b>	<b><u>\$ 292,842</u></b>	<b><u>(\$126,329)</u></b>	<b><u>-43.1%</u></b>

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

The Permanent Fund's Lena Clark Trust Fund received \$60,048 in investment income net of unrealized gains and losses during fiscal year 2017. This was a substantial increase of \$52,424 when compared to the fiscal year 2016 figure. While the Berwick Cemetery Trust received \$104,400 in investment income net of unrealized gains and losses, which was again a substantial increase of \$96,585 when compared to fiscal year 2016.

Investment management fees for fiscal year 2017 for the Lena Clark Trust were up \$303 and for the Berwick Cemetery Trust they were up \$169 when compared to fiscal year 2016. The Cemetery Trust also in late January 2017 remitted to the Berwick Cemetery Association the interest earnings for calendar year 2016, which amounted to \$32,568.

The net results of operations for fiscal year 2017 for the Lena Clark Trust saw an increase of \$53,462; while the Berwick Cemetery Trust saw an increase of \$70,633.

The following table summarizes the Lena Clark Trust Fund's fund balance for fiscal year 2017 with 2016 information for comparison.

	<u>2017</u>	<u>2016</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Nonspendable	\$ 459,990	\$ 421,910	\$ 38,080	9.0%
Restricted	<u>66,985</u>	<u>51,603</u>	<u>15,382</u>	29.8%
<b>Total fund balance</b>	<b><u>\$ 526,975</u></b>	<b><u>\$ 473,513</u></b>	<b><u>\$ 53,462</u></b>	<b><u>11.3%</u></b>

The following table summarizes the Berwick Cemetery Trust Fund's fund balance for fiscal year 2017 with 2016 information for comparison.

	<u>2017</u>	<u>2016</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Nonspendable	\$ 890,138	\$ 818,671	\$ 71,467	8.7%
Restricted	<u>8,049</u>	<u>8,883</u>	( 834)	-9.4%
<b>Total fund balance</b>	<b><u>\$ 898,187</u></b>	<b><u>\$ 827,554</u></b>	<b><u>\$ 70,633</u></b>	<b><u>8.5%</u></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 \$62,866 and a total net position of \$3,525,734.

## General Fund Budgetary Highlights

As shown in Schedule 1, actual revenues came in under the estimated revenues by (\$497,657) and this shortfall was offset by actual expenditures coming in under budgeted appropriations by \$333,875. However, the general fund still showed a negative net effect on fund balance of (\$299,722). The largest contributor to this negative impact on fund balance was the recording of the uncollectible taxes from the former Prime Tanning site as part of the agreement with the Fund of Jupiter. The local match funds provided by the Fund of Jupiter were to be offset by the outstanding property taxes on the former Prime Tanning real estate accounts. The impact of this agreement was just over \$266,000.

The unassigned fund balance at \$2,077,827 is 13.7% of the total budgeted appropriations for FY2018 of \$13,710,815. 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 FY2019 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.

The original (or adopted) budget for fiscal year 2016-2017 was \$12,733,075. 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. 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, 2017, the net book value of capital assets recorded by the Town increased by \$376,936. The change in governmental activities capital assets net was \$427,841, while the change in business-type activities capital assets net was (\$50,905).

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

	<u>2017</u>	<u>2016</u>
Art work and historical treasures	\$ 11,000	\$ 11,000
Construction in progress	557,434	-
Land and other non-depreciable assets	881,646	871,646
Buildings and improvements, land improvements	1,253,045	1,232,962
Machinery and equipment	1,110,659	1,061,682
Vehicles	923,141	966,888
Infrastructure	6,483,922	6,699,733
	<u>\$ 11,220,847</u>	<u>\$ 10,843,911</u>

At the end of fiscal year 2017, the Town had invested \$947,885 in a broad range of capital assets. The following chart identifies the assets that were added during fiscal year 2017.

		<b>Category</b>	<b>Category Total</b>
<b>Land</b>			
Genl Govt	2.7 acres of land, tax map/lot U001-074	\$ 10,000	
		<hr/>	\$ 10,000
<b>Land improvements</b>			
Public Works	Fence & slide gate - DPW entrance	9,000	
		<hr/>	9,000
<b>Building and building improvements</b>			
Genl Govt	Re-roof Doran School gymnasium/kitchen	12,300	
	Electric tower clocks w/controls	37,217	
	Construction in progress - Town Hall auditorium windows (7)	58,876	
Public Works	Salt shed roof	38,135	
Recreation	10x20 shed	1,522	
		<hr/>	148,050
<b>Machinery and equipment</b>			
Public Safety	ICM terminal server - Police	5,400	
	Police Dept. server	4,709	
	NEC SV9100 phone system - Police	8,223	
	Polaris ATV - Police	13,305	
	Motorola GTR 8000 base radio - Police	10,280	
	Duo Legacy lightbar 48" (2017 Interceptor) - Police	3,000	
	Watch Guard system for 2017 Interceptor - Police	4,300	
	Kustom Signals radar unit (2017 Interceptor) - Police	2,441	
	Panasonic CF-31 Toughbook (2017 Interceptor) - Police	5,177	
	Watch Guard system for a cruiser - Police	4,895	
	Kustom Signals radar unit - Police	2,441	
	EZ hauler enclosed trailer - Police	3,100	
	Motorola GTR 8000 base radio - Fire	10,280	
	Holmatro cutter - Fire	5,719	
	Holmatro spreader - Fire	6,728	
	Holmatro ram - Fire	4,325	
	Holmatro pump w/hoses - Fire	8,771	
	Lenova IBM server - Fire	2,545	
	Used 20 4-stroke boat motor - Fire	2,509	
	RF Filtration System - Water Tower	30,780	

<b>Category</b>		<b>Category</b>	<b>Total</b>
Public Works	Motorola MTR 3000 base radio	7,917	
	Used CAT 416C backhoe loader - Transfer Station	25,000	
Water	Mueller B101 tapping machine	3,030	
	Chlorine analyzer	3,568	
	Stihl 14" cut quick saw w/accessories	1,840	
	16 ft. SS floor mounted ladder	2,500	
			182,783
<b>Vehicles</b>			
Public Safety	Ford Explorer - Police Interceptor	26,783	
Public Works	Everest 10 stainless-steel dump body	33,999	
Water	2016 Ford F250 pickup truck	40,234	
			101,016
<b>Infrastructure</b>			
Public Works	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	
Water	Construction in progress - Mn removal system	39,153	
			497,036
<b>Total Assets Added During FY2017</b>			<b>\$ 947,885</b>

The total depreciation expense for 2017 was \$551,157. The governmental activities depreciation expense for 2017 was \$409,927, while the business-type activities depreciation expense for 2017 was \$141,230.

The Town has appropriated \$660,665 in fiscal year 2018 for the following capital expenditures:

<b>Capital Item</b>	<b>Funding Amount</b>
Electrical Upgrade - Town Hall	\$ 13,000.00
Cruisers (2) (1st Lease Payment)	11,665.00
Equipment for new Cruisers	25,000.00
Watch Guard Camera System	15,000.00
Video Monitoring DVR	10,000.00
Cell Phone Autopsy System	13,500.00
Hose Replacement	10,000.00
SCBA	5,000.00

<b>Capital Item</b>	<b>Funding Amount</b>
Personal Protective Gear	15,000.00
Hydraulic Rescue Tool	20,000.00
Fire Station Ventilation	5,000.00
Fire Station Design Plan	70,000.00
10-Wheeler (1st Lease Payment)	36,500.00
Sidewalk Plow (1st Lease Payment)	31,000.00
MS4 Outfall Project	50,000.00
Roads	<u>330,000.00</u>
<b>Total:</b>	<b>\$ 660,665.00</b>

<b>Source of Funding</b>	
Unassigned Fund Balance	\$ 500,000.00
Tax Rate	147,665.00
Lena Clark Trust Fund	<u>13,000.00</u>
<b>Total:</b>	<b>\$ 660,665.00</b>

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

Planning	\$ 50,000.00
Town Hall	13,000.00
Police	75,165.00
Fire	125,000.00
Public Works	67,500.00
Highway Fund	<u>330,000.00</u>
<b>Total:</b>	<b>\$ 660,665.00</b>

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

**Long-Term Debt Activity**

As of June 30, 2017, 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 November 2016. The Town's Proprietary Fund – Berwick Water Department, as of June 30, 2017 had a total of \$720,687 in outstanding general obligation debt versus \$856,787 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 received approval of its Tax Increment Financing (TIF) application in July 2017 from the State of Maine Department of Economic and Community Development (DEDC). The TIF term is for 20 years beginning July 1, 2017 and ending June 30, 2037. The original assessed valuation of the District, known as the Village Overlay District, was established as of 4/1/2015 in the amount of \$13,203,300. The Town's voters approved capturing 100% of the increased assessed valuation within the District to fund approved activities and projects as outlined in the application to the State DEDC. For further information about the TIF refer to Note 13.

On July 24, 2017, the Town was officially awarded another \$200,000 in hazardous substances grant funds to clean up the former Prime Tanning building at 35 Sullivan Street from the Environmental Protection Agency (EPA), which the Town can begin utilizing after October 1, 2017.

A Special Town Meeting vote was held on August 8, 2017 to see if the voters would authorize the Board of Selectmen to raise the sum not to exceed \$200,000 for the purchase, renovation, and capital improvements for the property located at 71 Sullivan Street. The voters approved the warrant article.

The Town's assessed value ratio as of April 1, 2017 is 100%, down (5.0%) from the April 1, 2016 assessed value ratio and is under the State maximum cap of 110%.

The total assessed value as of April 1, 2017, is \$646,976,541, which is an increase of \$8,758,692 or 1.4% from the prior year.

The Town of Berwick's 2018 tax rate is \$17.15. The following chart shows the change in the Town's tax rate from 2017 to 2018.

	<u>2018</u>	<u>2017</u>	<u>\$ Chg</u>	<u>% Chg</u>	<u>Allocation</u>
Town	\$ 5.35	\$ 5.32	\$0.03	0.6%	31.2%
School	11.24	10.92	0.32	2.9%	65.5%
County	<u>0.56</u>	<u>0.56</u>	<u>0.00</u>	<u>0.0%</u>	<u>3.3%</u>
<b>Totals:</b>	<b><u>\$17.15</u></b>	<b><u>\$16.80</u></b>	<b><u>\$0.35</u></b>	<b><u>2.1%</u></b>	<b><u>100.0%</u></b>

The Town's municipal appropriation is \$6,075,950, an increase of \$212,456 or 3.6% when compared to FY 2017. An increase in non-property tax revenue of \$156,399 resulted in a net appropriation of \$3,401,342, which was an increase of \$56,057 or 1.7%.

A few of the increases in the municipal budget are:

- The new debt service for the two fire trucks and work done on the Town Hall auditorium and clock tower. However, these expenditures will be covered by reserve funds and the Lena Clark Trust fund.
- The change in health insurance to an HRA (health reimbursement account) which the Town is funding 100% is reflected in the General Expense budget. However, reductions in the health insurance lines in many of the departments are helping to offset the increase in the General Expense budget.

- The increase in the 1C retirement plan for the police and firefighters saw an increase of 10.6% in the contribution rates from 14.2% to 15.7%, effective July 1, 2017.
- The funding for a part-time administrative assistant in the Public Works Dept. is reflected in the fiscal year 2018 budget. This was the only additional personnel costs in fiscal year 2018.

Many of the increases seen in the fiscal year 2018 budget have been offset by higher revenue estimates particularly in the excise tax/registration fees and building/electrical/plumbing permit fees. Also, as mentioned above, transfers in from the Fire Dept.'s capital reserve fund and the Lena Clark trust fund to cover the debt service cost for FY18 have contributed to the increase in non-property tax revenues.

The Town's contribution to MSAD #60's budget is \$7,275,022; an increase of \$304,179 or 4.4%. And the County tax assessment is a slight increase of \$3,895, or 1.1%.

### **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, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,920,835	\$ 149,259	\$ 4,070,094
Restricted cash - GOB	1,005,899	-	1,005,899
Investments	1,349,291	-	1,349,291
Receivables:			
Accounts	88,978	196,720	285,698
Taxes receivable (net of allowance of \$13,158)	377,259	-	377,259
Tax liens	320,253	-	320,253
Due from other governments	118,511	-	118,511
Tax acquired property	14,386	-	14,386
Prepaid expenses	61,084	-	61,084
Inventory	69,538	38,632	108,170
Internal balances	1,227	(1,227)	-
<b>Total current assets</b>	<b>7,327,261</b>	<b>383,384</b>	<b>7,710,645</b>
Noncurrent assets:			
Capital assets:			
Non-depreciable capital assets	1,313,281	136,799	1,450,080
Non-depreciable capital assets	5,931,916	3,838,851	9,770,767
Restricted cash - water tower	-	12,005	12,005
<b>Total noncurrent assets</b>	<b>7,245,197</b>	<b>3,987,655</b>	<b>11,232,852</b>
<b>TOTAL ASSETS</b>	<b>14,572,458</b>	<b>4,371,039</b>	<b>18,943,497</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on pensions	1,161,786	94,335	1,256,121
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,161,786</b>	<b>94,335</b>	<b>1,256,121</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 15,734,244</b>	<b>\$ 4,465,374</b>	<b>\$ 20,199,618</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 186,912	\$ 6,873	\$ 193,785
Accrued wages and benefits	45,112	2,607	47,719
Due to other governments	37,796	-	37,796
Other liabilities	109,861	-	109,861
Accrued interest	-	5,068	5,068
Current portion of long-term obligations	114,934	147,647	262,581
<b>Total current liabilities</b>	<b>494,615</b>	<b>162,195</b>	<b>656,810</b>
Noncurrent liabilities:			
Net pension liability	1,931,955	156,871	2,088,826
Bonds payable	1,125,000	583,387	1,708,387
Capital lease payable	79,351	-	79,351
Accrued compensated absences	138,545	-	138,545
<b>Total noncurrent liabilities</b>	<b>3,274,851</b>	<b>740,258</b>	<b>4,015,109</b>
<b>TOTAL LIABILITIES</b>	<b>3,769,466</b>	<b>902,453</b>	<b>4,671,919</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amount on pensions	457,981	37,187	495,168
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>457,981</b>	<b>37,187</b>	<b>495,168</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,015,500	3,266,968	9,282,468
Restricted	1,585,997	12,005	1,598,002
Unrestricted	3,905,300	246,761	4,152,061
<b>TOTAL NET POSITION</b>	<b>11,506,797</b>	<b>3,525,734</b>	<b>15,032,531</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 15,734,244</b>	<b>\$ 4,465,374</b>	<b>\$ 20,199,618</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Total Governmental Activities	Business- type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,542,437	\$ 102,533	\$ -	\$ 199,000	\$ (2,240,904)	\$ -	\$ (2,240,904)
Public safety	2,670,718	24,589	100,760	-	(2,545,369)	-	(2,545,369)
Public works	1,442,549	38,925	59,103	-	(1,344,521)	-	(1,344,521)
Health and welfare	50,303	-	10,550	-	(39,753)	-	(39,753)
Recreation	246,907	98,357	5,791	27,500	(115,259)	-	(115,259)
Education	6,970,843	-	-	-	(6,970,843)	-	(6,970,843)
County tax	355,947	-	-	-	(355,947)	-	(355,947)
Outside appropriations	14,274	-	-	-	(14,274)	-	(14,274)
Unclassified	137,382	-	57,666	-	(79,716)	-	(79,716)
Unallocated depreciation (Note 5)	12,777	-	-	-	(12,777)	-	(12,777)
Total governmental activities	14,444,137	264,404	233,870	226,500	(13,719,363)	-	(13,719,363)
Business-type activities:							
Water department	620,584	669,046	-	-	-	48,462	48,462
Total business-type activities	620,584	669,046	-	-	-	48,462	48,462
<b>Total primary government</b>	<b>\$ 15,064,721</b>	<b>\$ 933,450</b>	<b>\$ 233,870</b>	<b>\$ 226,500</b>	<b>(13,719,363)</b>	<b>48,462</b>	<b>(13,670,901)</b>
General revenues:							
Property taxes, levied for general purposes					10,274,236		10,274,236
Motor vehicle and boat excise taxes					1,495,204		1,495,204
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					395,354		395,354
Homestead exemption					181,599		181,599
BETE reimbursement					25,360		25,360
Other State aid					29,411		29,411
Other Federal aid					1,026,104		1,026,104
Unrestricted investment earnings					172,487		172,487
Miscellaneous revenues					68,041	22,770	90,811
Net transfers					8,366	(8,366)	-
Total general revenues and transfers					13,676,162	14,404	13,690,566
Change in net position					(43,201)	62,866	19,665
Net position - beginning, restated					11,549,998	3,462,868	15,012,866
<b>Net position - ending</b>					<b>\$ 11,506,797</b>	<b>\$ 3,525,734</b>	<b>\$ 15,032,531</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	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	\$ 3,826,993	-	-	-	26,830	49,041	17,971	3,920,835
Restricted cash - GOB	1,005,899	-	-	-	-	-	-	1,005,899
Investments	-	-	-	-	500,145	849,146	-	1,349,291
Receivables:								
Accounts	47,299	39,000	-	-	-	-	2,679	88,978
Taxes (net of allowance for uncollectibles)	394,212	-	-	-	-	-	-	394,212
Tax liens	320,253	-	-	-	-	-	-	320,253
Due from other governments	-	104,650	-	-	-	-	13,861	118,511
Tax acquired property	14,386	-	-	-	-	-	-	14,386
Prepaid expenses	61,084	-	-	-	-	-	-	61,084
Inventory	69,538	-	-	-	-	-	-	69,538
Due from other funds	7,534	53,488	1,222,182	166,513	-	-	435,186	1,884,903
<b>Total assets</b>	<b>\$ 5,747,198</b>	<b>197,138</b>	<b>1,222,182</b>	<b>166,513</b>	<b>526,975</b>	<b>898,187</b>	<b>469,697</b>	<b>9,227,890</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	93,491	93,421	-	-	-	-	-	186,912
Accrued wages and benefits	45,112	-	-	-	-	-	-	45,112
Due to other governments	37,796	-	-	-	-	-	-	37,796
Planning escrow accounts	109,861	-	-	-	-	-	-	109,861
Prepaid taxes	16,953	-	-	-	-	-	-	16,953
Due to other funds	1,877,369	-	-	-	-	-	6,307	1,883,676
<b>Total liabilities</b>	<b>2,180,582</b>	<b>93,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,307</b>	<b>2,280,310</b>
Deferred inflows of resources:								
Deferred tax revenues	660,196	-	-	-	-	-	-	660,196
<b>Total deferred inflows of resources</b>	<b>660,196</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>660,196</b>
Fund balances:								
Nonspendable	145,008	-	-	-	459,990	890,138	-	1,495,136
Restricted	-	103,717	-	-	66,985	8,049	57,118	235,869
Committed	683,585	-	1,222,182	166,513	-	-	267,465	2,339,745
Assigned	-	-	-	-	-	-	138,807	138,807
Unassigned	2,077,827	-	-	-	-	-	-	2,077,827
<b>Total fund balances</b>	<b>2,906,420</b>	<b>103,717</b>	<b>1,222,182</b>	<b>166,513</b>	<b>526,975</b>	<b>898,187</b>	<b>463,390</b>	<b>6,287,384</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,747,198</b>	<b>197,138</b>	<b>1,222,182</b>	<b>166,513</b>	<b>526,975</b>	<b>898,187</b>	<b>469,697</b>	<b>9,227,890</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, 2017**

Total fund balances - total governmental funds, Statement C	\$	6,287,384
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	\$	1,313,281
Depreciable capital assets, net		<u>5,931,916</u>
Deferred outflows of resources are not financial resources and therefore not reported in the funds.		7,245,197
Deferred outflows of resources are not financial resources and therefore not reported in the funds.		1,161,786
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		(104,697)
Compensated absences		(228,133)
Net Pension liability		(1,931,955)
Deferred inflows of resources are not available in the current period and therefore not reported in the funds.		(457,981)
Deferred revenues -- more specifically, property taxes and liens not reported on Statement A		660,196
<b>Net position of governmental activities</b>	<b>\$</b>	<b>11,506,797</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, 2017**

	General	Brownfield Cleanup Grants	Fire Department Reserve	Highway Improvement Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes								
Preproperty taxes	\$ 10,270,147	-	-	-	-	-	-	10,270,147
Excise taxes	1,495,204	-	-	-	-	-	-	1,495,204
Licenses and permits	11,768	-	-	-	-	-	-	11,768
Intergovernmental	704,700	1,026,104	-	59,103	-	-	32,064	1,821,971
Investment income, net of unrealized gains/(losses)	8,030	-	-	-	60,048	104,400	9	172,487
Charges for services	134,722	199,000	-	-	-	5,600	209,541	548,863
Unclassified	68,041	-	-	-	-	-	-	68,041
Total revenues	12,692,612	1,225,104	-	59,103	60,048	110,000	241,614	14,388,481
Expenditures:								
Current:								
General government	1,105,928	-	-	-	-	-	250	1,106,178
Public safety	2,433,028	-	72,896	-	-	-	46,219	2,552,143
Public works	1,241,761	-	-	-	-	-	-	1,241,761
Recreation & culture	188,694	-	-	-	-	-	52,569	241,263
Education	6,970,843	-	-	-	-	-	-	6,970,843
County tax	355,947	-	-	-	-	-	-	355,947
Health & welfare	41,333	-	-	-	-	-	8,970	50,303
Outside appropriations	14,274	-	-	-	-	-	-	14,274
Unclassified	47,392	-	-	-	3,936	39,367	46,687	137,382
Capital outlay	-	1,240,087	-	550,432	-	-	285,026	2,075,545
Total expenditures	12,399,200	1,240,087	72,896	550,432	3,936	39,367	439,721	14,745,639
Excess (deficiency) of revenues over (under) expenditures	293,412	(14,983)	(72,896)	(491,329)	56,112	70,633	(198,107)	(357,158)
Other financing sources (uses):								
Long-term debt issued	-	-	1,000,000	-	-	-	125,000	1,125,000
Capital leases	-	-	-	-	-	-	53,300	53,300
Transfers in	50,000	-	145,000	365,000	-	-	115,762	675,762
Transfers out	(643,134)	-	-	-	(2,650)	-	(21,612)	(667,396)
Total other financing sources (uses)	(593,134)	-	1,145,000	365,000	(2,650)	-	272,450	1,186,666
Net change in fund balances	(299,722)	(14,983)	1,072,104	(126,329)	53,462	70,633	74,343	829,508
Fund balances, beginning of year	3,206,142	118,700	150,078	292,842	473,513	827,554	389,047	5,457,876
<b>Fund balances, end of year</b>	<b>\$ 2,906,420</b>	<b>103,717</b>	<b>1,222,182</b>	<b>166,513</b>	<b>526,975</b>	<b>898,187</b>	<b>463,390</b>	<b>6,287,384</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, 2017**

Net change in fund balances - total governmental funds (from Statement E)	\$ 829,508
<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	857,560
Capital assets disposed	(19,791)
Depreciation expense	(409,927)
	427,842
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,120,911)
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.	497,539
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)	(23,545)
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)	(27,088)
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 liability. (Note 6)	(803,377)
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)	176,831
<b>Change in net position of governmental activities (see Statement B)</b>	<b>\$ (43,201)</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<b>Enterprise Funds</b>
	<b>Water</b>
	<b>Department</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 149,259
Accounts receivable (net of allowance for uncollectibles, \$3,500)	196,720
Inventory	38,632
<b>Total current assets</b>	<b>384,611</b>
Noncurrent assets:	
Capital assets:	
Land	97,646
Construction in progress	39,153
Buildings and improvements	1,435,014
Vehicles and equipment	1,009,171
Plant / infrastructure	4,020,580
<b>Total capital assets</b>	<b>6,601,564</b>
Less: accumulated depreciation	(2,625,914)
Restricted cash - water tower	12,005
<b>Total noncurrent assets</b>	<b>3,987,655</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on pensions	94,335
<b>Total deferred outflows of resources</b>	<b>94,335</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,466,601</b>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Accounts payable	\$ 6,873
Accrued payroll and related liabilities	2,607
Accrued interest	5,068
Current portion of long-term debt	147,647
Due to other funds	1,227
<b>Total current liabilities</b>	<b>163,422</b>
Noncurrent liabilities:	
Bonds payable	583,387
Net pension liability	156,871
<b>Total noncurrent liabilities</b>	<b>740,258</b>
<b>Total liabilities</b>	<b>903,680</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amount on pensions	37,187
<b>Total deferred inflows of resources</b>	<b>37,187</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,266,968
Restricted for water tower	12,005
Unrestricted	246,761
<b>Total net position</b>	<b>3,525,734</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 4,466,601</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, 2017**

		<u>Enterprise Funds</u>
		<u>Water</u>
		<u>Department</u>
<hr/>		
Operating revenues:		
Charges for services	\$	669,046
Other		19,650
Total operating revenues		<hr/> 688,696 <hr/>
Operating expenses:		
Labor and salaries		164,033
Employee benefits		79,665
Payroll taxes		18,091
Audit services		1,900
Contract labor and other services		5,670
Operating supplies		57,837
Equipment / equipment maintenance		36,269
Purchase of power		31,759
Utilities		8,907
Water testing		3,170
Sewer disposal		22,297
Postage		3,181
Clothing		6,311
Depreciation		141,230
Miscellaneous		16,462
Total operating expenses		<hr/> 596,782 <hr/>
Operating income (loss)		<hr/> 91,914 <hr/>
Nonoperating revenues (expenses):		
Interest income		3,120
Interest expense		(23,802)
Transfers in		21,634
Transfers out		(30,000)
Total nonoperating revenues (expenses)		<hr/> (29,048) <hr/>
Change in net position		62,866
Net position, beginning of year, restated		<hr/> 3,462,868 <hr/>
<b>Net position, end of year</b>	<b>\$</b>	<b>3,525,734</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2017**

	Enterprise Funds
	Water
	Department
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 670,964
Other receipts	19,650
Payments to employees	(109,573)
Payments to suppliers	(335,762)
Net cash provided (used) by operating activities	245,279
<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	(90,325)
Principal payments on bond payable	(136,100)
Interest payments on bond payable	(24,649)
Transfers - debt service	21,634
Net cash provided (used) by capital and related financing activities	(229,440)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	3,120
Net cash provided (used) by investing activities	3,120
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(11,041)
<b>CASH AND CASH EQUIVALENTS - JULY 1</b>	172,305
<b>CASH AND CASH EQUIVALENTS - JUNE 30</b>	<b>\$ 161,264</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>	
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 91,914
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	141,230
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,918
(Increase) decrease in inventory	5,771
(Increase) decrease in deferred outflows of resources	(40,400)
(Decrease) increase in accounts payable	(9,320)
(Decrease) increase in accrued payroll	783
(Decrease) increase in due to other funds	(294)
(Decrease) increase in compensated absences	2,802
(Decrease) increase in net pension liability	65,233
(Decrease) increase in deferred inflows of resources	(14,358)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 245,279</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

		<b>Private-purpose Trust Fund Clark Clement Scholarship</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$	33,971
<b>Total assets</b>		<b>33,971</b>
<b>LIABILITIES</b>		
Accounts payable		-
<b>Total liabilities</b>		<b>-</b>
<b>NET POSITION</b>		
Restricted - donor endowment		30,000
Unrestricted		3,971
<b>Total net position</b>		<b>33,971</b>
<b>TOTAL LIABILITIES AND NET POSTION</b>		<b>\$ 33,971</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, 2017**

		<b>Private-purpose Trust Funds</b>
		<b>Clark Clement Scholarship</b>
<hr/>		
Additions:		
Investment income	\$	17
Total additions		17
<hr/>		
Deductions:		
Scholarships awarded		-
Total deductions		-
<hr/>		
Change in net position		17
<hr/>		
Net position, beginning of year		33,954
<hr/>		
<b>Net position, end of year</b>	<b>\$</b>	<b>33,971</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**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, 2017**

**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 six \$200,000 brownfield clean up grants from the Environmental Protection Agency (EPA) with the first \$600,000 awarded to the Town in July 2015. The second \$600,000 grant was awarded to the Town in May 2016. The majority of the clean-up work has occurred during fiscal year 2017 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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 \$279,590 as of June 30, 2017 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, 2017**

**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**

As a condition of the November 2016 bond issue from the Maine Municipal Bond Bank, the proceeds must be spent on approved capital projects (fire trucks and town hall renovations) or be used to pay annual principal payments on the bond. As of June 30, 2017, cash received from the bond issue totaling \$1,005,899 was unspent and restricted.

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, 2017, cash receipts and interest earned totaling \$12,005 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

**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. 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, 2017, the Town's liability for compensated absences is \$238,480. 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. 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 one type of item, deferred outflows related to pensions. 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.

**Q. 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

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.

**R. Fund Balances**

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

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

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

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

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

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

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

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

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 \$2,077,827 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 2016 to 2017:

<b>Town of Berwick, Maine</b>			
<b>Fund Balances - Governmental Funds</b>			
<b>June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>
<b>Major Funds:</b>			
General Fund:			
Nonspendable	\$ 145,008	\$ 194,150	\$ (49,142)
Committed	683,585	635,940	47,645
Unassigned	2,077,827	2,376,052	(298,225)
Subtotal General Fund	2,906,420	3,206,142	(299,722)
Brownfield Cleanup Grants:			
Restricted	103,717	118,700	(14,983)
Fire Department Reserve:			
Committed	1,222,182	150,078	1,072,104
Highway Improvement Reserve:			
Committed	166,513	292,842	(126,329)
Lena Clark Trust:			
Nonspendable	459,990	421,910	38,080
Restricted	66,985	51,603	15,382
Cemetery Trust:			
Nonspendable	890,138	818,671	71,467
Restricted	8,049	8,883	(834)
<b>Total Major Funds</b>	<b>\$ 5,823,994</b>	<b>\$ 5,068,829</b>	<b>\$ 755,165</b>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

<b>Town of Berwick, Maine</b>			
<b>Fund Balances - Governmental Funds</b>			
<b>June 30,</b>			
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>\$ Change</b></u>
<b>Non-major Funds:</b>			
Special Revenue Funds:			
Restricted	\$ 39,147	\$ 16,225	\$ 22,922
Committed	82,131	71,346	10,785
Assigned	138,807	105,373	33,434
Capital Projects Funds:			
Committed	185,334	178,244	7,090
Permanent Funds:			
Restricted	17,971	17,859	112
<b>Total Non-major Funds</b>	<u><u><b>\$ 463,390</b></u></u>	<u><u><b>\$ 389,047</b></u></u>	<u><u><b>\$ 74,343</b></u></u>

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

The Town’s property tax for the current year was levied August 16, 2016 on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due on October 17, 2016 and April 18, 2017. Interest on unpaid taxes commenced on October 18, 2016 and April 19, 2017, 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.

**T. 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).

**U. 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.

**V. 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

**W. 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.

**W. 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.

**X. 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. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of this Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. 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, 2017**

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

Statement No. 80, “*Blending Requirements for Certain Component Units*”. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Management has determined the impact of this Statement is not material to the financial statements.

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. 82, “*Pension Issues*”. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. 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, 2017**

**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.

**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, 2017, the Town’s cash balances amounting to \$5,087,998 were comprised of deposits of \$5,265,587. Of these balances, \$313,948 were fully insured by federal depository insurance and consequently not exposed to custodial credit risk. The remaining balance of \$4,951,639 was collateralized with securities held by the institution in the Town’s name in the amount of \$4,502,439, with the remaining balance not insured or collateralized and therefore was subject to custodial risk. Cash equivalents of \$75,871 were covered by the Securities Investor Protection Corporation (SIPC).

At June 30, 2017, cash consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking, savings, NOW, and certificates of deposit accounts		
Government Funds	5,010,842	5,265,587
Cash equivalents	75,871	75,871
Petty Cash - Government Funds	<u>1,285</u>	<u>-</u>
<b>Totals</b>	<b>\$ <u>5,087,998</u></b>	<b>\$ <u>5,341,458</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, \$424,129 were covered by the Securities Investor Protection Corporation (SIPC). The remaining investments of \$925,162 were uncollateralized and uninsured.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

At June 30, 2017, 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	\$ 1,336,694	-	1,336,694	-
Fixed income	12,597	12,597	-	-
<b>Total Fair Value:</b>	<b>1,349,291</b>	<b>12,597</b>	<b>1,336,694</b>	<b>-</b>
<b>% of Portfolio:</b>	<b>100.0%</b>	<b>0.9%</b>	<b>99.1%</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, 2017:

	June 30, 2017 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	\$ 12,597	\$ 12,597	\$ -	\$ -
Total debt securities	12,597	12,597	-	-
Equity securities:				
Mutual funds - domestic and foreign	\$ 955,475	\$ 955,475	\$ -	\$ -
Exchange traded funds	381,219	381,219	-	-
Total equity securities	1,336,694	1,336,694	-	-
Total investments by fair value level	1,349,291	\$ 1,349,291	\$ -	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	75,871			
Total cash equivalents measured at the NAV	75,871			
Total investments and cash equivalents measured at fair value	\$ 1,425,162			

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**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 2 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 2 or 3 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, 2017 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, 2017, the Town's investment in a U.S. Treasury bond was rated AAA (\$12,597), 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. Summary**

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 Grants Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 394,212	\$ -	\$ -	\$ -	\$ 394,212
Tax Liens	320,253	-	-	-	320,253
Accounts	47,299	196,720	39,000	2,679	285,698
Intergovernmental	-	-	104,650	13,861	118,511
<b>Net total receivables</b>	<b>\$ 761,764</b>	<b>\$ 196,720</b>	<b>\$ 143,650</b>	<b>\$ 16,540</b>	<b>\$ 1,118,674</b>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**NOTE 3 – RECEIVABLES (Continued)**

also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the *deferred revenue* reported in the governmental funds was \$660,196.

**B. Property Taxes**

Property taxes for the current year were committed on August 16, 2016, on the assessed value listed as of April 1 for all real and personal property located in the Town. Assessed values are periodically established by the Town’s Assessing Agent at 100% of assumed market value. The assessed value represented 105.0% of the estimated State valuation of \$599,350,000.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$49,984 for the year ended June 30, 2017.

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

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the 2017 and 2016 levies:

	<u>2017</u>	<u>2016</u>
Taxable Assessed Value	\$ 625,900,754	\$ 626,615,551
Tax Rate (per \$1,000)	<u>16.80</u>	<u>16.30</u>
Commitment	10,515,133	10,213,834
Supplemental Taxes Assessed	<u>20,919</u>	<u>4,801</u>
	10,536,052	10,218,635
Less: Abatements	5,697	1,167
Collections	<u>9,918,687</u>	<u>9,722,389</u>
Receivable at June 30, 2017 and 2016	611,668	495,079
Due Date(s)	1/2 10/17/2016	1/2 10/15/2015
	1/2 4/18/2017	1/2 4/15/2016
Interest Rates on Delinquent Taxes	7.0%	7.0%
Collection Rate	94.1%	95.2%

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**NOTE 3 – RECEIVABLES (Continued)**

**C. Intergovernmental Receivables**

Intergovernmental receivables are comprised of the following:

Other governmental funds:		
Brownfield grants special revenue funds:		
EPA brownfield cleanup grants	\$	73,662
SMPDC brownfield cleanup sub-grant		30,988
Police grants special revenue funds:		
OUI grant		935
ATV grant		1,320
Speed enforcement grant		4,365
Byrne JAG grant		2,621
Seatbelt grant		4,620
<b>Total</b>		<b>\$ 118,511</b>

**NOTE 4 – INTERFUND ACCOUNTS**

Individual interfund loans receivable and payable balances at June 30, 2017 were as follows:

	<b>Interfund loans receivable</b>	<b>Interfund loans payable</b>
Governmental Funds:		
General fund	\$ 7,534	\$ 1,877,369
EPA brownfield grant	53,488	-
Fire department reserve	1,222,182	-
Highway improvement reserve	166,513	-
Enterprise fund	-	1,227
Other Governmental Funds:		
Special revenue funds:		
Town hall water damage	863	-
T-shirts/hats	644	-
Police grants	-	6,307
Recreation trips	49,609	-
Recreation programs	77,556	-
Riverfront project	3,238	-
Farmers' market	1,953	-
Community center	1,749	-
Ice rink	350	-
Recreation impact fee	13,750	-

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

	<b>Interfund loans receivable</b>	<b>Interfund loans payable</b>
Open space impact fee	13,750	-
BEBA (fuel assistance)	3,808	-
MMEHT wellness incentive grant	201	-
York Hospital grant	250	-
Berwick community TV	82,131	-
Capital projects funds:		
Town hall reserve	69,069	-
Planning reserve	32,278	-
Police department reserve	16,796	-
Civil defense	3,156	-
Highway equipment reserve	31,923	-
Transfer station reserve	153	-
Recreation improvement reserve	31,959	-
<b>Totals:</b>	<b>\$ 1,884,903</b>	<b>\$ 1,884,903</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.

Interfund transfers during the year ended June 30, 2017 consisted of the following:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
General Fund	\$ 50,000	\$ 643,134
Fire department reserve fund	145,000	-
Highway improvement reserve fund	365,000	-
Lena Clark trust fund	-	2,650
Enterprise fund (water department)	21,634	30,000
Other governmental funds:		
Special revenue funds:		
Recreation fees fund	-	20,000
Capital project funds:		
Town Hall reserve fund	2,650	-
Planning reserve fund	1,612	-
Police department reserve fund	34,500	-
Transfer station reserve fund	25,000	-
Recreation improvement reserve fund	52,000	1,612
Total other governmental funds	115,762	21,612
<b>Totals</b>	<b>\$ 697,396</b>	<b>\$ 697,396</b>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

The transfers out comprised of the following:

1. From the General Fund: to provide funds for various capital projects (\$621,500) and the Town's share of the 1999 general obligation bond payment (\$21,634).
2. From the Permanent Fund's Lena Clark Trust Fund: to provide funds to repair the rear wall in the Town Hall auditorium (\$2,650).
3. From the Enterprise Fund (Water Department): to provide funding for accounting and administrative services provided to the water department during fiscal year 2017 (\$30,000).
4. From the Special Revenue Fund's Recreation Fees Fund: to provide funding to offset the recreation operations budget for fiscal year 2017 (\$20,000).
5. From the Capital Projects Fund's Recreation Reserve Fund: voter approved closing out of the balance in the PSNH land purchase account and transferring it to the Planning Reserve Fund as additional funding for the Outfall 5 & 6 project (\$1,612).

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets is as follows:

	<u>Balance 6/30/2016</u>	<u>Additions &amp; Reclassifications</u>	<u>Deductions &amp; Reclassifications</u>	<u>Balance 6/30/2017</u>
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 774,000	\$ 10,000	\$ -	\$ 784,000
Works of Art	11,000	-	-	11,000
Construction in Progress	-	518,281	-	518,281
<i>Total Capital Assets, not being depreciated</i>	<u>785,000</u>	<u>528,281</u>	<u>-</u>	<u>1,313,281</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	163,111	9,000	(4,000)	168,111
Buildings and Improvements	1,167,882	87,652	-	1,255,534
Machinery and Equipment	1,141,486	171,845	(191,965)	1,121,366
Vehicles	2,462,902	60,782	(10,630)	2,513,054
Infrastructure	4,508,531	-	-	4,508,531
<i>Total Capital Assets, being depreciated</i>	<u>9,443,912</u>	<u>329,279</u>	<u>(206,595)</u>	<u>9,566,596</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(147,779)	(4,374)	2,002	(150,151)
Buildings and Improvements	(575,916)	(41,755)	-	(617,671)
Machinery and Equipment	(655,431)	(80,721)	174,171	(561,981)
Vehicles	(1,496,013)	(142,724)	10,630	(1,628,107)
Infrastructure	(536,417)	(140,353)	-	(676,770)
Total Accumulated Depreciation	<u>(3,411,556)</u>	<u>(409,927)</u>	<u>186,803</u>	<u>(3,634,680)</u>
Total Capital Assets, being depreciated, net	<u>6,032,356</u>	<u>(80,648)</u>	<u>(19,792)</u>	<u>5,931,916</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,817,356</u>	<u>\$ 447,633</u>	<u>\$ (19,792)</u>	<u>\$7,245,197</u>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

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

	<u>2017</u>	<u>2016</u>
Administration	\$ 16,136	\$ 16,963
Police	55,405	44,134
Fire	95,145	90,072
Public Works	219,374	199,929
Recreation	7,166	6,071
Recycling	3,924	1,106
Town-wide	12,777	12,276
Total depreciation expense	\$ 409,927	\$ 370,551

	<u>Balance 6/30/16</u>	<u>Additions &amp; Reclassifications</u>	<u>Deductions &amp; Reclassifications</u>	<u>Balance 6/30/17</u>
<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>	97,646	39,153	-	136,799
<i>Capital Assets, being depreciated:</i>				
Land Improvements	-	-	-	-
Buildings and Improvements	1,435,014	-	-	1,435,014
Machinery and Equipment	957,999	10,938	-	968,937
Vehicles	29,668	40,234	(29,668)	40,234
Infrastructure	4,020,580	-	-	4,020,580
<i>Total Capital Assets, being depreciated</i>	6,443,261	51,172	(29,668)	6,464,765
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(809,350)	(28,442)	-	(837,792)
Machinery and Equipment	(382,372)	(35,291)	-	(417,663)
Vehicles	(29,669)	(2,039)	29,668	(2,040)
Infrastructure	(1,292,961)	(75,458)	-	(1,368,419)
Total Accumulated Depreciation	(2,514,352)	(141,230)	29,668	(2,625,914)
Total Capital Assets, being depreciated, net	3,928,909	(90,058)	-	3,838,851
Business-type Activities Capital Assets, Net	\$ 4,026,555	\$ (50,905)	\$ -	\$ 3,975,650

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**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, 2017, the Town was in compliance with these limitations.

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

Long-term liability activity for the year ended June 30, 2017, was as follows:

**Governmental Activities:**

	<b>Balance 7/1/2016 (Restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2017</b>	<b>Current Portion</b>
Capital leases	\$ 77,609	\$ 53,300	\$ (26,212)	\$ 104,697	\$ 25,346
Bonds payable	-	1,125,000	-	1,125,000	-
Accrued compensated absences	204,589	39,711	(16,167)	228,133	89,588
Net pension liability	<u>1,128,578</u>	<u>987,757</u>	<u>(184,380)</u>	<u>1,931,955</u>	<u>-</u>
<b>Governmental activities long-term liabilities</b>	<b><u>\$1,410,776</u></b>	<b><u>\$2,205,768</u></b>	<b><u>\$(226,759)</u></b>	<b><u>\$3,389,785</u></b>	<b><u>\$ 114,934</u></b>

**Business-type Activities:**

	<b>Balance 7/1/2016 (Restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2017</b>	<b>Current Portion</b>
Bonds payable	\$ 856,787	\$ -	\$(136,100)	\$ 720,687	\$ 137,300
Accrued compensated absences	7,545	2,802	-	10,347	10,347
Net pension liability	<u>91,638</u>	<u>80,204</u>	<u>(14,971)</u>	<u>156,871</u>	<u>-</u>
<b>Business-type activities long-term liabilities</b>	<b><u>\$ 955,970</u></b>	<b><u>\$ 83,006</u></b>	<b><u>\$(151,071)</u></b>	<b><u>\$ 887,905</u></b>	<b><u>\$ 147,647</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, 2017**

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

The following is a summary of outstanding bonds payable at June 30, 2017:

	<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;"><u>\$ 1,125,000</u></p>
	<p style="text-align: right;"><u><b>\$ 1,125,000</b></u></p>
	<u><b>Business-type Activities</b></u>
<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;">\$ 342,119</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;">142,436</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;">56,132</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;"><u>180,000</u></p>
	<p style="text-align: right;"><u><b>\$ 720,687</b></u></p>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**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><b>Governmental Activities</b></u>				
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
			<b>Debt Service</b>	
2018	\$ -	\$ 28,698	\$	28,698
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
2023-2027	312,500	118,063		430,563
2028-2032	262,500	78,858		341,358
2033-2037	250,000	33,787		283,787
2038-2042	50,000	978		50,978
	<u>\$ 1,125,000</u>	<u>\$ 376,355</u>	<u>\$</u>	<u>1,501,355</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><b>Business-type Activities</b></u>				
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
			<b>Debt Service</b>	
2018	\$ 137,300	\$ 18,732	\$	156,032
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
2023-2027	219,635	26,680		246,315
	<u>\$ 720,687</u>	<u>\$ 101,583</u>	<u>\$</u>	<u>822,270</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, 2017 was \$20,678.

**D. Capital Leases**

The Town has entered into a seven-year lease agreement for the purchase of a loader/backhoe and a five-year lease for the purchase of a fully equipped police cruiser. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded in the governmental-

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

wide financial statements at the present value of future minimum lease payments as of the date of their inception.

The following is a summary of the capital lease commitment as of June 30, 2017:

	<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 2017 Cruiser & Equipment	\$ 108,800	\$ 7,712	\$ 65,834	\$ 3,185	\$ 62,649
	<u>53,300</u>	<u>5,121</u>	<u>45,010</u>	<u>2,962</u>	<u>42,048</u>
	\$ 162,100	\$ 12,833	\$ 110,844	\$ 6,147	\$ 104,697

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, 2017:

<b>Fiscal Year</b>	<b>Total Lease</b>		
<b><u>Ending</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Obligation</u></b>
2018	\$ 25,346	\$ 2,434	\$ 27,780
2019	25,934	1,845	27,779
2020	26,536	1,242	27,778
2021	<u>26,881</u>	<u>626</u>	<u>27,507</u>
	<u>\$ 104,697</u>	<u>\$ 6,147</u>	<u>\$ 110,844</u>

**E. 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 \$138,546 for governmental activities at June 30, 2017, is expected to be paid in future years from future resources.

Long-term compensated absences as of June 30, 2017, are comprised of the following:

<b><u>Type of Leave</u></b>	<b>Governmental <u>Activities</u></b>	<b>Business-type <u>Activities</u></b>
Sick paid upon termination	\$ 138,546	\$ -
Vacation	50,859	9,612
Annual Leave (Police Union)	31,667	-
Compensatory time	<u>7,061</u>	<u>735</u>
	<u>\$ 228,133</u>	<u>\$ 10,347</u>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**NOTE 7 – COMPONENTS OF FUND BALANCES**

As of June 30, 2017, other fund balance components consisted of the following:

	<b>Nonspendable</b>	<b>Restricted</b>	<b>Committed</b>	<b>Assigned</b>
<b>General Fund:</b>				
Tax acquired property	\$ 14,386	-	-	-
Prepaid expenses	61,084	-	-	-
Inventory	69,538	-	-	-
Contingency	-	-	36,402	-
Use of fund balance -				
FY18 capital projects	-	-	500,000	-
MS4 stormwater program	-	-	2,030	-
Update properties	-	-	5,000	-
ADA repairs and modifications	-	-	11,004	-
Economic development	-	-	30,633	-
Emergency management	-	-	1,520	-
Triumph restoration	-	-	4,138	-
Recreation donation	-	-	858	-
Unfunded liability (accrd comp)	-	-	92,000	-
<b>Special Revenue Funds:</b>				
Town Hall water damage	-	-	-	863
Tee shirts	-	-	-	644
EPA Brownfields grant	-	103,717	-	-
Police outside details	-	-	-	9,021
OUI grant	-	98	-	-
Recreation - trips	-	-	-	50,034
Recreation - Summer programs	-	-	-	78,245
Riverfront	-	3,238	-	-
Farmers' market	-	1,953	-	-
Community center	-	1,749	-	-
Ice rink	-	350	-	-
Recreation impact fee	-	13,750	-	-
Open space impact fee	-	13,750	-	-
BEBA fuel assistance	-	3,808	-	-
MMEHT wellness incentive grant	-	201	-	-
York Hospital grant	-	250	-	-

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

	<b>Nonspendable</b>	<b>Restricted</b>	<b>Committed</b>	<b>Assigned</b>
Cable TV	-	-	82,131	-
Capital Projects Funds:				
Town Hall reserve	-	-	69,069	-
Planning reserve	-	-	32,278	-
Police Department reserve	-	-	16,796	-
Fire Department reserve	-	-	1,222,182	-
Civil defense	-	-	3,156	-
Highway equipment reserve	-	-	31,923	-
Highway infrastructure reserve	-	-	166,513	-
Transfer Station reserve	-	-	153	-
Recreation improvement reserve	-	-	31,959	-
Permanent Funds:				
Cemetery trust	890,138	8,049	-	-
Lena Clark trust	459,990	66,985	-	-
McCue Lord trust	-	1,190	-	-
Lord's cemetery trust	-	1,190	-	-
Webster cemetery	-	4,205	-	-
Lena Clark Cemetery Road	-	7,549	-	-
Monument fund	-	837	-	-
300th anniversary	-	3,000	-	-
<b>Total governmental funds</b>	<b>\$ <u>1,495,136</u></b>	<b><u>235,869</u></b>	<b><u>2,339,745</u></b>	<b><u>138,807</u></b>

**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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**NOTE 8 – RISK MANAGEMENT (Continued)**

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, 2017.

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, 2017. 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 and required supplementary information for the Consolidated Plan. The report may be obtained online at [www.mainePers.org](http://www.mainePers.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

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

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 5.0%.

**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 9.5% and 14.2% of annual covered payroll. 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 \$207,520, \$184,475 and \$148,702 for the years ended June 30, 2017, 2016, and 2015 respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2017, the Town reported a pension liability of \$2,088,826 for its proportionate share of the net pension liabilities in the plan. The net pension liabilities were measured as of June 30, 2016, 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, 2016, the Town's proportion was 0.393131%, which was an increase of 0.010674% from its proportion measured as of June 30, 2015 at 0.382457%.

For the year ended June 30, 2017, the Town recognized total pension expense of (\$139,482). At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

	<b>PLD Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 25,322	\$ 134,350
Changes in assumptions	223,927	-
Net difference between projected and actual earnings on pension plan investments	771,889	321,250
Changes in proportion and differences between contributions and proportionate share of contributions	27,463	39,568
Contributions subsequent to the measurement date	207,520	-
Total	\$ 1,256,121	\$ 495,168

The \$207,520 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, 2017. 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>
Year ended June 30:	
2017	\$ 91,433
2018	\$ 74,910
2019	\$ 266,702
2020	\$ 120,388
2021	\$ -
Therafter	\$ -

**Actuarial Methods and Assumptions** – The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2016, using the following methods and assumptions applied to all periods included in the measurement, except as noted:

*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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

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

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

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

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

For the actuarial valuation as of June 30, 2016, the net pension liability of the PLD Consolidated Plan was amortized on an open basis over a period of fifteen years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

*Investment Rate of Return* – For the PLD Plan, 6.875% per annum for the year ended June 30, 2016, compounded annually.

*Inflation Rate* – For the PLD Plan, 2.75% for the year ended June 30, 2016.

*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, 2016.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>PLD Plan</b>	
	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
US equities	20%	5.70%
Non-US equities	20%	5.50%
Private equity	10%	7.60%
Real assets:		
Real estate	10%	5.20%
Infrastructure	10%	5.30%
Hard assets	5%	5.00%
Fixed income	25%	2.90%

*Discount Rate* - The PLD Plan’s discount rate used to measure the collective total pension liability was 6.875% for 2016. 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, 2016 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

<u>PLD Plans:</u>	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Discount rate	5.875%	6.875%	7.875%
District's proportionate share of the net pension liability	\$ 3,467,074	\$ 2,088,826	\$ 791,254

**Changes in Net Pension Liability** – Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 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. For 2016, 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.

*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, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

*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. 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' 2016 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (800) 451-9800.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**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 2017, 2016, and 2015 were \$17,929, \$15,285, and \$17,790, respectively.

**C. Other Retirement Contributions**

Additionally, the Town participates in the Social Security Retirement Program. The Town’s contributions to Social Security were \$169,881, \$157,676, and \$147,353 for the years ended June 30, 2017, 2016, and 2015.

**NOTE 10 – 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, 2017, the Town’s share was approximately:

		<u>Outstanding Debt</u>		<u>Town's Percentage</u>		<u>Total Share</u>
County of York	\$	4,900,000		1.66%	\$	81,340
MSAD No. 60		5,051,724		39.39%		<u>1,989,874</u>
					<b>\$</b>	<b><u>2,071,214</u></b>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**NOTE 11 – 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 12 – 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 13 - RESTATEMENT**

The beginning net position of the governmental activities and the business-type activities have been restated as of July 1, 2016. This restatement was done to allocate pension amounts from the governmental activities to the business-type activities. The beginning net position of the governmental activities and the business-type activities were restated by \$89,248 and (\$89,248), respectively.

**NOTE 14 – SUBSEQUENT EVENTS**

The Town received a letter dated July 17, 2017 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:

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

**NOTE 14 – SUBSEQUENT EVENTS (Continued)**

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

On July 24, 2017, the Town was officially awarded another \$200,000 in hazardous substances grant funds to clean up the former Prime Tanning building at 35 Sullivan Street, better known as the blue sort building. This is the seventh such grant the Town has received from the Environmental Protection Agency (EPA). Work on this site will not begin until the new Federal fiscal year which is October 2017.

On August 8, 2017, the Town held a Special Town Meeting vote to see if the voters would authorize the Board of Selectmen and the Treasurer to raise 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, Berwick, Maine (“Property”), and further authorize the Board of Selectmen to determine the manner such funds are raised, including, any combination of either use of Unassigned Fund Balance reserves and or rural development loans (i.e., federal funds), grants, or the issuance of general obligation securities of the Town of Berwick, Maine, including temporary notes in anticipation of the sale thereof, and further authorize the Treasurer and Chairman of the Board of Selectmen the authority and discretion to fix the date(s), maturity(ies), denomination(s), interest rate(s), place(s) of payment, call(s) for redemption, current or advance refunding(s) of any said securities, and form(s) and other details of said securities, including execution and delivery of said securities against payment therefor and to provide for the sale thereof; and the Town Manager and Board of Selectmen to negotiate, as part of the Town’s purchase of the Property, and as part of the consideration therefore, full resolution of a pending land use action in *Town of Berwick v. Six Step Realty Trust, et al.*, Docket No. SPRDC-CV-2017-00009. This warrant article passed – 181 yeas to 151 nays.

**TOWN OF BERWICK, MAINE**  
**Required Supplementary Information**  
**June 30, 2017**

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
- 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, 2017**

	General Fund			Variance with final budget positive (negative)
	Budgeted amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 11,805,133	11,805,133	11,765,351	(39,782)
Licenses and permits	10,500	10,500	11,768	1,268
Intergovernmental	705,436	705,436	704,700	(736)
Interest income	52,000	52,000	66,102	14,102
Charges for services	102,200	102,200	134,722	32,522
Other revenues	515,000	515,000	9,969	(505,031)
Total revenues	13,190,269	13,190,269	12,692,612	(497,657)
<b>Expenditures:</b>				
Current:				
General government	1,153,583	1,153,583	1,105,928	47,655
Public safety	2,494,917	2,494,917	2,433,028	61,889
Public works	1,210,647	1,210,647	1,241,761	(31,114)
Recreation and culture	201,591	201,591	188,694	12,897
Education	6,970,843	6,970,843	6,970,843	-
County tax	355,948	355,948	355,947	1
Health and welfare	56,897	56,897	41,333	15,564
Outside appropriations	14,525	14,525	14,274	251
Unclassified	274,124	274,124	47,392	226,732
Total expenditures	12,733,075	12,733,075	12,399,200	333,875
Excess (deficiency) of revenues over (under) expenditures	457,194	457,194	293,412	(163,782)
<b>Other financing sources (uses):</b>				
Utilization of committed fund balance	135,940	135,940	-	(135,940)
Transfers in from water department	30,000	30,000	30,000	-
Transfers in from special revenue funds	20,000	20,000	20,000	-
Transfers to highway improvement reserve	(350,000)	(350,000)	(350,000)	-
Transfers to capital projects funds	(271,500)	(271,500)	(271,500)	-
Transfers to water department	(21,634)	(21,634)	(21,634)	-
Total other financing sources (uses)	(457,194)	(457,194)	(593,134)	(135,940)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	(299,722)	(299,722)
Net change in fund balance	-	-	(299,722)	-
Fund balances, beginning of year			3,206,142	
<b>Fund balances, end of year</b>	<b>\$</b>		<b>2,906,420</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>PLD Plan:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.39%	0.38%	0.40%	0.41%
Proportionate share of the net pension liability	2,088,826	1,220,216	\$ 618,310	\$ 1,273,810
Covered-employee payroll	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	132.58%	85.27%	44.55%	97.07%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.27%	94.10%	87.50%

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

*See accompanying notes to financial statements.*

**SCHEDULE 3**

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

**LAST 10 FISCAL YEARS\***

<u>PLD Plan:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 207,520	\$ 184,475	\$ 156,335	\$ 139,293
Contributions in relation to the contractually required contribution	<u>(207,520)</u>	<u>(184,475)</u>	<u>(156,335)</u>	<u>(139,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,709,570	\$ 1,575,504	\$ 1,431,047	\$ 1,387,898
Contributions as a percentage of covered-employee payroll	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**  
**Notes To Required Supplementary Information**  
**For The Year Ended June 30, 2017**

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

**Changes in Assumptions**

There was a change in the investment rate of return assumption this year from 7.125% to 6.875%. Annual salary increases, including inflation, changed from 3.50% - 9.50% to 2.75% - 9.00%, for the PLD Consolidated Plan. There was also a change in the cost of living benefit increase from 2.55% to 2.20%. Finally, the mortality rates for active members, nondisabled retirees and recipients of disability benefits, were determined using the RP2014 Total Dataset Healthy Annuitant Mortality Table and the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, compared to the RP2000 Tables projected forward and the Revenue Ruling 96-7 Disabled Mortality Table used in the prior year.

**TOWN OF BERWICK, MAINE**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2017**

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, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,826,993	3,923,355
Restricted cash - GOB	1,005,899	-
Receivables:		
Accounts	47,299	34,236
Taxes (net of allowance for uncollectibles, \$279,590 and \$13,158)	394,212	542,067
Tax liens	320,253	382,240
Due from other governments	-	4,948
Tax acquired property	14,386	2,021
Prepaid expenses	61,084	54,857
Inventory	69,538	137,272
Due from other funds	7,534	2,429
<b>Total assets</b>	<b>\$ 5,747,198</b>	<b>5,083,425</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	93,491	101,937
Accrued wages and benefits	45,112	38,695
Due to other governments	37,796	34,839
Planning escrow accounts	109,861	111,361
Prepaid taxes	16,953	11,247
Due to other funds	1,877,369	923,097
<b>Total liabilities</b>	<b>2,180,582</b>	<b>1,221,176</b>
Deferred inflows of resources:		
Deferred tax revenues	660,196	656,107
<b>Total deferred inflows of resources</b>	<b>660,196</b>	<b>656,107</b>
Fund balance:		
Nonspendable	145,008	194,150
Committed	683,585	635,940
Unassigned	2,077,827	2,376,052
<b>Total fund balance</b>	<b>2,906,420</b>	<b>3,206,142</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 5,747,198</b>	<b>5,083,425</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, 2017**

(with comparative actual amounts for the year ended June 30, 2016)

	2017		Variance positive (negative)	2016 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 10,515,133	10,274,236	(240,897)	10,218,635
Change in deferred property tax revenue	-	(4,089)	(4,089)	137,670
Excise taxes	1,290,000	1,495,204	205,204	1,401,368
Total taxes	11,805,133	11,765,351	(39,782)	11,757,673
Licenses and permits:				
Animal control fees	4,000	5,662	1,662	9,697
Town clerk fees	6,500	6,106	(394)	7,783
Total licenses and permits	10,500	11,768	1,268	17,480
Intergovernmental:				
State revenue sharing	385,000	395,354	10,354	413,142
Homestead exemption	181,599	181,599	-	122,588
BETE reimbursement	25,328	25,360	32	26,635
General assistance	10,000	3,266	(6,734)	3,376
Other state grants	27,800	26,145	(1,655)	28,069
COPS in school	75,709	72,976	(2,733)	72,930
Total intergovernmental	705,436	704,700	(736)	666,740
Interest and costs on taxes	45,000	58,072	13,072	66,931
Investment income	7,000	8,030	1,030	7,927
Total interest income	52,000	66,102	14,102	74,858
Charges for services:				
Police fees and fines	8,000	4,698	(3,302)	15,962
Planning fees	6,000	25,915	19,915	4,782
Building/elec/plumb permits	50,000	64,850	14,850	73,551
Fire and rescue fees	200	334	134	372
Miscellaneous public works	1,000	1,059	59	1,556
Transfer station fees	37,000	37,866	866	44,298
Total charges for services	102,200	134,722	32,522	140,521

**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, 2016)**

	2017		Variance positive (negative)	2016 Actual
	Budget	Actual		
Revenues, continued:				
Other revenues:				
Miscellaneous	\$ 15,000	9,969	(5,031)	44,671
Use of surplus	500,000	-	(500,000)	-
Total other revenues	515,000	9,969	(505,031)	44,671
Total revenues	13,190,269	12,692,612	(497,657)	12,701,943
Expenditures:				
Current:				
General government:				
General expense account	247,420	240,354	7,066	216,021
Town administration	332,963	319,858	13,105	323,663
Town clerk	255,943	245,253	10,690	235,333
Planning	136,867	133,983	2,884	131,083
Assessing	77,650	73,415	4,235	69,660
Town Hall	102,740	93,065	9,675	98,511
Total general government	1,153,583	1,105,928	47,655	1,074,271
Public safety:				
Police department	1,570,054	1,538,113	31,941	1,476,783
Fire department	728,475	698,527	29,948	600,414
Hydrants	196,388	196,388	-	192,880
Total public safety	2,494,917	2,433,028	61,889	2,270,077
Public works:				
Highway	758,370	797,651	(39,281)	615,015
Refuse disposal	452,277	444,110	8,167	461,841
Total public works	1,210,647	1,241,761	(31,114)	1,076,856
Recreation and Culture:				
Parks & Recreation	107,591	94,694	12,897	97,873
Berwick Library Association	94,000	94,000	-	89,000
Total recreation	201,591	188,694	12,897	186,873
Education	6,970,843	6,970,843	-	6,696,358

**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, 2016)**

	2017		Variance positive (negative)	2016 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
County Tax	\$ 355,948	355,947	1	351,554
Health and Welfare:				
General assistance	20,000	4,436	15,564	4,651
Sewer District	36,897	36,897	-	39,000
Total health and welfare	56,897	41,333	15,564	43,651
Outside Appropriations:				
Christmas decorations	575	574	1	424
Memorial Day	1,200	1,200	-	1,200
Seacoast Shipyard Association	500	500	-	500
Coast Bus Service	10,500	10,500	-	9,500
American Legion	1,500	1,500	-	-
Miscellaneous	250	-	250	-
Total outside appropriations	14,525	14,274	251	11,624
Unclassified:				
Operating contingency	43,060	6,658	36,402	1,325
Unfunded liability	92,000	-	92,000	-
Federal stormwater program	20,265	18,235	2,030	18,935
Economic development	46,159	15,526	30,633	13,841
Emergency management	1,656	136	1,520	165
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	49,984	6,837	43,147	3,369
Total unclassified	274,124	47,392	226,732	37,635

**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, 2016)**

	2017		Variance positive (negative)	2016 Actual
	Budget	Actual		
Total expenditures	\$ 12,733,075	12,399,200	333,875	11,748,899
Excess of revenues over expenditures	457,194	293,412	(163,782)	953,044
Other financing sources (uses):				
Utilization of committed fund balance	135,940	-	(135,940)	-
Transfers to highway improvement reserve	(350,000)	(350,000)	-	(350,000)
Transfers to capital projects funds	(271,500)	(271,500)	-	(397,450)
Transfers to water department	(21,634)	(21,634)	-	(21,634)
Transfer in from special revenue fund	20,000	20,000	-	20,000
Transfers in from water department	30,000	30,000	-	36,868
Total other financing sources (uses)	(457,194)	(593,134)	(135,940)	(712,216)
Excess of revenues and other financing sources over expenditures and other uses - budgetary basis	-	(299,722)	(299,722)	240,828
Net change in fund balance		(299,722)		240,828
Fund balance, beginning of year		3,206,142		2,965,314
<b>Fund balance, end of year</b>	<b>\$</b>	<b>2,906,420</b>		<b>3,206,142</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2017**

	<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	\$ -	-	17,971	17,971
Accounts receivable (net of allowance for uncollectibles)	2,679	-	-	2,679
Due from other governments	13,861	-	-	13,861
Due from other funds	249,852	185,334	-	435,186
<b>Total assets</b>	<b>\$ 266,392</b>	<b>185,334</b>	<b>17,971</b>	<b>469,697</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	6,307	-	-	6,307
<b>Total liabilities</b>	<b>6,307</b>	<b>-</b>	<b>-</b>	<b>6,307</b>
Fund balances:				
Restricted	39,147	-	17,971	57,118
Committed	82,131	185,334	-	267,465
Assigned	138,807	-	-	138,807
<b>Total fund balance</b>	<b>260,085</b>	<b>185,334</b>	<b>17,971</b>	<b>463,390</b>
<b>Total liabilities and fund balances</b>	<b>\$ 266,392</b>	<b>185,334</b>	<b>17,971</b>	<b>469,697</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, 2017**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Investment income, net of unrealized gains/(losses)	\$ -	-	9	9
Intergovernmental	32,064	-	-	32,064
Charges for services	209,438	-	103	209,541
<b>Total revenues</b>	<b>241,502</b>	<b>-</b>	<b>112</b>	<b>241,614</b>
Expenditures:				
Capital outlay	-	285,026	-	285,026
Other	154,361	334	-	154,695
<b>Total expenditures</b>	<b>154,361</b>	<b>285,360</b>	<b>-</b>	<b>439,721</b>
Excess (deficiency) of revenues over (under) expenditures	87,141	(285,360)	112	(198,107)
Other financing sources (uses):				
Long-term debt issued	-	125,000	-	125,000
Capital leases	-	53,300	-	53,300
Transfers in	-	115,762	-	115,762
Transfers out	(20,000)	(1,612)	-	(21,612)
<b>Total other financing sources (uses)</b>	<b>(20,000)</b>	<b>292,450</b>	<b>-</b>	<b>272,450</b>
Net change in fund balances	67,141	7,090	112	74,343
Fund balances, beginning of year	192,944	178,244	17,859	389,047
<b>Fund balances, end of year</b>	<b>\$ 260,085</b>	<b>185,334</b>	<b>17,971</b>	<b>463,390</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Special Revenue Funds**  
**June 30, 2017**

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.

**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.

**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 November 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.

**TOWN OF BERWICK, MAINE**  
**Special Revenue Funds**  
**June 30, 2017**

**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.

**AARP Grant Fund** – To account for the grant funds received from AARP to develop a plan for Berwick to become an age-friendly community.

**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, 2017**

(with comparative actual amounts at June 30, 2016)

	Town Hall	Tee Shirts	Police Grants	Recreation Trips	Recreation Fees	Riverfront	Farmers' Market	Community Center	Ice Rink	Rec Impact Fees	Open Space Impact Fees	BEBA	MMEHT Wellness Incentive	York Hospital	AARP Grant	Berwick Community Television	Totals		
	Damage	Shirts	Grants	Trips	Fees	Riverfront	Market	Center	Rink	Fees	Fees	BEBA	Incentive	Hospital	Grant	Television	2017	2016	
<b>ASSETS</b>																			
Accounts receivable (net of allowance for uncollectibles)	\$	-	-	1,565	425	689	-	-	-	-	-	-	-	-	-	-	2,679	6,271	
Due from other governments		-	-	13,861	-	-	-	-	-	-	-	-	-	-	-	-	13,861	5,000	
Due from other funds		863	644	-	49,609	77,556	3,238	1,953	1,749	350	13,750	13,750	3,808	201	250	-	82,131	249,852	301,080
<b>Total assets</b>		<b>863</b>	<b>644</b>	<b>15,426</b>	<b>50,034</b>	<b>78,245</b>	<b>3,238</b>	<b>1,953</b>	<b>1,749</b>	<b>350</b>	<b>13,750</b>	<b>13,750</b>	<b>3,808</b>	<b>201</b>	<b>250</b>	<b>-</b>	<b>82,131</b>	<b>266,392</b>	<b>312,351</b>
<b>LIABILITIES AND FUND BALANCES</b>																			
Liabilities:																			
Accounts payable		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds		-	-	6,307	-	-	-	-	-	-	-	-	-	-	-	-	6,307	907	
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>6,307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,307</b>	<b>907</b>	
Fund balances:																			
Restricted		-	-	98	-	-	3,238	1,953	1,749	350	13,750	13,750	3,808	201	250	-	-	39,147	134,925
Committed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,131	82,131	71,346	
Assigned		863	644	9,021	50,034	78,245	-	-	-	-	-	-	-	-	-	-	138,807	105,373	
<b>Total fund balances</b>		<b>863</b>	<b>644</b>	<b>9,119</b>	<b>50,034</b>	<b>78,245</b>	<b>3,238</b>	<b>1,953</b>	<b>1,749</b>	<b>350</b>	<b>13,750</b>	<b>13,750</b>	<b>3,808</b>	<b>201</b>	<b>250</b>	<b>-</b>	<b>82,131</b>	<b>260,085</b>	<b>311,644</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>863</b>	<b>644</b>	<b>15,426</b>	<b>50,034</b>	<b>78,245</b>	<b>3,238</b>	<b>1,953</b>	<b>1,749</b>	<b>350</b>	<b>13,750</b>	<b>13,750</b>	<b>3,808</b>	<b>201</b>	<b>250</b>	<b>-</b>	<b>82,131</b>	<b>266,392</b>	<b>312,551</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, 2017**  
**(with comparative actual amounts for the year ended June 30, 2016)**

	Town Hall	Water Damage	Tee Shirts	Police Grants	Recreation Trips	Recreation Fees	Riverfront	Farmers' Market	Community Center	Ice Rink	Rec Impact Fees	Open Space Impact Fees	MMEHT Wellness Incentive	York Hospital	AARP Grant	Berwick Community Television	Totals		
																	2017	2016	
Revenues:																			
Intergovernmental	\$	-	-	27,784	-	-	-	-	-	-	-	-	280	-	4,000	-	-	32,064	135,828
Charges for services		-	194	19,557	50,340	47,914	2,075	3,550	166	-	13,750	13,750	670	-	-	-	57,472	209,438	299,777
Total revenues		-	194	47,341	50,340	47,914	2,075	3,550	166	-	13,750	13,750	670	280	-	4,000	57,472	241,502	435,605
Expenditures:																			
Program expense		-	-	46,219	41,137	5,101	680	5,567	-	-	-	-	504	139	327	8,000	46,687	154,361	269,492
Total expenditures		-	-	46,219	41,137	5,101	680	5,567	-	-	-	-	504	139	327	8,000	46,687	154,361	269,492
Excess (deficiency) of revenues over (under) expenditures		-	194	1,122	9,203	42,813	1,395	(2,017)	166	-	13,750	13,750	166	141	(327)	(4,000)	10,785	87,141	166,113
Other financing sources:																			
Transfers - in		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers - out		-	-	-	-	(20,000)	-	-	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)
Total other financing sources		-	-	-	-	(20,000)	-	-	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)
Net change in fund balance		-	194	1,122	9,203	22,813	1,395	(2,017)	166	-	13,750	13,750	166	141	(327)	(4,000)	10,785	67,141	146,113
Fund balances, beginning of year		863	450	7,997	40,831	55,432	1,843	3,970	1,583	350	-	-	3,642	60	577	4,000	71,346	192,944	165,531
<b>Fund balances, end of year</b>	<b>\$</b>	<b>863</b>	<b>644</b>	<b>9,119</b>	<b>50,034</b>	<b>78,245</b>	<b>3,238</b>	<b>1,953</b>	<b>1,749</b>	<b>350</b>	<b>13,750</b>	<b>13,750</b>	<b>3,808</b>	<b>201</b>	<b>250</b>	<b>-</b>	<b>82,131</b>	<b>260,085</b>	<b>311,644</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Capital Projects Funds**  
**June 30, 2017**

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, 2017**

(with comparative actual amounts at June 30, 2016)

	Town Hall Reserve	Planning Reserve	Police Department Reserve	Civil Defense	Highway Equipment Reserve	Transfer Station Reserve	Recreation Improvement Reserve	Totals	
								2017	2016
<b>ASSETS</b>									
Due from other funds	\$ 69,069	32,278	16,796	3,156	31,923	153	31,959	185,334	329,024
<b>Total assets</b>	<b>69,069</b>	<b>32,278</b>	<b>16,796</b>	<b>3,156</b>	<b>31,923</b>	<b>153</b>	<b>31,959</b>	<b>185,334</b>	<b>329,024</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	702
Total liabilities	-	-	-	-	-	-	-	-	702
Fund balances:									
Committed	69,069	32,278	16,796	3,156	31,923	153	31,959	185,334	328,322
Total fund balances	69,069	32,278	16,796	3,156	31,923	153	31,959	185,334	328,322
<b>Total liabilities and fund balances</b>	<b>\$ 69,069</b>	<b>32,278</b>	<b>16,796</b>	<b>3,156</b>	<b>31,923</b>	<b>153</b>	<b>31,959</b>	<b>185,334</b>	<b>329,024</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, 2017**

(with comparative actual amounts for the year ended June 30, 2016)

	Town Hall Reserve	Planning Reserve	Police Department Reserve	Civil Defense	Highway Equipment Reserve	Transfer Station Reserve	Recreation Improvement Reserve	Totals	
								2017	2016
Revenues:									
Miscellaneous income	\$ -	-	-	-	-	-	-	-	1,546
<b>Total revenues</b>	-	-	-	-	-	-	-	-	1,546
Expenditures:									
Program expense	-	250	-	-	-	-	84	334	19,346
Capital outlay	110,321	10,869	116,148	-	-	25,000	22,688	285,026	316,511
<b>Total expenditures</b>	110,321	11,119	116,148	-	-	25,000	22,772	285,360	335,857
Excess (deficiency) of revenues over (under) expenditures	(110,321)	(11,119)	(116,148)	-	-	(25,000)	(22,772)	(285,360)	(334,311)
Other financing sources:									
Long-term debt issued	125,000	-	-	-	-	-	-	125,000	-
Capital leases	-	-	53,300	-	-	-	-	53,300	-
Transfers - in	2,650	1,612	34,500	-	-	25,000	52,000	115,762	397,450
Transfers - out	-	-	-	-	-	-	(1,612)	(1,612)	-
<b>Total other financing sources</b>	127,650	1,612	87,800	-	-	25,000	50,388	292,450	397,450
Net change in fund balance	17,329	(9,507)	(28,348)	-	-	-	27,616	7,090	63,139
Fund balances, beginning of year	51,740	41,785	45,144	3,156	31,923	153	4,343	178,244	265,183
<b>Fund balances, end of year</b>	<b>\$ 69,069</b>	<b>32,278</b>	<b>16,796</b>	<b>3,156</b>	<b>31,923</b>	<b>153</b>	<b>31,959</b>	<b>185,334</b>	<b>328,322</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**

**Permanent Funds**

**June 30, 2017**

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, 2017

(with comparative actual amounts at June 30, 2016)

	McCue Lord Trust	Lord's Cemetery Maintenance	Webster Cemetery	Lena Clark Cemetery Road	Monument Fund	300th Anniversary	Totals	
							2017	2016
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,190	1,190	4,205	7,549	837	3,000	17,971	17,859
<b>Total assets</b>	<b>1,190</b>	<b>1,190</b>	<b>4,205</b>	<b>7,549</b>	<b>837</b>	<b>3,000</b>	<b>17,971</b>	<b>17,859</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	1,190	1,190	4,205	7,549	837	3,000	17,971	17,859
<b>Total fund balances</b>	<b>1,190</b>	<b>1,190</b>	<b>4,205</b>	<b>7,549</b>	<b>837</b>	<b>3,000</b>	<b>17,971</b>	<b>17,859</b>
<b>Total liabilities and and fund balances</b>	<b>\$ 1,190</b>	<b>1,190</b>	<b>4,205</b>	<b>7,549</b>	<b>837</b>	<b>3,000</b>	<b>17,971</b>	<b>17,859</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, 2017**  
**(with comparative actual amounts for the year ended June 30, 2016)**

	McCue Lord Trust	Lord's Cemetery Maintenance	Webster Cemetery	Lena Clark Cemetery Road	Monument Fund	300th Anniversary	Totals	
							2017	2016
Revenues:								
Investment income	\$ 1	1	2	4	-	1	9	8
Other	-	-	-	-	-	103	103	162
Total revenues	1	1	2	4	-	104	112	170
Expenditures:								
Other miscellaneous	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-	-	-
Net change in fund balance	1	1	2	4	-	104	112	170
Fund balances, beginning of year	1,189	1,189	4,203	7,545	837	2,896	17,859	17,689
<b>Fund balances, end of year</b>	<b>\$ 1,190</b>	<b>1,190</b>	<b>4,205</b>	<b>7,549</b>	<b>837</b>	<b>3,000</b>	<b>17,971</b>	<b>17,859</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**

**General Capital Assets**

**June 30, 2017**

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, 2017**  
**(with comparative actual amounts for the year ended June 30, 2016)**

Function and Activity	Land and Non-depreciable Assets	Buildings, Bldg Imprvmnts, & Land Imprvmnts	Furniture Fixtures, Equipment, & Vehicles	Infrastructure	Totals	
					2017	2016
Administration	\$ -	-	129,579	-	129,579	129,579
Recycling	98,100	40,251	25,000	-	163,351	138,351
Fire	77,200	137,410	1,709,507	-	1,924,117	1,912,173
Police	-	394,290	395,830	-	790,120	769,848
Public Works	74,200	289,219	1,336,111	4,508,531	6,208,061	6,188,110
Recreation	58,200	158,363	24,283	-	240,846	240,846
Water	97,646	1,435,014	1,009,171	4,020,580	6,562,411	6,540,907
Town Wide	487,300	404,112	14,110	-	905,522	850,005
Construction in progresss	557,434	-	-	-	557,434	-
<b>Total governmental fund capital assets</b>	<b>1,450,080</b>	<b>2,858,659</b>	<b>4,643,591</b>	<b>8,529,111</b>	<b>17,481,441</b>	<b>16,769,819</b>
Less: Accumulated Depreciation	-	(1,605,615)	(2,609,790)	(2,045,189)	(6,260,594)	(5,925,908)
<b>Net governmental fund capital assets</b>	<b>\$ 1,450,080</b>	<b>1,253,044</b>	<b>2,033,801</b>	<b>6,483,922</b>	<b>11,220,847</b>	<b>10,843,911</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, 2017**

<b>Function and Activity</b>	<b>Balance 2016</b>	<b>Additions / Reclass</b>	<b>Deletions / Reclass</b>	<b>Balance 2017</b>
Administration	\$ 129,579			129,579
Recycling	138,351	25,000	-	163,351
Fire	1,912,173	40,877	(28,933)	1,924,117
Police	769,848	124,834	(104,562)	790,120
Public Works	6,188,110	89,051	(69,100)	6,208,061
Recreation	240,846	-	-	240,846
Water	6,540,907	51,172	(29,668)	6,562,411
Town Wide	850,005	59,517	(4,000)	905,522
Contruction in progresss	-	557,434	-	557,434
<b>Total governmental fund capital assets</b>	<b>\$ 16,769,819</b>	<b>947,885</b>	<b>(236,263)</b>	<b>17,481,441</b>
Less: Accumulated Depreciation	(5,925,908)	(551,157)	216,471	(6,260,594)
<b>Net governmental fund capital assets</b>	<b>10,843,911</b>	<b>396,728</b>	<b>(19,792)</b>	<b>11,220,847</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program/Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Environmental Protection Agency				
Direct Awards:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF00A00037	\$ 471,959	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF00A00197	377,210	-
Passed through Southern Maine Planning and Development Commission:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF96183301	192,735	-
Total U.S. Environmental Protection Agency			<u>1,041,904</u>	<u>-</u>
U.S. Department of Transportation - State and Community Highway Safety				
Passed through State of Maine Department of Public Safety:				
Highway Safety Cluster:				
2017 Data Driven Speed Enforcement	20.600	PT17-035	\$ 4,365	\$ -
2016 Evidence Based Impaired Driving HVE	20.616	ID16-021	3,927	-
2017 Evidence Based Impaired Driving HVE	20.616	ID17-055	1,135	-
2016 HV Distracted Driving Enforcement	20.616	DD16-005	800	-
2017 Click It or Ticket (CIOT) BUNE HVE	20.616	OPB17-057	4,620	-
Subtotal Highway Safety Cluster			<u>14,847</u>	<u>-</u>
Total U.S. Department of Transportation			<u>14,847</u>	<u>-</u>
U.S. Department of Justice				
Passed through State of Maine Department of Public Safety:				
2014 Edward Bryne Memorial Justice Assistance Grant (JAG)	16.738	2014-DJ-BX-1047	2,433	-
2015 Edward Bryne Memorial Justice Assistance Grant (JAG)	16.803	2015-DJ-BX-1067	1,900	-
2016 Edward Bryne Memorial Justice Assistance Grant (JAG)	16.803	2016-DJ-BX-0173	2,621	-
Total U.S. Department of Justice			<u>6,954</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,063,705</u>	<u>\$ -</u>

**TOWN OF BERWICK, MAINE**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Berwick, Maine under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Berwick, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Berwick, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Berwick, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Code.



*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, 2017, 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 November 20, 2017.

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.

3 Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609  
[www.rhrsmith.com](http://www.rhrsmith.com)

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  
November 20, 2017



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Selectmen  
Town of Berwick  
Berwick, Maine

Report on Compliance for Each Major Federal Program

We have audited Town of Berwick, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Berwick, Maine's major federal programs for the year ended June 30, 2017. The Town of Berwick, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Berwick, Maine's major federal programs based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Berwick, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

3 Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609  
[www.rhrsmith.com](http://www.rhrsmith.com)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Town of Berwick, Maine's compliance.

#### Opinion on Each Major Federal Program

In our opinion, the Town of Berwick, Maine, complied in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

#### Report on Internal Control Over Compliance

Management of the Town of Berwick, Maine is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Berwick, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Berwick, Maine's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance requirements of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine  
November 20, 2017

**TOWN OF BERWICK, MAINE**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2017

**Section I - Summary of Auditor's Results**

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  no
- Noncompliance material to financial statements noted?  yes  no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported  
 in accordance with § 200.516 of Uniform Guidance?  yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.818	Brownfields Assessment and Cleanup Cooperative Agreements

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None