

Audited Financial Statements
and Other Financial Information

Town of North Berwick, Maine

June 30, 2018



Proven Expertise and Integrity

TOWN OF NORTH BERWICK, MAINE

CONTENTS

JUNE 30, 2018

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	12
STATEMENT B - STATEMENT OF ACTIVITIES	13 - 14
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	15
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	17
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
STATEMENT G - STATEMENT OF NET POSITION - PROPRIETARY FUND	19
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND	20
STATEMENT I - STATEMENT OF CASH FLOWS - PROPRIETARY FUND	21
NOTES TO FINANCIAL STATEMENTS	22 - 61
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	62

SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	63
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	64
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS - PENSIONS	65
SCHEDULE 4 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY	66
SCHEDULE 5 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS	67
SCHEDULE 6 - SCHEDULE OF CONTRIBUTIONS - OPEB	68
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	69
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	70
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES	71
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	72 - 74
SCHEDULE C - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	75
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	76
CAPITAL PROJECTS FUNDS DESCRIPTION	77
SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS	78
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS	79
PERMANENT FUNDS DESCRIPTION	80
SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS	81

SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS	82
GENERAL CAPITAL ASSETS DESCRIPTION	83
SCHEDULE I - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	84
SCHEDULE J - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	85

FEDERAL COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	86 - 87
--	---------



Proven Expertise and Integrity

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, 2018, 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,

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

we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of North Berwick, Maine as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 11 and 63 through 69 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 January 17, 2019, 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
January 17, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(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, 2018. 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 regard to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

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

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

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of 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, health and welfare, recreation and culture, education, public works, 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 "Other Governmental Funds" column on these statements.

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

Proprietary Funds: The Town of 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 Fund.

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 - Pensions, a Schedule of Changes in Net OPEB Liability, a Schedule of Changes in Net OPEB Liability and Related Ratios, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds, 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 \$210,059 from \$10,994,327 to \$11,204,386. The Town's total net position for business-type activities increased by \$18,107 from \$205,692 to \$223,799.

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 \$3,547,530 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$223,799.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2018</u>	<u>2017 (Restated)</u>	<u>2018</u>	<u>2017</u>
Assets:				
Current Assets	\$ 4,467,140	\$ 4,290,266	\$ 231,153	\$ 211,903
Capital Assets	9,833,792	10,019,246	-	-
Total Assets	<u>14,300,932</u>	<u>14,309,512</u>	<u>231,153</u>	<u>211,903</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	342,494	417,231	-	-
Deferred Outflows Related to OPEB	16,763	-	-	-
Total Deferred Outflows of Resources	<u>359,257</u>	<u>417,231</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	456,847	489,150	7,354	6,211
Long-term Debt Outstanding	2,742,954	3,065,863	-	-
Total Liabilities	<u>3,199,801</u>	<u>3,555,013</u>	<u>7,354</u>	<u>6,211</u>
Deferred Inflows of Resources:				
Prepaid Taxes	36,798	20,100	-	-
Deferred Inflows Related to Pensions	219,204	157,303	-	-
Total Deferred Inflows of Resources	<u>256,002</u>	<u>177,403</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	7,688,309	7,642,538	-	-
Restricted: Permanent Funds	271,560	273,350	-	-
Unrestricted	3,244,517	3,078,439	223,799	205,692
Total Net Position	<u>\$ 11,204,386</u>	<u>\$ 10,994,327</u>	<u>\$ 223,799</u>	<u>\$ 205,692</u>

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

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 649,000	\$ 553,136	\$ 106,945	\$ 105,560
<i>General Revenues:</i>				
Taxes	8,032,953	8,107,796	-	-
Grants and contributions not restricted to specific programs	1,708,301	1,408,223	-	-
Miscellaneous	180,706	106,885	4,549	20,149
Total Revenues	10,570,960	10,176,040	111,494	125,709
Expenses				
General government	1,052,622	1,014,997	-	-
Public safety	1,886,268	1,829,028	-	-
Health and welfare	34,011	33,577	-	-
Recreation and culture	183,024	127,243	-	-
Education	5,424,382	5,199,734	-	-
Public works	1,029,386	944,318	-	-
Library	229,098	223,911	-	-
County tax	379,059	364,747	-	-
TIF	22,512	22,512	-	-
Unclassified	49,975	55,168	-	-
Capital outlay	-	2,984	-	-
Interest on long-term debt	70,564	75,897	-	-
Pay-per-throw trash program	-	-	93,387	77,630
Total Expenses	10,360,901	9,894,116	93,387	77,630
Change in Net Position	210,059	281,924	18,107	48,079
Net Position - July 1, Restated	10,994,327	10,712,403	205,692	157,613
Net Position - June 30	\$ 11,204,386	\$ 10,994,327	\$ 223,799	\$ 205,692

Revenues and Expenses

Revenues for the Town's governmental activities increased by 3.88%, while total expenses increased by 4.72%. Revenues increase primarily due to grants and contributions restricted to specific programs. Expenses increased primarily due to education.

Revenues for the Town's business-type activities decreased by 11.31%, while total expenses increased by 20.30%.

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,

	2018	2017
Major Fund:		
General Fund:		
Assigned	\$ 586,352	\$ 563,950
Unassigned	2,881,792	2,764,466
Total General Fund	\$ 3,468,144	\$ 3,328,416
Nonmajor Funds:		
Capital Projects Funds:		
Committed	\$ 321,645	\$ 244,035
Assigned	314	311
Unassigned	-	(2,123)
Permanent Funds:		
Restricted	271,560	273,350
Total Nonmajor Funds	\$ 593,519	\$ 515,573

The general fund total fund balance increased by \$139,728 from the prior fiscal year primarily due to revenues exceeding expenditures. The nonmajor funds total fund balance increased by \$77,946 from the prior fiscal year primarily due to activity in the capital projects funds.

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 unassigned fund balance. Refer to Schedules A and B for additional information on budget differences.

The general fund actual revenues were over budget by \$256,886. This was a result of all revenues being receipted over budgeted amounts with the exception of excise taxes, intergovernmental and transfers from other funds.

The general fund actual expenditures were under budget by \$471,342. All expenditure accounts were within or under budgeted amounts with the exception of transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town decreased by \$185,454 from the prior year. This decrease is the result of capital additions of \$412,742, less net disposals of \$3,502 and less current year depreciation expense of \$594,694. 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,

	2018	2017
Land and improvements	\$ 1,367,107	\$ 1,374,530
Buildings and improvements	2,486,410	2,543,066
Machinery and equipment	338,270	356,963
Vehicles	831,781	926,682
Art works and historical treasures	10,000	10,000
Infrastructure	4,800,224	4,808,005
Total	\$ 9,833,792	\$ 10,019,246

Debt

At June 30, 2018, the Town had \$2.06 million in bonds outstanding versus \$2.26 million last year. Other obligations include a capital lease payable, accrued compensated absences, net pension liability and net OPEB liability. 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,245,378	\$ 20,345	\$ 4,265,723
Investments	23,874	-	23,874
Accounts receivable (net of allowance for uncollectibles):			
Taxes	272,220	-	272,220
Liens	52,181	-	52,181
Other	49,234	-	49,234
Due from other governments	35,061	-	35,061
Internal balances	(210,808)	210,808	-
Total current assets	<u>4,467,140</u>	<u>231,153</u>	<u>4,698,293</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	8,662,643	-	8,662,643
Total noncurrent assets	<u>9,833,792</u>	<u>-</u>	<u>9,833,792</u>
TOTAL ASSETS	<u>14,300,932</u>	<u>231,153</u>	<u>14,532,085</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	342,494	-	342,494
Deferred outflows related to OPEB	16,763	-	16,763
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>359,257</u>	<u>-</u>	<u>359,257</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,660,189</u>	<u>\$ 231,153</u>	<u>\$ 14,891,342</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 91,599	\$ 7,354	\$ 98,953
Accrued expenses	382	-	382
Due to other governments	17,621	-	17,621
Escrows	51,756	-	51,756
Current portion of long-term obligations	295,489	-	295,489
Total current liabilities	<u>456,847</u>	<u>7,354</u>	<u>464,201</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	1,855,087	-	1,855,087
Capital lease payable	57,335	-	57,335
Net pension liability	510,756	-	510,756
Net OPEB liability	319,776	-	319,776
Total noncurrent liabilities	<u>2,742,954</u>	<u>-</u>	<u>2,742,954</u>
TOTAL LIABILITIES	<u>3,199,801</u>	<u>7,354</u>	<u>3,207,155</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	36,798	-	36,798
Deferred inflows related to pensions	219,204	-	219,204
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>256,002</u>	<u>-</u>	<u>256,002</u>
NET POSITION			
Net investment in capital assets	7,688,309	-	7,688,309
Restricted for: Permanent funds	271,560	-	271,560
Unrestricted	3,244,517	223,799	3,468,316
TOTAL NET POSITION	<u>11,204,386</u>	<u>223,799</u>	<u>11,428,185</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,660,189</u>	<u>\$ 231,153</u>	<u>\$ 14,891,342</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, 2018

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	\$ 1,052,622	\$ 314,866	\$ -	\$ -	\$ (737,756)	\$ -	\$ (737,756)
Public safety	1,886,268	216,739	-	-	(1,669,529)	-	(1,669,529)
Health and welfare	34,011	40,286	-	-	6,275	-	6,275
Recreation and culture	183,024	73,479	-	-	(109,545)	-	(109,545)
Education	5,424,382	-	-	-	(5,424,382)	-	(5,424,382)
Public works	1,029,386	3,630	-	-	(1,025,756)	-	(1,025,756)
Library	229,098	-	-	-	(229,098)	-	(229,098)
County tax	379,059	-	-	-	(379,059)	-	(379,059)
TIF	22,512	-	-	-	(22,512)	-	(22,512)
Unclassified	49,975	-	-	-	(49,975)	-	(49,975)
Interest on long-term debt	70,564	-	-	-	(70,564)	-	(70,564)
Total governmental activities	<u>10,360,901</u>	<u>649,000</u>	<u>-</u>	<u>-</u>	<u>(9,711,901)</u>	<u>-</u>	<u>(9,711,901)</u>
Business-type activities:							
Pay-per-throw trash program	93,387	106,945	-	-	-	13,558	13,558
Total business-type activities	<u>93,387</u>	<u>106,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,558</u>	<u>13,558</u>
Total government	<u>\$ 10,454,288</u>	<u>\$ 755,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(9,711,901)</u>	<u>13,558</u>	<u>(9,698,343)</u>

STATEMENT B (CONTINUED)
TOWN OF NORTH BERWICK, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(9,711,901)	13,558	(9,698,343)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	7,248,575	-	7,248,575
Excise taxes	784,378	-	784,378
Grants and contributions not restricted to specific programs	1,708,301	-	1,708,301
Miscellaneous	180,706	4,549	185,255
Total general revenues	9,921,960	4,549	9,926,509
Change in net position	210,059	18,107	228,166
NET POSITION - JULY 1, RESTATED	10,994,327	205,692	11,200,019
NET POSITION - JUNE 30	\$ 11,204,386	\$ 223,799	\$ 11,428,185

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

TOWN OF NORTH BERWICK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,794,791	\$ 450,587	\$ 4,245,378
Investments	-	23,874	23,874
Accounts receivable (net of allowance for uncollectibles):			
Taxes	272,220	-	272,220
Liens	52,181	-	52,181
Other	49,234	-	49,234
Due from other governments	35,061	-	35,061
Due from other funds	19,661	141,798	161,459
TOTAL ASSETS	\$ 4,223,148	\$ 616,259	\$ 4,839,407
LIABILITIES			
Accounts payable	\$ 88,520	\$ 3,079	\$ 91,599
Accrued expenses	382	-	382
Due to other governments	17,621	-	17,621
Due to other funds	352,606	19,661	372,267
Escrows	51,756	-	51,756
Accrued compensated absences	62,428	-	62,428
TOTAL LIABILITIES	573,313	22,740	596,053
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	36,798	-	36,798
Deferred revenues	144,893	-	144,893
TOTAL DEFERRED INFLOWS OF RESOURCES	181,691	-	181,691
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	271,560	271,560
Committed	-	321,645	321,645
Assigned	586,352	314	586,666
Unassigned	2,881,792	-	2,881,792
TOTAL FUND BALANCES	3,468,144	593,519	4,061,663
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,223,148	\$ 616,259	\$ 4,839,407

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, 2018

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 4,061,663
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	9,833,792
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	144,893
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	342,494
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	16,763
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	(2,059,481)
Capital lease payable	(86,002)
Net pension liability	(510,756)
Net OPEB liability	(319,776)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(219,204)</u>
Net position of governmental activities	<u><u>\$ 11,204,386</u></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, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	\$ 7,271,934	\$ -	\$ 7,271,934
Excise taxes	784,378	-	784,378
Intergovernmental	1,708,301	-	1,708,301
Charges for services	649,000	-	649,000
Miscellaneous revenues	93,774	86,932	180,706
TOTAL REVENUES	10,507,387	86,932	10,594,319
EXPENDITURES			
Current:			
General government	940,389	-	940,389
Public safety	1,768,893	-	1,768,893
Health and welfare	34,011	-	34,011
Recreation and culture	168,806	-	168,806
Education	5,424,382	-	5,424,382
Public works	892,958	-	892,958
Library	226,352	-	226,352
County tax	379,059	-	379,059
TIF	22,512	-	22,512
Unclassified	20,857	29,118	49,975
Debt service:			
Principal	202,558	-	202,558
Interest	70,564	-	70,564
Capital outlay	196,186	-	196,186
TOTAL EXPENDITURES	10,347,527	29,118	10,376,645
EXCESS REVENUES OVER (UNDER) EXPENDITURES	159,860	57,814	217,674
OTHER FINANCING SOURCES			
Transfers in	62,552	82,684	145,236
Transfers (out)	(82,684)	(62,552)	(145,236)
TOTAL OTHER FINANCING SOURCES (USES)	(20,132)	20,132	-
NET CHANGE IN FUND BALANCES	139,728	77,946	217,674
FUND BALANCES - JULY 1	3,328,416	515,573	3,843,989
FUND BALANCES - JUNE 30	\$ 3,468,144	\$ 593,519	\$ 4,061,663

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

TOWN OF NORTH BERWICK, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 217,674</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	412,742
Capital asset disposals	(3,502)
Depreciation expense	<u>(594,694)</u>
	<u>(185,454)</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in the funds:	
Taxes and liens receivable	<u>(23,359)</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>(57,974)</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>231,225</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>(61,901)</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	116,113
Net OPEB liability	<u>(26,265)</u>
	<u>89,848</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 210,059</u></u>

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

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2018

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
ASSETS	
Cash and cash equivalents	\$ 20,345
Due from other funds	210,808
TOTAL ASSETS	<u>\$ 231,153</u>
LIABILITIES	
Accounts payable	\$ 7,354
TOTAL LIABILITIES	<u>7,354</u>
NET POSITION	
Unrestricted	<u>223,799</u>
TOTAL NET POSITION	<u>223,799</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 231,153</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 FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
OPERATING REVENUES	
Bag sales	\$ 106,945
Other	4,549
TOTAL OPERATING REVENUES	<u>111,494</u>
OPERATING EXPENSES	
Operation	<u>93,387</u>
TOTAL OPERATING EXPENSES	<u>93,387</u>
CHANGE IN NET POSITION	18,107
NET POSITION - JULY 1	<u>205,692</u>
NET POSITION - JUNE 30	<u>\$ 223,799</u>

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

TOWN OF NORTH BERWICK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Enterprise Funds</u> <u>Pay-Per-Throw</u> <u>Trash Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 106,945
Internal activity - receipts (payments) from/to other funds	(19,177)
Other receipts	4,549
Payments to suppliers	<u>(92,244)</u>
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>20,272</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>\$ 20,345</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 18,107
Changes in operating assets and liabilities:	
(Increase) decrease in due from other funds	(19,177)
(Decrease) increase in accounts payable	<u>1,143</u>
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, 2018

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, health and welfare, recreation and culture, education, public works, library and unclassified.

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

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

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

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 OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Measurement Focus - Basic Financial Statements & 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:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$84,295 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 net OPEB liability.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, the Town's liability for compensated absences is \$62,428.

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.

OPEB

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

Net Position

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

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

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

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

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

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 two types of this item, deferred outflows related to pensions and deferred outflows related to OPEB. These items are reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 15, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on in two installments on October 6, 2017 and May 4, 2018. Interest on unpaid taxes commenced on October 7, 2017 and May 5, 2018, at 7% per annum.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$174,927 for the year ended June 30, 2018.

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/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the Town's cash balances amounting to \$4,265,723 were comprised of bank deposits of \$4,287,510. Of these bank deposits, \$300,001 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$3,987,509 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	4,147,530
Savings accounts	89,980
	<u>\$ 4,287,510</u>

Investments:

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>
Certificates of Deposit	<u>\$ 23,874</u>	<u>\$ -</u>	<u>\$ 4,133</u>	<u>\$ 19,741</u>

The certificates of deposit of \$23,874 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, 2018 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ 19,661	\$ 352,606
Nonmajor capital projects funds	141,798	3,515
Nonmajor permanent funds	-	16,146
Enterprise fund	210,808	-
	<u>\$ 372,267</u>	<u>\$ 372,267</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance, 7/1/17	Additions	Disposals	Balance, 6/30/18
<u>Governmental activities</u>				
Non-depreciated assets:				
Land and non-dep land imprvs.	\$ 1,161,149	\$ -	\$ -	\$ 1,161,149
Art works and 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	2,679,612	48,261	-	2,727,873
Machinery and equipment	534,006	32,444	-	566,450
Vehicles	2,739,000	47,053	(51,873)	2,734,180
Infrastructure	5,970,026	284,984	-	6,255,010
	<u>13,409,847</u>	<u>412,742</u>	<u>(51,873)</u>	<u>13,770,716</u>
Less: accumulated depreciation	<u>(4,561,750)</u>	<u>(594,694)</u>	<u>48,371</u>	<u>(5,108,073)</u>
	<u>8,848,097</u>	<u>(181,952)</u>	<u>(3,502)</u>	<u>8,662,643</u>
Net capital assets	<u>\$ 10,019,246</u>	<u>\$ (181,952)</u>	<u>\$ (3,502)</u>	<u>\$ 9,833,792</u>

Current year depreciation:

Administration	\$ 82,206
Police	34,780
Fire	83,122
Rescue	24,638
Public works	344,746
Library	2,746
Parks and recreation	14,218
Transfer station	8,238
Total depreciation expense	<u>\$ 594,694</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	(Restated) Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18	Current Year Portion
Bonds payable	\$ 2,262,039	\$ -	\$ (202,558)	\$ 2,059,481	\$ 204,394
Capital lease payable	114,669	-	(28,667)	86,002	28,667
Accrued compensated absences	66,049	-	(3,621)	62,428	62,428
Net pension liability	626,869	94,832	(210,945)	510,756	-
Net OPEB liability	293,511	35,988	(9,723)	319,776	-
Totals	<u>\$ 3,363,137</u>	<u>\$ 130,820</u>	<u>\$ (455,514)</u>	<u>\$ 3,038,443</u>	<u>\$ 295,489</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.	\$ 180,000
\$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.	1,201,731
\$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>677,750</u>
Total bonds payable	<u>\$ 2,059,481</u>

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	212,527	45,087	257,614
2024-2028	375,502	174,353	549,855
2029-2033	376,989	102,586	479,575
2034-2038	265,100	22,145	287,245
	<u>\$ 2,059,481</u>	<u>\$ 578,395</u>	<u>\$ 2,637,876</u>

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:

<u>Year Ending June 30,</u>	
2019	\$ 30,908
2020	30,181
2021	<u>29,435</u>
Total minimum lease payment	90,524
Less amount representing interest	<u>(4,522)</u>
Present value of future minimum lease payments	<u>\$ 86,002</u>

NOTE 6 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town has the following restricted fund balances:

Nonmajor permanent funds (Schedule G)	<u>\$ 271,560</u>
---------------------------------------	-------------------

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - COMMITTED FUND BALANCES

At June 30, 2018, the Town has the following committed fund balances:

Nonmajor capital projects funds (Schedule E)	<u>\$ 321,645</u>
--	-------------------

NOTE 8 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town has the following assigned fund balances:

General fund:	
175th anniversary	\$ 12,369
Complex	6,786
Parking lot	5,795
Highway garage	3,625
Fire building	50,000
Transfer station building	6,163
Town computer	6,595
Parks and recreation	22,011
Summer rec	60,252
Mill Field improvements	3,635
Animal control	10,146
Patch	3,849
Sidewalks	13,380
Road CIP	63,412
Ambulance	25,000
Wheeler	40,000
HRA funds	57,084
Reserved for FY 2019 budget	196,250
Nonmajor capital projects funds (Schedule E)	314
	<u>\$ 586,666</u>

NOTE 9 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

District 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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.mainebers.org or by contacting the System at (800) 451-9800.

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. 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 2.45%.

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 District's plan members are part of the PLD's plan "AC" and are required to contribute 8.0% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 9.5% of covered payroll. The contribution rates of plan members and the District are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The District's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2018 was \$74,307.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the District reported a liability of \$510,756 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2017, the District's proportion was 0.124745%, which was an increase of 0.00676% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized net pension expense of \$20,525. At June 30, 2018, the District 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	\$ -	\$ 24,538
Changes of assumptions	43,462	-
Net difference between projected and actual earnings on pension plan investments	176,021	190,065
Changes in proportion and differences between contributions and proportionate share of contributions	48,704	4,601
Contributions subsequent to the measurement date	<u>74,307</u>	<u>-</u>
Total	<u>\$ 342,494</u>	<u>\$ 219,204</u>

\$74,307 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan
Plan year ended June 30:	
2018	\$ 9,917
2019	70,414
2020	3,427
2021	(34,774)
2022	-
Thereafter	-

Actuarial Methods and Assumptions

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

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, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.00% 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% for participating local districts.

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, 2017 are summarized in the following table.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability(asset) as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Plan:			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 1,024,734	\$ 510,756	\$ 123,811

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions.

Differences between Expected and Actual Experience

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

Changes in Net Pension Liability

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

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

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2017 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Employees Covered by Benefit Terms

At January 1, 2018, the following employees were covered by the benefit terms:

Active members	19
Retirees and spouses	<u>7</u>
Total	<u><u>26</u></u>

Contributions

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

Retiree Premium Amounts:

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

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
PPO 500	\$925	\$2,076
<u>Medicare</u>		
Medicare-Eligible Retirees	\$528	\$1,055

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

At June 30, 2018, the Town reported a liability of \$319,776 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$26,265. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,697	\$ -
Changes of assumptions	8,066	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	\$ 16,763	\$ -

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

	MMEHT
Plan year ended December 31:	
2019	\$ 3,352
2020	3,352
2021	3,352
2022	3,352
2023	3,352
Thereafter	-

Discount Rate

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	2.44%	3.44%	4.44%
Total OPEB liability	\$ 363,213	\$ 319,776	\$ 283,889
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 363,213</u>	<u>\$ 319,776</u>	<u>\$ 283,889</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 283,304	\$ 319,776	\$ 364,531
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 283,304</u>	<u>\$ 319,776</u>	<u>\$ 364,531</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

Amortization

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

Assumptions

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

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 3.44% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Administrative and claims expense - 3% per annum.

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

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

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

Administrative expenses - Included in the per capita claims cost.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Participation Rates -

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

Retiree Continuation Percentage:

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

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

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

Changes in Net OPEB Liability

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

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2018 was \$8,697.

Changes in Assumptions

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

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Town Office at P.O. Box 422, North Berwick, Maine 03906.

NOTE 11 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

	<u>Excess</u>
Fire Department (Article 7)	\$ 1,842
Transfer Station (Article 17)	4,344
Town Boards (Article 31)	839
Cemeteries & Historical Society (Article 34)	2,225
Scholarships	3,000
Liens	4,111
	<u>\$ 16,361</u>

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, 2018, the Town's share was approximately:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 3,900,000	2.11%	\$ 82,134
RSU #60	7,611,443	29.37%	<u>2,235,481</u>
			<u>\$ 2,317,615</u>

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.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - CONTINGENCIES (CONTINUED)

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, 2018.

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - RISK MANAGEMENT (CONTINUED)

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, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 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 district's so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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, 2018, the Town abated property taxes for the following program:

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

NOTE 16 - RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2017 to account for the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an amendment of GASB Statement No. 45, as amended (issued 06/04), and GASB Statement No. 57 (issued 12/09). The beginning net position was restated by \$293,511. The resulting restatement decreased net position from \$11,287,838 to \$10,994,327.

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 - Pensions
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

TOWN OF NORTH BERWICK, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,328,416	\$ 3,328,416	\$ 3,328,416	\$ -
Resources (Inflows):				
Property taxes	7,247,076	7,247,076	7,271,934	24,858
Excise taxes	785,000	785,000	784,378	(622)
Intergovernmental	1,646,712	1,711,220	1,708,301	(2,919)
Charges for services	355,785	424,587	649,000	224,413
Other revenue	82,000	82,000	93,774	11,774
Transfers from other funds	63,170	63,170	62,552	(618)
Amounts Available for Appropriation	<u>13,508,159</u>	<u>13,641,469</u>	<u>13,898,355</u>	<u>256,886</u>
Charges to Appropriations (Outflows):				
General government	917,255	977,681	940,389	37,292
Public safety	1,688,000	1,819,297	1,768,893	50,404
Health and welfare	43,182	43,182	34,011	9,171
Recreation and culture	111,640	206,643	168,806	37,837
Education	5,424,382	5,424,382	5,424,382	-
Public works	881,775	910,153	892,958	17,195
Library	237,000	262,996	226,352	36,644
County tax	379,059	379,059	379,059	-
TIF	22,513	22,513	22,512	1
Unclassified	184,927	201,571	20,857	180,714
Capital outlay	310,672	364,948	196,186	168,762
Debt service:				
Principal	202,558	202,558	202,558	-
Interest	70,770	70,770	70,564	206
Transfers to other funds	15,800	15,800	82,684	(66,884)
Total Charges to Appropriations	<u>10,489,533</u>	<u>10,901,553</u>	<u>10,430,211</u>	<u>471,342</u>
Budgetary Fund Balance, June 30	<u>\$ 3,018,626</u>	<u>\$ 2,739,916</u>	<u>\$ 3,468,144</u>	<u>\$ 728,228</u>
Utilization of unassigned fund balance	<u>\$ 309,790</u>	<u>\$ 588,500</u>	<u>\$ -</u>	<u>\$ (588,500)</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>2018</u>	<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%	0.12%	0.10%	0.11%	0.12%
Proportionate share of the net pension liability (asset)	\$ 510,756	\$ 626,869	\$ 318,326	\$ 162,238	\$ 371,264
Covered-employee payroll	\$ 876,629	\$ 852,254	\$ 795,360	\$ 799,014	\$ 841,589
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	58.26%	73.55%	40.02%	20.30%	44.11%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	81.61%	88.27%	94.10%	87.50%

* The amounts presented for each fiscal year were determined as of June 30, and are 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 - PENSIONS
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>					
Contractually required contribution	\$ 74,307	\$ 63,938	\$ 55,362	\$ 40,875	\$ 36,881
Contributions in relation to the contractually required contribution	<u>(74,307)</u>	<u>(63,938)</u>	<u>(55,362)</u>	<u>(40,875)</u>	<u>(36,881)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 917,355	\$ 876,629	\$ 852,254	\$ 795,360	\$ 799,014
Contributions as a percentage of covered- employee payroll	8.10%	7.29%	6.50%	5.14%	4.62%

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

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

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 293,511	\$ -	\$ 293,511
Changes for the year:			
Service cost	4,780	-	4,780
Interest	11,093	-	11,093
Changes of benefits	-	-	-
Differences between expected and actual experience	10,436	-	10,436
Changes of assumptions	9,679	-	9,679
Contributions - employer	-	9,723	(9,723)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(9,723)	(9,723)	-
Administrative expense	-	-	-
Net changes	<u>26,265</u>	<u>-</u>	<u>26,265</u>
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 319,776</u>	<u>\$ -</u>	<u>\$ 319,776</u>

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

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2018</u>
<u>Total OPEB liability</u>	
Service cost (BOY)	4,780
Interest (includes interest on service cost)	11,093
Changes of benefit terms	-
Differences between expected and actual experience	10,436
Changes of assumptions	9,679
Benefit payments, including refunds of member contributions	<u>(9,723)</u>
Net change in total OPEB liability	\$ 26,265
Total OPEB liability - beginning	\$ 293,511
Total OPEB liability - ending	\$ 319,776
<u>Plan fiduciary net position</u>	
Contributions - employer	9,723
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(9,723)
Administrative expense	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 319,776</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 1,033,763
Net OPEB liability as a percentage of covered payroll	30.9%

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

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

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

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

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

TOWN OF NORTH BERWICK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Assumptions

The funding method for the MMEHT OPEB Plan was changed from Projected Unit Credit funding to Entry Age Normal funding method.

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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 7,247,076	\$ 7,247,076	\$ 7,271,934	\$ 24,858
Excise taxes:				
Auto excise	780,000	780,000	780,000	-
Boat excise tax	5,000	5,000	4,378	(622)
Intergovernmental revenues:				
State revenue sharing	143,000	143,000	137,306	(5,694)
Homestead exemption	134,190	134,190	125,732	(8,458)
Local road assistance	69,500	69,500	70,740	1,240
School resource officer	-	64,508	71,968	7,460
Tree growth	9,000	9,000	8,101	(899)
Vetererns exemption	3,000	3,000	3,597	597
General assistance	-	-	1,565	1,565
BETE reimbursement	1,288,022	1,288,022	1,288,094	72
Other intergovernmental	-	-	1,198	1,198
Charges for services:				
Transfer station unclassified	5,500	5,500	7,495	1,995
Transfer station bulky waste	15,000	15,000	22,851	7,851
Transfer station returnables	14,500	14,500	9,940	(4,560)
General government	116,285	119,545	217,090	97,545
Code enforcement	39,500	39,500	94,465	54,965
Parks and recreation	-	16,474	73,479	57,005
Police department	-	46,686	59,352	12,666
Fire department	-	-	1,692	1,692
Rescue	165,000	165,000	153,683	(11,317)
Animal control	-	2,382	2,012	(370)
Highway	-	-	3,630	3,630
Planning/zoning boards	-	-	3,311	3,311
Interest income:				
Interest on investments	8,000	8,000	12,183	4,183
Interest on taxes	18,000	18,000	17,367	(633)
Other income:				
Cable tv	38,000	38,000	44,865	6,865
Scholarships	-	-	2,500	2,500
Other income	18,000	18,000	16,859	(1,141)
Transfers from other funds	63,170	63,170	62,552	(618)
TOTAL REVENUES	<u>10,179,743</u>	<u>10,313,053</u>	<u>10,569,939</u>	<u>256,886</u>
USE OF FUND BALANCE				
Unassigned fund balance	309,790	588,500	-	(588,500)
TOTAL USE OF FUND BALANCE	<u>309,790</u>	<u>588,500</u>	<u>-</u>	<u>(588,500)</u>
TOTAL AVAILABLE	<u>\$ 10,489,533</u>	<u>\$ 10,901,553</u>	<u>\$ 10,569,939</u>	<u>\$ (331,614)</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, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Town office operations	\$ 224,060	\$ 1,106	\$ 225,166	\$ 247,484	\$ (22,318)
Office salaries	169,320	-	169,320	166,357	2,963
Town manager	141,825	-	141,825	146,703	(4,878)
FICA/medicare	113,000	-	113,000	113,489	(489)
Insurances	102,350	-	102,350	97,071	5,279
HRA insurance	5,000	59,320	64,320	2,200	62,120
Tax assessing	57,250	-	57,250	53,845	3,405
Code enforcement	90,250	-	90,250	98,921	(8,671)
Planning board	6,000	-	6,000	8,478	(2,478)
Board of appeals	3,000	-	3,000	641	2,359
Selectmen	5,200	-	5,200	5,200	-
	<u>917,255</u>	<u>60,426</u>	<u>977,681</u>	<u>940,389</u>	<u>37,292</u>
Public safety:					
Police department	844,545	46,686	891,231	869,674	21,557
Hydrant rental/dispatch/lights	247,400	-	247,400	246,413	987
Fire department	135,085	-	135,085	136,927	(1,842)
Rescue operations	428,470	-	428,470	418,521	9,949
School resource officer	12,500	64,508	77,008	79,732	(2,724)
Animal control	20,000	20,103	40,103	17,626	22,477
	<u>1,688,000</u>	<u>131,297</u>	<u>1,819,297</u>	<u>1,768,893</u>	<u>50,404</u>
Heath and welfare:					
General assistance	7,500	-	7,500	2,304	5,196
Social services	23,867	-	23,867	17,667	6,200
Historical society	11,815	-	11,815	14,040	(2,225)
	<u>43,182</u>	<u>-</u>	<u>43,182</u>	<u>34,011</u>	<u>9,171</u>
Recreation and culture:					
Parks and recreation	82,975	88,018	170,993	140,915	30,078
Conservation	1,000	-	1,000	1,720	(720)
Community center	22,665	3,350	26,015	21,769	4,246
Mill field	5,000	3,635	8,635	4,402	4,233
	<u>111,640</u>	<u>95,003</u>	<u>206,643</u>	<u>168,806</u>	<u>37,837</u>

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Education	5,424,382	-	5,424,382	5,424,382	-
Public works:					
Highway operations	634,100	12,419	646,519	607,146	39,373
Winter highway	125,000	15,959	140,959	158,793	(17,834)
Transfer station	122,675	-	122,675	127,019	(4,344)
	881,775	28,378	910,153	892,958	17,195
Library	237,000	25,996	262,996	226,352	36,644
County tax	379,059	-	379,059	379,059	-
TIF	22,513	-	22,513	22,512	1
Capital outlay:					
Road project	39,877	35,314	75,191	45,315	29,876
Parking lot	30,000	-	30,000	24,205	5,795
Canine	800	-	800	582	218
SCBA	13,775	-	13,775	13,775	-
Police vehicle	34,500	-	34,500	33,881	619
Rescue vehicle	25,000	-	25,000	-	25,000
Highway vehicle	68,670	-	68,670	28,817	39,853
Fire building	50,000	-	50,000	-	50,000
Highway building	35,000	-	35,000	31,375	3,625
Transfer station building	13,050	-	13,050	6,059	6,991
Complex	-	18,962	18,962	12,177	6,785
	310,672	54,276	364,948	196,186	168,762
Debt service:					
Principal	202,558	-	202,558	202,558	-
Interest	70,770	-	70,770	70,564	206
	273,328	-	273,328	273,122	206

TOWN OF NORTH BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified:					
Overlay	174,927	-	174,927	-	174,927
MF festival	5,000	16,644	21,644	11,150	10,494
Scholarship	-	-	-	3,000	(3,000)
Liens	-	-	-	4,111	(4,111)
Unanticipated expenses	5,000	-	5,000	2,596	2,404
	<u>184,927</u>	<u>16,644</u>	<u>201,571</u>	<u>20,857</u>	<u>180,714</u>
Transfers to other funds:					
Capital projects funds	-	-	-	66,884	(66,884)
Permanent funds	15,800	-	15,800	15,800	-
	<u>15,800</u>	<u>-</u>	<u>15,800</u>	<u>82,684</u>	<u>(66,884)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 10,489,533</u>	<u>\$ 412,020</u>	<u>\$ 10,901,553</u>	<u>\$ 10,430,211</u>	<u>\$ 471,342</u>

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

TOWN OF NORTH BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 183,676	\$ 266,911	\$ 450,587
Investments	-	23,874	23,874
Due from other funds	141,798	-	141,798
TOTAL ASSETS	<u><u>\$ 325,474</u></u>	<u><u>\$ 290,785</u></u>	<u><u>\$ 616,259</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ 3,079	\$ 3,079
Due to other funds	3,515	16,146	19,661
TOTAL LIABILITIES	<u><u>3,515</u></u>	<u><u>19,225</u></u>	<u><u>22,740</u></u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	271,560	271,560
Committed	321,645	-	321,645
Assigned	314	-	314
Unassigned	-	-	-
TOTAL FUND BALANCES	<u><u>321,959</u></u>	<u><u>271,560</u></u>	<u><u>593,519</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 325,474</u></u>	<u><u>\$ 290,785</u></u>	<u><u>\$ 616,259</u></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, 2018

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Interest income	\$ 674	\$ 1,078	\$ 1,752
Other income	74,730	10,450	85,180
TOTAL REVENUES	<u>75,404</u>	<u>11,528</u>	<u>86,932</u>
EXPENDITURES			
Program expenses	-	29,118	29,118
TOTAL EXPENDITURES	<u>-</u>	<u>29,118</u>	<u>29,118</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>75,404</u>	<u>(17,590)</u>	<u>57,814</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	66,884	15,800	82,684
Transfers (out)	(62,552)	-	(62,552)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,332</u>	<u>15,800</u>	<u>20,132</u>
NET CHANGE IN FUND BALANCES	79,736	(1,790)	77,946
FUND BALANCES - JULY 1	<u>242,223</u>	<u>273,350</u>	<u>515,573</u>
FUND BALANCES - JUNE 30	<u>\$ 321,959</u>	<u>\$ 271,560</u>	<u>\$ 593,519</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, 2018

	Town Hall	Equipment Fund	TIF Funds	Caleb Foundation	Road Bond	Total
ASSETS						
Cash and cash equivalents	\$ 4,665	\$ 178,697	\$ 269	\$ 45	\$ -	\$ 183,676
Due from other funds	-	141,798	-	-	-	141,798
TOTAL ASSETS	\$ 4,665	\$ 320,495	\$ 269	\$ 45	\$ -	\$ 325,474
LIABILITIES						
Due to other funds	\$ 3,515	\$ -	\$ -	\$ -	\$ -	\$ 3,515
TOTAL LIABILITIES	3,515	-	-	-	-	3,515
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	1,150	320,495	-	-	-	321,645
Assigned	-	-	269	45	-	314
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	1,150	320,495	269	45	-	321,959
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,665	\$ 320,495	\$ 269	\$ 45	\$ -	\$ 325,474

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, 2018

	Town Hall	Equipment Fund	TIF Funds	Caleb Foundation	Road Bond	Total
REVENUES						
Interest income	\$ 31	\$ 640	\$ 1	\$ 2	\$ -	\$ 674
Other income	-	74,730	-	-	-	74,730
TOTAL REVENUES	<u>31</u>	<u>75,370</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>75,404</u>
EXPENDITURES						
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>31</u>	<u>75,370</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>75,404</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	64,761	-	-	2,123	66,884
Transfers (out)	-	(62,552)	-	-	-	(62,552)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2,209</u>	<u>-</u>	<u>-</u>	<u>2,123</u>	<u>4,332</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	31	77,579	1	2	2,123	79,736
FUND BALANCES (DEFICITS) - JULY 1	<u>1,119</u>	<u>242,916</u>	<u>268</u>	<u>43</u>	<u>(2,123)</u>	<u>242,223</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 1,150</u>	<u>\$ 320,495</u>	<u>\$ 269</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 321,959</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, 2018

	Hobbs Fund	Greenleaf Endowment	Hanson Fund	Cemetery Fund	Heating Fund	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 250,261	\$ 16,650	\$ 266,911
Investments	18,384	4,132	1,358	-	-	23,874
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 18,384	\$ 4,132	\$ 1,358	\$ 250,261	\$ 16,650	\$ 290,785
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 3,079	\$ -	\$ 3,079
Due to other funds	-	-	-	16,146	-	16,146
TOTAL LIABILITIES	-	-	-	19,225	-	19,225
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	18,384	4,132	1,358	231,036	16,650	271,560
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	18,384	4,132	1,358	231,036	16,650	271,560
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,384	\$ 4,132	\$ 1,358	\$ 250,261	\$ 16,650	\$ 290,785

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, 2018

	Hobbs Fund	Greenleaf Endowment	Hanson Fund	Cemetery Fund	Heating Fund	Total
REVENUES						
Interest income	\$ 165	\$ 20	\$ 13	\$ 880	\$ -	\$ 1,078
Other income	-	-	-	10,450	-	10,450
TOTAL REVENUES	<u>165</u>	<u>20</u>	<u>13</u>	<u>11,330</u>	<u>-</u>	<u>11,528</u>
EXPENDITURES						
Program expenses	-	-	-	29,118	-	29,118
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,118</u>	<u>-</u>	<u>29,118</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>165</u>	<u>20</u>	<u>13</u>	<u>(17,788)</u>	<u>-</u>	<u>(17,590)</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	165	20	13	(1,988)	-	(1,790)
FUND BALANCES - JULY 1	<u>18,219</u>	<u>4,112</u>	<u>1,345</u>	<u>233,024</u>	<u>16,650</u>	<u>273,350</u>
FUND BALANCES - JUNE 30	<u>\$ 18,384</u>	<u>\$ 4,132</u>	<u>\$ 1,358</u>	<u>\$ 231,036</u>	<u>\$ 16,650</u>	<u>\$ 271,560</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, 2018

	Land and Construction in Progress	Land Improvements, Buildings and Building Improvements	Vehicles, Machinery and Equipment	Infrastructure	Total
Administration	\$ 456,126	\$ 3,060,111	\$ 34,045	\$ 24,206	\$ 3,574,488
Police	-	20,500	343,066	-	363,566
Fire	90,672	139,411	1,462,562	-	1,692,645
Public works	120,877	229,680	1,172,337	6,210,015	7,732,909
Rescue	40,786	219,186	201,569	-	461,541
Transfer station	61,628	175,677	29,694	12,022	279,021
Parks and recreation	182,332	295,769	57,357	-	535,458
Library	43,629	74,742	-	8,767	127,138
Cemetery	175,099	-	-	-	175,099
Total General Capital Assets	1,171,149	4,215,076	3,300,630	6,255,010	14,941,865
Less: Accumulated Depreciation	-	(1,522,708)	(2,130,579)	(1,454,786)	(5,108,073)
Net General Capital Assets	<u>\$ 1,171,149</u>	<u>\$ 2,692,368</u>	<u>\$ 1,170,051</u>	<u>\$ 4,800,224</u>	<u>\$ 9,833,792</u>

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, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
Administration	\$ 3,537,110	\$ 37,378	\$ -	\$ 3,574,488
Police	352,889	52,550	(41,873)	363,566
Fire	1,688,870	13,775	(10,000)	1,692,645
Public works	7,442,106	290,803	-	7,732,909
Rescue	461,541	-	-	461,541
Transfer station	272,962	6,059	-	279,021
Parks and recreation	523,281	12,177	-	535,458
Library	127,138	-	-	127,138
Cemetery	175,099	-	-	175,099
Total General Capital Assets	14,580,996	412,742	(51,873)	14,941,865
Less: Accumulated Depreciation	<u>(4,561,750)</u>	<u>(594,694)</u>	<u>48,371</u>	<u>(5,108,073)</u>
Net General Capital Assets	<u>\$ 10,019,246</u>	<u>\$ (181,952)</u>	<u>\$ (3,502)</u>	<u>\$ 9,833,792</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, 2018, 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 January 17, 2019.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of 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
January 17, 2019