

Audited Financial Statements
and Other Financial Information

Town of Berwick, Maine

June 30, 2020



Proven Expertise & Integrity

TOWN OF BERWICK, MAINE

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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Selectboard
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, 2020 and the related notes to the financial statements, which collectively comprise the Town of Berwick, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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, 2020 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, pension and OPEB information on pages 4 through 12 and 73 through 79 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 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 Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements 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 Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, 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
September 30, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

(UNAUDITED)

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 ended June 30, 2020. Please read it in conjunction with the Town of Berwick, Maine's financial statements.

Financial Statement Overview

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, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund's financial statement.

The Town of Berwick presents seven columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, fire department reserve, highway improvement reserve, fire station reserve, Lena Clark trust and cemetery trust. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

Proprietary Funds: The Town of Berwick maintains one proprietary fund, the water fund. This fund is 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. These funds are not reflected in the government-wide 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Net Position - Fiduciary Funds.

Required Supplementary Information

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

Related Ratios, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total governmental net position decreased by \$285,382 from \$12,137,172 to \$11,851,790. The Town's total business-type net position decreased by \$7,251 from \$3,642,845 to \$3,635,594.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased for governmental activities to a balance of \$3,784,720 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$270,035.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2020</u>	<u>2019 (Restated)</u>	<u>2020</u>	<u>2019</u>
Assets				
Current Assets	\$ 9,737,790	\$ 12,775,853	\$ 381,041	\$ 340,049
Noncurrent Assets, Capital	11,337,424	8,467,899	3,661,618	3,814,765
Noncurrent Assets, Other	-	-	48,671	36,025
Total Assets	<u>21,075,214</u>	<u>21,243,752</u>	<u>4,091,330</u>	<u>4,190,839</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	455,219	430,388	43,797	42,893
Deferred Outflows Related to OPEB	33,530	12,983	-	-
Total Deferred Outflows of Resources	<u>488,749</u>	<u>443,371</u>	<u>43,797</u>	<u>42,893</u>
Liabilities				
Current Liabilities	887,881	837,055	67,688	109,789
Noncurrent Liabilities	8,496,888	8,422,887	404,069	455,372
Total Liabilities	<u>9,384,769</u>	<u>9,259,942</u>	<u>471,757</u>	<u>565,161</u>
Deferred Inflows of Resources				
Prepaid Taxes	32,446	24,439	-	-
Deferred Inflows Related to Pensions	288,582	258,131	27,776	25,726
Deferred Inflows Related to OPEB	6,376	7,439	-	-
Total Deferred Inflows of Resources	<u>327,404</u>	<u>290,009</u>	<u>27,776</u>	<u>25,726</u>
Net Position				
Net Investment in Capital Assets	6,384,037	6,779,359	3,316,888	3,369,931
Restricted	1,683,033	1,780,104	48,671	36,025
Unrestricted	3,784,720	3,577,709	270,035	236,889
Total Net Position	<u>\$ 11,851,790</u>	<u>\$ 12,137,172</u>	<u>\$ 3,635,594</u>	<u>\$ 3,642,845</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 10.09%, while total expenses increased by 14.35%. The biggest increase in revenues was in property taxes. The largest increases in expenses was in capital outlay. Revenues for the Town's business-type activities increased by 3.54% and expenses increased by 14.76%.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues				
<i>Program revenues:</i>				
Charges for services	\$ 404,854	\$ 381,124	\$ 671,876	\$ 670,426
Operating grants and contributions	458,987	128,352	-	-
<i>General revenues:</i>				
Property taxes	12,699,231	11,509,966	-	-
Excise taxes	1,572,762	1,667,881	-	-
Grants and contributions not restricted to specific programs	1,040,346	814,025	-	-
Miscellaneous	375,084	533,249	32,654	10,036
Total revenues	<u>16,551,264</u>	<u>15,034,597</u>	<u>704,530</u>	<u>680,462</u>
Expenses				
General government	1,426,895	1,076,061	-	-
Public safety	2,876,997	2,871,485	-	-
Public works	1,751,913	1,652,273	-	-
Recreation and culture	246,817	221,614	-	-
Health and welfare	960	38,125	-	-
Education	8,077,073	7,680,220	-	-
County tax	340,401	327,821	-	-
Outside appropriations	24,450	23,200	-	-
Unclassified	809,408	639,689	688,340	596,072
Capital outlay	1,069,298	167,510	-	-
Unallocated depreciation	26,781	3,272	-	-
Interest on long-term debt	194,019	30,355	15,075	16,868
Total expenses	<u>16,845,012</u>	<u>14,731,625</u>	<u>703,415</u>	<u>612,940</u>
Excess (deficiency) before transfers	(293,748)	302,972	1,115	67,522
Transfers	8,366	8,366	(8,366)	(8,366)
Change in net position	(285,382)	311,338	(7,251)	59,156
Net position - July 1, Restated	<u>12,137,172</u>	<u>11,825,834</u>	<u>3,642,845</u>	<u>3,583,689</u>
Net position - June 30	<u>\$ 11,851,790</u>	<u>\$ 12,137,172</u>	<u>\$ 3,635,594</u>	<u>\$ 3,642,845</u>

Financial Analysis of the Town's Fund Statements

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

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

	<u>2020</u>	<u>2019</u>	<u>Change Increase (Decrease)</u>
Major Funds:			
General Fund:			
Nonspendable	\$ 85,043	\$ 126,390	\$ (41,347)
Committed	247,646	238,084	9,562
Assigned	974,100	250,000	724,100
Unassigned	2,702,910	3,201,136	(498,226)
Total General Fund	<u>4,009,699</u>	<u>3,815,610</u>	<u>194,089</u>
Fire Department Reserve:			
Committed	236,239	160,347	75,892
Total Fire Department Reserve	<u>236,239</u>	<u>160,347</u>	<u>75,892</u>
Highway Improvement Reserve:			
Committed	27,221	71,549	(44,328)
Total Highway Improvement Reserve	<u>27,221</u>	<u>71,549</u>	<u>(44,328)</u>
Fire Station Reserve:			
Committed	2,565,303	5,819,483	(3,254,180)
Total Fire Station Reserve	<u>2,565,303</u>	<u>5,819,483</u>	<u>(3,254,180)</u>
Lena Clark Trust:			
Nonspendable	471,736	474,538	
Restricted	(6,055)	83,798	(89,853)
Total Lena Clark Trust	<u>465,681</u>	<u>558,336</u>	<u>(92,655)</u>
Cemetery Trust:			
Nonspendable	904,021	920,487	
Restricted	6,178	11,072	(4,894)
Total Cemetery Trust	<u>910,199</u>	<u>931,559</u>	<u>(21,360)</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	203,985	145,780	58,205
Assigned	280,319	326,308	(45,989)
Unassigned	(1,237)	(2,143)	906
Capital Projects Funds:			
Committed	258,922	163,786	95,136
Permanent Funds:			
Restricted	18,248	18,039	209
Total Nonmajor Funds	<u>\$ 760,237</u>	<u>\$ 651,770</u>	<u>\$ 108,467</u>

The general fund total fund balance increased by \$194,089, the fire department reserve total fund balance increased by \$75,892 and the highway improvement reserve total fund balance decreased by \$44,328 from the prior fiscal year as a result of operations. The fire station reserve total fund balance decreased by \$3,254,180 as a result of capital outlay. The Lena Clark trust total fund balance decreased by \$92,655 primarily as a result of a transfer to the capital projects funds. The cemetery trust total fund balance decreased by \$21,360 from the prior year. The nonmajor fund total fund balances increased by \$108,467 mainly due to debt proceeds in the LED Lighting Reserve fund.

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

The water fund had a decrease in net position for the year of \$7,251.

Budgetary Highlights

There were significant differences between the original and final budget for the general fund. These differences were budget adjustments done to include applied receipts as well as the use of restricted fund balance.

The general fund actual revenues exceeded budgeted amounts by \$275,111. This was the result of all revenues being receipted within or in excess of budgeted amounts with the exception of property taxes, intergovernmental - other, charges for services and transfers from other funds.

The general fund actual expenditures were under budget by \$571,061. All expenditure categories were within or under budget with the exception of public works.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2020, the net book value of capital assets recorded by the Town increased by \$2,716,378. This increase was the result of capital asset additions of \$3,359,713 less current year depreciation expense of \$643,335.

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

	2020	2019 (Restated)
Land and other assets not being depreciated	\$ 4,384,531	\$ 1,448,642
Buildings, building improvements and land improvements	1,233,055	1,226,946
Equipment, machinery and vehicles	3,003,835	3,121,071
Infrastructure	6,377,621	6,486,005
Total	\$ 14,999,042	\$ 12,282,664

Debt

At June 30, 2020, the Town had \$7,863,420 in bonds and notes from direct borrowings payable versus \$7,952,857 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information on debt.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

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

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

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager or Finance Director at 11 Sullivan Street, Berwick, Maine 03901.

TOWN OF BERWICK, MAINE
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,360,912	\$ 213,970	\$ 7,574,882
Investments	1,418,109	-	1,418,109
Accounts receivable (net of allowance for uncollectibles):			
Taxes	604,381	-	604,381
Liens	141,953	-	141,953
Other	82,796	137,062	219,858
Due from other governments	30,843	-	30,843
Tax acquired property	3,648	-	3,648
Inventory	81,395	43,762	125,157
Internal balances	13,753	(13,753)	-
Total current assets	<u>9,737,790</u>	<u>381,041</u>	<u>10,118,831</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	4,286,885	97,646	4,384,531
Depreciable assets, net of accumulated depreciation	7,050,539	3,563,972	10,614,511
Restricted cash	-	48,671	48,671
Total noncurrent assets	<u>11,337,424</u>	<u>3,710,289</u>	<u>15,047,713</u>
TOTAL ASSETS	<u>21,075,214</u>	<u>4,091,330</u>	<u>25,166,544</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	455,219	43,797	499,016
Deferred outflows related to OPEB	33,530	-	33,530
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>488,749</u>	<u>43,797</u>	<u>532,546</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 21,563,963</u>	<u>\$ 4,135,127</u>	<u>\$ 25,699,090</u>

TOWN OF BERWICK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 232,558	\$ -	\$ 232,558
Accrued expenses	32,774	-	32,774
Accrued interest	-	4,086	4,086
Planning and escrow accounts	87,066	-	87,066
Current portion of long-term obligations	535,483	63,602	599,085
Total current liabilities	<u>887,881</u>	<u>67,688</u>	<u>955,569</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bond payable	6,697,500	282,941	6,980,441
Notes from direct borrowings payable	323,722	-	323,722
Net pension liability	1,152,177	110,852	1,263,029
Net OPEB liability	108,072	-	108,072
Accrued compensated absences	215,417	10,276	225,693
Total noncurrent liabilities	<u>8,496,888</u>	<u>404,069</u>	<u>8,900,957</u>
TOTAL LIABILITIES	<u>9,384,769</u>	<u>471,757</u>	<u>9,856,526</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	32,446	-	32,446
Deferred inflows related to pensions	288,582	27,776	316,358
Deferred inflows related to OPEB	6,376	-	6,376
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>327,404</u>	<u>27,776</u>	<u>355,180</u>
NET POSITION			
Net investment in capital assets	6,384,037	3,316,888	9,700,925
Restricted	1,683,033	48,671	1,731,704
Unrestricted	3,784,720	270,035	4,054,755
TOTAL NET POSITION	<u>11,851,790</u>	<u>3,635,594</u>	<u>15,487,384</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 21,563,963</u>	<u>\$ 4,135,127</u>	<u>\$ 25,699,090</u>

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

TOWN OF BERWICK, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 1,426,895	\$ 180,105	\$ -	\$ -	\$ (1,246,790)	\$ -	\$ (1,246,790)
Public safety	2,876,997	52,714	119,388	-	(2,704,895)	-	(2,704,895)
Public works	1,751,913	54,656	339,599	-	(1,357,658)	-	(1,357,658)
Recreation and culture	246,817	117,379	-	-	(129,438)	-	(129,438)
Health and welfare	960	-	-	-	(960)	-	(960)
Education	8,077,073	-	-	-	(8,077,073)	-	(8,077,073)
County tax	340,401	-	-	-	(340,401)	-	(340,401)
Outside appropriations	24,450	-	-	-	(24,450)	-	(24,450)
Unclassified	809,408	-	-	-	(809,408)	-	(809,408)
Interest on long-term debt	194,019	-	-	-	(194,019)	-	(194,019)
Capital outlay	1,069,298	-	-	-	(1,069,298)	-	(1,069,298)
Unallocated depreciation (Note 4)*	26,781	-	-	-	(26,781)	-	(26,781)
Total governmental activities	16,845,012	404,854	458,987	-	(15,981,171)	-	(15,981,171)
Business-type activities:							
Water	703,415	671,876	-	-	-	(31,539)	(31,539)
Total business-type activities	703,415	671,876	-	-	-	(31,539)	(31,539)
Total government	\$ 17,548,427	\$ 1,076,730	\$ 458,987	\$ -	(15,981,171)	(31,539)	(16,012,710)

* This amount excludes depreciation that is included in the direct expenses of various programs.

STATEMENT B (CONTINUED)

TOWN OF BERWICK, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>(15,981,171)</u>	<u>(31,539)</u>	<u>(16,012,710)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	12,699,231	-	12,699,231
Excise taxes	1,572,762	-	1,572,762
Grants and contributions not restricted to specific programs	1,040,346	-	1,040,346
Miscellaneous	375,084	32,654	407,738
Total general revenues	<u>15,687,423</u>	<u>32,654</u>	<u>15,720,077</u>
Transfers	<u>8,366</u>	<u>(8,366)</u>	<u>-</u>
Change in net position	(285,382)	(7,251)	(292,633)
NET POSITION - JULY 1	<u>12,137,172</u>	<u>3,642,845</u>	<u>15,780,017</u>
NET POSITION - JUNE 30	<u>\$ 11,851,790</u>	<u>\$ 3,635,594</u>	<u>\$ 15,487,384</u>

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

STATEMENT C

TOWN OF BERWICK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Fire Department Reserve	Highway Improvement Reserve	Fire Station Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 7,300,819	\$ -	\$ -	\$ -	\$ 14,948	\$ 26,897	\$ 18,248	\$ 7,360,912
Investments	50,674	-	-	-	484,133	883,302	-	1,418,109
Accounts receivable (net of allowance for uncollectibles):								
Taxes	604,381	-	-	-	-	-	-	604,381
Liens	141,953	-	-	-	-	-	-	141,953
Other	82,796	-	-	-	-	-	-	82,796
Due from other governments	1,500	-	-	-	-	-	29,343	30,843
Tax acquired property	3,648	-	-	-	-	-	-	3,648
Inventory	81,395	-	-	-	-	-	-	81,395
Due from other funds	75,217	236,239	27,221	2,565,303	-	-	740,710	3,644,690
TOTAL ASSETS	\$ 8,342,383	\$ 236,239	\$ 27,221	\$ 2,565,303	\$ 499,081	\$ 910,199	\$ 788,301	\$ 13,368,727
LIABILITIES								
Accounts payable	\$ 232,558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,558
Accrued expenses	32,774	-	-	-	-	-	-	32,774
Planning and escrow accounts	87,066	-	-	-	-	-	-	87,066
Due to other funds	3,569,473	-	-	-	33,400	-	28,064	3,630,937
TOTAL LIABILITIES	3,921,871	-	-	-	33,400	-	28,064	3,983,335
DEFERRED INFLOWS OF RESOURCES								
Prepaid taxes	32,446	-	-	-	-	-	-	32,446
Deferred tax revenue	378,367	-	-	-	-	-	-	378,367
TOTAL DEFERRED INFLOWS OF RESOURCES	410,813	-	-	-	-	-	-	410,813
FUND BALANCES								
Nonspendable	85,043	-	-	-	471,736	904,021	-	1,460,800
Restricted	-	-	-	-	-	-	222,233	222,233
Committed	247,646	236,239	27,221	2,565,303	-	-	258,922	3,335,331
Assigned	974,100	-	-	-	-	-	280,319	1,254,419
Unassigned	2,702,910	-	-	-	(6,055)	6,178	(1,237)	2,701,796
TOTAL FUND BALANCES	4,009,699	236,239	27,221	2,565,303	465,681	910,199	760,237	8,974,579
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,342,383	\$ 236,239	\$ 27,221	\$ 2,565,303	\$ 499,081	\$ 910,199	\$ 788,301	\$ 13,368,727

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

TOWN OF BERWICK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

	Total Governmental Funds
Total Fund Balances	\$ 8,974,579
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	11,337,424
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	378,367
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	455,219
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	33,530
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(7,000,000)
Notes from direct borrowings payable	(518,690)
Accrued compensated absences	(253,432)
Net pension liability	(1,152,177)
Net OPEB liability	(108,072)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(288,582)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(6,376)
Net position of governmental activities	\$ 11,851,790

See accompanying independent auditors' report and 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, 2020

	General Fund	Fire Department Reserve	Highway Improvement Reserve	Fire Station Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes:								
Property taxes	\$ 12,696,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,696,990
Excise taxes	1,572,762	-	-	-	-	-	-	1,572,762
Intergovernmental revenues	1,124,709	-	-	-	-	-	374,624	1,499,333
Charges for services	130,647	-	-	-	-	-	274,207	404,854
Miscellaneous revenues	139,284	17,662	60,060	107,571	15,911	34,337	259	375,084
TOTAL REVENUES	15,664,392	17,662	60,060	107,571	15,911	34,337	649,090	16,549,023
EXPENDITURES								
Current:								
General government	1,309,323	-	-	-	-	-	-	1,309,323
Public safety	2,781,243	-	-	-	-	-	-	2,781,243
Public works	1,475,862	-	-	-	-	-	-	1,475,862
Recreation and culture	241,340	-	-	-	-	-	-	241,340
Health and welfare	960	-	-	-	-	-	-	960
Education	8,077,073	-	-	-	-	-	-	8,077,073
County tax	340,401	-	-	-	-	-	-	340,401
Outside appropriations	24,450	-	-	-	-	-	-	24,450
Unclassified	79,578	2,838	-	-	34,266	55,697	637,029	809,408
Debt service:								
Principal	62,500	-	-	-	-	-	-	62,500
Interest	194,019	-	-	-	-	-	-	194,019
Capital outlay	-	23,132	704,388	3,361,751	-	-	339,740	4,429,011
TOTAL EXPENDITURES	14,586,749	25,970	704,388	3,361,751	34,266	55,697	976,769	19,745,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,077,643	(8,308)	(644,328)	(3,254,180)	(18,355)	(21,360)	(327,679)	(3,196,567)
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	-	-	-	154,126	154,126
Transfers in	55,000	84,200	600,000	-	-	-	364,122	1,103,322
Transfers (out)	(938,554)	-	-	-	(74,300)	-	(82,102)	(1,094,956)
TOTAL OTHER FINANCING SOURCES (USES)	(883,554)	84,200	600,000	-	(74,300)	-	436,146	162,492
NET CHANGE IN FUND BALANCES	194,089	75,892	(44,328)	(3,254,180)	(92,655)	(21,360)	108,467	(3,034,075)
FUND BALANCES - JULY 1	3,815,610	160,347	71,549	5,819,483	558,336	931,559	651,770	12,008,654
FUND BALANCES - JUNE 30	\$ 4,009,699	\$ 236,239	\$ 27,221	\$ 2,565,303	\$ 465,681	\$ 910,199	\$ 760,237	\$ 8,974,579

See accompanying independent auditors' report and 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, 2020

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (3,034,075)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	3,359,713
Depreciation expense	<u>(490,188)</u>
	<u>2,869,525</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	24,831
OPEB	<u>20,547</u>
	<u>45,378</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>2,241</u>
Debt proceeds provide current financial resources to governmental funds, but long-term obligations in the Statement of Net Position	
	<u>(215,820)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.	
	<u>205,153</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	(30,451)
OPEB	<u>1,063</u>
	<u>(29,388)</u>
Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	37,019
Net pension liability	(131,973)
Net OPEB liability	<u>(33,442)</u>
	<u>(128,396)</u>
Change in net position of governmental activities (Statement B)	<u>\$ (285,382)</u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Fund
	Water
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 213,970
Accounts receivable (net of allowance for uncollectibles)	137,062
Inventory	43,762
Total current assets	<u>394,794</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	97,646
Buildings and improvements	1,474,820
Vehicles and equipment	1,012,398
Infrastructure	4,149,286
Total capital assets	<u>6,734,150</u>
Less: accumulated depreciation	<u>(3,072,532)</u>
Net capital assets	<u>3,661,618</u>
Restricted cash - water tower	48,671
Total noncurrent assets	<u>3,710,289</u>
TOTAL ASSETS	<u>4,105,083</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	43,797
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>43,797</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,148,880</u>
LIABILITIES	
Current liabilities:	
Accrued interest	\$ 4,086
Due to other funds	13,753
Current portion of long-term obligations	63,602
Total current liabilities	<u>81,441</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	282,941
Accrued compensated absences	10,276
Net pension liability	110,852
Total noncurrent liabilities	<u>404,069</u>
TOTAL LIABILITIES	<u>485,510</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	27,776
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>27,776</u>
NET POSITION	
Net investment in capital assets	3,316,888
Restricted for water tower	48,671
Unrestricted	270,035
TOTAL NET POSITION	<u>3,635,594</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,148,880</u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Fund</u> <u>Water</u>
OPERATING REVENUES	
Charges for services	\$ 671,876
Other	29,475
TOTAL OPERATING REVENUES	<u>701,351</u>
OPERATING EXPENSES	
Payroll, taxes and benefits	272,259
Supplies	80,704
Utilities	62,507
Contracted services	83,986
Equipment	23,074
Property services	7,687
Insurance	4,976
Depreciation	153,147
TOTAL OPERATING EXPENSES	<u>688,340</u>
OPERATING INCOME (LOSS)	<u>13,011</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	3,179
Interest expense	(15,075)
Transfers in	21,634
Transfers (out)	(30,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(20,262)</u>
CHANGE IN NET POSITION	(7,251)
NET POSITION - JULY 1	<u>3,642,845</u>
NET POSITION - JUNE 30	<u>\$ 3,635,594</u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Fund</u> <u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 745,520
Internal activity - receipts (payments) from/to other funds	(215,946)
Payments to employees	(260,430)
Payments to suppliers	<u>(275,436)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(6,292)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to/from other funds	<u>(30,000)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(30,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>3,179</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,179</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on capital debt	(100,104)
Interest paid on capital debt	(15,075)
Transfers - debt service	<u>21,634</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(93,545)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(126,658)
CASH AND CASH EQUIVALENTS - JULY 1	<u>389,299</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 262,641</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 13,011
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	153,147
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	44,169
(Increase) decrease in inventory	(8,519)
(Increase) decrease in deferred outflows of resources	(904)
Increase (decrease) in accounts payable	(3,983)
Increase (decrease) in due to other funds	(215,946)
Increase (decrease) in deferred inflows of resources	2,050
Increase (decrease) in net pension liability	9,176
Increase (decrease) in accrued compensated absences	1,507
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (6,292)</u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	Private Purpose Trust Clark Clement Scholarship
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 34,489
TOTAL ASSETS	<u>\$ 34,489</u>
LIABILITIES	
Due to other governments	\$ 1,500
TOTAL LIABILITIES	<u>1,500</u>
NET POSITION	
Nonspendable	30,000
Restricted	<u>2,989</u>
TOTAL NET POSITION	<u>32,989</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 34,489</u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Private Purpose Trust Clark Clement Scholarship
ADDITIONS	
Investment earnings:	
Interest	\$ 394
Total additions	<u>394</u>
DEDUCTIONS	
Scholarship awards	<u>500</u>
Total deductions	<u>500</u>
CHANGE IN NET POSITION	(106)
NET POSITION - JULY 1	<u>33,095</u>
NET POSITION - JUNE 30	<u><u>\$ 32,989</u></u>

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Berwick 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, public safety, public works, health and welfare, recreation and culture, education, outside appropriations and unclassified.

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

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

COVID-19 Outbreak

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

In response to the health crisis created by COVID-19 since early March, the Governor of Maine issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or activities. As of the date of this report, the state of emergency was extended to October 31, 2020 and may be further extended if circumstances warrant. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on and Results of Operations

On March 17, 2020 Maine LD 2167 was issued and executed by the Governor of Maine. Among other measures, this LD gave guidance concerning municipal budgets and the election process during the state of emergency. The Town of Berwick, Maine needed to postpone the Annual Town Meeting from June 9, 2020 to July 14, 2020. In accordance with Executive Order 39, issued by the Governor of Maine on April 10, 2020, primary elections (and all applicable dates in coordination with it) were suspended from June 9 to July 14.

In accordance with Executive Order 19, issued by the Governor of Maine on March 24, 2020, Town facilities were temporarily closed to the public and all nonessential services to its inhabitants were suspended from March 13, 2020 to May 26, 2020.

Impact on Finances

The Town does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act funding and applicable State programs.

Expected Federal/State Support

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

Conclusion

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Standards

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's water fund 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.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Governmental Funds:

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

Major 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 Fire Department Reserve is a capital projects fund used to account for the purchase and equipping of two fire engines. Primary revenue sources include interest income and transfers from other funds.
- c. The Highway Improvement Fund is a capital projects fund used to account for the construction and repair of roads, bridges and sidewalks. Primary revenue sources include interest income and transfers from other funds.
- d. The Fire Station Reserve Fund is a capital projects fund used to account for the construction of the fire station. This was funded by a capital bond.
- e. The Lena Clark Trust Fund is a permanent fund was established in 1928 to construct a Town Hall and provide ongoing capital maintenance for the Town Hall. Only the interest income may be used for major building repairs.
- f. The Cemetery Trust Fund was established for the care and upkeep of the Evergreen Cemetery. Only the interest income may be used for the maintenance and upkeep of the cemetery and is remitted annually to the Berwick Cemetery Association.

Nonmajor Funds:

- g. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Proprietary Funds:

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

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

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 the Town's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

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

Basis of Accounting

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

1. Accrual

Governmental activities in the government-wide financial statements 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.

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 FINANCIAL STATEMENTS
JUNE 30, 2020

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 was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town's investment policy requires collateralization of accounts and deposits exceeding an amount equal to 25% of capital, surplus and undivided profits as defined by the laws of the State of Maine.

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

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$219,858 for the year ended June 30, 2020. The allowance for uncollectible accounts is estimated to be \$10,000 in the water fund as of June 30, 2020.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The proprietary fund inventory consists of water fund supplies at the end of the year.

Tax Acquired Property

Real property becomes tax acquired when tax liens placed on property and associated costs remain unpaid eighteen months after the filing of the tax lien in accordance with 36 M.R.S.A. § 943. The amount of the taxes and associated costs become assets classified as tax acquired property receivables that are secured by the real property that foreclosed.

After real property becomes tax acquired the Selectboard is responsible for the property and any disposition procedures allowed under the direction of the inhabitants of the Town as authorized by or the provisions of the Tax Acquired Property Ordinance.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

The Town has art and historical items that are capitalized. These items, a buffalo and antique hand tub, are categorized as non-depreciable assets as they are considered inexhaustible.

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

Estimated useful lives are as follows:

Buildings and improvements	10 - 70 years
Infrastructure	20 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 30 years

Long-term Obligations

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

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

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

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

OPEB

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

Net Position

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

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

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

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

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

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given annually by vote of the taxpayers and is given through the Charter and is expressed by the Selectboard.

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

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

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

outflow of resources (expense/expenditure) until then. The Town has two types of this item, deferred outflows related to pensions and deferred outflows related to OPEB. These items are reported in the statement of net position.

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 10, 2019 on the assessed value listed as of April 1, 2019, for all real and personal property located in the Town. Taxes were due in two installments on October 15, 2019 and April 16, 2020. Interest on unpaid taxes commenced on October 16, 2019 and April 17, 2020 at 8.0% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$135,944 for the year ended June 30, 2020.

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.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020, the Town's cash balances amounting to \$7,658,042 were comprised of deposits of \$7,638,892. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash and cash equivalents balance. Of these bank deposits, \$5,107,157 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining deposits of \$2,531,735 were collateralized by a letter of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 415,149
ICS accounts	4,565,312
Money market accounts	52,734
Savings accounts	2,563,852
Cash equivalents	41,845
	<u>\$ 7,638,892</u>

Investments:

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

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does 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. Certificates of deposit held with local financial institutions for \$50,674 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2020, the Town's investments of \$11,065 in government agency bonds and \$1,356,370 in mutual funds and exchange traded funds, \$984,138 was collateralized by the Securities Investor Protection Corporation (SIPC). The remaining balance of \$383,302 was uninsured and uncollateralized.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2020, the Town had the following investments and maturities:

Investment Type	Fair Value	Maturity		
		<1 Year	1 - 5 Years	N/A
Government agency bonds	\$ 11,065	\$ -	\$ 11,065	\$ -
Mutual funds and exchange-traded funds	1,356,370	-	-	1,356,370
	<u>\$ 1,367,435</u>	<u>\$ -</u>	<u>\$ 11,065</u>	<u>\$ 1,356,370</u>

Fair Value Hierarchy:

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2020:

	Total June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
Government agency bonds	\$ 11,065	\$ -	\$ 11,065	\$ -
Equity securities:				
Mutual funds and exchange-traded funds	1,356,370	1,356,370	-	-
Total investments by fair value level	<u>1,367,435</u>	<u>\$ 1,356,370</u>	<u>\$ 11,065</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market funds	41,845			
Total cash equivalents measured at the NAV	<u>41,845</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 1,409,280</u>			

Equity securities including mutual and exchange-traded funds are classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

prices. The Town has no Level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2020 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk - Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in various savings accounts and certificates of deposit.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables:

	<u>Receivables</u> <u>(Due from)</u>	<u>Payables</u> <u>(Due to)</u>
General fund	\$ 75,217	\$ 3,569,473
Fire department reserve	236,239	-
Highway improvement reserve	27,221	-
Fire station reserve	2,565,303	-
Lena Clark trust	-	33,400
Enterprise fund	-	13,753
Nonmajor special revenue funds	481,788	28,064
Nonmajor capital projects funds	258,922	-
Totals	<u>\$ 3,644,690</u>	<u>\$ 3,644,690</u>

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2020 consisted of the following:

	<u>Transfers From</u>	<u>Transfers To</u>
General fund	\$ 55,000	\$ 938,554
Fire department reserve	84,200	-
Highway improvement reserve	600,000	-
Lena Clark trust	-	74,300
Enterprise fund	21,634	30,000
Nonmajor special revenue funds	83,422	82,102
Nonmajor capital projects funds	<u>280,700</u>	<u>-</u>
Totals	<u>\$ 1,124,956</u>	<u>\$ 1,124,956</u>

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2020 is as follows:

	Balance 7/1/19 (Restated)	Additions	Disposals	Balance 6/30/20
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 939,000	\$ -	\$ -	\$ 939,000
Works of art	11,000	-	-	11,000
Construction in progress	400,996	2,935,889	-	3,336,885
	<u>1,350,996</u>	<u>2,935,889</u>	<u>-</u>	<u>4,286,885</u>
Depreciated assets:				
Land, buildings and improvements	1,519,483	82,908	(5,000)	1,597,391
Machinery and equipment	1,471,208	72,487	-	1,543,695
Vehicles	3,168,261	129,456	-	3,297,717
Infrastructure	4,840,988	138,973	-	4,979,961
	<u>10,999,940</u>	<u>423,824</u>	<u>(5,000)</u>	<u>11,418,764</u>
Less: accumulated depreciation	<u>(3,883,037)</u>	<u>(490,188)</u>	<u>5,000</u>	<u>(4,368,225)</u>
	<u>7,116,903</u>	<u>(66,364)</u>	<u>-</u>	<u>7,050,539</u>
Net capital assets	<u>8,467,899</u>	<u>2,869,525</u>	<u>-</u>	<u>11,337,424</u>
<u>Business-type activities:</u>				
Non-depreciated assets:				
Land	97,646	-	-	97,646
	<u>97,646</u>	<u>-</u>	<u>-</u>	<u>97,646</u>
Depreciated assets:				
Land, buildings and improvements	1,474,820	-	-	1,474,820
Machinery and equipment	972,164	-	-	972,164
Vehicles	40,234	-	-	40,234
Infrastructure	4,149,286	-	-	4,149,286
	<u>6,636,504</u>	<u>-</u>	<u>-</u>	<u>6,636,504</u>
Less: accumulated depreciation	<u>(2,919,385)</u>	<u>(153,147)</u>	<u>-</u>	<u>(3,072,532)</u>
	<u>3,717,119</u>	<u>(153,147)</u>	<u>-</u>	<u>3,563,972</u>
Net capital assets	<u>3,814,765</u>	<u>(153,147)</u>	<u>-</u>	<u>3,661,618</u>
Total government	<u>\$ 12,282,664</u>	<u>\$ 2,716,378</u>	<u>\$ -</u>	<u>\$ 14,999,042</u>
<u>Current year depreciation:</u>				
General government				\$ 5,166
Public safety				176,713
Public works				272,080
Recreation				5,477
Recycling				3,971
Town-wide				26,781
Subtotal governmental				<u>490,188</u>
Water				<u>153,147</u>
Subtotal business-type				<u>153,147</u>
Total depreciation expense				<u>\$ 643,335</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
<i>Governmental Activities:</i>					
Bonds payable	\$ 7,062,500	\$ -	\$ (62,500)	\$ 7,000,000	\$ 302,500
Notes from direct borrowings payable	445,523	215,820	(142,653)	518,690	194,968
	<u>\$ 7,508,023</u>	<u>\$ 215,820</u>	<u>\$ (205,153)</u>	<u>\$ 7,518,690</u>	<u>\$ 497,468</u>
<i>Business-type Activities:</i>					
Bonds payable	<u>\$ 444,834</u>	<u>\$ -</u>	<u>\$ (100,104)</u>	<u>\$ 344,730</u>	<u>\$ 61,789</u>

The following is a summary of the outstanding bonds and notes from direct borrowings payable:

Governmental activities:

Bonds payable:

2017 - \$1,125,000 General Obligation Bond for two fire engines, windows for the Town Hall Auditorium and replacement of the clock workings in the Clock Tower at the Town Hall. Annual principal payments in the amount of \$62,500 with a fixed interest rate ranging from 1.26% to 3.91%. The bond matures in November of 2037.	\$ 1,000,000
2019 - \$6,000,000 General Obligation Bond for fire station construction. Annual principal installments in the amount of \$240,000 and a fixed interest rate ranging from 1.820% to 3.831%. The bond matures in November of 2044.	<u>6,000,000</u>
Total bonds payable:	<u>7,000,000</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Notes from direct borrowings payable:

2014 - Capital lease for a loader/backhoe. Annual principal and interest payments of \$16,527. Interest is charged at a fixed interest rate of 2.0% per annum. The capital lease matures in October of 2020.	15,933
2017 - Capital lease for a police cruiser. Annual principal and interest payments of \$11,252. Interest is charged a fixed rate of 2.78% per annum. The capital lease matures in January of 2021.	10,948
2017 - Capital lease for a dodge charger. Annual principal and interest payments of \$4,807. Interest is charged at a fixed rate of 3.03% per annum. The capital lease matures in July of 2021.	9,194
2017 - Capital lease for a Ford Explorer. Annual principal and interest payments of \$5,673. Interest is charged a fixed rate of 3.03% per annum. The capital lease matures in September of 2021.	10,851
2017 - Capital lease for a sidewalk plow. Annual principal and interest payments of \$62,176. Interest is charged a fixed rate of 3.14% per annum. The capital lease matures in November of 2022.	175,400
2018 - Capital lease for a Cheverolet Tahoe. Annual principal and interest payments of \$9,721. Interest is charged a fixed rate of 4.12% per annum. The capital lease matures in September of 2021.	18,304
2019 - Capital lease for a Caterpillar Front-end Loader. Annual principal and interest payments of \$29,171. Interest is charged a fixed rate of 4.27% per annum. The capital lease matures in October of 2022.	80,540
2020 - Capital lease for a Ford Taurus Police Cruiser. Annual principal and interest payments of \$9,170. Interest is charged a fixed rate of 3.09% per annum. The capital lease matures in October of 2021.	17,524
2020 - Capital lease for a police cruiser. Annual principal and interest payments of \$9,130. Interest is charged a fixed rate of 2.91% per annum. The capital lease matures in March of 2023.	25,870
2020 - Note payable for LED lighting. Annual principal and interest payments of \$34,113. Interest is charged a fixed rate of 2.99% per annum. The note matures in February of 2023.	96,426
2020 - Note payable for LED lighting. Annual principal and interest payments of \$20,413. Interest is charged a fixed rate of 2.99% per annum. The note matures in January of 2023.	<u>57,700</u>
Total notes from direct borrowings payable	<u>518,690</u>
Total governmental activities bonds and notes from direct borrowings payable	<u><u>\$ 7,518,690</u></u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-type Activities:

1999 - \$681,050 General Obligation Bond due in annual principal and interest installments of \$43,268. Interest is charged at a fixed rate of 4.5% per annum and maturing in February 2027.	\$ 254,730
2012 - \$434,627 General Obligation Bond due in annual principal installments of \$30,000. Interest is charged semi-annually at a fixed rate ranging from 1.48% to 2.585% per annum. Maturing in November of 2022.	<u>90,000</u>
Total bonds payable - business-type activities	<u><u>\$ 344,730</u></u>

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

	Governmental Activities				Business-type Activities	
	Bonds Payable		Notes from Direct Borrowings Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 302,500	\$ 201,602	\$ 194,968	\$ 17,186	\$ 61,789	\$ 13,163
2022	302,500	196,145	173,668	10,706	63,220	11,294
2023	302,500	190,491	150,054	4,950	64,715	9,538
2024	302,500	186,615	-	-	36,277	6,984
2025	302,500	178,479	-	-	37,909	5,352
2026-2030	1,437,500	792,536	-	-	80,820	5,508
2031-2035	1,450,000	593,491	-	-	-	-
2036-2040	1,400,000	346,293	-	-	-	-
2041-2045	1,200,000	114,930	-	-	-	-
	<u>\$ 7,000,000</u>	<u>\$ 2,800,582</u>	<u>\$ 518,690</u>	<u>\$ 32,842</u>	<u>\$ 344,730</u>	<u>\$ 51,839</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to business-type activities expense for the year ended June 30, 2020 was \$15,075.

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2020 is as follows:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
<i>Governmental Activities:</i>					
Accrued compensated absences	\$ 290,451	\$ -	\$ (37,019)	\$ 253,432	\$ 38,015
Net pension liability	1,020,204	382,493	(250,520)	1,152,177	-
Net OPEB liability	74,630	33,442	-	108,072	-
	<u>\$ 1,385,285</u>	<u>\$ 415,935</u>	<u>\$ (287,539)</u>	<u>\$ 1,513,681</u>	<u>\$ 38,015</u>
<i>Business-type Activities:</i>					
Accrued compensated absences	\$ 10,582	\$ 1,507	\$ -	\$ 12,089	\$ 1,813
Net pension liability	101,676	36,800	(27,624)	110,852	-
	<u>\$ 112,258</u>	<u>\$ 38,307</u>	<u>\$ (27,624)</u>	<u>\$ 122,941</u>	<u>\$ 1,813</u>

Please see Notes 8, 18 and 20 for detailed information on each of the other long-term obligations.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation leave. Generally, the liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2020, the Town's liability for compensated absences is \$265,521.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - RESTRICTED NET POSITION

At June 30, 2020, the Town had the following restricted net position:

General Fund - Tax Acquired Property	\$ 85,043
Lena Clark Trust - principal	471,736
Cemetery Trust - principal	904,021
Village Overlay TIF	32,482
Riverfront	6,457
Farmers' Market	3,625
Community Center	1,749
Ice Rink	350
Rec Impact Fees	61,131
BEBA	4,266
Open Space Impact Fees	93,925
McCue Lord Trust	1,209
Lord's Cemetery Maintenance	1,209
Webster Cemetery	4,269
Lena Clark Cemetery Road	7,664
Monument Fund	850
300th Anniversary	3,047
	<u>\$ 1,683,033</u>

NOTE 10 - NONSPENDABLE FUND BALANCES

At June 30, 2020, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	\$ 3,648
Inventory	81,395
Lena Clark trust	471,736
Cemetery trust	904,021
	<u>\$ 1,460,800</u>

NOTE 11 - RESTRICTED FUND BALANCES

At June 30, 2020, the Town had the following restricted fund balances:

Nonmajor special revenue funds (Schedule D)	\$ 203,985
Nonmajor permanent funds (Schedule H)	18,248
	<u>\$ 222,233</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 - COMMITTED FUND BALANCES

At June 30, 2020, the Town had the following committed fund balances:

General fund:	
Contingency	\$ 41,091
FF/EMT vacancy contingency	30,000
Stormwater eng	5,423
ADA repairs/modifications	11,004
Economic development	47,383
Emergency management	3,269
Triumph restoration	4,138
Unfunded liabilities	80,339
Fire department reserve	236,239
Highway improvement reserve	27,221
Fire station reserve	2,565,303
Nonmajor capital projects funds (Schedule F)	258,922
	<u>\$ 3,335,331</u>

NOTE 13 - ASSIGNED FUND BALANCES

At June 30, 2020, the Town had the following assigned fund balances:

General fund:	
FY20 budget	\$ 974,100
Nonmajor special revenue funds (Schedule D)	280,319
	<u>\$ 1,254,419</u>

NOTE 14 DEFICIT FUND BALANCE

At June 30, 2020, the Town had the following deficit fund balance:

Police grants	<u>\$ 1,237</u>
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NOTE 15 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2020, the Town had the following overspent appropriation:

Public works	<u>\$ 45,086</u>
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TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of the County of York and MSAD No. 60's debt. As of June 30, 2020, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 1,900,000	1.95%	\$ 37,120
MSAD No. 60	2,168,185	39.56%	857,734
			<u>\$ 894,854</u>

NOTE 17 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town participates in a public entity risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state-chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2020.

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

The Town is also a member of the Maine Municipal Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - RISK MANAGEMENT (CONTINUED)

costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies' reinsurance contracts, coverage for claims in excess of \$1,000,000.

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

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

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2020. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 18 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2019, there were 307 employers in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.69%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's employees are members of the PLD's plans "AC" and "1C" and are required to contribute 8.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 10.0% for the AC plan and 16.2% for the 1C plan of covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2020 was \$252,736.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2020, the Town reported a liability of \$1,263,029 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2019, the Town's proportion was 0.413209%, which was an increase of 0.0033% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized total pension revenue of \$137,593. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 149,547	\$ -
Changes of assumptions	63,964	-
Net difference between projected and actual earnings on pension plan investments	-	316,358
Changes in proportion and differences between contributions and proportionate share of contributions	14,159	-
Contributions subsequent to the measurement date	<u>271,346</u>	<u>-</u>
Total	<u>\$ 499,016</u>	<u>\$ 316,358</u>

\$271,346 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan
Plan year ended June 30:	
2020	\$ 64,837
2021	(134,255)
2022	(19,069)
2023	(200)
2024	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2019, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which 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 reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Amortization

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 are as follows:

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2019; compounded annually.

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

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

Cost of Living Benefit Increases - 1.91%

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, 2019 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2019 for the Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2019 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for each of the Plans.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net pension liability	\$ 2,877,099	\$ 1,263,029	\$ (246,779)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2019 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2019 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2019, this was four years; for 2018, this was three years for the PLD Consolidated Plan and prior to 2017, this was four years.

Differences between Expected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2019 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the *Actuarial Methods and Assumptions* section for information

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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

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

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2019 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 19 - DEFERRED COMPENSATION PLAN

International City Management Association Retirement Corporation

A. Plan Description

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by International City Management Association Retirement Corporation (ICMA-RC). The plan permits employees to defer a portion of their salary, in addition to Town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the Town and from any use by the Town other than paying benefits to employees and their beneficiaries in accordance with the plan.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - DEFERRED COMPENSATION PLAN (CONTINUED)

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town's Selectboard. The Town will contribute 4% of annual salary for full-time employees that participate in the Town's 457 deferred compensation plan alone. 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 2019, 2018 and 2017 were \$18,626, \$20,772 and \$21,933, respectively.

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Benefits Provided

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

Employees Covered by Benefit Terms

At January 1, 2020, the following employees were covered by the benefit terms:

Active members	14
Retirees and spouses	-
Total	<u>14</u>

Contributions

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

Retiree Premium Amounts:

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

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
PPO 500	\$1,029.68	\$2,309.71
<u>Medicare</u>		
Medicare-eligible Retirees	\$589.25	\$1,178.50

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

At June 30, 2020, the Town reported a liability of \$108,072 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2020 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2020, the Town recognized OPEB revenue of \$11,832. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,611	\$ -
Changes of assumptions	25,635	6,376
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	284	-
Total	<u>\$ 33,530</u>	<u>\$ 6,376</u>

\$284 were reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	<u>MMEHT</u>
Plan year ended December 31:	
2021	\$ 4,292
2022	4,292
2023	4,292
2024	4,292
2025	4,288
Thereafter	5,414

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 2.74% per annum for June 30, 2020 was based upon a measurement date of December 26, 2019. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.74%	2.74%	3.74%
Total OPEB liability	\$ 127,984	\$ 108,072	\$ 92,044
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 127,984</u>	<u>\$ 108,072</u>	<u>\$ 92,044</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 90,894	\$ 108,072	\$ 130,176
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 90,894</u>	<u>\$ 108,072</u>	<u>\$ 130,176</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2020, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2019. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Assumptions

The actuarial assumptions used in the January 1, 2020 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2020, they are as follows:

Discount Rate - 2.74% per annum for year end 2020 reporting. 4.10% per annum for 2019 year end reporting.

Trend Assumptions:

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

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capital 2029+	1.50%
Extra Trend due to Taste/Technology 2029+	1.20%
Expected Health Share of GDP 2029	20.00%
Health Share of GDP Resistance Point	25.00%
Year for Limiting Cost Growth to GDP Growth	2040

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

Administrative and claims expense - 3% per annum.

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2020, they are as follows:

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

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

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

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

Administrative expenses - Included in the per capita claims cost.

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

Retiree Continuation Percentage:

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

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

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

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2020 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2020 was \$7,611.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Changes in Assumptions

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

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town office at P.O. Box 197, 366 Main Street, Berwick, Maine 04746.

NOTE 21 - TAX INCREMENT FINANCING DISTRICT

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 21 - TAX INCREMENT FINANCING DISTRICT (CONTINUED)

Downtown Municipal TIF District

On July 17, 2017, the Town received approval from the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy. The area of the District is approximately 33.32 acres and is known as the Village Overlay District. The original assessed value of the property is \$13,203,300. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value for 20 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Selectmen shall determine, in its discretion, whether it is necessary or appropriate to enter any Credit Enhancement Agreement to grant these abatements. The state law does not provide for the recapture of abated taxes in the event an abatement recipient does not fill the commitment it makes in return for the tax abatement. The Town reserves the right to incur indebtedness to finance, in part or in whole, the projects within the Development Program. Any projects financed through municipal bonded indebtedness must be completed by June 30, 2037.

Abatements

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities. The Town currently only has one tax abatement agreement, the Downtown Municipal TIF District. The Town did not abate any taxes for the year ended June 30, 2020.

NOTE 22 - CONTINGENCIES

The Town participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 22 - CONTINGENCIES (CONTINUED)

opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 23 - RELATED PARTIES

The wife of the Chairman of the Board is the BCTV Coordinator. The amount paid to the BCTV Coordinator in fiscal year 2020 was \$41,858.

The wife of a selectperson works in customer service. The amount paid to the customer service employee for the fiscal year 2020 was \$17,962.

The nephew of the Public Works Foreman works as a full-time laborer/driver. The amount paid to the laborer/driver for the 2020 season was \$43,087.

NOTE 24 - LETTER OF CREDIT

At June 30, 2020, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Reserve Bank serving as collateral for its deposits held at The Kennebunk Savings Bank. This letter of credit, which expires at the close of business on June 30, 2020, authorizes one draw only up to the amount of \$6,062,579. There were no draws for the year ended June 30, 2020.

NOTE 25 - RESTATEMENT

In 2020, the Town determined that certain transactions were recorded incorrectly or omitted in the previous year. Therefore, a restatement to the government-wide financial statements was required. The capital assets were restated by \$325 to correct prior year capital additions. The accumulated depreciation balance was restated by a decrease of \$64,958.

The beginning net position for government-wide activities was increased by \$65,283 from \$12,071,889 to \$12,137,172.

Required Supplementary Information

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

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

TOWN OF BERWICK, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,815,610	\$ 3,815,610	\$ 3,815,610	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	12,648,407	12,698,407	12,696,990	(1,417)
Excise Taxes	1,442,000	1,442,000	1,572,762	130,762
Intergovernmental Revenues:				
State Revenue Sharing	550,000	550,000	679,206	129,206
Homestead Reimbursement	308,344	308,344	308,344	-
BETE Reimbursement	21,509	21,509	21,559	50
Tree Growth	17,000	17,000	17,976	976
Veterans' Reimbursement	8,500	8,500	11,580	3,080
Cops in School	78,590	78,590	84,363	5,773
Other	8,200	8,200	1,681	(6,519)
Interest Income	7,500	7,500	35,722	28,222
Interest on Taxes/Lien Costs	58,500	58,500	80,833	22,333
Charges for Services	141,850	141,850	130,647	(11,203)
Miscellaneous Revenues	14,882	14,882	22,729	7,847
Transfers from Other Funds	89,000	89,000	55,000	(34,000)
Amounts Available for Appropriation	<u>19,209,892</u>	<u>19,259,891</u>	<u>19,535,002</u>	<u>275,111</u>
Charges to Appropriations (Outflows):				
General Government	1,369,417	1,369,417	1,309,323	60,094
Public Safety	2,886,951	2,886,951	2,781,243	105,708
Public Works	1,430,776	1,430,776	1,475,862	(45,086)
Recreation and Culture	241,342	241,342	241,340	2
Health and Welfare	10,000	10,000	960	9,040
Education	8,077,073	8,077,073	8,077,073	-
County Tax	340,401	340,401	340,401	-
Outside Appropriations	24,450	24,450	24,450	-
Unclassified	225,944	464,026	79,578	384,448
Transfers to Other Funds	895,913	945,913	938,554	7,359
Total Charges to Appropriations	<u>15,808,282</u>	<u>16,096,364</u>	<u>15,525,303</u>	<u>571,061</u>
Budgetary Fund Balance, June 30	<u>\$ 3,401,610</u>	<u>\$ 3,163,527</u>	<u>\$ 4,009,699</u>	<u>\$ 846,172</u>
Utilization of Restricted Fund Balance	\$ 164,000	\$ 402,083	\$ -	\$ (402,083)
Utilization of Unassigned Fund Balance	250,000	250,000	-	(250,000)
	<u>\$ 414,000</u>	<u>\$ 652,083</u>	<u>\$ -</u>	<u>\$ (652,083)</u>

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

TOWN OF BERWICK, MAINE

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

	2020	2019	2018	2017	2016	2015	2014
<u>PLD Plan:</u>							
Proportion of the net pension liability (asset)	0.41%	0.41%	0.40%	0.39%	0.38%	0.40%	0.41%
Proportionate share of the net pension liability (asset)	\$ 1,263,029	\$ 1,121,880	\$ 1,657,737	\$ 2,088,826	\$ 1,220,216	\$ 618,310	\$ 1,273,810
Covered payroll	\$ 1,882,888	\$ 1,735,966	\$ 1,709,570	\$ 1,575,504	\$ 1,431,047	\$ 1,387,898	\$ 1,312,202
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	67.08%	64.63%	96.97%	132.58%	85.27%	44.55%	97.07%
Plan fiduciary net position as a percentage of the total pension liability	90.62%	91.14%	86.43%	86.40%	81.61%	88.30%	87.50%

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

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

TOWN OF BERWICK, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>							
Contractually required contribution	\$ 271,346	\$ 252,736	\$ 227,033	\$ 207,520	\$ 184,475	\$ 156,335	\$ 139,293
Contributions in relation to the contractually required contribution	<u>(271,346)</u>	<u>(252,736)</u>	<u>(227,033)</u>	<u>(207,520)</u>	<u>(184,475)</u>	<u>(156,335)</u>	<u>(139,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 2,052,677	\$ 1,882,888	\$ 1,735,966	\$ 1,709,570	\$ 1,575,504	\$ 1,431,047	\$ 1,387,898
Contributions as a percentage of covered payroll	13.22%	13.42%	13.08%	12.14%	11.71%	10.92%	10.04%

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

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

TOWN OF BERWICK, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR YEAR ENDED JUNE 30, 2020

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/18 (Reporting December 31, 2018)	\$ 74,630	\$ -	\$ 74,630
Changes for the year:			
Service cost	6,646	-	6,646
Interest	3,327	-	3,327
Changes of benefits	(2,138)	-	(2,138)
Differences between expected and actual experience	3,347	-	3,347
Changes of assumptions	22,544	-	22,544
Contributions - employer	-	284	(284)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(284)	(284)	-
Administrative expense	-	-	-
Net changes	<u>33,442</u>	<u>-</u>	<u>33,442</u>
Balances at 1/1/19 (Reporting December 31, 2019)	<u>\$ 108,072</u>	<u>\$ -</u>	<u>\$ 108,072</u>

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

TOWN OF BERWICK, MAINE

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

	2020	2019	2018
<u>Total OPEB liability</u>			
Service cost (BOY)	\$ 6,646	\$ 7,310	\$ 6,197
Interest (includes interest on service cost)	3,327	2,769	2,055
Changes of benefit terms	(2,138)	-	-
Differences between expected and actual experience	3,347	-	7,493
Changes of assumptions	22,544	(8,502)	9,455
Benefit payments, including refunds of member contributions	(284)	(273)	(91)
Net change in total OPEB liability	\$ 33,442	\$ 1,304	\$ 25,109
Total OPEB liability - beginning	\$ 74,630	\$ 73,326	\$ 48,217
Total OPEB liability - ending	\$ 108,072	\$ 74,630	\$ 73,326
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 284	\$ 273	91
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(284)	(273)	(91)
Administrative expense	-	-	-
Net change in fiduciary net position	-	-	-
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -
Net OPEB liability - ending	\$ 108,072	\$ 74,630	\$ 73,326
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-
Covered payroll	\$ 936,179	\$ 831,195	\$ 831,195
Net OPEB liability as a percentage of covered payroll	11.5%	9.0%	8.8%

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

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

TOWN OF BERWICK, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>MMEHT:</u>			
Employer contributions	\$ 284	\$ 273	\$ 91
Benefit payments	(284)	(273)	(91)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 936,179	\$ 831,195	\$ 831,195
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

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

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

TOWN OF BERWICK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Changes of Assumptions

MMEHT OPEB Plan:

There was a change in the discount rate from 4.10% to 2.74% per GASB 75 discount rate selection. The repeal of the “Cadillac Tax” was reflected in this valuation by removing the previously planned excise tax.

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

Other Supplementary Information

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

- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor 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

TOWN OF BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General government	\$ 304,981	\$ -	\$ 304,981	\$ 250,998	\$ 53,983
Town administration	389,332	-	389,332	386,544	2,788
Town clerk	282,342	-	282,342	270,742	11,600
Planning	124,759	-	124,759	108,379	16,380
Assessing	113,153	-	113,153	119,305	(6,152)
Town hall	154,850	-	154,850	173,355	(18,505)
	<u>1,369,417</u>	<u>-</u>	<u>1,369,417</u>	<u>1,309,323</u>	<u>60,094</u>
Public Safety -					
Police department	1,721,149	-	1,721,149	1,732,977	(11,828)
Fire department	969,414	-	969,414	851,878	117,536
Hydrants	196,388	-	196,388	196,388	-
	<u>2,886,951</u>	<u>-</u>	<u>2,886,951</u>	<u>2,781,243</u>	<u>105,708</u>
Public Works -					
Public works	980,526	-	980,526	934,362	46,164
Transfer station	450,250	-	450,250	541,500	(91,250)
	<u>1,430,776</u>	<u>-</u>	<u>1,430,776</u>	<u>1,475,862</u>	<u>(45,086)</u>

TOWN OF BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Recreation and Culture -					
Recreation	132,342	-	132,342	132,340	2
Berwick Library Association	109,000	-	109,000	109,000	-
	<u>241,342</u>	<u>-</u>	<u>241,342</u>	<u>241,340</u>	<u>2</u>
Health and Welfare -					
General assistance	10,000	-	10,000	960	9,040
	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>960</u>	<u>9,040</u>
Education	<u>8,077,073</u>	<u>-</u>	<u>8,077,073</u>	<u>8,077,073</u>	<u>-</u>
County Tax	<u>340,401</u>	<u>-</u>	<u>340,401</u>	<u>340,401</u>	<u>-</u>
Outside Appropriations -					
Christmas decorations	1,000	-	1,000	1,000	-
Memorial day	1,200	-	1,200	1,200	-
Seacoast Shipyard Association	500	-	500	500	-
Coast Bus Service	20,000	-	20,000	20,000	-
Americian Legion	1,500	-	1,500	1,500	-
Miscellaneous	250	-	250	250	-
	<u>24,450</u>	<u>-</u>	<u>24,450</u>	<u>24,450</u>	<u>-</u>

TOWN OF BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Debt Service -					
Principal	62,500	-	62,500	62,500	-
Interest	243,515	-	243,515	194,019	49,496
	<u>306,015</u>	<u>-</u>	<u>306,015</u>	<u>256,519</u>	<u>49,496</u>
Unclassified -					
Contingency	10,000	39,391	49,391	8,300	41,091
FF/EMT vacancy contingency	-	30,000	30,000	-	30,000
Stormwater eng	24,000	3,817	27,817	22,394	5,423
KACTS GRT	25,000	-	25,000	-	25,000
ADA repairs/modifications	-	11,004	11,004	-	11,004
Economic development	15,000	40,371	55,371	7,988	47,383
Emergency management	1,000	2,269	3,269	-	3,269
Triumph restoration	-	4,138	4,138	-	4,138
Recreation donation	-	858	858	-	858
Unfunded liabilities	15,000	106,235	121,235	40,896	80,339
Overlay	135,944	-	135,944	-	135,944
	<u>225,944</u>	<u>238,082</u>	<u>464,026</u>	<u>79,578</u>	<u>384,448</u>
Transfers to Other Funds -					
Special revenue funds	33,679	-	33,679	26,320	7,359
Capital projects funds	840,600	50,000	890,600	890,600	-
Enterprise fund	21,634	-	21,634	21,634	-
	<u>895,913</u>	<u>50,000</u>	<u>945,913</u>	<u>938,554</u>	<u>7,359</u>
Total Departmental Operations	<u><u>\$ 15,808,282</u></u>	<u><u>\$ 288,082</u></u>	<u><u>\$ 16,096,364</u></u>	<u><u>\$ 15,525,303</u></u>	<u><u>\$ 571,061</u></u>

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

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 18,248	\$ 18,248
Due from other governments	29,343	-	-	29,343
Due from other funds	481,788	258,922	-	740,710
TOTAL ASSETS	<u>\$ 511,131</u>	<u>\$ 258,922</u>	<u>\$ 18,248</u>	<u>\$ 788,301</u>
LIABILITIES				
Due to other funds	\$ 28,064	\$ -	\$ -	\$ 28,064
TOTAL LIABILITIES	<u>28,064</u>	<u>-</u>	<u>-</u>	<u>28,064</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	203,985	-	18,248	222,233
Committed	-	258,922	-	258,922
Assigned	280,319	-	-	280,319
Unassigned	(1,237)	-	-	(1,237)
TOTAL FUND BALANCES	<u>483,067</u>	<u>258,922</u>	<u>18,248</u>	<u>760,237</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 511,131</u>	<u>\$ 258,922</u>	<u>\$ 18,248</u>	<u>\$ 788,301</u>

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

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 374,624	\$ -	\$ -	\$ 374,624
Charges for services	274,207	-	-	274,207
Interest income	-	-	209	209
Other	-	50	-	50
TOTAL REVENUES	648,831	50	209	649,090
EXPENDITURES				
Capital outlay	-	339,740	-	339,740
Other	637,029	-	-	637,029
TOTAL EXPENDITURES	637,029	339,740	-	976,769
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,802	(339,690)	209	(327,679)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	154,126	-	154,126
Transfers in	83,422	280,700	-	364,122
Transfers (out)	(82,102)	-	-	(82,102)
TOTAL OTHER FINANCING SOURCES (USES)	1,320	434,826	-	436,146
NET CHANGE IN FUND BALANCES	13,122	95,136	209	108,467
FUND BALANCES - JULY 1	469,945	163,786	18,039	651,770
FUND BALANCES - JUNE 30	\$ 483,067	\$ 258,922	\$ 18,248	\$ 760,237

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

Special Revenue Funds

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.

SCHEDULE D

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Town Hall Water Damage	Brownfield Cleanup Grants	Fire Memorial	Town Hall Auditorium	Village Overlay TIF	Police Grants	Recreation Trips	Recreation Fees	Riverfront
ASSETS									
Due from other governments	\$ -	\$ 29,132	\$ -	\$ -	\$ -	\$ 211	\$ -	\$ -	\$ -
Due from other funds	-	-	-	3,531	32,482	-	-	126,839	6,457
TOTAL ASSETS	\$ -	\$ 29,132	\$ -	\$ 3,531	\$ 32,482	\$ 211	\$ -	\$ 126,839	\$ 6,457
LIABILITIES									
Due to other funds	\$ -	\$ 26,616	\$ -	\$ -	\$ -	\$ 1,448	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	26,616	-	-	-	1,448	-	-	-
FUND BALANCES (DEFICITS)									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	32,482	-	-	-	6,457
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	2,516	-	3,531	-	-	-	126,839	-
Unassigned	-	-	-	-	-	(1,237)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	2,516	-	3,531	32,482	(1,237)	-	126,839	6,457
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 29,132	\$ -	\$ 3,531	\$ 32,482	\$ 211	\$ -	\$ 126,839	\$ 6,457

SCHEDULE D (CONTINUED)

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Farmers' Market	Community Center	Ice Rink	Rec Impact Fees	BEBA	MMEHT Wellness Initiative	York Hospital	Berwick Community Television	Open Space Impact Fees	Total
ASSETS										
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,343
Due from other funds	3,625	1,749	350	61,131	4,266	-	-	147,433	93,925	481,788
TOTAL ASSETS	\$ 3,625	\$ 1,749	\$ 350	\$ 61,131	\$ 4,266	\$ -	\$ -	\$ 147,433	\$ 93,925	\$ 511,131
LIABILITIES										
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,064
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	28,064
FUND BALANCES (DEFICITS)										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	3,625	1,749	350	61,131	4,266	-	-	-	93,925	203,985
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	147,433	-	280,319
Unassigned	-	-	-	-	-	-	-	-	-	(1,237)
TOTAL FUND BALANCES (DEFICITS)	3,625	1,749	350	61,131	4,266	-	-	147,433	93,925	483,067
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 3,625	\$ 1,749	\$ 350	\$ 61,131	\$ 4,266	\$ -	\$ -	\$ 147,433	\$ 93,925	\$ 511,131

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

SCHEDULE E

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Town Hall Water Damage	Brownfield Cleanup Grants	Fire Memorial	Town Hall Auditorium	Village Overlay TIF	Police Grants	Recreation Trips	Recreation Fees	Riverfront
REVENUES									
Intergovernmental	\$ -	\$ 339,599	\$ -	\$ -	\$ -	\$ 35,025	\$ -	\$ -	\$ -
Charges for services	-	-	2,143	400	-	-	-	81,429	-
TOTAL REVENUES	-	339,599	2,143	400	-	35,025	-	81,429	-
EXPENDITURES									
Other	1,030	378,850	-	-	-	66,847	-	81,407	527
TOTAL EXPENDITURES	1,030	378,850	-	-	-	66,847	-	81,407	527
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,030)	(39,251)	2,143	400	-	(31,822)	-	22	(527)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	26,320	-	-	57,102	-
Transfers (out)	-	-	-	-	-	-	(57,102)	(25,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	26,320	-	(57,102)	32,102	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(1,030)	(39,251)	2,143	400	26,320	(31,822)	(57,102)	32,124	(527)
FUND BALANCES (DEFICITS) - JULY 1	1,030	41,767	(2,143)	3,131	6,162	30,585	57,102	94,715	6,984
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ 2,516	\$ -	\$ 3,531	\$ 32,482	\$ (1,237)	\$ -	\$ 126,839	\$ 6,457

SCHEDULE E (CONTINUED)

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Farmers' Market	Community Center	Ice Rink	Rec Impact Fees	BEBA	MMEHT Wellness Initiative	York Hospital	Berwick Community Television	Open Space Impact Fees	Total
REVENUES										
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374,624
Charges for services	6,092	-	-	17,975	659	-	-	147,534	17,975	274,207
TOTAL REVENUES	6,092	-	-	17,975	659	-	-	147,534	17,975	648,831
EXPENDITURES										
Other	4,189	-	-	5,028	523	201	250	98,177	-	637,029
TOTAL EXPENDITURES	4,189	-	-	5,028	523	201	250	98,177	-	637,029
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,903	-	-	12,947	136	(201)	(250)	49,357	17,975	11,802
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	-	83,422
Transfers (out)	-	-	-	-	-	-	-	-	-	(82,102)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-	1,320
NET CHANGE IN FUND BALANCES (DEFICITS)	1,903	-	-	12,947	136	(201)	(250)	49,357	17,975	13,122
FUND BALANCES (DEFICITS) - JULY 1	1,722	1,749	350	48,184	4,130	201	250	98,076	75,950	469,945
FUND BALANCES (DEFICITS) - JUNE 30	\$ 3,625	\$ 1,749	\$ 350	\$ 61,131	\$ 4,266	\$ -	\$ -	\$ 147,433	\$ 93,925	\$ 483,067

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

Capital Projects Funds

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

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2020

	Town Hall Reserve	Planning Reserve	LED Lighting Reserve	Police Department Reserve	Civil Defense	Highway Equipment Reserve	Transfer Station Reserve	Recreation Improvement Reserve	Total
ASSETS									
Due from other funds	\$ 108,553	\$ 22,868	\$ 1,712	\$ 17,523	\$ 3,156	\$ 89,346	\$ 153	\$ 15,611	\$ 258,922
TOTAL ASSETS	<u>\$ 108,553</u>	<u>\$ 22,868</u>	<u>\$ 1,712</u>	<u>\$ 17,523</u>	<u>\$ 3,156</u>	<u>\$ 89,346</u>	<u>\$ 153</u>	<u>\$ 15,611</u>	<u>\$ 258,922</u>
LIABILITIES									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	108,553	22,868	1,712	17,523	3,156	89,346	153	15,611	258,922
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>108,553</u>	<u>22,868</u>	<u>1,712</u>	<u>17,523</u>	<u>3,156</u>	<u>89,346</u>	<u>153</u>	<u>15,611</u>	<u>258,922</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 108,553</u>	<u>\$ 22,868</u>	<u>\$ 1,712</u>	<u>\$ 17,523</u>	<u>\$ 3,156</u>	<u>\$ 89,346</u>	<u>\$ 153</u>	<u>\$ 15,611</u>	<u>\$ 258,922</u>

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

SCHEDULE G

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Town Hall Reserve	Planning Reserve	LED Lighting Reserve	Police Department Reserve	Civil Defense	Highway Equipment Reserve	Transfer Station Reserve	Recreation Improvement Reserve	Total
REVENUES									
Other	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50
TOTAL REVENUES	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>
EXPENDITURES									
Capital outlay	35,451	41,127	152,414	78,799	-	14,730	-	17,219	339,740
TOTAL EXPENDITURES	<u>35,451</u>	<u>41,127</u>	<u>152,414</u>	<u>78,799</u>	<u>-</u>	<u>14,730</u>	<u>-</u>	<u>17,219</u>	<u>339,740</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(35,401)</u>	<u>(41,127)</u>	<u>(152,414)</u>	<u>(78,799)</u>	<u>-</u>	<u>(14,730)</u>	<u>-</u>	<u>(17,219)</u>	<u>(339,690)</u>
OTHER FINANCING SOURCES (USES)									
Debt proceeds	-	-	154,126	-	-	-	-	-	154,126
Transfers in	109,900	37,000	-	78,800	-	55,000	-	-	280,700
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>109,900</u>	<u>37,000</u>	<u>154,126</u>	<u>78,800</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>434,826</u>
NET CHANGE IN FUND BALANCES	74,499	(4,127)	1,712	1	-	40,270	-	(17,219)	95,136
FUND BALANCES - JULY 1	<u>34,054</u>	<u>26,995</u>	<u>-</u>	<u>17,522</u>	<u>3,156</u>	<u>49,076</u>	<u>153</u>	<u>32,830</u>	<u>163,786</u>
FUND BALANCES - JUNE 30	<u>\$ 108,553</u>	<u>\$ 22,868</u>	<u>\$ 1,712</u>	<u>\$ 17,523</u>	<u>\$ 3,156</u>	<u>\$ 89,346</u>	<u>\$ 153</u>	<u>\$ 15,611</u>	<u>\$ 258,922</u>

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

Permanent Funds

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

SCHEDULE H

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2020

	McCue Lord Trust	Lord's Cemetery Maintenance	Webster Cemetery	Lena Clark Cemetery Road	Monument Fund	300th Anniversary	Total
ASSETS							
Cash and cash equivalents	\$ 1,209	\$ 1,209	\$ 4,269	\$ 7,664	\$ 850	\$ 3,047	\$ 18,248
TOTAL ASSETS	<u>\$ 1,209</u>	<u>\$ 1,209</u>	<u>\$ 4,269</u>	<u>\$ 7,664</u>	<u>\$ 850</u>	<u>\$ 3,047</u>	<u>\$ 18,248</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,209	1,209	4,269	7,664	850	3,047	18,248
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,209</u>	<u>1,209</u>	<u>4,269</u>	<u>7,664</u>	<u>850</u>	<u>3,047</u>	<u>18,248</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,209</u>	<u>\$ 1,209</u>	<u>\$ 4,269</u>	<u>\$ 7,664</u>	<u>\$ 850</u>	<u>\$ 3,047</u>	<u>\$ 18,248</u>

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

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	McCue Lord Trust	Lord's Cemetery Maintenance	Webster Cemetery	Lena Clark Cemetery Road	Monument Fund	300th Anniversary	Total
REVENUES							
Interest income	\$ 14	\$ 14	\$ 49	\$ 87	\$ 10	\$ 35	\$ 209
TOTAL REVENUES	<u>14</u>	<u>14</u>	<u>49</u>	<u>87</u>	<u>10</u>	<u>35</u>	<u>209</u>
EXPENDITURES							
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	14	14	49	87	10	35	209
FUND BALANCES - JULY 1	<u>1,195</u>	<u>1,195</u>	<u>4,220</u>	<u>7,577</u>	<u>840</u>	<u>3,012</u>	<u>18,039</u>
FUND BALANCES - JUNE 30	<u>\$ 1,209</u>	<u>\$ 1,209</u>	<u>\$ 4,269</u>	<u>\$ 7,664</u>	<u>\$ 850</u>	<u>\$ 3,047</u>	<u>\$ 18,248</u>

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



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

Selectboard
Town of Berwick
Berwick, Maine

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

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Berwick, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Berwick, Maine in a separate letter dated August 11, 2020.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
September 30, 2020