

Audited Financial Statements
and Other Financial Information

Town of North Berwick, Maine

June 30, 2017



Proven Expertise and Integrity

TOWN OF NORTH BERWICK, MAINE

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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of North Berwick
North Berwick, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of North Berwick, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of North Berwick, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of North Berwick, Maine as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2017, on our consideration of the Town of North Berwick’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Berwick’s internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
December 26, 2017

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

(UNAUDITED)

The following management's discussion and analysis of Town of North Berwick, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of North Berwick's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension information, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

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

Government-Wide 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 regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of North Berwick presents only two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

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

Proprietary Funds: The Town of North Berwick maintains a proprietary fund, the Pay-Per-Throw Trash Program. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows – Proprietary 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 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 regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental and business-type activities. The Town's total net position for governmental activities increased by \$281,924 from \$11,005,914 to \$11,287,838. The Town's total net position for business-type activities increased by \$48,079 from \$157,613 to \$205,692.

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 \$3,371,950 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$205,692.

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

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Assets:				
Current Assets	\$ 4,290,266	\$ 4,079,972	\$ 211,903	\$ 166,672
Capital Assets	10,019,246	9,958,456	-	-
Total Assets	<u>14,309,512</u>	<u>14,038,428</u>	<u>211,903</u>	<u>166,672</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	417,231	194,593	-	-
Total Deferred Outflows of Resources	<u>417,231</u>	<u>194,593</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	489,150	423,307	6,211	9,059
Long-term Debt Outstanding	2,772,352	2,580,365	-	-
Total Liabilities	<u>3,261,502</u>	<u>3,003,672</u>	<u>6,211</u>	<u>9,059</u>
Deferred Inflows of Resources:				
Prepaid Taxes	20,100	24,480	-	-
Deferred Inflows Related to Pensions	157,303	198,955	-	-
Total Deferred Inflows of Resources	<u>177,403</u>	<u>223,435</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	7,642,538	7,495,623	-	-
Restricted: Permanent Funds	273,350	267,425	-	-
Unrestricted	3,371,950	3,242,866	205,692	157,613
Total Net Position	<u>\$ 11,287,838</u>	<u>\$ 11,005,914</u>	<u>\$ 205,692</u>	<u>\$ 157,613</u>

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

	<u>Governmental Activites</u>		<u>Business-type Activites</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 553,136	\$ 854,098	\$ 105,560	\$ 105,605
<i>General Revenues:</i>				
Taxes	8,107,796	7,942,305	-	-
Grants and contributions not restricted to specific programs	1,408,223	1,041,990	-	-
Miscellaneous	106,885	198,538	20,149	11,019
Total Revenues	<u>10,176,040</u>	<u>10,036,931</u>	<u>125,709</u>	<u>116,624</u>
Expenses				
General government	1,014,997	923,029	-	-
Public safety	1,829,028	1,747,785	-	-
Health and welfare	33,577	44,516	-	-
Recreation and culture	127,243	189,254	-	-
Education	5,199,734	4,995,794	-	-
Public works	944,318	1,062,527	-	-
Library	223,911	199,567	-	-
County tax	364,747	354,255	-	-
TIF	22,512	22,512	-	-
Unclassified	55,168	43,993	-	-
Capital outlay	2,984	-	-	-
Interest on long-term debt	75,897	54,864	-	-
Pay-per-throw trash program	-	-	77,630	96,937
Total Expenses	<u>9,894,116</u>	<u>9,638,096</u>	<u>77,630</u>	<u>96,937</u>
Change in Net Position	281,924	398,835	48,079	19,687
Net Position - July 1	<u>11,005,914</u>	<u>10,607,079</u>	<u>157,613</u>	<u>137,926</u>
Net Position - June 30	<u>\$ 11,287,838</u>	<u>\$ 11,005,914</u>	<u>\$ 205,692</u>	<u>\$ 157,613</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 1.39%, while total expenses increased by 2.66%.

Revenues for the Town's business-type activities increased by 7.79%, while total expenses decreased by 19.92%.

Financial Analysis of the Town's Fund Statements

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

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

	2017	2016
General Fund:		
Assigned	\$ 563,950	\$ 396,707
Unassigned	2,764,466	2,756,723
Total General Fund	\$ 3,328,416	\$ 3,153,430
Nonmajor Funds:		
Capital Projects Funds:		
Committed	\$ 244,035	\$ 245,709
Assigned	311	307
Unassigned	(2,123)	(2,123)
Permanent Funds:		
Restricted	273,350	267,425
Total Nonmajor Funds	\$ 515,573	\$ 511,318

The general fund total fund balance increased by \$174,986 from the prior fiscal year. The nonmajor fund balances increased by \$4,255 from the prior fiscal year.

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

Budgetary Highlights

Differences between the original and final budget for the general fund include the use of assigned fund balances. Refer to Schedules A and B for additional information on budget differences.

The general fund actual revenues were over budget by \$68,790. This was a result of all revenues being receipted over budget with the exception of other revenue and transfers from other funds.

The general fund actual expenditures were under budget by \$594,152. All expenditure accounts were under budget with the exception of education and public works.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the net book value of capital assets recorded by the Town increased by \$60,790 from the prior year. This increase is the result of capital additions of \$618,291 less current year depreciation expense of \$557,501. For additional details refer to Note 4 of Notes to Financial Statements.

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

	2017	2016
Land and improvements	\$ 1,374,530	\$ 1,381,953
Buildings and improvements	2,543,066	2,599,612
Machinery and equipment	356,963	174,240
Vehicles	926,682	1,038,818
Art works and historical treasures	10,000	10,000
Infrastructure	4,808,005	4,753,833
Total	\$ 10,019,246	\$ 9,958,456

Debt

At June 30, 2017, the Town had \$2.26 million in bonds outstanding versus \$2.46 million last year. Other obligations include a capital lease payable, net pension liability and accrued compensated absences. For additional details on the Town's outstanding debt, refer to Note 5 of Notes to Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The Town's unassigned fund balance remains at a level sufficient to sustain government operations for a period of approximately three months while also maintaining significant reserves for future operations, capital and program needs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager at P.O. Box 422, North Berwick, Maine 03906.

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,051,118	\$ 20,272	\$ 4,071,390
Investments	23,676	-	23,676
Accounts receivable (net of allowance for uncollectibles):			
Taxes	258,657	-	258,657
Liens	59,384	-	59,384
Other	44,398	-	44,398
Due from other governments	44,664	-	44,664
Internal balances	(191,631)	191,631	-
Total current assets	<u>4,290,266</u>	<u>211,903</u>	<u>4,502,169</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	1,171,149	-	1,171,149
Buildings and vehicles net of accumulated depreciation	8,848,097	-	8,848,097
Total noncurrent assets	<u>10,019,246</u>	<u>-</u>	<u>10,019,246</u>
TOTAL ASSETS	<u>14,309,512</u>	<u>211,903</u>	<u>14,521,415</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	417,231	-	417,231
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>417,231</u>	<u>-</u>	<u>417,231</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,726,743</u>	<u>\$ 211,903</u>	<u>\$ 14,938,646</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 75,026	\$ 6,211	\$ 81,237
Accrued expenses	286	-	286
Due to other governments	72,629	-	72,629
Escrows	43,935	-	43,935
Current portion of long-term obligations	297,274	-	297,274
Total current liabilities	<u>489,150</u>	<u>6,211</u>	<u>495,361</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	2,059,481	-	2,059,481
Capital leases payable	86,002	-	86,002
Net pension liability	626,869	-	626,869
Total noncurrent liabilities	<u>2,772,352</u>	<u>-</u>	<u>2,772,352</u>
TOTAL LIABILITIES	<u>3,261,502</u>	<u>6,211</u>	<u>3,267,713</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	20,100	-	20,100
Deferred inflows related to pensions	157,303	-	157,303
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>177,403</u>	<u>-</u>	<u>177,403</u>
NET POSITION			
Net investment in capital assets	7,642,538	-	7,642,538
Restricted for: Permanent funds	273,350	-	273,350
Unrestricted	3,371,950	205,692	3,577,642
TOTAL NET POSITION	<u>11,287,838</u>	<u>205,692</u>	<u>11,493,530</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,726,743</u>	<u>\$ 211,903</u>	<u>\$ 14,938,646</u>

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

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,014,997	\$ 272,170	\$ -	\$ -	\$ (742,827)	\$ -	\$ (742,827)
Public safety	1,829,028	165,796	-	-	(1,663,232)	-	(1,663,232)
Health and welfare	33,577	37,483	-	-	3,906	-	3,906
Recreation and culture	127,243	72,132	-	-	(55,111)	-	(55,111)
Education	5,199,734	-	-	-	(5,199,734)	-	(5,199,734)
Public works	944,318	5,555	-	-	(938,763)	-	(938,763)
Library	223,911	-	-	-	(223,911)	-	(223,911)
County tax	364,747	-	-	-	(364,747)	-	(364,747)
TIF	22,512	-	-	-	(22,512)	-	(22,512)
Capital outlay	2,984	-	-	-	(2,984)	-	(2,984)
Unclassified	55,168	-	-	-	(55,168)	-	(55,168)
Interest on long-term debt	75,897	-	-	-	(75,897)	-	(75,897)
Total governmental activities	<u>9,894,116</u>	<u>553,136</u>	<u>-</u>	<u>-</u>	<u>(9,340,980)</u>	<u>-</u>	<u>(9,340,980)</u>
Business-type activities:							
Pay-per-throw trash program	77,630	105,560	-	-	-	27,930	27,930
Total business-type activities	<u>77,630</u>	<u>105,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,930</u>	<u>27,930</u>
Total government	<u>\$ 9,971,746</u>	<u>\$ 658,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(9,340,980)</u>	<u>27,930</u>	<u>(9,313,050)</u>

STATEMENT B (CONTINUED)
TOWN OF NORTH BERWICK, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(9,340,980)</u>	<u>27,930</u>	<u>(9,313,050)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	7,260,743	-	7,260,743
Excise taxes	847,053	-	847,053
Grants and contributions not restricted to specific programs	1,408,223	-	1,408,223
Miscellaneous	<u>106,885</u>	<u>20,149</u>	<u>127,034</u>
Total general revenues	<u>9,622,904</u>	<u>20,149</u>	<u>9,643,053</u>
Change in net position	281,924	48,079	330,003
NET POSITION - JULY 1	<u>11,005,914</u>	<u>157,613</u>	<u>11,163,527</u>
NET POSITION - JUNE 30	<u>\$ 11,287,838</u>	<u>\$ 205,692</u>	<u>\$ 11,493,530</u>

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

TOWN OF NORTH BERWICK, MAINE

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	All Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,611,535	\$ 439,583	\$ 4,051,118
Investments	-	23,676	23,676
Accounts receivable (net of allowance for uncollectibles):			
Taxes	258,657	-	258,657
Liens	59,384	-	59,384
Other	44,398	-	44,398
Due from other governments	44,664	-	44,664
Due from other funds	8,786	64,859	73,645
TOTAL ASSETS	\$ 4,027,424	\$ 528,118	\$ 4,555,542
LIABILITIES			
Accounts payable	\$ 71,267	\$ 3,759	\$ 75,026
Accrued expenses	286	-	286
Due to other governments	72,629	-	72,629
Due to other funds	256,490	8,786	265,276
Escrow	43,935	-	43,935
Accrued compensated absences	66,049	-	66,049
TOTAL LIABILITIES	510,656	12,545	523,201
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	20,100	-	20,100
Deferred revenues	168,252	-	168,252
TOTAL DEFERRED INFLOWS OF RESOURCES	188,352	-	188,352
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	273,350	273,350
Committed	-	244,035	244,035
Assigned	563,950	311	564,261
Unassigned	2,764,466	(2,123)	2,762,343
TOTAL FUND BALANCES	3,328,416	515,573	3,843,989
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,027,424	\$ 528,118	\$ 4,555,542

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

TOWN OF NORTH BERWICK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017

	Total Governmental Funds
	Total Governmental Funds
Total Fund Balances	\$ 3,843,989
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	10,019,246
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	168,252
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	417,231
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(2,262,039)
Capital leases payable	(114,669)
Net pension liability	(626,869)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(157,303)
Net position of governmental activities	\$ 11,287,838

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

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	All Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	\$ 7,260,722	\$ -	\$ 7,260,722
Excise taxes	847,053	-	847,053
Intergovernmental	1,408,223	-	1,408,223
Charges for services	553,136	-	553,136
Miscellaneous revenues	90,010	16,875	106,885
TOTAL REVENUES	<u>10,159,144</u>	<u>16,875</u>	<u>10,176,019</u>
EXPENDITURES			
Current:			
General government	888,348	-	888,348
Public safety	1,684,485	-	1,684,485
Health and welfare	33,577	-	33,577
Recreation and culture	135,232	-	135,232
Education	5,199,734	-	5,199,734
Public works	834,891	-	834,891
Library	221,165	-	221,165
County tax	364,747	-	364,747
TIF	22,512	-	22,512
Unclassified	29,092	26,076	55,168
Debt service:			
Principal	200,794	-	200,794
Interest	75,897	-	75,897
Capital outlay	277,884	2,344	280,228
TOTAL EXPENDITURES	<u>9,968,358</u>	<u>28,420</u>	<u>9,996,778</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>190,786</u>	<u>(11,545)</u>	<u>179,241</u>
OTHER FINANCING SOURCES			
Transfers in	-	15,800	15,800
Transfers (out)	(15,800)	-	(15,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,800)</u>	<u>15,800</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	174,986	4,255	179,241
FUND BALANCES - JULY 1	<u>3,153,430</u>	<u>511,318</u>	<u>3,664,748</u>
FUND BALANCES - JUNE 30	<u>\$ 3,328,416</u>	<u>\$ 515,573</u>	<u>\$ 3,843,989</u>

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

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 179,241</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	618,291
Depreciation expense	<u>(557,501)</u>
	<u>60,790</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>21</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	
	<u>222,638</u>
Repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>200,794</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>(114,669)</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	
	<u>41,652</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	<u>(308,543)</u>
	<u>(308,543)</u>
Change in net position of governmental activities (Statement B)	<u>\$ 281,924</u>

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

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
ASSETS	
Cash and cash equivalents	\$ 20,272
Due from other funds	191,631
TOTAL ASSETS	<u>\$ 211,903</u>
LIABILITIES	
Accounts payable	\$ 6,211
Due to other funds	-
TOTAL LIABILITIES	<u>6,211</u>
NET POSITION	
Restricted	-
Unrestricted	205,692
TOTAL NET POSITION	<u>205,692</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 211,903</u>

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

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
OPERATING REVENUES	
Bag sales	\$ 105,560
Other	20,149
TOTAL OPERATING REVENUES	<u>125,709</u>
OPERATING EXPENSES	
Operation	77,630
TOTAL OPERATING EXPENSES	<u>77,630</u>
OPERATING INCOME (LOSS)	<u>48,079</u>
NONOPERATING REVENUES (EXPENSES)	
Transfers in	-
Transfers (out)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>
CHANGE IN NET POSITION	48,079
NET POSITION - JULY 1	<u>157,613</u>
NET POSITION - JUNE 30	<u>\$ 205,692</u>

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

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 105,560
Internal activity - receipts (payments) from/to other funds	(45,158)
Other receipts	20,149
Payments to suppliers	(80,478)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>73</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73
CASH AND CASH EQUIVALENTS - JULY 1	<u>20,199</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>\$ 20,272</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 48,079
Changes in operating assets and liabilities	
(Increase) decrease in due from other funds	(45,158)
(Decrease) increase in accounts payable	(2,848)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 73</u></u>

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

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

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

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

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

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Pay-Per-Throw Trash Program is categorized as a business-type activity. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

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

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

1. Governmental Funds:

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

Major fund:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor funds:

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

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

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

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

Basis of Accounting

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

1. Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.

Receivables

Receivables include amounts due from governmental agencies and ambulance receivables. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$89,062 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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.

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

Estimated useful lives are as follows:

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, a capital lease payable, net pension liability and compensated absences.

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

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. As of June 30, 2017, the Town's liability for compensated absences is \$66,049.

Pensions

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balances

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

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

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

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town adopted a set of financial policies in 2012 to guide the financial operation of the Town. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 23, 2016 on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due on in two installments on October 7, 2016 and May 5, 2017. Interest on unpaid taxes commenced on October 8, 2016 and May 6, 2017, at 7% per annum.

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

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 \$262,785 for the year ended June 30, 2017.

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

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/Non-Operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does have a policy covering custodial credit risk for deposits. The Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2017, the Town's cash balances amounting to \$4,071,390 were comprised of bank deposits of \$4,159,217. Of these bank deposits, \$300,001 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$3,859,216 was collateralized with securities held by the financial institution's agent in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 50,001
Money markets accounts	4,044,038
Savings accounts	65,178
	<u>\$ 4,159,217</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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

collateral securities that are in possession of an outside party. Currently, the Town does have a policy for custodial credit risk for investments.

At June 30, 2017, the Town's investments were comprised of the following:

Investment Type	Fair Value	N/A	Less than 1 Year	1 - 5 Years
Certificates of Deposit	\$ 23,676	\$ -	\$ 4,112	\$ 19,564
	\$ 23,676	\$ -	\$ 4,112	\$ 19,564

The certificates of deposit of \$23,676 were collateralized with securities held by the financial institution's agent in the Town's name.

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does have an investment policy on credit risk. Generally, the Town invests excess funds in cash management accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 8,786	\$ 256,490
Nonmajor capital projects funds	64,859	5,638
Nonmajor permanent funds	-	3,148
Enterprise fund	191,631	-
	\$ 265,276	\$ 265,276

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Disposals	Balance, 6/30/17
<u>Governmental activities</u>				
Non-depreciated assets:				
Land & non-dep land imprvs.	\$ 1,161,149	\$ -	\$ -	\$ 1,161,149
Art works & historical treasures	10,000	-	-	10,000
	<u>1,171,149</u>	<u>-</u>	<u>-</u>	<u>1,171,149</u>
Depreciated assets:				
Land improvements	276,902	-	-	276,902
Buildings	1,210,301	-	-	1,210,301
Building improvements	2,635,714	43,898	-	2,679,612
Machinery & equipment	328,125	219,501	(13,620)	534,006
Vehicles	2,709,374	29,626	-	2,739,000
Infrastructure	5,644,760	325,266	-	5,970,026
	<u>12,805,176</u>	<u>618,291</u>	<u>(13,620)</u>	<u>13,409,847</u>
Less: accumulated depreciation	<u>(4,017,869)</u>	<u>(557,501)</u>	<u>13,620</u>	<u>(4,561,750)</u>
	<u>8,787,307</u>	<u>60,790</u>	<u>-</u>	<u>8,848,097</u>
Net capital assets	<u>\$ 9,958,456</u>	<u>\$ 60,790</u>	<u>\$ -</u>	<u>\$ 10,019,246</u>
<u>Current year depreciation:</u>				
Administration				\$ 82,396
Police				33,197
Fire				86,708
Rescue				24,638
Public works				310,791
Library				2,746
Parks & recreation				9,743
Transfer station				7,282
Total depreciation expense				<u>\$ 557,501</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Deletions	Balance, 6/30/17	Current Year Portion
Bonds payable	\$ 2,462,833	\$ -	\$ (200,794)	\$ 2,262,039	\$ 202,558
Capital lease payable	-	114,669	-	114,669	28,667
Net pension liability	318,326	308,543	-	626,869	-
Accrued compensated absences	65,055	994	-	66,049	66,049
Totals	<u>\$ 2,846,214</u>	<u>\$ 424,206</u>	<u>\$ (200,794)</u>	<u>\$ 3,069,626</u>	<u>\$ 297,274</u>

The following is a summary of the outstanding bonds payable:

\$225,000 General Obligation Bond payable, interest at a rate varying from 0.65% to 2.83%, annual principal payments of \$22,500. Maturity in November of 2025.	\$ 202,500
\$1,605,000 General Obligation Bond payable, interest at a rate of 4.13%, annual principal payments varying from \$29,709 to \$92,135. Maturity in January of 2036.	1,246,239
\$1,355,500 General Obligation Bond payable, interest at a rate varying from 2.086% to 2.41%, annual principal payments of \$135,550. Maturity in October of 2022.	<u>813,300</u>
Total bonds payable	<u>\$ 2,262,039</u>

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

	Principal	Interest	Total Debt Service
2018	\$ 202,558	\$ 70,564	\$ 273,122
2019	204,394	65,689	270,083
2020	206,305	61,252	267,557
2021	208,296	56,331	264,627
2022	210,368	50,952	261,320
2023-2027	521,351	190,203	711,554
2028-2032	362,055	117,520	479,575
2033-2037	346,712	36,447	383,159
	<u>\$ 2,262,039</u>	<u>\$ 648,958</u>	<u>\$ 2,910,997</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding capital lease payable:

The Town leases a loader under a lease agreement that is cancelable upon non-appropriation of funds. The term of the lease is for a four-year period expiring in September of 2020. Annual principal payments are \$28,667. Interest is charged at a rate of 2.75% per annum.

Future minimum lease payments by year and in the aggregate under this lease is as follows:

Year Ending <u>June 30,</u>	
2018	\$ 31,615
2019	30,908
2020	30,181
2021	<u>29,435</u>
Total minimum lease payment	122,139
Less amount representing interest	<u>(7,470)</u>
Present value of future minimum lease payments	<u><u>\$ 114,669</u></u>

NOTE 6 - RESTRICTED FUND BALANCES

At June 30, 2017, the Town has the following restricted fund balances:

Nonmajor permanent funds (Schedule G)	<u><u>\$ 273,350</u></u>
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NOTE 7 - COMMITTED FUND BALANCES

At June 30, 2017, the Town has the following committed fund balances:

Nonmajor capital projects funds (Schedule E)	<u><u>\$ 244,035</u></u>
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TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - ASSIGNED FUND BALANCES

At June 30, 2017, the Town has the following assigned fund balances:

General fund:		
175th Anniversary	\$	12,839
Complex		17,962
Elections		1,105
Library		25,996
Parks and Recreation		16,463
Summer Rec		59,976
Mill Field Improvements		3,635
Animal Control		17,721
Patch		3,870
Sidewalks		8,550
Winter Highway		15,959
Road CIP		35,314
HRA Funds		59,320
Reserved for FY 2018 budget		285,240
Nonmajor capital projects funds (Schedule E)		311
		<u>311</u>
	\$	<u>564,261</u>

NOTE 9 - 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 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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 5.0%.

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 police department employees are part of the PLD's special plan "1N" and are required to contribute 8% of their annual salary, while all other employees are part of the regular plan "AN" and are also required to contribute 8% of their annual salary. The Town is required to contribute at an actuarially determined rate. The current rates are 9.3% of the special plan "1N" members' covered payroll and 6.5% of the regular plan "AN" members' 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, 2017 was \$63,938.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - 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, 2017, the Town reported a liability of \$626,869 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2016, the Town's proportion was 0.117981%, which was an increase of 0.018208% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized total pension expense of \$44,253. At June 30, 2017, 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	\$ 7,599	\$ 40,319
Changes of assumptions	67,202	-
Net difference between projected and actual earnings on pension plan investments	231,648	96,409
Changes in proportion and differences between contributions and proportionate share of contributions	46,844	20,575
Contributions subsequent to the measurement date	63,938	-
Total	<u>\$ 417,231</u>	<u>\$ 157,303</u>

\$63,938 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, 2018. 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 NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan
Plan year ended June 30:	
2017	\$ 31,494
2018	35,461
2019	92,906
2020	36,129
2021	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2016, using the following methods and assumptions applied to all periods included in the measurement.

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

Asset Valuation Method

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - 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, 2016 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually; 7.125% was used for the period ended June 30, 2015.

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

Mortality Rates - For participating local districts, the 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 - 2.20%; 2.55% was used for the period ended 2015.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

The discount rate used to measure the collective total pension liability was 6.875% for 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2016 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 1,040,490	\$ 626,869	\$ 237,460

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, 2016 as shown in the schedules of the employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 with the following exceptions.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 resources. For 2016, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings on Pension Plan Investments

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, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2016 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

	<u>Excess</u>
Capital Improvement - Salt/Sand Shed (Article 21)	\$ 321
Insurance (Article 25)	2,594
Cemeteries & Historical Society (Article 36)	3,222
Education	25
	<u>\$ 6,162</u>

NOTE 11 - DEFICIT FUND BALANCES

The following funds had deficit fund balances at June 30, 2017:

Road Bond	<u>\$ 2,123</u>
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NOTE 12 - CONTINGENCIES

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2017, the Town's share was approximately:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 5,053,463	2.03%	\$ 102,585
RSU #60	7,617,443	29.27%	2,229,626
			<u>\$ 2,332,211</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - CONTINGENCIES (CONTINUED)

In the normal course of operations, the Town receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

NOTE 13 - LANDFILL CLOSURE

The North Berwick landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Federal and state laws require that certain post-closure care be met. The Town estimates that on an annual basis, some immaterial costs will be incurred for post-closure care. The annual amount will be paid for within the Town's annual operating budget.

NOTE 14 - 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, 2017.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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 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, 2017. 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS

The Town has established a tax increment financing district in accordance with Maine statutes to finance economic development programs located in the Town of North Berwick, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' 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.

Canal Street Affordable Housing Development District Development Program

On November 28, 2006, the North Berwick Board of Selectmen, as well the Maine State Housing Authority, approved a Tax Increment Financing District to expand and diversify the Town's tax base, improve its economy and provide affordable, livable, rental housing developments for senior citizens. The area of the District is approximately 4 acres at the old woolen mill property, divided into approximately 40 rental housing units. The potential projects that will be implemented under this Development Program include: renovation of the mill buildings, removal of the outlying buildings, remediation of environmental contamination of the site and other redevelopments. The original assessed value of the property is \$606,600. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$707,200 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$3,400,000. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value for 20 years. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 20 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5227(3)(A).

The TIF District will remain in place for a period of 20 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 20 years or the remainder of the term of the District designation, whichever is less. No more than 50% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Selectmen shall determine, in its discretion, whether it is necessary or appropriate to enter any Credit Enhancement Agreement to grant these abatements. The state law does not provide for the recapture of abated taxes in the event an abatement recipient does not fill the commitment it makes in return for the tax abatement. The Town does not currently expect that any of

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

the costs of the projects will be financed through issuance of any municipal indebtedness.

Abatements

The Town has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities. The Town currently only has one tax abatement agreement, the North Berwick Affordable Housing Limited Partnership, which is summarized below:

North Berwick Affordable Housing Limited Partnership

On November 28, 2006, the Town of North Berwick, Maine entered into a credit enhancement agreement with the Caleb Foundation for the development of rental housing units and to provide affordable housing in the Town to senior citizens. The agreement is effective for 20 years. The original valuation of the property was \$606,600. 50% of the property taxes to be generated on the improvements within the District will be returned to the developer for 20 years. The remaining 50% will be retained by the Town and used to fund the development plan of the District.

For the fiscal year ended June 30, 2017, the Town abated property taxes for the following program:

<u>Tax Abatement Program</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
North Berwick Affordable Housing Limited Partnership	50%	\$ 22,512

Required Supplementary Information

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

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

TOWN OF NORTH BERWICK, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,153,430	\$ 3,153,430	\$ 3,153,430	\$ -
Resources (Inflows):				
Property taxes	7,252,151	7,252,151	7,260,722	8,571
Excise taxes	740,230	740,230	847,053	106,823
Intergovernmental	1,345,450	1,374,634	1,408,223	33,589
Charges for services	212,555	468,084	553,136	85,052
Other revenue	125,800	136,640	90,010	(46,630)
Transfers from other funds	118,615	118,615	-	(118,615)
Amounts Available for Appropriation	<u>12,948,231</u>	<u>13,243,784</u>	<u>13,312,574</u>	<u>68,790</u>
Charges to Appropriations (Outflows):				
General government	890,601	932,019	888,348	43,671
Public safety	1,481,260	1,711,413	1,684,485	26,928
Health and welfare	44,573	44,573	33,577	10,996
Recreation and culture	135,885	228,107	135,232	92,875
Education	5,199,709	5,199,709	5,199,734	(25)
Public works	751,585	824,707	834,891	(10,184)
Library	225,000	247,161	221,165	25,996
County tax	364,750	364,750	364,747	3
TIF	22,513	22,513	22,512	1
Unclassified	313,285	326,010	29,092	296,918
Capital outlay	362,815	384,823	277,884	106,939
Debt service:				
Principal	200,794	200,794	200,794	-
Interest	75,931	75,931	75,897	34
Transfers to other funds	15,800	15,800	15,800	-
Total Charges to Appropriations	<u>10,084,501</u>	<u>10,578,310</u>	<u>9,984,158</u>	<u>594,152</u>
Budgetary Fund Balance, June 30	<u>\$ 2,863,730</u>	<u>\$ 2,665,474</u>	<u>\$ 3,328,416</u>	<u>\$ 662,942</u>
Utilization of assigned fund balance	\$ -	\$ 238,256	\$ -	\$ (238,256)
Utilization of unassigned fund balance	289,700	249,700	-	(249,700)
	<u>\$ 289,700</u>	<u>\$ 487,956</u>	<u>\$ -</u>	<u>\$ (487,956)</u>

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

TOWN OF NORTH BERWICK, MAINE

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>				
Proportion of the net pension liability (asset)	0.12%	0.10%	0.11%	0.12%
Proportionate share of the net pension liability (asset)	\$ 626,869	\$ 318,326	\$ 162,238	\$ 371,264
Covered-employee payroll	\$ 852,254	\$ 795,360	\$ 799,014	\$ 841,589
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.55%	40.02%	20.30%	44.11%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.27%	94.10%	87.50%

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

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

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>				
Contractually required contribution	\$ 63,938	\$ 55,362	\$ 40,875	\$ 36,881
Contributions in relation to the contractually required contribution	<u>(63,938)</u>	<u>(55,362)</u>	<u>(40,875)</u>	<u>(36,881)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 876,629	\$ 852,254	\$ 795,360	\$ 799,014
Contributions as a percentage of covered- employee payroll	7.29%	6.50%	5.14%	4.62%

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes of Assumptions

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

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 Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues
- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet – Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds
- Combining Balance Sheet – Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds
- Combining Balance Sheet – Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF NORTH BERWICK, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 7,252,151	\$ 7,252,151	\$ 7,260,722	\$ 8,571
Excise taxes:				
Auto excise	735,230	735,230	841,985	106,755
Boat excise tax	5,000	5,000	5,068	68
Intergovernmental revenues:				
State revenue sharing	142,900	142,900	137,713	(5,187)
Homestead exemption	100,926	100,926	109,115	8,189
Local road assistance	69,500	69,500	69,632	132
School resource officer	-	29,184	56,785	27,601
Tree growth	9,000	9,000	9,208	208
Vetererns exemption	3,000	3,000	3,510	510
General assistance	-	-	1,176	1,176
BETE reimbursement	1,020,124	1,020,124	1,020,197	73
Other intergovernmental	-	-	887	887
Charges for services:				
Transfer station unclassified	11,000	11,000	3,064	(7,936)
Transfer station bulky waste	15,000	15,000	20,713	5,713
Transfer station returnables	14,000	14,000	13,706	(294)
General government	133,055	133,055	172,696	39,641
Code enforcement	39,500	39,500	98,809	59,309
Parks and recreation	-	71,711	72,132	421
Police department	-	31,080	31,184	104
Fire department	-	-	1,558	1,558
Rescue	-	150,000	131,175	(18,825)
Animal control	-	2,738	1,879	(859)
Highway	-	-	5,555	5,555
Planning/zoning boards	-	-	665	665
Interest income:				
Interest on investments	8,000	8,000	9,778	1,778
Interest on taxes	18,000	18,000	20,762	2,762
Other income:				
Cable tv	38,000	38,000	43,839	5,839
Mill field	-	1,636	1,671	35
Community Center	-	2,925	2,925	-
175th Celebration	-	6,279	6,335	56
Other income	61,800	61,800	4,700	(57,100)
Transfers from other funds	118,615	118,615	-	(118,615)
Total revenues	<u>9,794,801</u>	<u>10,090,354</u>	<u>10,159,144</u>	<u>68,790</u>
USE OF FUND BALANCE				
Assigned fund balance	-	238,256	-	(238,256)
Unassigned fund balance	289,700	249,700	-	(249,700)
Total use of fund balance	<u>289,700</u>	<u>487,956</u>	<u>-</u>	<u>(487,956)</u>
Total available	<u>\$ 10,084,501</u>	<u>\$ 10,578,310</u>	<u>\$ 10,159,144</u>	<u>\$ (419,166)</u>

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

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Town office operations	\$ 200,891	\$ 3,297	\$ 204,188	\$ 215,938	\$ (11,750)
Office salaries	166,000	-	166,000	162,693	3,307
Town manager	136,440	-	136,440	141,887	(5,447)
FICA/medicare	110,000	-	110,000	110,259	(259)
Insurances	90,500	-	90,500	92,835	(2,335)
HRA insurance	29,250	38,121	67,371	9,105	58,266
Tax assessing	55,655	-	55,655	54,520	1,135
Code enforcement	79,665	-	79,665	83,703	(4,038)
Planning board	13,000	-	13,000	11,375	1,625
Board of appeals	4,000	-	4,000	58	3,942
Elections	-	-	-	775	(775)
Selectmen	5,200	-	5,200	5,200	-
	<u>890,601</u>	<u>41,418</u>	<u>932,019</u>	<u>888,348</u>	<u>43,671</u>
Public safety:					
Police department	813,820	31,080	844,900	828,097	16,803
Hydrant rental/dispatch/lights	256,525	-	256,525	248,814	7,711
Fire department	129,010	7,255	136,265	136,265	-
Rescue operations	249,700	150,000	399,700	401,935	(2,235)
School resource officer	12,205	29,184	41,389	54,461	(13,072)
Animal control	20,000	12,634	32,634	14,913	17,721
	<u>1,481,260</u>	<u>230,153</u>	<u>1,711,413</u>	<u>1,684,485</u>	<u>26,928</u>
Heath and welfare:					
General assistance	10,000	-	10,000	1,882	8,118
Social services	25,573	-	25,573	19,973	5,600
Historical society	8,500	-	8,500	11,722	(3,222)
Health officer	500	-	500	-	500
	<u>44,573</u>	<u>-</u>	<u>44,573</u>	<u>33,577</u>	<u>10,996</u>
Recreation and culture:					
Parks and recreation	74,770	106,665	181,435	104,970	76,465
Conservation	5,500	-	5,500	-	5,500
Community center	23,815	2,925	26,740	21,065	5,675
Mill field	31,800	(17,368)	14,432	9,197	5,235
	<u>135,885</u>	<u>92,222</u>	<u>228,107</u>	<u>135,232</u>	<u>92,875</u>

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Education	5,199,709	-	5,199,709	5,199,734	(25)
Public works:					
Highway operations	538,620	7,018	545,638	572,258	(26,620)
Winter highway	100,000	54,104	154,104	142,613	11,491
Transfer station	112,965	12,000	124,965	120,020	4,945
	<u>751,585</u>	<u>73,122</u>	<u>824,707</u>	<u>834,891</u>	<u>(10,184)</u>
Library	225,000	22,161	247,161	221,165	25,996
County tax	364,750	-	364,750	364,747	3
TIF	22,513	-	22,513	22,512	1
Capital outlay:					
Road project	124,500	74,223	198,723	116,620	82,103
Canine	400	-	400	-	400
Police vehicle	37,215	-	37,215	35,925	1,290
Fire building	11,700	-	11,700	11,600	100
Highway vehicle	115,000	(52,503)	62,497	57,534	4,963
Highway building	33,000	-	33,000	33,321	(321)
Transfer station building	6,000	-	6,000	6,828	(828)
Complex	35,000	288	35,288	16,056	19,232
	<u>362,815</u>	<u>22,008</u>	<u>384,823</u>	<u>277,884</u>	<u>106,939</u>
Debt service:					
Principal	200,794	-	200,794	200,794	-
Interest	75,931	-	75,931	75,897	34
	<u>276,725</u>	<u>-</u>	<u>276,725</u>	<u>276,691</u>	<u>34</u>

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified					
Overlay	262,785	-	262,785	12,865	249,920
MF festival	5,500	19,980	25,480	12,641	12,839
Scholarship	-	-	-	2,000	(2,000)
Unanticipated expenses	45,000	(7,255)	37,745	1,586	36,159
	<u>313,285</u>	<u>12,725</u>	<u>326,010</u>	<u>29,092</u>	<u>296,918</u>
Transfers to other funds					
Permanent funds	15,800	-	15,800	15,800	-
	<u>15,800</u>	<u>-</u>	<u>15,800</u>	<u>15,800</u>	<u>-</u>
Total Expenditures	<u>\$ 10,084,501</u>	<u>\$ 493,809</u>	<u>\$ 10,578,310</u>	<u>\$ 9,984,158</u>	<u>\$ 594,152</u>

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

TOWN OF NORTH BERWICK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 183,002	\$ 256,581	\$ 439,583
Investments	-	23,676	23,676
Due from other funds	64,859	-	64,859
TOTAL ASSETS	<u>\$ 247,861</u>	<u>\$ 280,257</u>	<u>\$ 528,118</u>
LIABILITIES			
Accounts payable	\$ -	\$ 3,759	\$ 3,759
Due to other funds	5,638	3,148	8,786
TOTAL LIABILITIES	<u>5,638</u>	<u>6,907</u>	<u>12,545</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	273,350	273,350
Committed	244,035	-	244,035
Assigned	311	-	311
Unassigned	(2,123)	-	(2,123)
TOTAL FUND BALANCES	<u>242,223</u>	<u>273,350</u>	<u>515,573</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 247,861</u>	<u>\$ 280,257</u>	<u>\$ 528,118</u>

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

TOWN OF NORTH BERWICK, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Interest income	\$ 674	\$ 1,842	\$ 2,516
Other income	-	14,359	14,359
TOTAL REVENUES	<u>674</u>	<u>16,201</u>	<u>16,875</u>
EXPENDITURES			
Capital outlay	2,344	-	2,344
Program expenses	-	26,076	26,076
TOTAL EXPENDITURES	<u>2,344</u>	<u>26,076</u>	<u>28,420</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,670)</u>	<u>(9,875)</u>	<u>(11,545)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,800	15,800
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>15,800</u>	<u>15,800</u>
NET CHANGE IN FUND BALANCES	(1,670)	5,925	4,255
FUND BALANCES - JULY 1	<u>243,893</u>	<u>267,425</u>	<u>511,318</u>
FUND BALANCES - JUNE 30	<u>\$ 242,223</u>	<u>\$ 273,350</u>	<u>\$ 515,573</u>

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

Capital Projects Funds

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

TOWN OF NORTH BERWICK, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Town Hall	Equipment Fund	TIF Funds	Caleb Foundation	Road Bond	Total
ASSETS						
Cash and cash equivalents	\$ 4,634	\$ 178,057	\$ 268	\$ 43	\$ -	\$ 183,002
Due from other funds	-	64,859	-	-	-	64,859
TOTAL ASSETS	<u>\$ 4,634</u>	<u>\$ 242,916</u>	<u>\$ 268</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 247,861</u>
LIABILITIES						
Due to other funds	\$ 3,515	\$ -	\$ -	\$ -	\$ 2,123	\$ 5,638
TOTAL LIABILITIES	<u>3,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,123</u>	<u>5,638</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	1,119	242,916	-	-	-	244,035
Assigned	-	-	268	43	-	311
Unassigned	-	-	-	-	(2,123)	(2,123)
TOTAL FUND BALANCES (DEFICITS)	<u>1,119</u>	<u>242,916</u>	<u>268</u>	<u>43</u>	<u>(2,123)</u>	<u>242,223</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 4,634</u>	<u>\$ 242,916</u>	<u>\$ 268</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 247,861</u>

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

TOWN OF NORTH BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Town Hall	Equipment Fund	TIF Funds	Caleb Foundation	Road Bond	Total
REVENUES						
Interest income	\$ 30	\$ 640	\$ 1	\$ 3	\$ -	\$ 674
TOTAL REVENUES	<u>30</u>	<u>640</u>	<u>1</u>	<u>3</u>	<u>-</u>	<u>674</u>
EXPENDITURES						
Capital outlay	2,344	-	-	-	-	2,344
TOTAL EXPENDITURES	<u>2,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,344</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,314)</u>	<u>640</u>	<u>1</u>	<u>3</u>	<u>-</u>	<u>(1,670)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	<u>(2,314)</u>	<u>640</u>	<u>1</u>	<u>3</u>	<u>-</u>	<u>(1,670)</u>
FUND BALANCES (DEFICITS) - JULY 1	<u>3,433</u>	<u>242,276</u>	<u>267</u>	<u>40</u>	<u>(2,123)</u>	<u>243,893</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 1,119</u>	<u>\$ 242,916</u>	<u>\$ 268</u>	<u>\$ 43</u>	<u>\$ (2,123)</u>	<u>\$ 242,223</u>

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

Permanent Funds

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

TOWN OF NORTH BERWICK, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS
JUNE 30, 2017

	Hobbs Fund	Greenleaf Endowment	Hanson Fund	Cemetery Fund	Heating Fund	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 239,931	\$ 16,650	\$ 256,581
Investments	18,219	4,112	1,345	-	-	23,676
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 18,219	\$ 4,112	\$ 1,345	\$ 239,931	\$ 16,650	\$ 280,257
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 3,759	\$ -	\$ 3,759
Due to other funds	-	-	-	3,148	-	3,148
TOTAL LIABILITIES	-	-	-	6,907	-	6,907
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	18,219	4,112	1,345	233,024	16,650	273,350
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	18,219	4,112	1,345	233,024	16,650	273,350
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,219	\$ 4,112	\$ 1,345	\$ 239,931	\$ 16,650	\$ 280,257

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

TOWN OF NORTH BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Hobbs Fund	Greenleaf Endowment	Hanson Fund	Cemetery Fund	Heating Fund	Total
REVENUES						
Interest income	\$ 164	\$ 20	\$ 12	\$ 1,629	\$ 17	\$ 1,842
Other income	-	-	-	11,550	2,809	14,359
TOTAL REVENUES	<u>164</u>	<u>20</u>	<u>12</u>	<u>13,179</u>	<u>2,826</u>	<u>16,201</u>
EXPENDITURES						
Program expenses	-	-	-	24,792	1,284	26,076
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,792</u>	<u>1,284</u>	<u>26,076</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>164</u>	<u>20</u>	<u>12</u>	<u>(11,613)</u>	<u>1,542</u>	<u>(9,875)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	15,800	-	15,800
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,800</u>	<u>-</u>	<u>15,800</u>
NET CHANGE IN FUND BALANCES	164	20	12	4,187	1,542	5,925
FUND BALANCES - JULY 1	<u>18,055</u>	<u>4,092</u>	<u>1,333</u>	<u>228,837</u>	<u>15,108</u>	<u>267,425</u>
FUND BALANCES - JUNE 30	<u>\$ 18,219</u>	<u>\$ 4,112</u>	<u>\$ 1,345</u>	<u>\$ 233,024</u>	<u>\$ 16,650</u>	<u>\$ 273,350</u>

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2017

	Land and Construction in Progress	Land Improvements, Buildings and Building Improvements	Vehicles, Machinery and Equipment	Infrastructure	Total
Administration	\$ 456,126	\$ 3,060,111	\$ 20,873	\$ -	\$ 3,537,110
Police	-	20,500	332,389	-	352,889
Fire	90,672	139,411	1,458,787	-	1,688,870
Public works	120,877	199,655	1,172,337	5,949,237	7,442,106
Rescue	40,786	219,186	201,569	-	461,541
Transfer station	61,628	169,618	29,694	12,022	272,962
Parks and recreation	182,332	283,592	57,357	-	523,281
Library	43,629	74,742	-	8,767	127,138
Cemetery	175,099	-	-	-	175,099
Total General Capital Assets	1,171,149	4,166,815	3,273,006	5,970,026	14,580,996
Less: Accumulated Depreciation	-	(1,410,366)	(1,989,363)	(1,162,021)	(4,561,750)
Net General Capital Assets	\$ 1,171,149	\$ 2,756,449	\$ 1,283,643	\$ 4,808,005	\$ 10,019,246

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

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017

	General Capital Assets 7/1/16	Additions	Deletions	General Capital Assets 6/30/17
Administration	\$ 3,537,110	\$ -	\$ -	\$ 3,537,110
Police	323,263	29,626	-	352,889
Fire	1,691,435	11,055	(13,620)	1,688,870
Public works	6,902,516	539,590	-	7,442,106
Rescue	461,541	-	-	461,541
Transfer station	266,271	6,691	-	272,962
Parks and recreation	491,952	31,329	-	523,281
Library	127,138	-	-	127,138
Cemetery	175,099	-	-	175,099
Total General Capital Assets	13,976,325	618,291	(13,620)	14,580,996
Less: Accumulated Depreciation	(4,017,869)	(557,501)	13,620	(4,561,750)
Net General Capital Assets	<u>\$ 9,958,456</u>	<u>\$ 60,790</u>	<u>\$ -</u>	<u>\$ 10,019,246</u>

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



Proven Expertise and Integrity

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

Board of Selectmen
Town of North Berwick
North Berwick, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Berwick, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of North Berwick, Maine's basic financial statements, and have issued our report thereon dated December 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of North Berwick, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Berwick, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Berwick, Maine's internal control.

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

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

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
December 26, 2017