

Audited Financial Statements

Town of Berwick, Maine

June 30, 2016



*Proven Expertise and Integrity*

TOWN OF BERWICK, MAINE

CONTENTS

JUNE 30, 2016

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 21
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT- WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	22
STATEMENT B - STATEMENT OF ACTIVITIES	23
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	24
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	25
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	26
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	27
STATEMENT G – STATEMENT OF NET POSITION – PROPRIETARY FUNDS	28
STATEMENT H - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	29
STATEMENT I - STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	30
STATEMENT J - STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	31
STATEMENT K - STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS	32

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	65
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	66
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	67
SCHEDULE 3 – SCHEDULE OF CONTRIBUTIONS	67
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	68

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	69
SCHEDULE A-1 - COMPARATIVE BALANCE SHEET – GENERAL FUND	70
SCHEDULE A-2 – GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL	71 - 74
SCHEDULE B - COMBINING BALANCE SHEET – ALL OTHER GOVERNMENTAL FUNDS	75
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL OTHER GOVERNMENTAL FUNDS	76
SPECIAL REVENUE FUND DESCRIPTION	77 - 78
SCHEDULE D - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	79
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	80
CAPITAL PROJECTS FUND DESCRIPTION	81
SCHEDULE F - COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUND	82

SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS	83
PERMANENT FUNDS DESCRIPTION	84
SCHEDULE H - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	85
SCHEDULE I - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR PERMANENT FUNDS	86
GENERAL CAPITAL ASSETS DESCRIPTION	87
SCHEDULE J - SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY	88
SCHEDULE K - SCHEDULE OF CHANGES IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY FUNCTION AND ACTIVITY	89

FEDERAL COMPLIANCE

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>	90 - 91
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## INDEPENDENT AUDITORS' REPORT

Board of Selectmen  
Town of Berwick  
Berwick, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Berwick, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

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, 2016, 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 information on pages 4 through 21 and 66 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of the Town of Berwick, Maine’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berwick, Maine’s internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
October 28, 2016

## 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, 2016. 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 \$11,460,750, an increase of \$625,826 or 5.8% when compared to the restated beginning net position figure of \$10,834,924, as restated.
- The ending net position of the Town of Berwick's business-type activities (Berwick Water Dept.) is \$3,552,115, an increase of \$50,838 or 1.45% when compared to the beginning net position figure of \$3,501,277.
- The ending fund balance for Governmental Funds is \$5,457,876. Although revenues exceeded expenditures by \$207,420, with transfers in of \$804,318 and transfers outs of \$789,084, the net change was an increase of \$222,654.
- The General Fund's ending fund balance is \$3,206,142; an increase of \$240,828 from the prior year's ending fund balance of \$2,965,314. Of the \$3,206,142, \$194,150 is reserved for nonspendable items such as tax acquired property, inventory, and prepaid expenses, and \$635,940 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, 2016 was \$2,376,052 or 18.0% of the total FY17 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. It is anticipated that the Board of Selectmen will have approximately \$700,000 to allocate to the Capital Projects during the FY18 budget process.

### 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 basic 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 five 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, Highway Improvement Reserve, 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:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2016	2015 (Restated)	2016	2015
Current assets	\$ 6,401,667	\$ 6,369,238	\$ 413,825	\$ 375,265
Capital assets, net	<u>6,817,356</u>	<u>6,151,762</u>	<u>4,026,555</u>	<u>4,142,893</u>
Total assets	13,219,023	12,521,000	4,440,380	4,518,158
Total deferred outflows of resources	718,182	226,343	-	-
Current liabilities	387,661	487,329	167,577	154,564
Non-current liabilities	<u>1,402,437</u>	<u>742,011</u>	<u>720,687</u>	<u>862,317</u>
Total liabilities	1,790,098	1,229,340	888,264	1,016,881
Total deferred inflows of resources	686,357	683,079	-	-
Net Position:				
Invested in:				
Net investment in capital assets	6,739,747	6,151,762	3,162,223	3,151,155
Restricted	1,453,851	1,357,502	-	-
Unrestricted	<u>3,267,152</u>	<u>3,325,660</u>	<u>389,893</u>	<u>350,122</u>
Total net position	<u>\$11,460,750</u>	<u>\$10,834,924</u>	<u>\$ 3,552,116</u>	<u>\$ 3,501,277</u>

The increase of \$32,429 in the current assets category for the governmental activities was primarily due to the increases in general fund investments of \$124,463 and inventory of \$64,421 and the decreases of (\$101,336) in taxes receivable and (\$54,379) in liens receivable. The increase of \$38,560 in the current asset category for the business-type activities was primarily due to the changes in accounts receivable of \$57,914 and inventory of \$11,985. This increase was offset by a decrease in the cash and cash equivalents of (\$31,119).

The Capital Asset disclosure in the notes to the financial statements, see Note 5, shows how the changes in capital assets, net of \$665,594 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 (\$116,338).

The decrease in the current liabilities of (\$99,668) for governmental activities was primarily due to the changes in the current portion of long-term obligations, which was a decrease of (\$47,115), a reduction in the amount due to other governments of (\$20,721), a decrease in accounts payable at year-end of (\$17,698), and a reduction in accrued wages & benefits of (\$17,125). The business-type activities saw an increase in the current liabilities of \$13,013. This was primarily due to the changes in the current portion of long-term obligations, which was an increase of \$8,694, and in the year-end accounts payable for the Water Department, which was \$6,473.

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>Governmental Activities</u>		<u>Business-type Activities</u>	
	2016	2015	2016	2015
Revenues				
Taxes:				
Property	\$ 10,218,635	\$ 9,922,488	\$ -	\$ -
Excise	1,401,368	1,286,863	-	-
Program revenues				
Charges for services	261,532	232,628	651,070	619,815
Operating grants & contributions	232,756	207,733	-	-
Capital grants & contributions	481,546	-	-	-
Grants and contributions not restricted to specific programs				
Homestead exemption	122,588	123,724	-	-
BETE reimbursement	26,635	18,942	-	-
Other federal aid	114,826	29,687	-	-
Other state aid	31,445	31,021	-	-
State revenue sharing	413,142	380,705	-	-
Investment earnings	23,374	62,726	-	-
Miscellaneous revenues	<u>111,602</u>	<u>65,125</u>	<u>7,523</u>	<u>6,493</u>
Total revenues:	13,439,449	12,361,642	658,593	626,308

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2016	2015	2016	2015
Expenses				
Current:				
General government	1,335,173	897,519	-	-
Public safety	2,463,236	2,353,754	-	-
Public works	1,520,830	1,238,627	-	-
Health & welfare	44,234	45,749	-	-
Recreation & culture	240,941	224,447	-	-
Education	6,696,358	6,430,003	-	-
County tax	351,554	357,113	-	-
Outside appropriations	11,624	12,273	-	-
Unclassified	151,949	159,623	592,520	590,774
Unallocated depreciation	<u>12,958</u>	<u>10,004</u>	-	-
Total expenses:	12,828,857	11,729,112	592,520	590,774
Net transfers	<u>15,234</u>	<u>13,343</u>	<u>(15,234)</u>	<u>(13,343)</u>
Change in net position	683,682	645,873	50,839	22,191
Net position - July 1, as restated	<u>10,834,924</u>	<u>10,189,051</u>	<u>3,501,277</u>	<u>3,479,086</u>
Net position - June 30	<u>\$11,518,606</u>	<u>\$10,834,924</u>	<u>\$3,552,116</u>	<u>\$3,501,277</u>

Approximately 76.0% of the Town's revenues come from property taxes, while 10.4% comes from excise taxes and 5.7% from the State of Maine in the form of revenue sharing, homestead exemptions, BETE reimbursements, general assistance reimbursement, and other state aid.

The revenue for the Town's governmental activities of \$13,439,449 increased \$1,077,807 from the fiscal year 2015's amount of \$12,361,642. There are a number of revenue sources that contributed to this substantial increase and they are identified below:

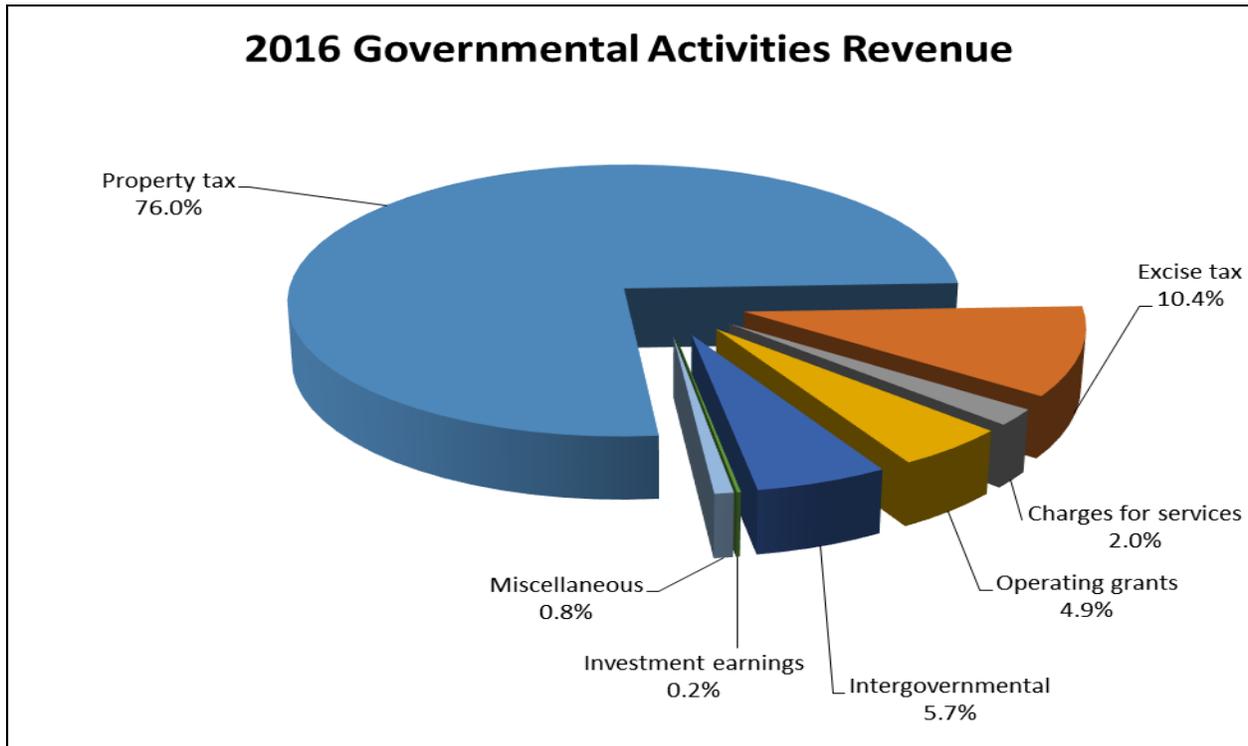
Capital grants and contributions saw an increase of \$481,546 or 100.0% over fiscal year 2015. The two major contributors to this increase were the acceptance of Morning Dove Court as a Town road, which is recorded as a donated assets with a value of \$360,000, and the escrow funds received from the Fund of Jupiter as the local match to the EPA's Brownfields Cleanup Grant of \$120,000.

Property taxes saw an increase of \$296,147 or 3.0% increase over fiscal year 2015. The overall tax commitment for 2016 was up \$291,345 from the 2015 tax commitment amount. The largest component of this increase was in the education assessment from MSAD #60, which was \$266,355.

Excise taxes saw an increase of \$114,505 or 8.9% increase over fiscal year 2015. New vehicles being registered bring in a higher excise taxes and during fiscal year 2016 \$263,566 was collected in excise taxes for year 1, which are current or new model year vehicle registrations.

Other federal aid saw an increase of \$85,139 or 286.8% increase over fiscal year 2015. This was in large part due to the grant funds received from the EPA Brownfield Cleanup grant for the costs associated with the Prime Tanning site cleanup work. The Town received \$114,826 in EPA grant funds during fiscal year 2016.

The following pie chart shows the sources of revenue for fiscal year 2016:

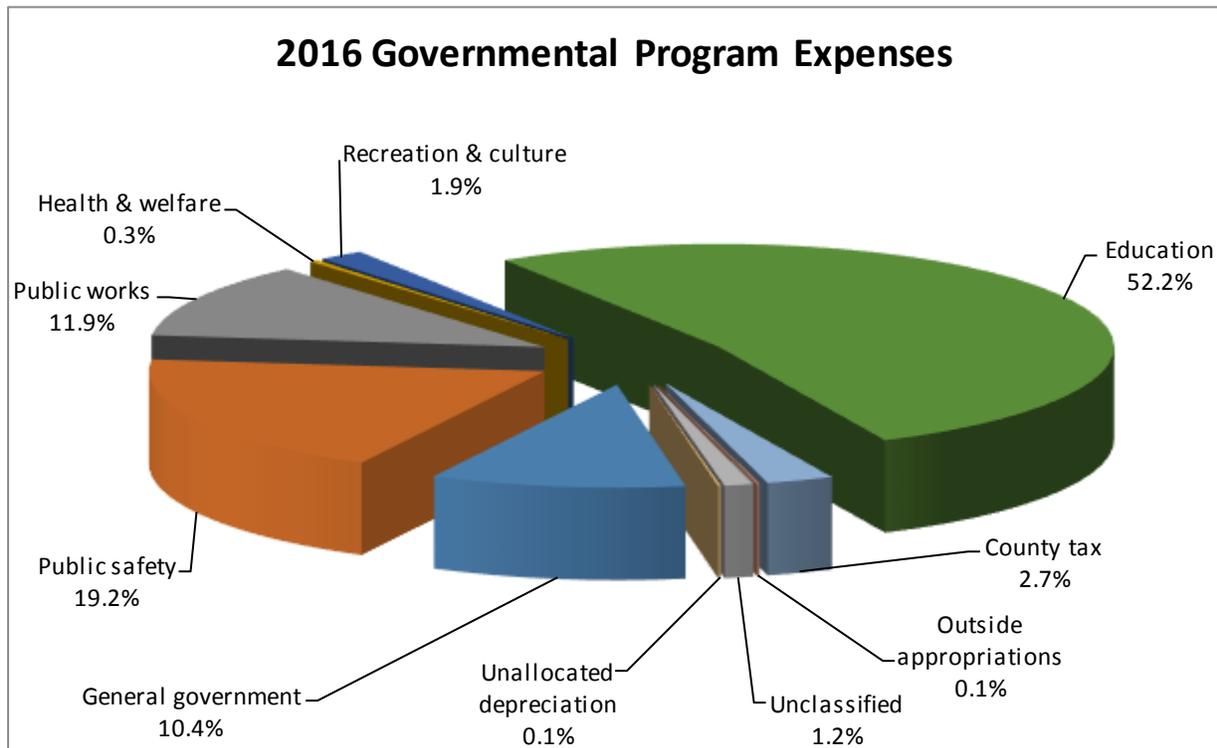


The expenses for the Town’s governmental activities were up by 9.4% or \$1,099,745 when compared to fiscal year 2015. The Town’s share of MSAD 60’s budget makes up 52.2% of the expenses for fiscal year 2016 and is up 4.1% or \$266,355 from the fiscal year 2015 assessment. Whereas, the general government activity, which makes up 10.4% of the expenses for fiscal year 2016, saw the largest increase between the years with expenses up \$437,654 or 48.8% over fiscal year 2015. This was due in large part to the change in pension expense and the expenses associated with the EPA Brownfields Cleanup Grant.

The public works activity also saw a large increase of \$282,203 or 22.8% over the fiscal year 2015, and was due to the acceptance of Morning Dove Court as a Town road by the voters at the Town Meeting on June 14, 2016. The road was a donation from the developer with an estimated cost of \$360,000.

Although the Public Safety activity was 19.2% of the expenses for fiscal year 2016, it was only up 4.7% over fiscal year 2015 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 2016:



Proprietary fund revenues were up \$32,285 due to the increase in Charges for Services. On October 1, 2015 new water rates went into effect, so the quarterly water charges billed at the end of December 2015, March 2016, and June 2016 contributed to the 5.0% increase seen in this revenue category for fiscal year 2016. The average water rate increase was 8.56%.

Expenses were up \$54,202 in fiscal year 2016 when compared to fiscal year 2015. There were a couple of areas contributing to the increase in expenditures. The employee benefits category was up \$27,576 over fiscal year 2015. The largest increase was due to the change in accrued compensated absences. In fiscal year 2015 there was a substantial decrease in the accrued compensated absence amount due to the elimination of the sick time payout for Teamster union members upon termination. All three employees at the Water Department are in the Teamsters union. This was a reduction of \$12,628. In fiscal year 2016, the year-end accrual for compensated absences saw an increase of \$2,015 due to more vacation time on the books at June 30, 2016.

The next largest increase was in the contract labor and other services of \$22,380. The Water Department contracted with Tighe and Bond an engineering firm to do a comprehensive system facilities plan for them and \$24,426 was spent during fiscal year 2016 for this work.

### Governmental Activities

The cost of all governmental activities was \$12,828,857. 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 \$10,218,635 or 76.0%, while some of the cost was paid by those who directly benefit from the programs -- \$261,532, by other governments and organizations that subsidized certain programs with operating grants and contributions -- \$232,756, and by other governments and organizations that subsidized certain programs with capital grants and contributions - \$481,546. The Town also received \$2,244,980 in other general revenues, such as State Revenue Sharing, motor vehicle and boat excise taxes, homestead exemption, and interest earnings, to fund operations during fiscal year 2016.

As a result of the Governmental activities' revenues of \$13,454,683 exceeding the expenses of \$12,828,857, the Town of Berwick realized an increase to its net position of \$625,826.

### Proprietary Funds

The cost for the Water Department activities for fiscal year 2016 was \$592,520. The majority of revenues received by the Water Department were from charges for services in the amount of \$651,070. With revenues exceeding expenses, the Water Department realized an increase to its net position of \$50,838.

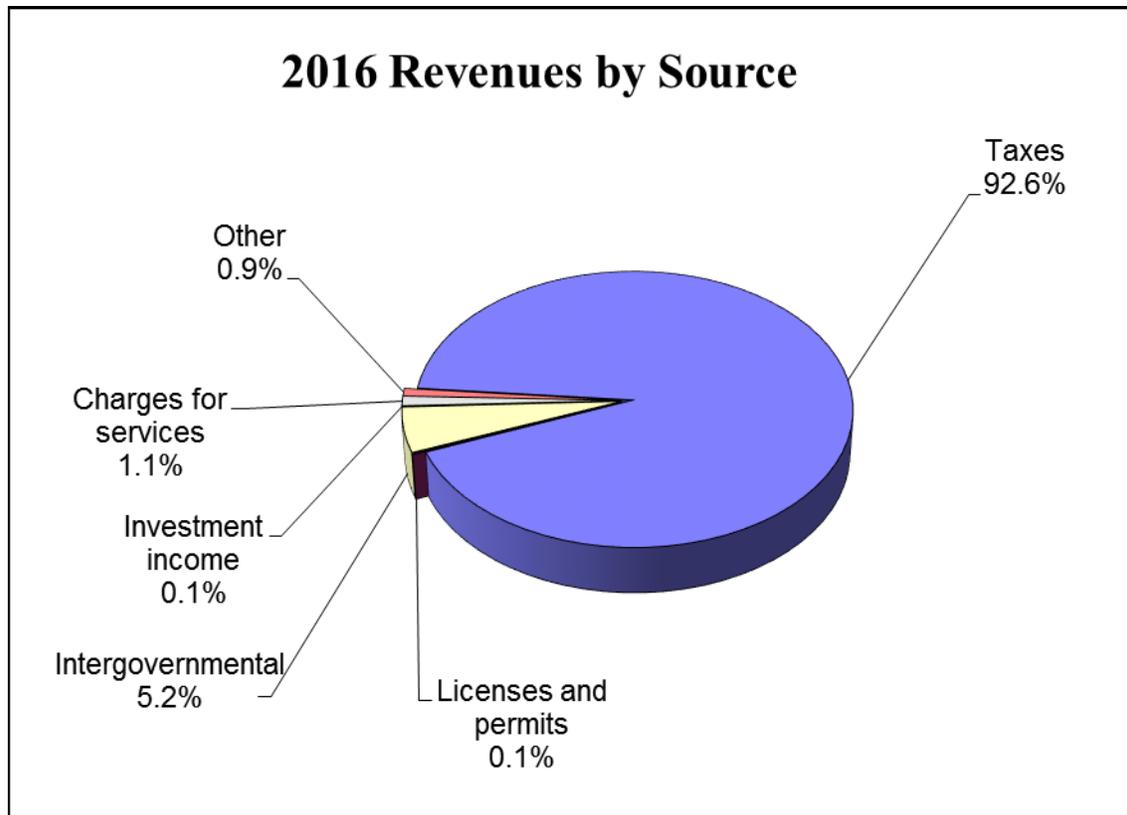
### The Town's Funds

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

### General Major Governmental Functions

The following table summarizes the fiscal year 2016 revenues by source for the General Fund with the 2015 information for comparison while the pie chart summaries the 2016 revenues by source. Information is from Statement E.

	<u>2016</u>	<u>2015</u>	\$ Chg	% Chg
Revenues by source				
Taxes	\$ 11,757,673	\$ 11,283,175	\$ 474,498	4.2%
Licenses and permits	17,480	6,516	10,964	168.3%
Intergovernmental	666,740	652,644	14,096	2.2%
Investment income	7,927	7,318	609	8.3%
Charges for services	140,521	128,622	11,899	9.3%
Other	111,602	65,125	46,477	71.4%
<b>Total revenue</b>	<b><u>\$ 12,701,943</u></b>	<b><u>\$ 12,143,400</u></b>	<b><u>\$ 558,543</u></b>	<b>4.6%</b>



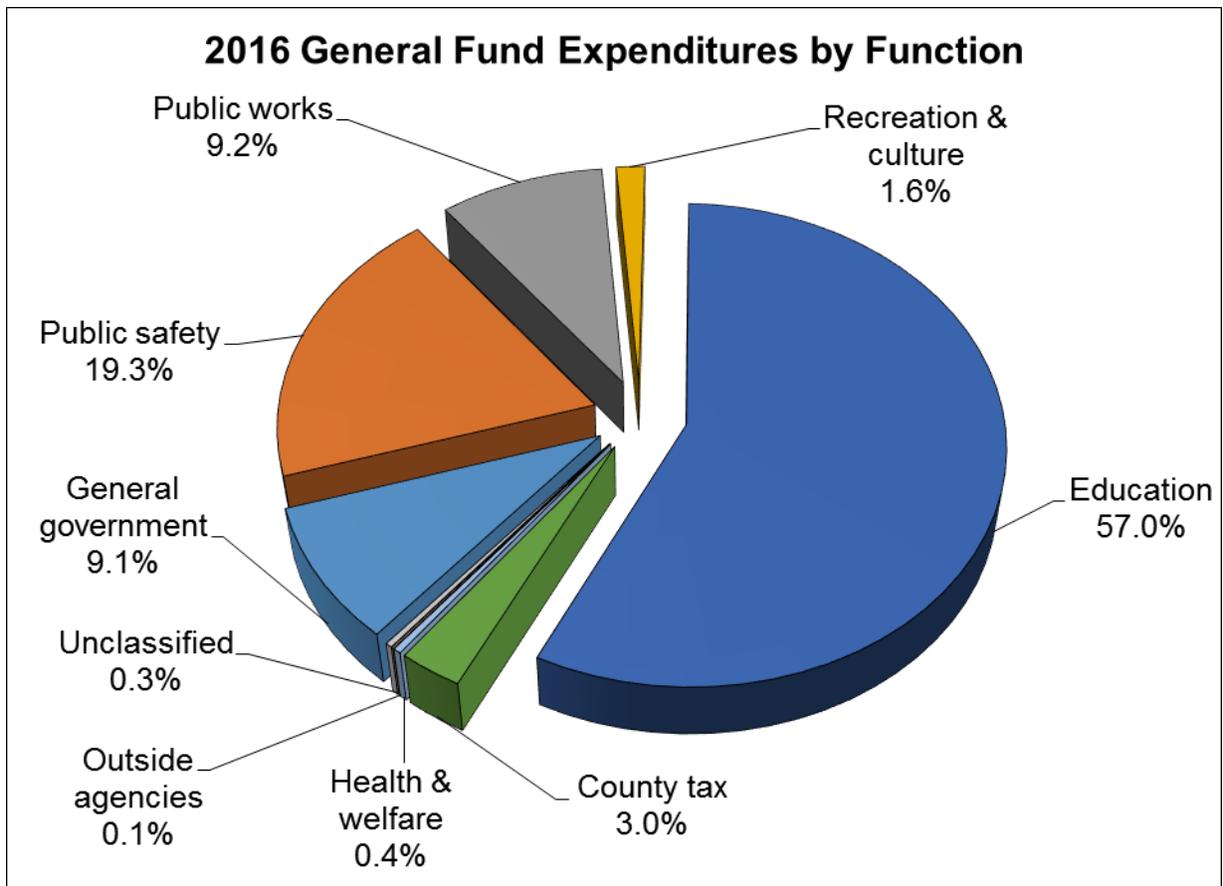
General Fund revenues increased 4.6% over the fiscal year 2015 amount. The following are some of the reasons for the changes in the revenue sources.

**Taxes:** The tax commitment for FY2016 was an increase of 3.1% or \$310,430 from the FY2015 level, with the largest increase being the MSAD #60 assessment, which increased \$266,355. The overall tax rate collections for 2016 were at 95.0%, while the 2015 tax year was 93.6%. Also, the change in deferred property tax revenues, which is the amount collected during the first 60 days of the new fiscal year, increased by \$63,800. This revenue source also includes vehicle and boat excise taxes and registration fees. The excise tax collections for fiscal year 2016 are approximately \$186,300 higher than fiscal year 2015.

**Other:** The increase in this category of \$46,477 or 71.4% from fiscal year 2015 to fiscal year 2016 was due to an increase in the interest and costs on taxes which contributed \$18,326 and the miscellaneous category which contributed \$28,151. Under the miscellaneous category 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, the sale of four old Town vehicles which generated \$9,500 in revenue for the Town, and a dividend check from the Town's insurance provider for workers comp and property & casualty policies in the amount of \$8,477.

The following table summarizes the General Fund expenditures by function for fiscal year 2016 with 2015 information for comparison while the pie chart displays the General Fund expenditures by function for fiscal year 2016. Information is from Statement E.

	<u>2016</u>	<u>2015</u>	<u>\$ Chg</u>	<u>% Chg</u>
Expenditure by function				
General government	\$ 1,074,271	\$ 1,034,353	\$ 39,918	3.9%
Public safety	2,270,077	2,144,634	125,443	5.8%
Public works	1,076,856	1,082,229	(5,373)	-0.5%
Recreation & culture	186,873	178,069	8,804	4.9%
Education	6,696,358	6,430,003	266,355	4.1%
County tax	351,554	357,113	(5,559)	-1.6%
Health & welfare	43,651	45,672	(2,021)	-4.4%
Outside agencies	11,624	12,273	(649)	-5.3%
Unclassified	37,635	67,925	(30,290)	-44.6%
<b>Total expenditures</b>	<b><u>\$ 11,748,899</u></b>	<b><u>\$ 11,352,271</u></b>	<b><u>\$ 396,628</u></b>	<b>3.5%</b>



The General Fund expenditures increased 3.5% or \$396,628 over fiscal year 2015 levels with the education function seeing the largest increase of \$266,355 or 4.1%.

The next largest increase was in the public safety function which saw a 5.8% or \$125,443 increase over fiscal year 2015. The increase in wages and benefits for police and fire was \$83,901 with \$59,900 of the increase the result of negotiated wage increases on July 1, 2015. Also, in FY2016 there were 53 weeks of payroll and benefits compared to only 52 weeks in fiscal year 2015, which added another \$23,900 to the cost of wages and benefits for fiscal year

2016. The Fire Department expended roughly \$25,000 more in building maintenance in fiscal year 2016 than in 2015 as they prepared to switch to a 24/7 operation in fiscal year 2017. They were required to address issues related to having sleeping quarters in the station such as installing a heat & smoke alarm system as well as a public address alerting system, repairs to the exhaust system, update wiring, and create sleeping quarters.

The function with the largest decrease was the unclassified which saw a reduction of (\$30,290) or -44.6%. The two largest contributors to this reduction was the Board of Selectmen expended (\$19,602) less out of the contingency account in fiscal year 2016 and fewer tax abatements occurred during fiscal year 2016 resulting in a (\$19,564) reduction in the overlay account.

The net results of operations or net change in fund balance for fiscal year 2016 was \$240,828, after transfers in of \$56,868 and transfers out of \$769,084. The following table summarizes the General Fund's fund balance for fiscal year 2016 with 2015 information for comparison.

	<u>2016</u>	<u>2015</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Nonspendable	\$ 194,150	\$ 126,675	\$ 67,475	53.5%
Committed	635,940	681,206	(45,266)	-6.6%
Unassigned	<u>2,376,052</u>	<u>2,157,433</u>	<u>218,619</u>	10.1%
<b>Total fund balance</b>	<b><u>\$ 3,206,142</u></b>	<b><u>\$ 2,965,314</u></b>	<b><u>\$ 240,828</u></b>	<b>8.1%</b>

The General Fund's total fund balance increased by 8.1% or \$240,828 due to a number of factors.

In the Nonspendable category, the change in the inventory valuation of \$64,421 was the largest contributor to the 53.5% increase. 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.

The largest decrease in the Committed category was due to the lower amount being approved by the voters from the unassigned fund balance for capital projects. At the June 2016 Town Meeting, the voters approved utilizing \$500,000 for various capital projects, while in May 2015 they approved utilizing \$599,000 for various capital projects and to fund the "betterment" fee to the Sewer District. A list of the projects approved by voters in June 2016 can be found under the Capital Assets and Debt Management section of the Management's Discussion and Analysis. Offsetting this large reduction were the following increases to the Committed category: an additional \$23,000 was added to the unfunded liabilities for accrued comp, the Economic Development account had a carryforward balance of \$16,159, and the Contingency account increased its carryforward amount by \$13,675.

The Capital Improvement Project 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 2016 LRAP payment from the State was up \$588 from the amount received in fiscal year 2015.

The major expenditures from the Highway Improvement Reserve Fund during fiscal year 2016 was the reclamation of Blackberry Hill Road, (from Berwick Road to Guinea Road), at a cost of \$201,270, reclamation of Sullivan Street, (from Eleanor’s Way to Pine Hill), at a cost of \$59,924, reclamation of Wilson Street at a cost of \$32,602, reclamation of the Police Department’s entrance road at a cost of \$23,398, and paving the Police Department’s parking lot at a cost of \$22,415. Also, the Town’s share of the Rochester Street project was \$127,234 and its share of the lights on the Rte. 9 Bridge was \$24,700.

The net results of operations for fiscal year 2016 was a decrease of (\$196,546), after transfers in of \$350,000.

The following table summarizes the Highway Improvement Reserve Fund’s fund balance for fiscal year 2016 with 2015 information for comparison.

	<u>2016</u>	<u>2014</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balances:				
Committed	\$ <u>292,992</u>	\$ <u>489,538</u>	(\$196,546)	-40.1%
<b>Total fund balance</b>	<b>\$ <u>292,992</u></b>	<b>\$ <u>489,538</u></b>	<b>(\$196,546)</b>	<b>-40.1%</b>

The Permanent Fund’s Lena Clark Trust Fund received \$7,624 in investment income net of unrealized gains and losses during fiscal year 2016. This was a decrease of approximately (\$13,644) when compared to the fiscal year 2015 figure. While the Berwick Cemetery Trust received \$7,815 in investment income net of unrealized gains and losses, which was a decrease of (\$26,317) when compared to fiscal year 2015.

Investment management fees for fiscal year 2016 for the Lena Clark Trust were down (\$304) and for the Berwick Cemetery Trust they were down (\$269) when compared to fiscal year 2015. The Cemetery Trust also in February 2016 remitted to the Berwick Cemetery Association the interest earnings for calendar year 2015, which amounted to \$40,636.

The net results of operations for fiscal year 2016 for the Lena Clark Trust was a slight increase of \$3,991; while it was a decrease of (\$34,891) for the Berwick Cemetery Trust.

The following table summarizes the Lena Clark Trust Fund’s fund balance for fiscal year 2016 with 2015 information for comparison:

	<u>2016</u>	<u>2015</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Nonspendable	\$ 421,910	\$ 440,852	(\$ 18,942)	-4.3%
Restricted	<u>51,603</u>	<u>28,670</u>	<u>22,933</u>	80.0%
<b>Total fund balance</b>	<b>\$ <u>473,513</u></b>	<b>\$ <u>469,522</u></b>	<b>\$ <u>3,991</u></b>	<b>0.85%</b>

The following table summarizes the Berwick Cemetery Trust Fund's fund balance for fiscal year 2016 with 2015 information for comparison:

	<u>2016</u>	<u>2015</u>	<u>\$ Chg</u>	<u>% Chg</u>
Fund balance:				
Nonspendable	\$ 818,671	\$ 854,684	(\$ 36,013)	-4.2%
Restricted	<u>8,883</u>	<u>7,761</u>	<u>1,122</u>	14.5%
<b>Total fund balance</b>	<b><u>\$ 827,554</u></b>	<b><u>\$ 862,445</u></b>	<b><u>(\$ 34,891)</u></b>	<b>-4.05%</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 \$50,838 and a total net position of \$3,552,115.

### **General Fund Budgetary Highlights**

The Town continues to meet its responsibilities for sound financial management. As shown in Schedule 1, actual revenues came in under the estimated revenues by (\$126,178) but this shortfall was offset by actual expenditures were under budgeted appropriations by \$451,349. This resulted in a positive net effect of \$325,171. However, after transfers, the net change in fund balance was a positive \$240,828.

The unassigned fund balance at \$2,376,052 is a healthy figure and represents 18.0% of the total budgeted appropriations for FY2017 of \$13,190,285. 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 FY2018 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 2015-2016 was \$12,887,126. The Board of Selectmen in June made a few budget adjustments between departmental budgets to cover a potential overage in the Transfer Station. 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, 2016, the net book value of capital assets recorded by the Town increased by \$549,256.

The following is a summary of the Town of Berwick’s capital assets, net of depreciation:

**Town of Berwick, Maine  
Capital Assets (Net of Depreciation)**

	<b>2016</b>	<b>2015</b>
Art work and historical treasures	\$ 11,000	\$ 11,000
Land and other non-depreciable assets	871,646	871,646
Buildings and improvements, land improvements	1,232,962	1,286,851
Machinery and equipment	1,061,682	1,040,478
Vehicles	966,888	888,390
Infrastructure	6,699,733	6,196,290
	<b>\$ 10,843,911</b>	<b>\$ 10,294,655</b>

At the end of fiscal year 2016, the Town had invested \$733,955 in a broad range of capital assets and received \$360,000 in a donated asset – voter approved acceptance of Morning Dove Court as a town road.

The following chart identifies the assets that were added during fiscal year 2016:

		<b>Category Total</b>
Land improvements		
Public Works	Tymetal aluminum gate (Transfer Station)	\$ 3,950
General Govt	Welcome to Berwick sign	1,717
		5,667
Building and building improvements		
Public Safety	Wired smoke/heat detection system - Fire Station	3,000
	PA & alerting system - Fire Station	5,295
Public Works	Salt shed - reinforced concrete walls	25,000
		33,295
Machinery and equipment		
General Govt	Hasler postage meter/base/scale	9,608
	NEC SV9100 IP phone system	21,049
	Hypercaster video server w/software (BCTV)	21,863
	Ricoh copier	4,473
	TS2 type 2 traffic controller	3,560
Public Safety	Golden Eagle IIX radar units (2) Police	4,996
	Motorola APX6500 VHF radios (2) Police	5,421
	Control access system - Fire station	4,500
Recreation	Shoremaster 4x20 deck gangway w/handrails	3,789
	EZ dock system - ADA section	9,599

	<b>Category</b>		<b>Category Total</b>
<b>Machinery and equipment</b>			
Water	Finish water VFD (2 replacements)	14,650	
	Peerless finish water pump (2)	7,809	
	Water treatment analyzer	8,955	
	SCADA upgrade	13,998	
			134,270
<b>Vehicles</b>			
Public Safety	2016 Ford Explorer - police package (2)	54,420	
Public Works	2016 Western Star 4700SF truck w/dump & plow	166,694	
			221,114
<b>Infrastructure</b>			
Public Works	Reclaim Blackberry Hill Road (Berwick to Guinea)	201,270	
	Reclaim Police Dept. entrance road	23,398	
	Pave Police Dept. parking lot	22,415	
	Reclaim Sullivan Street (Bit to Pine Hill)	59,924	
	Reclaim Wilson Street	32,602	
	Morning Dove Court (donated)	360,000	
			699,609
<b>Total Assets Added During FY2016</b>			<b>\$ 1,093,955</b>

The total depreciation expense for 2016 was \$531,071. The governmental activities depreciation expense for 2016 was \$370,551, while the business-type activities depreciation expense for 2016 was \$160,520.

The Town has appropriated \$621,500 in fiscal year 2017 for the following capital expenditures:

<b>Capital Item</b>	<b>Funding Amount</b>
Cruiser (Lease Payment)	\$ 8,500.00
ATV Replacement	16,000.00
Police Dept. IT Server	10,000.00
Pumper Replacement Reserve	50,000.00
Hose Replacement	12,500.00
SCBA	5,000.00
Portables	5,000.00
Fire Dept. Repeater Upgrade	30,000.00
Personal Protective Gear	12,500.00
Fire Dept. Radio Room	5,000.00
Fire Station Driveway	25,000.00
Salt Shed Roof	15,000.00
Transfer Station Backhoe (Used)	25,000.00

<b>Capital Item</b>	<b>Funding Amount</b>
Community Center Roof	15,000.00
Community Center Flooring	25,000.00
Land Purchase off Moulton St. (includes closing costs)	12,000.00
Roads	<u>350,000.00</u>
<b>Total:</b>	<b><u>\$ 621,500.00</u></b>
<b>Source of Funding</b>	
Unassigned Fund Balance	\$ 500,000.00
Property Taxes	<u>21,500.00</u>
<b>Total:</b>	<b><u>\$ 621,500.00</u></b>

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

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

As of June 30, 2016, the Town's Proprietary Fund – Berwick Water Department had a total of \$856,787 in outstanding general obligation debt versus \$991,738 last year. Other obligations include capital leases, vacation and sick time, and net pension liability.

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

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

In May 2016, the Town received word that they had received another \$600,000 in Brownfield Cleanup grant funds from the Environmental Protection Agency (EPA), which the Town can begin utilizing after October 1, 2016. This is the second grant award the Town has received from the EPA to clean up the former Prime Tanning site. With a total of \$1,440,000 - \$1,200,000 in grant funds and \$240,000 in local match funds, the Board of Selectmen, at their June 7, 2016 meeting, awarded the bid for Phase I (Grant1) for the Prime Tanning site demolition to Environ Vantage for \$488,750. Much engineering work has been done behind the scene but with the demolition of buildings beginning in September 2016, residents can begin to see the potential for change in the downtown area. The Envision Berwick Committee has done extensive work trying to encourage businesses to relocate to this site once the cleanup is completed. The Town is encouraged that there is interest from a small grocery store, a brew pub, and a coffee shop in potentially relocating to this site.

A warrant article will be on the November 2016 Town ballot to see if the voters of Berwick will designate a municipal tax increment financing (TIF) district in the Town's Village Overlay zone, which encompasses the former Prime Tanning site as well as other parcels in the downtown area. If this is approved by the voters and the plan is accepted by the State of Maine's Department of Economic and Community Development, this will give the Board of Selectmen another tool to assist in redeveloping the former Prime Tanning site as well as fund needed infrastructure improvements within the area.

At the June 2016 Town Meeting the voters approved issuing bonds to purchase and equipment two fire engines at a cost not to exceed \$1,000,000. They also approved a bond not to exceed \$125,000 for the purchase and installation of new windows in the Town Hall auditorium, repairs to one of the auditorium walls, and to replace the clock movements in the clock tower at Town Hall. The impact of the Town Hall bond will not be seen until fiscal year 2018, while the fire truck bond will not impact the taxpayers until 2020 as there are funds set aside in a reserve for the new fire trucks and will be used to pay down the debt service in the first two years.

The Town’s assessed value ratio as of April 1, 2016 is 105%, down (0.9%) from the April 1, 2015 assessed value ratio and is under the State maximum cap of 110%.

The total assessed value as of April 1, 2016, is \$638,217,849, which is an increase of \$2,450,026 or 0.39% from the prior year. Although the Town saw roughly \$6,000,000 in new taxable valuation as of April 1, 2016, the overall taxable valuation for real estate and personal property decreased by (\$714,797) from April 1, 2015. However, due to the increase in the homestead exemption reimbursement from the State of Maine of \$3,288,750, the Town saw an overall increase in its valuation base for the 2016/2017 tax year.

The Town of Berwick’s tax rate is \$16.80. The following chart shows the change in the Town’s tax rate from 2016 to 2017.

	<u>2017</u>	<u>2016</u>	<u>\$ Chg</u>	<u>% Chg</u>	<u>Allocation</u>
Town	\$ 5.32	\$ 5.21	\$0.11	2.1%	31.9%
School	\$10.92	\$10.53	\$0.39	3.7%	64.8%
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>\$16.80</u></b>	<b><u>\$16.30</u></b>	<b><u>\$0.50</u></b>	<b><u>3.1%</u></b>	<b><u>100.0%</u></b>

The Town’s municipal appropriation is \$5,863,494, an increase of \$104,018 or 1.81% when compared to FY 2016. An increase in non-property tax revenue of \$93,099 and a decrease in the use of unassigned fund balance of (\$99,000) resulted in a net appropriation of \$3,345,285; an increase of \$109,919 or 3.40%. The largest increase in the municipal budget was in the funding of an additional firefighter in the Fire Department, which increase this budget by \$117,163 or 19.2%. There is also funding for an additional police officer and a part-time Water/Planning Tech in the fiscal year 2017 budget.

The Town’s contribution to MSAD #60’s budget is \$6,670,843; an increase of \$274,485 or 4.1%. And the County tax assessment is a slight increase of \$4,393, or 1.25%.

### **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, 2016**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 119,144	\$ 172,305	\$ 291,449
Investments	5,123,137	-	5,123,137
Receivables:			
Accounts	40,507	198,638	239,145
Taxes receivable (net of allowance of \$13,158)	530,820	-	530,820
Tax liens	382,240	-	382,240
Due from other governments	10,148	-	10,148
Tax acquired property	2,021	-	2,021
Prepaid expenses	54,857	-	54,857
Inventory	137,272	44,403	181,675
Internal balances	1,521	(1,521)	-
<b>Total current assets</b>	<b>6,401,667</b>	<b>413,825</b>	<b>6,815,492</b>
Noncurrent assets:			
Capital assets:			
Non-depreciable capital assets	785,000	97,646	882,646
Depreciable capital assets, net	6,032,356	3,928,909	9,961,265
<b>Total noncurrent assets</b>	<b>6,817,356</b>	<b>4,026,555</b>	<b>10,843,911</b>
<b>TOTAL ASSETS</b>	<b>13,219,023</b>	<b>4,440,380</b>	<b>17,659,403</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on pensions	718,182	-	718,182
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>718,182</b>	<b>-</b>	<b>718,182</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 13,937,205</b>	<b>\$ 4,440,380</b>	<b>\$ 18,377,585</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 102,789	\$ 16,193	\$ 118,982
Accrued wages and benefits	38,695	1,824	40,519
Due to other governments	34,839	-	34,839
Other liabilities	111,361	-	111,361
Accrued interest	-	5,915	5,915
Current portion of long-term obligations	99,977	143,645	243,622
<b>Total current liabilities</b>	<b>387,661</b>	<b>167,577</b>	<b>555,238</b>
Noncurrent liabilities:			
Net pension liability	1,220,216	-	1,220,216
Bonds payable	-	720,687	720,687
Capital lease payable	62,649	-	62,649
Accrued compensated absences	119,572	-	119,572
<b>Total noncurrent liabilities</b>	<b>1,402,437</b>	<b>720,687</b>	<b>2,123,124</b>
<b>TOTAL LIABILITIES</b>	<b>1,790,098</b>	<b>888,264</b>	<b>2,678,362</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amount on pensions	686,357	-	686,357
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>686,357</b>	<b>-</b>	<b>686,357</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,739,747	3,162,223	9,901,970
Restricted	1,453,851	-	1,453,851
Unrestricted	3,267,152	389,893	3,657,045
<b>TOTAL NET POSITION</b>	<b>11,460,750</b>	<b>3,552,116</b>	<b>15,012,866</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 13,937,205</b>	<b>\$ 4,440,380</b>	<b>\$ 18,377,585</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business- type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,335,173	\$ 95,813	\$ 907	\$ 120,000	\$ (1,118,453)	\$ -	\$ (1,118,453)
Public safety	2,463,236	28,473	88,555	1,546	(2,344,662)	-	(2,344,662)
Public works	1,520,830	45,854	57,856	360,000	(1,057,120)	-	(1,057,120)
Health and welfare	44,234	-	9,710	-	(34,524)	-	(34,524)
Recreation	240,941	87,095	20,257	-	(133,589)	-	(133,589)
Education	6,696,358	-	-	-	(6,696,358)	-	(6,696,358)
County tax	351,554	-	-	-	(351,554)	-	(351,554)
Outside appropriations	11,624	-	-	-	(11,624)	-	(11,624)
Unclassified	151,949	4,297	55,471	-	(92,181)	-	(92,181)
Unallocated depreciation (Note 4)	12,958	-	-	-	(12,958)	-	(12,958)
Total governmental activities	12,828,857	261,532	232,756	481,546	(11,853,023)	-	(11,853,023)
Business-type activities:							
Water department	592,520	651,070	-	-	-	58,550	58,550
Total business-type activities	592,520	651,070	-	-	-	58,550	58,550
<b>Total primary government</b>	<b>\$ 13,421,377</b>	<b>\$ 912,602</b>	<b>\$ 232,756</b>	<b>\$ 481,546</b>	<b>(11,853,023)</b>	<b>58,550</b>	<b>(11,794,473)</b>
General revenues:							
Property taxes, levied for general purposes					10,218,635		10,218,635
Motor vehicle and boat excise taxes					1,401,368		1,401,368
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					413,142		413,142
Homestead exemption					122,588		122,588
BETE reimbursement					26,635		26,635
Other State aid					31,445		31,445
Other Federal aid					114,826		114,826
Unrestricted investment earnings					23,374		23,374
Miscellaneous revenues					111,602	7,523	119,125
Net transfers					15,234	(15,234)	-
Total general revenues and transfers					12,478,849	(7,711)	12,471,138
Change in net position					625,826	50,839	676,665
Net position - beginning, as restated					10,834,924	3,501,277	14,336,201
<b>Net position - ending</b>					<b>\$ 11,460,750</b>	<b>\$ 3,552,116</b>	<b>\$ 15,012,866</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Highway Improvement Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 101,285	-	-	-	17,859	119,144
Investments	3,822,070	-	473,513	827,554	-	5,123,137
Receivables:						
Accounts	34,236	-	-	-	6,271	40,507
Taxes (net of allowance for uncollectibles)	542,067	-	-	-	-	542,067
Tax liens	382,240	-	-	-	-	382,240
Due from other governments	4,948	-	-	-	5,200	10,148
Tax acquired property	2,021	-	-	-	-	2,021
Prepaid expenses	54,857	-	-	-	-	54,857
Inventory	137,272	-	-	-	-	137,272
Due from other funds	2,429	292,992	-	-	630,104	925,525
<b>Total assets</b>	<b>\$ 5,083,425</b>	<b>292,992</b>	<b>473,513</b>	<b>827,554</b>	<b>659,434</b>	<b>7,336,918</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	101,937	150	-	-	702	102,789
Accrued wages and benefits	38,695	-	-	-	-	38,695
Due to other governments	34,839	-	-	-	-	34,839
Planning escrow accounts	111,361	-	-	-	-	111,361
Prepaid taxes	11,247	-	-	-	-	11,247
Due to other funds	923,097	-	-	-	907	924,004
<b>Total liabilities</b>	<b>1,221,176</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>1,609</b>	<b>1,222,935</b>
Deferred inflows of resources:						
Deferred tax revenues	656,107	-	-	-	-	656,107
<b>Total deferred inflows of resources</b>	<b>656,107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>656,107</b>
Fund balances:						
Nonspendable	194,150	-	421,910	818,671	-	1,434,731
Restricted	-	-	51,603	8,883	152,784	213,270
Committed	635,940	292,842	-	-	399,668	1,328,450
Assigned	-	-	-	-	105,373	105,373
Unassigned	2,376,052	-	-	-	-	2,376,052
<b>Total fund balances</b>	<b>3,206,142</b>	<b>292,842</b>	<b>473,513</b>	<b>827,554</b>	<b>657,825</b>	<b>5,457,876</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,083,425</b>	<b>292,992</b>	<b>473,513</b>	<b>827,554</b>	<b>659,434</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, 2016**

Total fund balances - total governmental funds, Statement C	\$	5,457,876
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	\$ 785,000	
Depreciable capital assets, net	6,032,356	6,817,356
Deferred outflows of resources are not financial resources and therefore not reported in the funds.		718,182
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds:		
Capital leases		(77,609)
Compensated absences		(204,589)
Pension liability		(1,220,216)
Deferred inflows of resources are not available in the current period and therefore not reported in the funds.		(686,357)
Deferred revenues -- more specifically, property taxes and liens not reported on Statement A		656,107
<b>Net position of governmental activities</b>	<b>\$</b>	<b>11,460,750</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, 2016**

	General	Highway Improvement Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes						
Preoperty taxes	\$ 10,356,305	-	-	-	-	10,356,305
Excise taxes	1,401,368	-	-	-	-	1,401,368
Licenses and permits	17,480	-	-	-	-	17,480
Intergovernmental	666,740	57,856	-	-	135,828	860,424
Investment income, net of unrealized gains/(losses)	7,927	-	7,624	7,815	8	23,374
Charges for services	140,521	-	-	4,560	299,939	445,020
Unclassified	111,602	-	-	-	1,546	113,148
<b>Total revenues</b>	<b>12,701,943</b>	<b>57,856</b>	<b>7,624</b>	<b>12,375</b>	<b>437,321</b>	<b>13,217,119</b>
Expenditures:						
Current:						
General government	1,074,271	-	-	-	140,406	1,214,677
Public safety	2,270,077	-	-	-	23,049	2,293,126
Public works	1,076,856	-	-	-	-	1,076,856
Recreation & culture	186,873	-	-	-	61,385	248,258
Education	6,696,358	-	-	-	-	6,696,358
County tax	351,554	-	-	-	-	351,554
Health & welfare	43,651	-	-	-	583	44,234
Outside appropriations	11,624	-	-	-	-	11,624
Unclassified	37,635	-	3,633	47,266	63,415	151,949
Capital outlay	-	604,552	-	-	316,511	921,063
<b>Total expenditures</b>	<b>11,748,899</b>	<b>604,552</b>	<b>3,633</b>	<b>47,266</b>	<b>605,349</b>	<b>13,009,699</b>
Excess (deficiency) of revenues over (under) expenditures	953,044	(546,696)	3,991	(34,891)	(168,028)	207,420
Other financing sources (uses):						
Transfers in	56,868	350,000	-	-	397,450	804,318
Transfers out	(769,084)	-	-	-	(20,000)	(789,084)
<b>Total other financing sources (uses)</b>	<b>(712,216)</b>	<b>350,000</b>	<b>-</b>	<b>-</b>	<b>377,450</b>	<b>15,234</b>
<b>Net change in fund balances</b>	<b>240,828</b>	<b>(196,696)</b>	<b>3,991</b>	<b>(34,891)</b>	<b>209,422</b>	<b>222,654</b>
Fund balances, beginning of year	2,965,314	489,538	469,522	862,445	448,403	5,235,222
<b>Fund balances, end of year</b>	<b>\$ 3,206,142</b>	<b>292,842</b>	<b>473,513</b>	<b>827,554</b>	<b>657,825</b>	<b>5,457,876</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, 2016**

Net change in fund balances - total governmental funds (from Statement E)	\$	222,654
<p>Amounts reported for governmental activities in the statement of activities (Statement B) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital asset purchases capitalized		1,048,543
Capital assets disposed		(12,398)
Depreciation expense		(370,551)
		665,594
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(137,670)
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.		491,839
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)		(26,071)
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)		14,664
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)		(601,906)
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)		(3,278)
<b>Change in net position of governmental activities (see Statement B)</b>	<b>\$</b>	<b>625,826</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<u>Enterprise Funds</u>
	<u>Water</u>
	<u>Department</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 172,305
Accounts receivable (net of allowance of \$3,500)	198,638
Inventory	44,403
Total current assets	415,346
Noncurrent assets:	
Land	97,646
Buildings and improvements	1,435,014
Vehicles and equipment	987,667
Plant / infrastructure	4,020,580
Total capital assets	6,540,907
Less: accumulated depreciation	(2,514,352)
Total noncurrent assets	4,026,555
<b>Total assets</b>	<b>\$ 4,441,901</b>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Accounts payable	\$ 16,193
Accrued payroll and related liabilities	1,824
Accrued interest	5,915
Current portion of long-term debt	143,645
Due to other funds	1,521
Total current liabilities	169,098
Noncurrent liabilities:	
Bonds payable	720,687
Total noncurrent liabilities	720,687
<b>Total liabilities</b>	<b>889,785</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,162,223
Unrestricted	389,893
Total net position	3,552,116
<b>Total liabilities and net position</b>	<b>\$ 4,441,901</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, 2016**

	<b>Enterprise Funds</b>
	<b>Water</b>
	<b>Department</b>
Operating Revenues:	
Charges for services	\$ 651,070
Other	4,423
Total operating revenues	655,493
Operating Expenses:	
Labor and salaries	145,986
Employee benefits	65,866
Payroll taxes	16,467
Audit services	1,900
Contract labor and other services	53,392
Operating supplies	37,681
Equipment / equipment maintenance	18,712
Purchase of power	28,714
Utilities	8,065
Water testing	4,022
Sewer disposal	6,724
Postage	2,472
Clothing	6,607
Depreciation	160,520
Miscellaneous	9,008
Total operating expenses	566,136
Operating Income (Loss)	89,357
Nonoperating revenues (expenses):	
Interest income	3,100
Interest expense	(26,384)
Transfers in	21,634
Transfers out	(36,868)
Total nonoperating revenues (expenses)	(38,518)
Change in Net Position	50,839
Net Position, beginning of year	3,501,277
<b>Net Position, end of year</b>	<b>\$ 3,552,116</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2016**

	Enterprise Funds
	Water
	Department
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 593,156
Other receipts	4,423
Payments to employees	(146,010)
Payments to suppliers	(264,922)
Net cash provide (used) by operating activities	186,647
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest payments on bond payable	(26,499)
Principal payments on bond payable	(134,951)
Transfers - net	(15,234)
Purchase of capital assets	(44,182)
Net cash provided (used) by capital and related financing activities	(220,866)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	3,100
Net cash provided (used) by investing activities	3,100
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(31,119)
<b>CASH AND CASH EQUIVALENTS - JULY 1</b>	203,424
<b>CASH AND CASH EQUIVALENTS - JUNE 30</b>	\$ <b>172,305</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>	
<b>TO NET CASH PROVIDED (USED) BY OPERATING</b>	
Operating income (loss)	\$ 89,357
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	160,520
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(57,914)
(Increase) decrease in inventory	(11,985)
(Decrease) increase in accounts payable	6,473
(Decrease) increase in accrued payroll	(2,039)
(Decrease) increase in due to other funds	220
(Decrease) increase in compensated absences	2,015
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ <b>186,647</b>

*See accompanying notes to financial statements.*

Statement J

**TOWN OF BERWICK, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

			<b>Private-purpose Trust Fund Clark Clement Scholarship</b>
<hr/>			
<b>ASSETS</b>			
Cash and cash equivalents	\$	3,954	
Investments		30,000	
<hr/>			
<b>Total assets</b>			<b>33,954</b>
<hr/>			
<b>LIABILITIES</b>			
Accounts payable			-
<hr/>			
<b>Total liabilities</b>			<b>-</b>
<hr/>			
<b>NET POSITION</b>			
Restricted - donor endowment		30,000	
Unrestricted		3,954	
<hr/>			
<b>Total net position</b>			<b>33,954</b>
<hr/>			
<b>TOTAL LIABILITIES AND NET POSTION</b>	<b>\$</b>		<b>33,954</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, 2016**

		<b>Private-purpose Trust Funds</b>
		<b>Clark Clement Scholarship</b>
<hr/>		
Additions:		
Investment income	\$	18
Total additions		18
<hr/>		
Deductions:		
Scholarships awarded		1,200
Total deductions		1,200
<hr/>		
Change in net position		(1,182)
Net position, beginning of year		35,136
<hr/>		
<b>Net position, end of year</b>	<b>\$</b>	<b>33,954</b>
<hr/>		

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

**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, 2016**

**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 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.
- c. 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

- d. 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.

Additionally, the Town reports the following nonmajor 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:

- 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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

**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. "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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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.

**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

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

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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 \$13,158 as of June 30, 2016 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. 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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. 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.

**M. 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, 2016, the Town's liability for compensated absences is \$212,134. For more detailed information on compensated absences see Note 6, E.

**N. 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

**O. 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.

**P. Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Q. 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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.

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 \$2,376,052 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

The following is a summary of the various components of fund balances by funds with the change from 2015 to 2016:

<b>Town of Berwick, Maine</b>			
<b>Fund Balances - Governmental Funds</b>			
<b>June 30,</b>			
	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>\$ Change</b></u>
<b>Major Funds:</b>			
General Fund:			
Nonspendable	\$ 194,150	\$ 126,675	\$ 67,475
Committed	635,940	681,206	(45,266)
Unassigned	<u>2,376,052</u>	<u>2,157,433</u>	<u>218,619</u>
Subtotal General Fund	<u>3,206,142</u>	<u>2,965,314</u>	<u>240,828</u>
Highway Improvement Reserve:			
Committed	292,842	489,538	(196,696)
Lena Clark Trust:			
Nonspendable	421,910	440,852	(18,942)
Restricted	51,603	28,670	22,933
Cemetery Trust:			
Nonspendable	818,671	854,684	(36,013)
Restricted	<u>8,883</u>	<u>7,761</u>	<u>1,122</u>
<b>Total Major Funds</b>	<b>\$ <u>4,800,051</u></b>	<b>\$ <u>4,786,819</u></b>	<b>\$ <u>13,232</u></b>
<b>Nonmajor Funds:</b>			
Special Revenue Funds:			
Restricted	134,925	7,846	127,079
Committed	71,346	79,344	(7,998)
Assigned	105,373	78,341	27,032
Capital Projects Funds:			
Committed	328,322	265,183	63,139
Permanent Funds:			
Restricted	<u>17,859</u>	<u>17,689</u>	<u>170</u>
<b>Total Nonmajor Funds</b>	<b>\$ <u>657,825</u></b>	<b>\$ <u>448,403</u></b>	<b>\$ <u>209,422</u></b>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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

The Town's property tax for the current year was levied August 18, 2015 on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Taxes were due on October 15, 2015 and April 15, 2016. Interest on unpaid taxes commenced on October 16, 2015 and April 16, 2016, 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.

**S. 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).

**T. 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 nonoperating revenues and expenditures.

**U. 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.

**V. 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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

**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. 72, *“Fair Value Measurement and Application”*. The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. Management has determined the impact of this Statement is not material to the financial statements.

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 the 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. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*. The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, *“Certain External Investment Pools and Pool Participants”*. This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

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

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

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

**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, 2016, the Town’s cash balances amounting to \$4,113,519 were comprised of deposits of \$272,305. All of these balances were fully insured by federal depository insurance and consequently not exposed to custodial credit risk. The remaining balance of \$3,839,929 was collateralized with securities held by the institution in the Town’s name in the amount of \$3,237,000, with the remaining balance not insured or collateralized and therefore was subject to custodial risk.

At June 30, 2016, cash consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking, savings, NOW, and certificates of deposit accounts		
Government Funds	272,305	296,440
Cash equivalents	3,839,929	4,102,056
Petty Cash - Government Funds	1,285	1,285
<b>Totals</b>	<b>\$ 4,113,519</b>	<b>\$ 4,399,781</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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

At June 30, 2016, 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	\$ 1,197,263	-	1,197,263	-
Fixed income	13,616	13,616	-	-
Cash equivalents	90,188	90,188	-	-
Total Fair Value:	\$ 1,301,067	103,804	1,197,263	-
% of Portfolio:	100.0%	8.0%	92.0%	0.0%

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.

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

**NOTE 3 – RECEIVABLES**

**A. Receivables**

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

	<u>General</u>	<u>Enterprise Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 542,067	\$ -	\$ -	\$ 542,067
Tax Liens	382,240	-	-	382,240
Accounts	34,236	198,638	6,271	239,145
Intergovernmental	4,948	-	5,200	10,148
<b>Net total receivables</b>	<b>\$ 963,491</b>	<b>\$ 198,638</b>	<b>\$ 11,471</b>	<b>\$ 1,173,600</b>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

**NOTE 3 – RECEIVABLES (Continued)**

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 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 \$656,107.

**B. Property Taxes**

Property taxes for the current year were committed on August 18, 2015, 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 106.0% of the estimated State valuation of \$590,400,000.

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 \$79,737 for the year ended June 30, 2016.

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 2016 and 2015 levies:

	<u>2016</u>	<u>2015</u>
Taxable Assessed Value	\$ 626,615,551	\$ 622,837,235
Tax Rate (per \$1,000)	<u>16.30</u>	<u>15.90</u>
Commitment	10,213,834	9,903,404
Supplemental Taxes Assessed	<u>4,801</u>	<u>4,617</u>
	10,218,635	9,908,021
Less: Abatements	1,167	6,582
Collections	<u>9,722,389</u>	<u>9,271,384</u>
Receivable at June 30, 2016 and 2015	495,079	630,055
Due Date(s)	1/2 10/15/2015	1/2 10/15/2014
	1/2 4/15/2016	1/2 4/15/2015
Interest Rates on Delinquent Taxes	7.0%	7.0%
Collection Rate	95.2%	93.6%

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

**NOTE 3 – RECEIVABLES (Continued)**

**C. Intergovernmental Receivables**

Intergovernmental receivables are comprised of the following:

General fund - FEMA Reimbursement	\$	4,948
<hr/>		
Other governmental funds:		
Police grants special revenue funds:		
Maine Bureau of Highway Safety OUI grant		1,050
Maine Bureau of Highway Safety Speed enforcement grant		1,350
Maine Bureau of Highway Safety Distracted driver grant		400
Maine Bureau of Highway Safety Seatbelt grant		2,400
<hr/>		
<b>Total</b>	<b>\$</b>	<b>10,148</b>
<hr/>		

**NOTE 4 – INTERFUND ACCOUNTS**

Individual interfund loans receivable and payable balances at June 30, 2016 were as follows:

	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>
Governmental Funds:		
General fund	\$ 2,429	\$ 923,097
Highway improvement reserve	292,992	-
Enterprise fund	-	1,521
Other Governmental Funds:		
Special revenue funds:		
Town hall water damage	863	-
T-shirts/hats	450	-
EPA brownfield grant	118,700	-
PREP grant	-	907
Police grants	1,683	-
Recreation trips	40,831	-
Recreation programs	55,432	-
Riverfront project	1,843	-
Farmers' market	3,970	-
Community center	1,583	-
Ice rink	350	-
BEBA (fuel assistance)	3,642	-
MMEHT wellness incentive grant	60	-
York Hospital grant	327	-

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

	<b>Interfund loans receivable</b>	<b>Interfund loans payable</b>
Berwick community TV	71,346	-
Capital projects funds:		
Town hall reserve	51,740	-
Planning reserve	42,487	-
Police department reserve	45,144	-
Fire department reserve	150,078	-
Civil defense	3,156	-
Highway equipment reserve	31,923	-
Transfer station reserve	153	-
Recreation improvement reserve	4,343	-
<b>Totals:</b>	<b>\$ 925,525</b>	<b>\$ 925,525</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, 2016 consisted of the following:

<b>Fund</b>	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>
General Fund	\$ 56,868	\$ 769,084
Highway improvement reserve fund	350,000	-
Enterprise fund (water department)	21,634	36,868
Other governmental funds:		
Special revenue funds:		
Recreation fees fund	-	20,000
Capital projects funds:		
Town Hall reserve fund	16,000	-
Planning reserve fund	60,000	-
Police department reserve fund	72,420	-
Fire department reserve fund	67,500	-
Highway equipment reserve fund	181,530	-
Total other governmental funds	397,450	20,000
<b>Totals</b>	<b>\$ 825,952</b>	<b>\$ 825,952</b>

The transfers out comprised of the following:

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

1. From the General Fund: to provide funds for various capital projects (\$747,450) and the Town's share of the 1999 general obligation bond payment (\$21,634).
2. From the Enterprise Fund (Water Department): to provide funding for accounting and administrative services provided to the water department during fiscal year 2016 (\$36,868).
3. From the Special Revenue Fund's Recreation Fees Fund: to provide funding to offset the recreation operations budget for fiscal year 2016 (\$20,000).

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets is as follows:

	Balance 6/30/15	Additions & Reclassifications	Deductions & Reclassifications	Balance 6/30/16
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 774,000	\$ -	\$ -	\$ 774,000
Works of Art	11,000	-	-	11,000
<i>Total Capital Assets, not being depreciated</i>	<u>785,000</u>	<u>-</u>	<u>-</u>	<u>785,000</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	157,444	5,667	-	163,111
Buildings and Improvements	1,134,587	33,295	-	1,167,882
Machinery and Equipment	1,131,027	86,360	(75,901)	1,141,486
Vehicles	2,276,150	223,612	(36,860)	2,462,902
Infrastructure	3,808,922	699,609	-	4,508,531
<i>Total Capital Assets, being depreciated</i>	<u>8,508,130</u>	<u>1,048,543</u>	<u>(112,761)</u>	<u>9,443,912</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(144,196)	(3,583)	-	(147,779)
Buildings and Improvements	(537,466)	(38,450)	-	(575,916)
Machinery and Equipment	(650,564)	(71,970)	67,103	(655,431)
Vehicles	(1,393,226)	(136,047)	33,260	(1,496,013)
Infrastructure	(415,916)	(120,501)	-	(536,417)
<b>Total Accumulated Depreciation</b>	<u>(3,141,368)</u>	<u>(370,551)</u>	<u>100,363</u>	<u>(3,411,556)</u>
<b>Total Capital Assets, being depreciated, net</b>	<u>5,366,762</u>	<u>677,992</u>	<u>(12,398)</u>	<u>6,032,356</u>
<b>Governmental Activities Capital</b>				
Assets, Net	<u>\$ 6,151,762</u>	<u>\$ 677,992</u>	<u>\$ (12,398)</u>	<u>\$ 6,817,356</u>

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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

	<u>2016</u>	<u>2015</u>
Administration	\$ 16,963	\$ 9,928
Police	44,134	67,077
Fire	90,072	90,125
Public Works	199,929	150,339
Recreation	6,071	3,900
Recycling	1,106	908
Town-wide	12,276	10,004
Total depreciation expense	\$ 370,551	\$ 332,281

	<u>Balance</u> <u>6/30/15</u>	<u>Additions &amp;</u> <u>Reclassifications</u>	<u>Deductions &amp;</u> <u>Reclassifications</u>	<u>Balance</u> <u>6/30/16</u>
<b><u>Business-type Activities</u></b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 97,646	\$ -	\$ -	\$ 97,646
<i>Total Capital Assets, not being depreciated</i>	97,646	-	-	97,646
<i>Capital Assets, being depreciated:</i>				
Land Improvements	-	-	-	-
Buildings and Improvements	1,435,014	-	-	1,435,014
Machinery and Equipment	1,111,003	45,412	(198,416)	957,999
Vehicles	29,668	-	-	29,668
Infrastructure	4,020,580	-	-	4,020,580
<i>Total Capital Assets, being depreciated</i>	6,596,265	45,412	(198,416)	6,443,261
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(758,532)	(50,818)	-	(809,350)
Machinery and Equipment	(548,488)	(31,070)	197,186	(382,372)
Vehicles	(26,702)	(2,967)	-	(29,669)
Infrastructure	(1,217,296)	(75,665)	-	(1,292,961)
Total Accumulated Depreciation	(2,551,018)	(160,520)	197,186	(2,514,352)
Total Capital Assets, being depreciated, net	4,045,247	(115,108)	(1,230)	3,928,909
Business-type Activities Capital Assets, Net	\$ 4,142,893	\$ (115,108)	\$ (1,230)	\$ 4,026,555

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

**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, 2016, the Town was in compliance with these limitations.

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

Long-term liability activity for the year ended June 30, 2016, was as follows:

**Governmental Activities:**

	Balance 7/1/2015	Additions	Deletions	6/30/2016	Current Portion
Capital Leases	\$ 92,273	\$ -	\$ (14,664)	\$ 77,609	\$ 14,960
Accrued compensated absences	178,518	41,247	(15,176)	204,589	85,017
Net pension liability	<u>618,310</u>	<u>863,358</u>	<u>(261,452)</u>	<u>1,220,216</u>	<u>-</u>
<b>Governmental activities long-term liabilities</b>	<b><u>\$ 889,101</u></b>	<b><u>\$ 904,605</u></b>	<b><u>\$(291,292)</u></b>	<b><u>\$1,502,414</u></b>	<b><u>\$ 99,977</u></b>

**Business-type Activities:**

	Balance 7/1/2015	Additions	Deletions	6/30/2016	Current Portion
Bonds payable	\$ 991,738	\$ -	\$ (134,951)	\$ 856,787	\$ 136,100
Accrued compensated absences	<u>5,530</u>	<u>2,909</u>	<u>(894)</u>	<u>7,545</u>	<u>7,545</u>
<b>Business-type activities long-term liabilities</b>	<b><u>\$ 997,268</u></b>	<b><u>\$ 2,909</u></b>	<b><u>\$(135,845)</u></b>	<b><u>\$ 864,332</u></b>	<b><u>\$ 143,645</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, 2016**

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

The following is a summary of outstanding bonds payable at June 30, 2016:

	<b>Business-type Activities</b>
\$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.	\$ 368,791
\$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.	199,411
\$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.	78,585
\$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.	210,000
	\$ 856,787

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2017	\$ 136,100	\$ 20,678	\$ 156,778
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
2022-2026	241,839	35,917	277,756
2027-2031	41,035	1,847	42,882
	\$ 856,787	\$ 122,261	\$ 979,048

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ending June 30, 2016 was \$22,528.

**D. Capital Leases**

The Town has entered into a seven-year lease agreement for the purchase of a loader/backhoe. This lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded in the governmental-wide financial statements at the present value of future minimum lease payments as of the date of its inception.

The following is a summary of the capital lease commitment as of June 30, 2016:

	<b>Original Purchase Price</b>	<b>Annual Depreciation Expense</b>	<b>Total Minimum Lease Payments</b>	<b>Interest</b>	<b>Present Value of Minimum Lease Payments</b>
Loader/Backhoe	\$ 108,800	\$ 7,712	\$ 82,360	\$ 4,751	\$ 77,609

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2016:

<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>	
2017	\$ 14,960	\$ 1,566	\$ 16,526	
2018	15,262	1,265	16,527	
2019	15,570	956	16,526	
2020	15,884	642	16,526	
2021	<u>15,933</u>	<u>322</u>	<u>16,255</u>	
	<u>\$ 77,609</u>	<u>\$ 4,751</u>	<u>\$ 82,360</u>	

**E. Compensated Absences**

The Town's policy relating to compensated absences is described in Note 1, M. The long-term portion of this debt, amounting to \$119,572 for governmental activities at June 30, 2016, is expected to be paid in future years from future resources.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

Long-term compensated absences as of June 30, 2016, are comprised of the following:

<u>Type of Leave</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Sick paid upon termination	\$ 119,571	\$ -
Vacation	46,755	7,467
Annual Leave (Police Union)	31,177	-
Compensatory time	<u>7,086</u>	<u>78</u>
	<u>\$ 204,589</u>	<u>\$ 7,545</u>

**NOTE 7 – COMPONENTS OF FUND BALANCES**

As of June 30, 2016, 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	\$ 2,021	-	-	-
Prepaid expenses	54,857	-	-	-
Inventory	137,272	-	-	-
Contingency	-	-	28,060	-
Use of fund balance in FY17 budget	-	-	500,000	-
MS4 stormwater program	-	-	565	-
Update properties	-	-	5,000	-
ADA repairs and modifications	-	-	11,004	-
Economic development	-	-	16,159	-
Emergency management	-	-	1,156	-
Triumph restoration	-	-	4,138	-
Recreation donation	-	-	858	-
Unfunded liability (accrued comp)	-	-	69,000	-
<b>Special Revenue Funds:</b>				
Town Hall water damage	-	-	-	863
Tee shirts	-	-	-	450
EPA Brownfields grant	-	118,700	-	-
Police outside details	-	-	-	7,797
OUI grant	-	200	-	-
Recreation - trips	-	-	-	40,831
Recreation - Summer programs	-	-	-	55,432
Riverfront	-	1,843	-	-
Farmers' market	-	3,970	-	-
Community center	-	1,583	-	-

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

	<b>Nonspendable</b>	<b>Restricted</b>	<b>Committed</b>	<b>Assigned</b>
Ice rink	-	350	-	-
BEBA fuel assistance	-	3,642	-	-
MMEHT wellness incentive grant	-	60	-	-
York Hospital grant	-	577	-	-
AARP grant	-	4,000	-	-
Cable TV	-	-	71,346	-
<b>Capital Projects Funds:</b>				
Town Hall reserve	-	-	51,740	-
Planning reserve	-	-	41,785	-
Police Department reserve	-	-	45,144	-
Fire Department reserve	-	-	150,078	-
Civil defense	-	-	3,156	-
Highway equipment reserve	-	-	31,923	-
Highway infrastructure reserve	-	-	292,842	-
Transfer Station reserve	-	-	153	-
Recreation improvement reserve	-	-	4,343	-
<b>Permanent Funds:</b>				
Cemetery trust	818,671	8,883	-	-
Lena Clark trust	421,910	51,603	-	-
McCue Lord trust	-	1,189	-	-
Lord's cemetery trust	-	1,190	-	-
Webster cemetery	-	4,203	-	-
Lena Clark Cemetery Road	-	7,545	-	-
Monument fund	-	836	-	-
300th anniversary	-	2,896	-	-
<b>Total governmental funds:</b>	<b>\$ <u>1,434,731</u></b>	<b><u>213,270</u></b>	<b><u>1,328,450</u></b>	<b><u>105,373</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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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

If the assets of the MMA Property and Casualty Pool, Worker's Compensation Pool or the Unemployment Compensation Pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal liability and other obligations and to maintain actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment upon its members for the amount needed to make up the deficiency. There has been no such deficiency in the past three years. Management believes that no such deficiency exists as of June 30, 2016.

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, 2016. 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.maineopers.org](http://www.maineopers.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

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age.

For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawals of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 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 7.5% 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 8.9% and 14.0% 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 \$184,475, \$148,702 and \$129,441 for the years ended June 30, 2016, 2015, and 2014, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2016, the Town reported a pension liability of \$1,220,216 for its proportionate share of the net pension liabilities in the plan. The net pension liabilities were measured as of June 30, 2015, 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, 2015, the Town's proportion was 0.382457%, which was a decrease of 0.019353% from its proportion measured as of June 30, 2014 at 0.401810%.

For the year ended June 30, 2016, the Town recognized total pension expense of (\$113,345). At June 30, 2016, 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, 2016**

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

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 49,268	\$ 156,716
Changes in assumptions	107,835	-
Net difference between projected and actual earnings on pension plan investments	376,604	468,791
Changes in proportion and differences between contributions and proportionate share of contributions	-	60,850
Contributions subsequent to the measurement date	184,475	-
Total	\$ 718,182	\$ 686,357

The \$184,475 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:

	PLD Plan
Year ended June 30:	
2017	\$ (76,989)
2018	(76,989)
2019	(92,825)
2020	94,151
2021	-
Thereafter	-

**Actuarial Methods and Assumptions** – The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015, 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.

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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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, 2015, 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, 2015 are as follows:

*Investment Rate of Return* – For the PLD Plan, 7.125% per annum for the year ended June 30, 2015, compounded annually.

*Annual Salary Increases, Merit and Inflation* – Members of the consolidated plan for PLDs, 3.50% to 9.50% per year.

*Mortality Rates* – For participating local districts, the RP2000 Tables projected forward to 2015 using Scale AA are 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* – 2.55% per annum for the year ended June 30, 2015.

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, 2015 are summarized in the following table:

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.20%
Non-US equities	20%	5.50%
Private equity	10%	7.60%
Real assets:		
Real estate	10%	3.70%
Infrastructure	10%	4.00%
Hard assets	5%	4.80%
Fixed income	25%	0.70%

*Discount Rate* - The PLD Plan's discount rate used to measure the collective total pension liability was 7.125% for 2015. 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, 2015 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 7.125% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plans:</u>			
Discount rate	6.125%	7.125%	8.125%
Town's proportionate share of the net pension liability	\$ 2,431,033	\$ 1,220,216	\$ 72,288

**Changes in Net Pension Liability** – Changes in net pension liability are recognized in pension expense for the year ended June 30, 2015 with the following exceptions:

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

*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 2015, 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.

*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' 2015 Comprehensive Annual Financial Report available online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (800) 451-9800.

**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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

**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 2016, 2015, and 2014 were \$15,285, \$17,790, and \$21,351, respectively.

**C. Other Retirement Contributions**

Additionally, the Town participates in the Social Security Retirement Program. The Town’s contributions to Social Security were \$157,676, \$147,353, and \$143,319 for the years ended June 30, 2016, 2015, and 2014.

**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, 2016, the Town’s share was approximately:

	<b>Outstanding Debt</b>	<b>Town's Percentage</b>	<b>Total Share</b>
County of York	\$ 5,900,000	1.98%	\$ 116,820
MSAD No. 60	6,735,632	39.24%	2,643,062
			<b>\$ 2,759,882</b>

**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.

**TOWN OF BERWICK, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

**NOTE 12 – CONTINGENCIES (CONTINUED)**

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 OF NET POSITION**

Net position of the governmental activities has been restated at July 01, 2015 to account for the Capital Lease the Town entered into on September 9, 2014 in the amount of \$108,800 to purchase a 2014 Caterpillar Backhoe Loader. This was not included in the financial statements as of June 30, 2015.

Net position as previously reported	\$ 10,927,197
Restatement – capital lease	<u>(92,273)</u>
Net position June 30, 2015, as restated	<u>\$ 10,834,924</u>

**NOTE 14 – SUBSEQUENT EVENTS**

At the July 5, 2016 Board of Selectmen’s meeting, the Teamsters’ Local 340 three-year union contract was accept giving the members a 2% increase on July 1, 2016, July 1, 2017, and July 1, 2018. Also as part of the contract, the Town’s contribution to health insurance of 85% will be based upon the Northern New England Benefit Trust rates and not the Maine Municipal Employee Health Trust rates.

At the September 20, 2016 Board of Selectmen’s meeting, the Board signed a 6-month and a 3-year union contract with Maine Association of Police (MAP). The six month contract running from July 1 to December 31, 2016 gave patrol and detective a \$0.50 increase in their base pay but no increase for the Sergeants. The three year contract runs from January 1, 2017 to December 31, 2019. Effective January 1, 2017, the patrol and detectives see a \$0.25 increase to their base wage, and the Sergeants a 1% to their base wage. The remaining two years the union members will see a 2% on January 1, 2018 and January 1, 2019. Also, effective January 1, 2017, the Town will be changing health plans from the POS C to the PPO 500 with a health reimbursement account. This change is anticipated to save the Town in health insurance premiums over the long run.

**TOWN OF BERWICK, MAINE**  
**Required Supplementary Information**  
**June 30, 2016**

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- 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, 2016**

	General Fund			Variance with final budget positive (negative)
	Budgeted amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 11,428,833	11,428,833	11,757,673	328,840
Licenses and permits	9,900	9,900	17,480	7,580
Intergovernmental	632,188	632,188	666,740	34,552
Interest income	51,000	51,000	74,858	23,858
Charges for services	92,200	92,200	140,521	48,321
Other revenues	614,000	614,000	44,671	(569,329)
Total revenues	12,828,121	12,828,121	12,701,943	(126,178)
<b>Expenditures:</b>				
Current:				
General government	1,139,527	1,127,027	1,074,271	52,756
Public safety	2,344,138	2,335,484	2,270,077	65,407
Public works	1,148,623	1,169,777	1,076,856	92,921
Recreation and culture	194,079	194,079	186,873	7,206
Education	6,696,358	6,696,358	6,696,358	-
County tax	351,555	351,555	351,554	1
Health and welfare	64,000	64,000	43,651	20,349
Outside appropriations	12,025	12,025	11,624	401
Unclassified	167,737	249,943	37,635	212,308
Total expenditures	12,118,042	12,200,248	11,748,899	451,349
Excess (deficiency) of revenues over (under) expenditures	710,079	627,873	953,044	325,171
<b>Other financing sources (uses):</b>				
Utilization of assigned fund balance	-	82,206	-	(82,206)
Transfers in from water department	39,005	39,005	36,868	(2,137)
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	(397,450)	(397,450)	(397,450)	-
Transfers to water department	(21,634)	(21,634)	(21,634)	-
Total other financing sources (uses)	(710,079)	(627,873)	(712,216)	(84,343)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	240,828	240,828
Net change in fund balance			240,828	
Fund balances, beginning of year			2,965,314	
<b>Fund balances, end of year</b>	<b>\$</b>		<b>3,206,142</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>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>			
Proportion of the net pension liability	0.38%	0.40%	0.41%
Proportionate share of the net pension liability	1,220,216	\$ 618,310	\$ 1,273,810
Covered-employee payroll	1,575,504	\$ 1,431,047	\$ 1,387,898
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.45%	43.21%	91.78%
Plan fiduciary net position as a percentage of the total pension liability	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>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>			
Contractually required contribution	\$ 184,475	\$ 156,335	\$ 139,293
Contributions in relation to the contractually required contribution	<u>(184,475)</u>	<u>(156,335)</u>	<u>(139,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,575,504	\$ 1,431,047	\$ 1,387,898
Contributions as a percentage of covered-employee payroll	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, 2016**

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

**Changes in Assumptions**

There was a change in the investment rate of return assumption this year from 7.25% to 7.125%. This change was made in the other MainePERS Programs with the 2014 valuation, but is first being recognized in the PLD Consolidated Plan in 2015. In addition to this change, the cost of living benefit increase assumption was changed from 3.12% to 2.55%. Further, those PLDs who had an IUUAL Surplus account received a refund of that account. As a result, there will be no more IUUAL surplus payments reflected beginning with the 2015 valuation. Finally, the amortization methodology for the Pooled Unfunded Actuarial Liability (PUAL) was changed from a fifteen-year open level dollar method to a method where a separate twenty-year closed period is established annually for the gain or loss in that year with these amortizations being developed as a level percentage of payroll and amortizing the existing PUAL at the time of this change, July 1, 2015, over a closed fifteen-year period beginning on this date.

**TOWN OF BERWICK, MAINE**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2016**

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

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

**TOWN OF BERWICK, MAINE**  
**Comparative Balance Sheet - General Fund**  
**June 30, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Cash	\$ 101,285	101,285
Investments	3,822,070	3,649,258
Receivables:		
Accounts	34,236	33,940
Taxes (net of allowance for uncollectibles \$13,158 and \$21,110)	542,067	645,029
Tax liens	382,240	436,619
Due from other governments	4,948	29,687
Tax acquired property	2,021	2,021
Prepaid expenses	54,857	51,803
Inventory	137,272	72,851
Due from other funds	2,429	6,681
<b>Total assets</b>	<b>\$ 5,083,425</b>	<b>5,029,174</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	101,937	114,852
Accrued wages and benefits	38,695	55,820
Due to other governments	34,839	55,560
Planning escrow accounts	111,361	108,372
Prepaid taxes	11,247	12,873
Due to other funds	923,097	922,606
<b>Total liabilities</b>	<b>1,221,176</b>	<b>1,270,083</b>
Deferred inflows of resources:		
Deferred tax revenues	656,107	793,777
<b>Total deferred inflows of resources</b>	<b>656,107</b>	<b>793,777</b>
Fund balance:		
Nonspendable	194,150	126,675
Committed	635,940	681,206
Unassigned	2,376,052	2,157,433
<b>Total fund balance</b>	<b>3,206,142</b>	<b>2,965,314</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 5,083,425</b>	<b>5,029,174</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, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 10,213,833	10,218,635	4,802	9,922,488
Change in deferred property tax revenue	-	137,670	137,670	73,824
Excise taxes	1,215,000	1,401,368	186,368	1,286,863
Total taxes	11,428,833	11,757,673	328,840	11,283,175
Licenses and permits:				
Animal control fees	3,800	9,697	5,897	4,327
Town clerk fees	6,100	7,783	1,683	6,516
Total licenses and permits	9,900	17,480	7,580	10,843
Intergovernmental:				
State revenue sharing	369,636	413,142	43,506	380,705
Homestead exemption	122,588	122,588	-	123,724
BETE reimbursement	26,595	26,635	40	18,942
General assistance	12,500	3,376	(9,124)	4,127
Other state grants	26,765	28,069	1,304	26,894
COPS in school	74,104	72,930	(1,174)	68,565
FEMA reimbursement	-	-	-	29,687
Total intergovernmental	632,188	666,740	34,552	652,644
Interest and costs on taxes	44,300	66,931	22,631	48,605
Investment income	6,700	7,927	1,227	7,318
Total interest income	51,000	74,858	23,858	55,923
Charges for services:				
Planning fees	20,000	4,782	(15,218)	5,935
Building/elec/plumb permits	26,000	73,551	47,551	50,267
Fire and rescue fees	-	372	372	207
Miscellaneous public works	-	1,556	1,556	1,473
Transfer station fees	38,000	44,298	6,298	36,647
Police fees and fines	8,200	15,962	7,762	29,766
Total charges for services	92,200	140,521	48,321	124,295

**TOWN OF BERWICK, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Revenues, continued:				
Other revenues:				
Miscellaneous	\$ 15,000	44,671	29,671	16,520
Use of surplus	599,000	-	(599,000)	-
Total other revenues	614,000	44,671	(569,329)	16,520
Total revenues	12,828,121	12,701,943	(126,178)	12,143,400
Expenditures:				
Current:				
General government:				
General expense account	220,139	216,021	4,118	204,737
Town administration	342,208	323,663	18,545	293,920
Town clerk	256,932	235,333	21,599	231,251
Planning	133,458	131,083	2,375	116,825
Assessing	72,050	69,660	2,390	68,714
Town Hall	102,240	98,511	3,729	118,906
Total general government	1,127,027	1,074,271	52,756	1,034,353
Public safety:				
Police department	1,531,292	1,476,783	54,509	1,404,111
Fire department	611,312	600,414	10,898	558,167
Hydrants	192,880	192,880	-	182,356
Total public safety	2,335,484	2,270,077	65,407	2,144,634
Public works:				
Highway	698,699	615,015	83,684	654,583
Refuse disposal	471,078	461,841	9,237	427,646
Total public works	1,169,777	1,076,856	92,921	1,082,229
Recreation and Culture:				
Parks & Recreation	105,079	97,873	7,206	95,069
Berwick Library Association	89,000	89,000	-	83,000
Total recreation	194,079	186,873	7,206	178,069
Education	6,696,358	6,696,358	-	6,430,003

**TOWN OF BERWICK, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
County Tax	\$ 351,555	351,554	1	357,113
Health and Welfare:				
General assistance	25,000	4,651	20,349	6,672
Sewer District	39,000	39,000	-	39,000
Total health and welfare	64,000	43,651	20,349	45,672
Outside Appropriations:				
Christmas decorations	575	424	151	573
Memorial Day	1,200	1,200	-	1,200
Seacoast Shipyard Association	500	500	-	500
Coast Bus Service	9,500	9,500	-	8,500
American Legion	-	-	-	1,500
Miscellaneous	250	-	250	-
Total outside appropriations	12,025	11,624	401	12,273
Unclassified:				
Operating contingency	29,385	1,325	28,060	20,927
Great Works Land Trust	-	-	-	10,000
Unfunded liability	69,000	-	69,000	-
Federal stormwater program	19,500	18,935	565	13,574
Economic development	30,000	13,841	16,159	-
Emergency management	1,321	165	1,156	491
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	79,737	3,369	76,368	22,933
Total unclassified	249,943	37,635	212,308	67,925

**TOWN OF BERWICK, MAINE**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund, Continued**

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Total expenditures	\$ 12,200,248	11,748,899	451,349	11,352,271
Excess of revenues over expenditures	627,873	953,044	325,171	791,129
Other financing sources (uses):				
Utilization of assigned fund balance	82,206	-	(82,206)	-
Transfers to highway improvement reserve	(350,000)	(350,000)	-	(105,000)
Transfers to capital projects funds	(397,450)	(397,450)	-	(183,678)
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	39,005	36,868	(2,137)	34,977
Total other financing sources (uses)	(627,873)	(712,216)	(84,343)	(255,335)
Excess of revenues and other financing sources over expenditures and other uses - budgetary basis	-	240,828	240,828	535,794
Net change in fund balance		240,828		535,794
Fund balance, beginning of year		2,965,314		2,429,520
<b>Fund balance, end of year</b>	<b>\$</b>	<b>3,206,142</b>		<b>2,965,314</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2016**

	<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	\$ -	-	17,859	17,859
Accounts receivable (net of allowance for uncollectibles)	6,271	-	-	6,271
Due from other governments	5,200	-	-	5,200
Due from other funds	301,080	329,024	-	630,104
<b>Total assets</b>	<b>\$ 312,551</b>	<b>329,024</b>	<b>17,859</b>	<b>659,434</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	-	702	-	702
Due to other funds	907	-	-	907
<b>Total liabilities</b>	<b>907</b>	<b>702</b>	<b>-</b>	<b>1,609</b>
Fund balances:				
Restricted	134,925	-	17,859	152,784
Committed	71,346	328,322	-	399,668
Assigned	105,373	-	-	105,373
<b>Total fund balance</b>	<b>311,644</b>	<b>328,322</b>	<b>17,859</b>	<b>657,825</b>
<b>Total liabilities and fund balances</b>	<b>\$ 312,551</b>	<b>329,024</b>	<b>17,859</b>	<b>659,434</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, 2016**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Investment income, net of unrealized gains/(losses)	\$ -	-	8	8
Intergovernmental	135,828	-	-	135,828
Charges for services	299,777	-	162	299,939
<b>Total revenues</b>	<b>435,605</b>	<b>1,546</b>	<b>170</b>	<b>437,321</b>
Expenditures:				
Capital outlay	-	316,511	-	316,511
Other	269,492	19,346	-	288,838
<b>Total expenditures</b>	<b>269,492</b>	<b>335,857</b>	<b>-</b>	<b>605,349</b>
Excess (deficiency) of revenues over (under) expenditures	166,113	(334,311)	170	(168,028)
Other financing sources (uses):				
Transfers in	-	397,450	-	397,450
Transfers out	(20,000)	-	-	(20,000)
<b>Total other financing sources (uses)</b>	<b>(20,000)</b>	<b>397,450</b>	<b>-</b>	<b>377,450</b>
Net change in fund balances	146,113	63,139	170	209,422
Fund balances, beginning of year	165,531	265,183	17,689	448,403
<b>Fund balances, end of year</b>	<b>\$ 311,644</b>	<b>328,322</b>	<b>17,859</b>	<b>657,825</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Special Revenue Funds**  
**June 30, 2016**

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 \$1,200,000 in grant funds with a local match of \$240,000 for a total of \$1,440,000 to cleanup this Brownfields site.

**PREP Grant Fund** – To account for grant funds received from the Piscataqua Region Estuaries Partnership (PREP), for a project to increase shoreland setbacks for primary structures to 100’; adopt 100’ fertilizer application buffers on lakes and ponds; and adopt a managed buffer width of 100’ in accordance with the recommendations from the 2015 Piscataqua Region Environmental Planning Assessment.

**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, 2016**

**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**  
**Nonmajor Special Revenue Funds**  
**June 30, 2016**

(with comparative actual amounts for the year ended June 30, 2015)

	Town Hall Water Damage	Tee Shirts	Verbal Judo	EPA Brownfield Grant	PREP Grant	Police Grants	Recreation Trips	Recreation Fees	Riverfront	Farmers' Market	Community Center	Ice Rink	BEBA	MMEHT Wellness Incentive	York Hospital	AARP Grant	Berwick Community Television	Totals		
																		2016	2015	
<b>ASSETS</b>																				
Accounts receivable (net of allowance for uncollectibles)	\$ -	-	-	-	907	1,114	-	-	-	-	-	-	-	-	-	250	4,000	-	6,271	1,126
Due from other governments	-	-	-	-	-	5,200	-	-	-	-	-	-	-	-	-	-	-	-	5,200	7,535
Due from other funds	863	450	-	118,700	-	1,683	40,831	55,432	1,843	3,970	1,583	350	3,642	60	327	-	71,346	301,080	167,134	
<b>Total assets</b>	<b>863</b>	<b>450</b>	<b>-</b>	<b>118,700</b>	<b>907</b>	<b>7,997</b>	<b>40,831</b>	<b>55,432</b>	<b>1,843</b>	<b>3,970</b>	<b>1,583</b>	<b>350</b>	<b>3,642</b>	<b>60</b>	<b>577</b>	<b>4,000</b>	<b>71,346</b>	<b>312,551</b>	<b>175,795</b>	
<b>LIABILITIES AND FUND BALANCES</b>																				
Liabilities:																				
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,885
Due to other funds	-	-	-	-	907	-	-	-	-	-	-	-	-	-	-	-	-	-	907	5,379
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>907</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>-</b>	<b>907</b>	<b>10,264</b>
Fund balances:																				
Restricted	-	-	-	118,700	-	200	-	-	1,843	3,970	1,583	350	3,642	60	577	4,000	-	134,925	7,846	
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71,346	71,346	79,344	
Assigned	863	450	-	-	-	7,797	40,831	55,432	-	-	-	-	-	-	-	-	-	-	105,373	78,341
<b>Total fund balances</b>	<b>863</b>	<b>450</b>	<b>-</b>	<b>118,700</b>	<b>-</b>	<b>7,997</b>	<b>40,831</b>	<b>55,432</b>	<b>1,843</b>	<b>3,970</b>	<b>1,583</b>	<b>350</b>	<b>3,642</b>	<b>60</b>	<b>577</b>	<b>4,000</b>	<b>71,346</b>	<b>311,644</b>	<b>165,531</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 863</b>	<b>450</b>	<b>-</b>	<b>118,700</b>	<b>907</b>	<b>7,997</b>	<b>40,831</b>	<b>55,432</b>	<b>1,843</b>	<b>3,970</b>	<b>1,583</b>	<b>350</b>	<b>3,642</b>	<b>60</b>	<b>577</b>	<b>4,000</b>	<b>71,346</b>	<b>312,551</b>	<b>175,795</b>	

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**June 30, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	Town Hall			EPA				Recreation	Recreation	Riverfront	Farmers' Market	Community Center	Ice Rink	BEBA	MMEHT Wellness Incentive	York Hospital	AARP Grant	Berwick Community Television	Totals	
	Water Damage	Tee Shirts	Verbal Judo	Brownfield Grant	PREP Grant	Police Grants	Trips												Fees	2016
Revenues:																				
Intergovernmental	\$ -	-	-	114,826	907	15,625	-	-	-	-	-	-	-	220	250	4,000	-	135,828	14,235	
Charges for services	-	54	4,297	120,000	-	12,139	45,332	41,601	11,241	7,083	1,583	350	680	-	-	-	55,417	299,777	161,917	
Total revenues	-	54	4,297	234,826	907	27,764	45,332	41,601	11,241	7,083	1,583	350	680	220	250	4,000	55,417	435,605	176,152	
Expenditures:																				
Program expense	-	-	4,297	116,126	907	23,049	41,626	2,890	13,486	3,113	-	-	-	160	423	-	63,415	269,492	112,233	
Total expenditures	-	-	4,297	116,126	907	23,049	41,626	2,890	13,486	3,113	-	-	-	160	423	-	63,415	269,492	112,233	
Excess (deficiency) of revenues over (under) expenditures	-	54	-	118,700	-	4,715	3,706	38,711	(2,245)	3,970	1,583	350	680	60	(173)	4,000	(7,998)	166,113	63,919	
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	-	54	-	118,700	-	4,715	3,706	18,711	(2,245)	3,970	1,583	350	680	60	(173)	4,000	(7,998)	146,113	43,919	
Fund balances, beginning of year	863	396	-	-	-	3,282	37,125	36,721	4,088	-	-	-	2,962	-	750	-	79,344	165,531	121,612	
<b>Fund balances, end of year</b>	<b>\$ 863</b>	<b>450</b>	<b>-</b>	<b>118,700</b>	<b>-</b>	<b>7,997</b>	<b>40,831</b>	<b>55,432</b>	<b>1,843</b>	<b>3,970</b>	<b>1,583</b>	<b>350</b>	<b>3,642</b>	<b>60</b>	<b>577</b>	<b>4,000</b>	<b>71,346</b>	<b>311,644</b>	<b>165,531</b>	

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**  
**Capital Projects Funds**  
**June 30, 2016**

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 projects 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.

**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.

**TOWN OF BERWICK, MAINE**  
**Combining Balance Sheet**  
**Capital Projects Funds**  
**June 30, 2016**

(with comparative actual amounts for the year ended June 30, 2015)

		Town Hall Reserve	Planning Reserve	Police Department Reserve	Fire Department Reserve	Civil Defense	Highway Equipment Reserve	Transfer Station Reserve	Recreation Improvement Reserve	Totals	
										2016	2015
<b>ASSETS</b>											
Due from other funds	\$	51,740	42,487	45,144	150,078	3,156	31,923	153	4,343	329,024	265,933
<b>Total assets</b>		<b>51,740</b>	<b>42,487</b>	<b>45,144</b>	<b>150,078</b>	<b>3,156</b>	<b>31,923</b>	<b>153</b>	<b>4,343</b>	<b>329,024</b>	<b>265,933</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable			702	-	-	-	-	-	-	702	750
Total liabilities			702	-	-	-	-	-	-	702	750
Fund balances:											
Committed		51,740	41,785	45,144	150,078	3,156	31,923	153	4,343	328,322	265,183
Total fund balances		51,740	41,785	45,144	150,078	3,156	31,923	153	4,343	328,322	265,183
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>51,740</b>	<b>42,487</b>	<b>45,144</b>	<b>150,078</b>	<b>3,156</b>	<b>31,923</b>	<b>153</b>	<b>4,343</b>	<b>329,024</b>	<b>265,933</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, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	Town Hall Reserve	Planning Reserve	Police Department Reserve	Fire Department Reserve	Civil Defense	Highway Equipment Reserve	Transfer Station Reserve	Recreation Improvement Reserve	Totals	
									2016	2015
Revenues:										
Miscellaneous income	\$ -	-	1,546	-	-	-	-	-	1,546	-
Total revenues	-	-	1,546	-	-	-	-	-	1,546	-
Expenditures:										
Program expense	-	19,076	-	-	-	-	-	270	19,346	4,195
Capital outlay	21,167	1,639	67,107	38,295	-	184,353	3,950	-	316,511	478,883
Total expenditures	21,167	20,715	67,107	38,295	-	184,353	3,950	270	335,857	483,078
Excess (deficiency) of revenues over (under) expenditures	(21,167)	(20,715)	(65,561)	(38,295)	-	(184,353)	(3,950)	(270)	(334,311)	(483,078)
Other financing sources:										
Transfers - in	16,000	60,000	72,420	67,500	-	181,530	-	-	397,450	204,038
Total other financing sources	16,000	60,000	72,420	67,500	-	181,530	-	-	397,450	204,038
Net change in fund balance	(5,167)	39,285	6,859	29,205	-	(2,823)	(3,950)	(270)	63,139	(279,040)
Fund balances, beginning of year	56,907	2,500	38,285	120,873	3,156	34,746	4,103	4,613	265,183	544,223
<b>Fund balances, end of year</b>	<b>\$ 51,740</b>	<b>41,785</b>	<b>45,144</b>	<b>150,078</b>	<b>3,156</b>	<b>31,923</b>	<b>153</b>	<b>4,343</b>	<b>328,322</b>	<b>265,183</b>

*See accompanying notes to financial statements.*

## **TOWN OF BERWICK, MAINE**

### **Permanent Funds**

**June 30, 2016**

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, 2016

(with comparative actual amounts for the year ended June 30, 2015)

	McCue Lord Trust	Lord's Cemetery Maintenance	Webster Cemetery	Lena Clark Cemetery Road	Monument Fund	300th Anniversary	Totals	
							2016	2015
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,189	1,190	4,203	7,545	836	2,896	17,859	17,689
<b>Total assets</b>	<b>1,189</b>	<b>1,190</b>	<b>4,203</b>	<b>7,545</b>	<b>836</b>	<b>2,896</b>	<b>17,859</b>	<b>17,689</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	1,189	1,190	4,203	7,545	836	2,896	17,859	17,689
<b>Total fund balances</b>	<b>1,189</b>	<b>1,190</b>	<b>4,203</b>	<b>7,545</b>	<b>836</b>	<b>2,896</b>	<b>17,859</b>	<b>17,689</b>
<b>Total liabilities and and fund balances</b>	<b>\$ 1,189</b>	<b>1,190</b>	<b>4,203</b>	<b>7,545</b>	<b>836</b>	<b>2,896</b>	<b>17,859</b>	<b>17,689</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, 2016**  
**(with comparative actual amounts for the year ended June 30, 2015)**

	McCue Lord Trust	Lord's Cemetery Maintenance	Webster Cemetery	Lena Clark Cemetery Road	Monument Fund	300th Anniversary	Totals	
							2016	2015
Revenues:								
Investment income	\$ -	1	2	3	-	2	8	8
Other	-	-	-	-	-	162	162	1,438
Total revenues	-	1	2	3	-	164	170	1,446
Expenditures:								
Other miscellaneous	-	-	-	-	-	-	-	1,475
Total expenditures	-	-	-	-	-	-	-	1,475
Net change in fund balance	-	1	2	3	-	164	170	(29)
Fund balances, beginning of year	1,189	1,189	4,201	7,542	836	2,732	17,689	17,718
<b>Fund balances, end of year</b>	<b>\$ 1,189</b>	<b>1,190</b>	<b>4,203</b>	<b>7,545</b>	<b>836</b>	<b>2,896</b>	<b>17,859</b>	<b>17,689</b>

*See accompanying notes to financial statements.*

**TOWN OF BERWICK, MAINE**

**General Capital Assets**

**June 30, 2016**

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, 2016**  
 (with comparative actual amounts for the year ended June 30, 2015)

<b>Function and Activity</b>	<b>Land and Non-depreciable Assets</b>	<b>Buildings, Bldg Imprvmnts, &amp; Land Imprvmnts</b>	<b>Furniture Fixtures, Equipment, &amp; Vehicles</b>	<b>Infrastructure</b>	<b>Totals</b>	
					<b>2016</b>	<b>2015</b>
Administration	\$ -	-	129,579	-	129,579	105,003
Recycling	98,100	40,251	-	-	138,351	134,401
Fire	77,200	137,410	1,697,563	-	1,912,173	1,902,978
Police	-	394,290	375,558	-	769,848	772,228
Public Works	74,200	242,084	1,363,295	4,508,531	6,188,110	5,296,807
Recreation	58,200	158,363	24,283	-	240,846	227,458
Water	97,646	1,435,014	987,667	4,020,580	6,540,907	6,693,911
Town Wide	477,300	358,595	14,110	-	850,005	854,255
<b>Total governmental fund capital assets</b>	<b>882,646</b>	<b>2,766,007</b>	<b>4,592,055</b>	<b>8,529,111</b>	<b>16,769,819</b>	<b>15,987,041</b>
Less: Accumulated Depreciation	-	(1,533,045)	(2,563,485)	(1,829,378)	(5,925,908)	(5,692,386)
<b>Net governmental fund capital assets</b>	<b>\$ 882,646</b>	<b>1,232,962</b>	<b>2,028,570</b>	<b>6,699,733</b>	<b>10,843,911</b>	<b>10,294,655</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, 2016**

<b>Function and Activity</b>	<b>Balance 2015</b>	<b>Additions / Reclass</b>	<b>Deletions / Reclass</b>	<b>Balance 2016</b>
Administration	\$ 105,003	56,993	(32,417)	129,579
Recycling	134,401	3,950	-	138,351
Fire	1,902,978	12,795	(3,600)	1,912,173
Police	772,228	64,837	(67,217)	769,848
Public Works	5,296,807	891,303	-	6,188,110
Recreation	227,458	13,388	-	240,846
Water	6,693,911	45,412	(198,416)	6,540,907
Town Wide	854,255	5,277	(9,527)	850,005
<b>Total governmental fund capital assets</b>	<b>\$ 15,987,041</b>	<b>1,093,955</b>	<b>(311,177)</b>	<b>16,769,819</b>
Less: Accumulated Depreciation	(5,692,386)	(531,071)	297,549	(5,925,908)
<b>Net governmental fund capital assets</b>	<b>10,294,655</b>	<b>562,884</b>	<b>(13,628)</b>	<b>10,843,911</b>

*See accompanying notes to financial statements.*



*Proven Expertise and Integrity*

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

Board of Selectmen  
Town of Berwick  
Berwick, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berwick, Maine as of and for the year ended June 30, 2016, 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 October 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of 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  
October 28, 2016