

**TOWN OF BERLIN, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2016**

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Berlin
Berlin, Vermont

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's 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 from material misstatement.

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

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Vermont, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 management's discussion and analysis and the schedules of Town's proportionate share of the net pension liability and Town contributions in Schedule 3 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

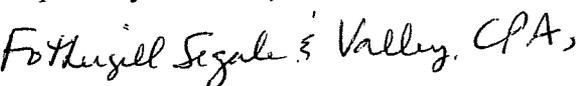
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements (Schedules 1 and 2) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 1 and 2 are the responsibility of management and were derived from and relate 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, Schedules 1 and 2 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 6, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Respectfully submitted,



FOTHERGILL SEGAL & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

January 6, 2017

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Our discussion and analysis of the Town of Berlin, Vermont's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2016. Please read it in conjunction with the Town's financial statements which begin on page 10.

Financial Highlights

Government-Wide Statements

- Net position of our governmental activities increased by \$164,262 or about 6%. The net position of our business-type activities increased by \$1,723,901 or more than 100%.
- The cost of all of the Town's programs was \$3,370,669 in fiscal year 2016, compared to \$3,293,245 in fiscal year 2015, with no new programs added this year.

Fund Statements

- The General Fund reported an increase in fund balance this year of \$155,089, which was \$155,089 better than what was budgeted. This compares to a \$171,773 increase in fiscal year 2015.
- The restricted fund balance was \$173,738 and is restricted for lister training, reappraisal and record restoration. The committed fund balance of \$83,260 is for the items noted in Note 10. The assigned fund balance of \$29,501 is for computer equipment, capital budget and highway paving/tires. The nonspendable fund balance of \$239,021 consists of \$35,484 of prepaids, \$59,804 of highway inventory and the \$143,733 note due from the Water Fund.
- The nonmajor funds, as a whole, reported a net increase in fund balance this year of \$5,398, compared to an increase of \$9,688 in fiscal year 2015. This brings the combined fund balance from \$156,670 to \$162,068.
- The Cemetery Funds reported an increase in fund balance this year of \$7 from a balance of \$13,955 to \$13,962.
- The Water Pollution Fund reported an increase in net position of \$23,724 in fiscal year 2016, compared to an increase of \$10,419 in fiscal year 2015, resulting in an ending net position of \$1,612,506.
- The Water Division Fund reported an increase in net position of \$1,700,177 in fiscal year 2016, compared to an increase of \$400 in fiscal year 2015, resulting in an ending net position of \$1,700,577.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and change in net position. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall financial health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** – The Town's basic services are reported in the General Fund, including the highway department, general administration, and police. Property taxes, charges for services and state and federal grants finance most of these activities.
- **Business-type activities** – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water pollution and water division are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on Exhibit C and provides detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. The Town's three categories of funds – governmental, proprietary and fiduciary – use different accounting approaches.

- **Governmental fund** – The Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. This fund is reported using a measurement focus called current financial resources, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits D and F that are included in the financial statements.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

- **Proprietary fund** – When the Town charges customers for the services it provides – whether to outside customers or to other funds of the Town – these services are generally reported in a proprietary fund. A proprietary fund is reported in the same way that all business-type activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a type of proprietary fund) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as the statement of cash flows.
- **Fiduciary fund** – Fiduciary funds are used to account for resources held for the benefit of other parties. Fiduciary activity is not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Town's fiduciary fund consists of the Cemetery Funds.

The Town as a Whole

The Town's combined net position increased by \$1,888,163 from a year ago – increasing from a restated balance of \$4,397,091 to \$6,285,254. Net position for the governmental activities was increased from a restated balance of \$2,807,909 to \$2,972,171. The governmental activities prior year balances were restated to reduce capital assets and net position invested in capital assets by \$170,721 to account for impairment loss on the FEMA buyout property obtained. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	Restated				Restated	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,517,025	\$ 1,289,518	\$ 1,449,989	\$ 783,411	\$ 2,967,014	\$ 2,072,929
Capital assets, net of depr	1,920,293	1,954,004	6,380,752	3,305,679	8,301,045	5,259,683
Total assets	<u>3,437,318</u>	<u>3,243,522</u>	<u>7,830,741</u>	<u>4,089,090</u>	<u>11,268,059</u>	<u>7,332,612</u>
Total deferred outflows of resources	<u>158,365</u>	<u>44,865</u>	<u>0</u>	<u>0</u>	<u>158,365</u>	<u>44,865</u>
Long-term liabilities	207,270	258,257	4,036,215	1,902,556	4,243,485	2,160,813
Net pension liability	231,207	23,756	0	0	231,207	23,756
Other liabilities	<u>185,035</u>	<u>125,212</u>	<u>481,443</u>	<u>597,352</u>	<u>666,478</u>	<u>722,564</u>
Total liabilities	<u>623,512</u>	<u>407,225</u>	<u>4,517,658</u>	<u>2,499,908</u>	<u>5,141,170</u>	<u>2,907,133</u>
Total deferred inflows of resources	<u>0</u>	<u>73,253</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>73,253</u>
Net position:						
Invested in capital assets, net of debt	1,739,492	1,727,310	2,140,283	1,280,976	3,879,775	3,008,286
Restricted	286,846	397,211	0	0	286,846	397,211
Unrestricted	<u>945,833</u>	<u>683,388</u>	<u>1,172,800</u>	<u>308,206</u>	<u>2,118,633</u>	<u>991,594</u>
Total net position	<u>\$ 2,972,171</u>	<u>\$ 2,807,909</u>	<u>\$ 3,313,083</u>	<u>\$ 1,589,182</u>	<u>\$ 6,285,254</u>	<u>\$ 4,397,091</u>

Net position of the Town's governmental activities increased by about 6% in fiscal year 2016 (\$2,972,171 compared to a restated balance of \$2,807,909). 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 from \$683,388 to \$945,833 in fiscal year 2016. Restricted net position decreased from \$397,211 to \$286,846 in fiscal year 2016.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

The net position of our business-type activities increased by \$1,723,901 in fiscal year 2016 (\$3,313,083 compared to \$1,589,182). The large increase is mostly due to \$1,702,176 grant revenue used for capital improvements in the Water Division Fund.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2016	Restated 2015	Change	2016	2015	Change
REVENUES						
Program revenues:						
Charges for services	\$ 212,222	\$ 231,882	\$ (19,660)	\$ 634,603	\$ 541,733	\$ 92,870
Operating grants and contributions	237,615	243,786	(6,171)	0	0	0
Capital grants and contributions	27,900	184,121	(156,221)	1,702,176	0	1,702,176
General revenues:						
Property taxes	2,362,240	2,347,935	14,305	0	0	0
Interest/penalty on del. taxes	48,371	47,863	508	5,139	635	4,504
Investment income	2,067	39	2,028	9,711	11,083	(1,372)
Gain on sale of assets	16,788	0	16,788	0	0	0
Impairment loss	0	(170,721)	170,721	0	0	0
Total revenues	2,907,203	2,884,905	22,298	2,351,629	553,451	1,798,178
PROGRAM EXPENSES						
General government	680,373	609,636	70,737	0	0	0
Highway	849,710	958,839	(109,129)	0	0	0
Police	931,610	909,928	21,682	0	0	0
Appropriations	275,849	265,020	10,829	0	0	0
Interest on debt	5,399	7,190	(1,791)	0	0	0
Water pollution	0	0	0	538,316	542,632	(4,316)
Water division	0	0	0	89,412	0	89,412
Total program expenses	2,742,941	2,750,613	(7,672)	627,728	542,632	85,096
CHANGE IN NET POSITION	\$ 164,262	\$ 134,292	\$ 29,970	\$ 1,723,901	\$ 10,819	\$ 1,713,082

Governmental Activities

The increase in net position for governmental activities was \$164,262 in fiscal year 2016, compared to a restated increase of \$134,292 in fiscal year 2015.

The cost of all governmental activities this year was \$2,742,941. However, as shown in the Statement of Activities on Exhibit B, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$2,265,204 because some of the cost was paid by those who directly benefited from the programs (\$212,222) or by other governments and organizations that subsidized certain programs with grants and contributions (\$265,515).

There was a decrease in capital grants and contributions due to not receiving FEMA buyout funds as was done in fiscal year 2015.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

Business-Type Activities

The net position for business type activities increased by \$1,723,901 in fiscal year 2016, due to the grant received for the water system project that was almost completed by year end.

The cost of all business-type activities this year was \$627,728. However, these costs were fully covered by those who directly benefited from the programs (\$634,603) and by other governments and organizations that subsidized certain programs with grants and contributions (\$1,702,176).

Table 3 presents the cost of each of the Town's three largest programs – general government, highway, and police – as well as each program's net cost (total cost less program revenues). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General government	\$ 680,373	\$ 609,636	\$ 481,515	\$ 224,358
Highway	849,710	958,839	737,005	846,053
Police	931,610	909,928	765,436	748,203
All others	281,248	272,210	281,248	272,210
Totals	\$2,742,941	\$2,750,613	\$2,265,204	\$2,090,824

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,221,671, which is greater than last year's total fund balance of \$1,061,184. Included in this year's total increase in fund balance of \$160,487 was an increase of \$155,089 in the General Fund and an increase of \$5,398 in the nonmajor governmental funds.

General Fund Budgetary Highlights

The Town's General Fund's activity compared to budget is reported on Exhibit G. Some of the larger variances were as follows:

	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$ 2,423,734	\$ 2,355,043	\$ (68,691)
State of Vermont	213,333	247,506	34,173
Other	4,750	32,650	27,900
Expenditures:			
Winter roads	324,741	244,754	79,987

Tax revenue was lower than budget due mostly to PILOT funds not being received for the State psychiatric hospital which was not completed in the timeframe that was expected. State of Vermont revenue was greater than budget due to having received unbudgeted Public Safety grants. Other revenue was greater than budget due to the sale of two trucks and receipt of a grant for Friendship Park. Winter roads were under budget due to the mild winter weather in fiscal year 2016.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the Town had \$8,301,045 invested in a broad range of capital assets, including land, buildings and improvements, vehicles, infrastructure, plant, machinery and equipment, and infrastructure, net of accumulated depreciation. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$3,041,362.

Table 4
Capital Assets at Year-End
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	Restated		2016	2015	2016	Restated 2015
	2016	2015				
Land	\$ 52,400	\$ 52,400	\$ 106,000	\$ 106,000	\$ 158,400	\$ 158,400
Construction in progress	63,458	32,458	5,616,450	2,542,625	5,679,908	2,575,083
Plant	0	0	651,303	646,555	651,303	646,555
Buildings and impr.	179,897	189,491	0	0	179,897	189,491
Infrastructure	1,154,453	1,103,388	0	0	1,154,453	1,103,388
Machinery and equip.	30,229	37,859	6,999	10,499	37,228	48,358
Vehicles	439,856	538,408	0	0	439,856	538,408
Totals	\$ 1,920,293	\$ 1,954,004	\$ 6,380,752	\$ 3,305,679	\$ 8,301,045	\$ 5,259,683

This year's major additions for governmental activities were Partridge Farm Road paving, work on Friendship Park, and two new vehicles. The major additions to the business-type activities were work done on the Barre-Montpelier Road water pollution line and the new water system.

Debt Administration

At June 30, 2016, the Town had \$4,217,016 in notes, lease and bonds outstanding versus \$2,251,397 on June 30, 2015 – an increase of \$1,965,619 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-Type Activities	Total
Balance - June 30, 2015	\$ 226,694	\$2,024,703	\$2,251,397
Proceeds	0	6,318,619	6,318,619
Principal payments	(45,893)	(4,307,107)	(4,353,000)
Balance - June 30, 2016	\$ 180,801	\$4,036,215	\$4,217,016

Proceeds received in fiscal year 2016 were for the water supply project.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for the fiscal year 2017 year, the Selectboard based their figures on previous year spending and departmental budget requests. The tax rate is set based on the voter approved budget amount for taxes divided by the Grand List.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at Town of Berlin, 108 Shed Road, Berlin, Vermont 05602.

TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 979,167	\$ 849,745	\$ 1,828,912
Accounts receivable - State	8,994	0	8,994
Accounts receivable - other, net of allowance	48,089	24,387	72,476
Unbilled user fees	0	316,880	316,880
Grant receivable - USDA	0	258,977	258,977
Taxes, interest and penalty receivable, net of allowance	137,242	0	137,242
Internal balances	248,245	(248,245)	0
Prepaid expenses	35,484	0	35,484
Inventory	59,804	0	59,804
Capital Assets			
Land	52,400	106,000	158,400
Construction in process	63,458	5,616,450	5,679,908
Other capital assets, (net of accumulated depreciation)	1,804,435	658,302	2,462,737
Total assets	3,437,318	7,582,496	11,019,814
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related	158,365	0	158,365
Total assets and deferred outflows of resources	3,595,683	7,582,496	11,178,179
<u>LIABILITIES</u>			
Accounts payable	130,397	18,050	148,447
Construction and retainage payable	0	204,254	204,254
Accrued interest payable	0	10,894	10,894
Accrued payroll and benefits payable	15,717	0	15,717
Prepaid property taxes	38,921	0	38,921
Accrued compensated absences	26,469	0	26,469
Bonds and notes payable due within one year	32,314	108,473	140,787
Net pension liability	231,207	0	231,207
Bonds and notes payable due after one year	148,487	3,927,742	4,076,229
Total liabilities	623,512	4,269,413	4,892,925
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,739,492	2,140,283	3,879,775
Restricted	286,846	0	286,846
Unrestricted	945,833	1,172,800	2,118,633
Total net position	\$ 2,972,171	\$ 3,313,083	\$ 6,285,254

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

EXHIBIT B

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities:							
General Government	\$ 680,373	\$ 69,962	\$ 100,996	\$ 27,900	\$ (481,515)	\$ 0	\$ (481,515)
Highway	849,710	0	112,705	0	(737,005)	0	(737,005)
Police	931,610	142,260	23,914	0	(765,436)	0	(765,436)
Appropriations	275,849	0	0	0	(275,849)	0	(275,849)
Interest on Long-Term Debt	5,399	0	0	0	(5,399)	0	(5,399)
Total Governmental Activities	<u>2,742,941</u>	<u>212,222</u>	<u>237,615</u>	<u>27,900</u>	<u>(2,265,204)</u>	<u>0</u>	<u>(2,265,204)</u>
Business-Type Activities:							
Water division	89,412	86,944	0	1,702,176	0	1,699,708	1,699,708
Water pollution	538,316	547,659	0	0	0	9,343	9,343
Total Business-Type Activities	<u>627,728</u>	<u>634,603</u>	<u>0</u>	<u>1,702,176</u>	<u>0</u>	<u>1,709,051</u>	<u>1,709,051</u>
Total	<u>\$ 3,370,669</u>	<u>\$ 846,825</u>	<u>\$ 237,615</u>	<u>\$ 1,730,076</u>	<u>(2,265,204)</u>	<u>1,709,051</u>	<u>(556,153)</u>
General Revenues:							
Property taxes					2,362,240	0	2,362,240
Interest and penalties on delinquent taxes/user charges					48,371	5,139	53,510
Net investment income					2,067	9,711	11,778
Gain on sale of assets					16,788	0	16,788
Total general revenues					<u>2,429,466</u>	<u>14,850</u>	<u>2,444,316</u>
Change in Net Position					164,262	1,723,901	1,888,163
Net Position - July 1, 2015 (as originally stated)					2,978,630	1,589,182	4,567,812
Prior Period Adjustment					(170,721)	0	(170,721)
Net Position - July 1, 2015 (as restated)					<u>2,807,909</u>	<u>1,589,182</u>	<u>4,397,091</u>
Net Position - June 30, 2016					<u>\$ 2,972,171</u>	<u>\$ 3,313,083</u>	<u>\$ 6,285,254</u>

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	Major Fund General Fund	Nonmajor Funds Other Governmental Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 870,987	\$ 108,180	\$ 979,167
Taxes, interest and penalty receivable, net of allowance	137,242	0	137,242
Accounts receivable - State	8,994	0	8,994
Accounts receivable - other	48,089	0	48,089
Prepaid expenses	35,484	0	35,484
Inventory	59,804	0	59,804
Advances to other funds	143,733	0	143,733
Due from other funds	50,624	53,888	104,512
Total assets	<u>\$ 1,354,957</u>	<u>\$ 162,068</u>	<u>\$ 1,517,025</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 130,397	\$ 0	\$ 130,397
Accrued wages & taxes	15,717	0	15,717
Property tax overpayments	38,921	0	38,921
Total liabilities	<u>185,035</u>	<u>0</u>	<u>185,035</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	<u>110,319</u>	<u>0</u>	<u>110,319</u>
Fund Balances			
Nonspendable:			
Prepays	35,484	0	35,484
Inventory	59,804	0	59,804
Advances to other funds	143,733	0	143,733
Restricted	173,738	113,108	286,846
Committed	83,260	48,960	132,220
Assigned	29,501	0	29,501
Unassigned	534,083	0	534,083
Total fund balances	<u>1,059,603</u>	<u>162,068</u>	<u>1,221,671</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,354,957</u>	<u>\$ 162,068</u>	<u>\$ 1,517,025</u>

TOWN OF BERLIN, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,221,671
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.		1,920,293
Unavailable revenue for property taxes is recognized on an accrual basis in the statement of net position, not for the modified cash basis.		110,319
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net pension liability		(231,207)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds		158,365
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund statements. Long-term liabilities at year end consist of:		
Bond and notes payable		(180,801)
Accrued compensated absences		(26,469)
		(207,270)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	2,972,171

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Major Fund General Fund	Other Governmental Funds	Totals
Revenues			
Property taxes	\$ 2,355,043	\$ 0	\$ 2,355,043
Delinquent tax penalties & interest	48,371	0	48,371
Licenses, fees & permits	66,307	0	66,307
Interest income	2,014	53	2,067
Intergovernmental	247,506	0	247,506
Charges for services - police	126,143	0	126,143
Other	32,650	5,131	37,781
Total revenues	<u>2,878,034</u>	<u>5,184</u>	<u>2,883,218</u>
Expenditures			
Current:			
General government	574,096	3,286	577,382
Highways	710,511	0	710,511
Police	891,377	0	891,377
Appropriations	275,849	0	275,849
Total current	<u>2,451,833</u>	<u>3,286</u>	<u>2,455,119</u>
Debt service:			
Principal	45,893	0	45,893
Interest	5,399	0	5,399
Total debt service	<u>51,292</u>	<u>0</u>	<u>51,292</u>
Capital outlays:			
General government	31,000	0	31,000
Highways	168,058	0	168,058
Police	34,050	0	34,050
Total capital outlays	<u>233,108</u>	<u>0</u>	<u>233,108</u>
Total expenditures	<u>2,736,233</u>	<u>3,286</u>	<u>2,739,519</u>
Excess Revenues (Expenditures)	<u>141,801</u>	<u>1,898</u>	<u>143,699</u>
Other Financing Sources (Uses)			
Sale of assets	16,788	0	16,788
Transfers in	0	3,500	3,500
Transfers out	(3,500)	0	(3,500)
Total other financing sources (uses)	<u>13,288</u>	<u>3,500</u>	<u>16,788</u>
Net Change in Fund Balances	155,089	5,398	160,487
Fund Balances - July 1, 2015	<u>904,514</u>	<u>156,670</u>	<u>1,061,184</u>
Fund Balances - June 30, 2016	<u>\$ 1,059,603</u>	<u>\$ 162,068</u>	<u>\$ 1,221,671</u>

TOWN OF BERLIN, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 160,487
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Some revenues are not collected for several months after the Town's year end; they are not considered "available" revenue in the fund statements.</p>		
Unavailable property taxes increased by \$7,197.		7,197
<p>Repayment of notes, bonds and lease principal is an expenditure in the governmental funds; but the repayment reduces long-term liabilities in the statement of net position.</p>		
		45,893
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense:</p>		
Town pension contributions	46,326	
Cost of benefits earned, net of employee contributions	<u>(67,024)</u>	(20,698)
<p>In the statement of activities, accrued compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year compensated absences paid was more than what was earned by \$5,094.</p>		
		5,094
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$233,108) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$266,819). This is the amount by which depreciation was greater than capital outlays in the current period.</p>		
		<u>(33,711)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 164,262</u></u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Property taxes	\$ 2,248,734	\$ 2,234,013	\$ (14,721)
PILOT	175,000	121,030	(53,970)
Total taxes	<u>2,423,734</u>	<u>2,355,043</u>	<u>(68,691)</u>
State of Vermont			
Current use	40,000	46,604	6,604
Highways	114,000	112,705	(1,295)
State hospital	25,000	25,000	0
Appraisal assistance	13,718	12,750	(968)
Railroad levy	2,000	4,661	2,661
Municipal planning	6,615	6,600	(15)
Police - highway fines	12,000	15,272	3,272
Public safety grants	0	23,914	23,914
Total State of Vermont	<u>213,333</u>	<u>247,506</u>	<u>34,173</u>
Fees, Licenses and Permits			
Animal licenses	2,000	1,286	(714)
Beverage and entertainment licenses	1,100	1,460	360
Copier fees	8,000	7,450	(550)
Zoning fees	16,000	11,201	(4,799)
Town Clerk fees	42,000	35,255	(6,745)
Records restoration	2,500	1,923	(577)
Excess weight permits	1,000	915	(85)
Peddlers' permits	300	300	0
Marriage licenses	200	175	(25)
Land posting permits	100	0	(100)
Police other	0	845	845
Other miscellaneous	0	5,497	5,497
Total fees, licenses and permits	<u>73,200</u>	<u>66,307</u>	<u>(6,893)</u>
Police			
Contract wages	113,880	118,325	4,445
Other miscellaneous	1,500	7,818	6,318
Total police	<u>115,380</u>	<u>126,143</u>	<u>10,763</u>
Interest and Penalties			
Investment income	2,000	2,014	14
Interest on delinquent taxes	17,000	17,627	627
Penalties on delinquent taxes	20,000	30,744	10,744
Total interest and penalties	<u>39,000</u>	<u>50,385</u>	<u>11,385</u>
Other Revenues			
Water pollution control	4,500	4,500	0
Berlin Historical Society	250	250	0
Friendship Park grant	0	27,900	27,900
Total other revenues	<u>4,750</u>	<u>32,650</u>	<u>27,900</u>
Total revenues	<u>2,869,397</u>	<u>2,878,034</u>	<u>8,637</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
General Government			
Administration			
Town Clerk	42,700	43,049	(349)
Town Treasurer	52,700	53,214	(514)
Assistant Clerk	16,678	17,120	(442)
Selectboard	3,750	3,750	0
Assistant Town Administrator	39,600	40,142	(542)
Town Administrator	61,200	61,690	(490)
Board of Civil Authority	500	0	500
Office supplies	6,000	7,551	(1,551)
Training	1,200	60	1,140
Computers and equipment	1,350	0	1,350
Copier	1,420	1,444	(24)
Records restoration	2,500	0	2,500
Postage	5,500	5,064	436
Postage meter rental	2,200	545	1,655
Telephone	4,500	3,426	1,074
Software and support	1,000	0	1,000
Clerk - advertising	500	0	500
Total administration	<u>243,298</u>	<u>237,055</u>	<u>6,243</u>
Listers			
Contract - assessor	20,000	20,145	(145)
Supplies	400	200	200
Software and support	500	239	261
Tax maps	1,000	4,289	(3,289)
License	0	215	(215)
Computer	1,350	1,996	(646)
Legal	500	93	407
Total listers	<u>23,750</u>	<u>27,177</u>	<u>(3,427)</u>
Meetings and Elections			
Town meetings and elections	4,000	3,084	916
Town reports	1,500	1,434	66
Legal notices and advertising	500	700	(200)
Total meetings and elections	<u>6,000</u>	<u>5,218</u>	<u>782</u>
Insurance			
Workers' compensation	1,910	2,006	(96)
Health insurance	16,762	19,368	(2,606)
Social Security	16,581	17,682	(1,101)
Unemployment	651	328	323
Disability	830	777	53
Life insurance	690	689	1
Health insurance buyback	4,875	5,063	(188)

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Insurance (continued)			
Deductible	1,000	100	900
Pension	11,000	11,473	(473)
General insurance	13,463	13,992	(529)
Total insurance	<u>67,762</u>	<u>71,478</u>	<u>(3,716)</u>
Zoning			
Training	250	0	250
Advertising	500	0	500
Legal fees	2,000	0	2,000
Total zoning	<u>2,750</u>	<u>0</u>	<u>2,750</u>
Development Review Board			
Secretary	4,500	3,402	1,098
Legal fees	500	4,761	(4,261)
Advertising	1,000	1,177	(177)
Total development review board	<u>6,000</u>	<u>9,340</u>	<u>(3,340)</u>
Planning			
Supplies, mileage and training	250	160	90
Advertising and printing	500	0	500
Consultant	8,100	7,192	908
Total planning	<u>8,850</u>	<u>7,352</u>	<u>1,498</u>
Other			
Cemeteries	10,000	2,400	7,600
Conservation Commission	1,400	0	1,400
Green Up Day	500	537	(37)
Emergency management commission	1,200	1,200	0
Total other	<u>13,100</u>	<u>4,137</u>	<u>8,963</u>
Taxes and Assessments			
Animal control officer	2,500	654	1,846
Washington county assessment	34,995	34,995	0
Ambulance service	75,600	77,265	(1,665)
Central Vermont Humane Society	1,800	870	930
Central Vermont Solid Waste Mgmt District	2,900	2,850	50
Central Vermont Economic Development	500	500	0
Vermont League of Cities and Towns	4,064	4,064	0
Central Vermont Regional Planning Commission	3,176	3,176	0
Total taxes and assessments	<u>125,535</u>	<u>124,374</u>	<u>1,161</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Town Office			
Janitorial	6,500	5,706	794
Supplies	3,000	1,141	1,859
Training	500	438	62
Copier	1,660	1,682	(22)
Advertising	1,000	1,315	(315)
Newsletter	500	0	500
Software and support	3,500	5,284	(1,784)
Web page	600	0	600
Cloud backup	1,500	1,500	0
Backup storage fees	360	138	222
Maintenance	7,500	9,749	(2,249)
Vehicle	1,000	483	517
Heat and utilities	9,600	2,891	6,709
Internet	1,500	1,436	64
Equipment contracts	1,500	1,820	(320)
Total town office	<u>40,220</u>	<u>33,583</u>	<u>6,637</u>
General			
Legal	20,000	14,543	5,457
Auditing and accounting	11,000	16,400	(5,400)
Payroll services	2,000	2,083	(83)
Selectboard minutes	2,400	1,990	410
Berlin Pond survey	0	1,957	(1,957)
Bike/pedestrian scoping study	0	2,540	(2,540)
Emergency generator	1,200	1,917	(717)
Tax refunds and abatements	3,000	12,691	(9,691)
Miscellaneous	1,000	261	739
Total general	<u>40,600</u>	<u>54,382</u>	<u>(13,782)</u>
Total general government	<u>577,865</u>	<u>574,096</u>	<u>3,769</u>
Police			
Wages	351,624	275,272	76,352
Wages - night shift	75,041	124,281	(49,240)
Wages - part time	22,000	39,582	(17,582)
Wages - clerical	32,430	32,858	(428)
Wages - CVMC	87,360	76,660	10,700
Wages - overtime	12,853	22,017	(9,164)
Wages - on call	3,000	4,240	(1,240)
Workers' compensation	38,805	42,319	(3,514)
Health insurance	91,017	70,738	20,279
Social Security	47,304	39,319	7,985
Unemployment	1,193	3,093	(1,900)
Social Security - CVMC	6,680	6,072	608

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Police (continued)			
Disability insurance	2,170	1,930	240
Life insurance	1,765	1,654	111
Health insurance buyback	4,875	10,478	(5,603)
Deductible	8,000	0	8,000
Employee benefits	960	700	260
Pension	32,283	30,108	2,175
Vehicle and liability insurance	25,850	26,764	(914)
Supplies	4,600	938	3,662
Uniforms	5,500	10,144	(4,644)
Guns and ammo	1,100	1,208	(108)
Copier lease	1,550	1,248	302
VIBRS	4,100	4,405	(305)
Media and data	4,500	4,972	(472)
Advertising	200	0	200
Training	1,700	1,879	(179)
Telephone	6,900	7,874	(974)
Legal	2,000	0	2,000
Equipment maintenance	12,000	11,674	326
Vehicle fuel	18,500	13,720	4,780
Lodging prisoners	1,100	800	300
Policing grants	0	20,246	(20,246)
Other	2,800	3,074	(274)
Berlin Community Fund	0	1,110	(1,110)
Total police	<u>911,760</u>	<u>891,377</u>	<u>20,383</u>
Highways			
Summer roads			
Wages	91,028	93,884	(2,856)
Roadside mowing	7,000	5,550	1,450
Chloride	28,000	24,882	3,118
Culverts and materials	10,000	9,069	931
Equipment maintenance	26,000	22,126	3,874
Fuel	23,000	10,988	12,012
Total summer roads	<u>185,028</u>	<u>166,499</u>	<u>18,529</u>
Winter roads			
Wages	122,741	92,632	30,109
Sand	60,000	49,421	10,579
Salt	70,000	51,369	18,631
Equipment maintenance	35,000	37,481	(2,481)
Fuel	37,000	13,851	23,149
Total winter roads	<u>324,741</u>	<u>244,754</u>	<u>79,987</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General			
Resurfacing - gravel	117,000	130,006	(13,006)
Bridge maintenance	10,000	213	9,787
Road signs and fencing	4,000	3,145	855
Guardrails	8,000	10,520	(2,520)
Total general	<u>139,000</u>	<u>143,884</u>	<u>(4,884)</u>
Other			
Workers' compensation	32,954	33,510	(556)
Health insurance	27,937	39,896	(11,959)
Social Security	16,353	14,502	1,851
Unemployment	402	208	194
Disability insurance	845	760	85
Life insurance	790	816	(26)
Health insurance buyback	4,875	5,062	(187)
Deductible	2,400	0	2,400
Pension	11,651	10,288	1,363
General insurance	11,160	11,184	(24)
Storm water permit	0	2,766	(2,766)
Erosion control	4,000	4,112	(112)
Supplies	4,000	(901)	4,901
Advertising	500	710	(210)
Training	500	60	440
Telephone	1,300	2,707	(1,407)
Garage	23,000	13,479	9,521
Trash removal	1,285	134	1,151
Street lights	10,000	8,053	1,947
Traffic lights	2,000	2,017	(17)
Uniforms	6,200	6,011	189
Total other	<u>162,152</u>	<u>155,374</u>	<u>6,778</u>
Total highways	<u>810,921</u>	<u>710,511</u>	<u>100,410</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Appropriations			
Battered Women Services	975	975	0
Berlin Volunteer Fire Department	242,454	242,454	0
Barre Area Senior Center	1,000	1,000	0
Central Vermont Adult Basic Education	1,200	1,200	0
Capstone Community Action	500	500	0
Central Vermont Council on Aging	2,500	2,500	0
Central Vermont Home Health and Hospice	5,700	5,700	0
Family Center of Washington County	800	800	0
Good Samaritan Haven	800	800	0
Green Mountain Transit Agency	10,920	10,920	0
Green Up Vermont	150	150	0
Just Basics, Inc.	2,000	2,000	0
Montpelier Senior Center	3,500	3,500	0
People's Health & Wellness Clinic	500	500	0
Prevent Child Abuse VT	350	350	0
Retired and Senior Volunteer Program	200	200	0
Sexual Assault Crisis Team	300	300	0
Vermont Assoc. for the Blind & Visually Impaired	500	500	0
Vermont Center for Independent Living	1,000	1,000	0
Washington County Youth Service Bureau	500	500	0
Total appropriations	<u>275,849</u>	<u>275,849</u>	<u>0</u>
Debt service			
Principal	55,012	45,893	9,119
Interest	4,490	5,399	(909)
Total debt service	<u>59,502</u>	<u>51,292</u>	<u>8,210</u>
Capital outlays			
General government	10,000	31,000	(21,000)
Highway	185,000	168,058	16,942
Police	35,000	34,050	950
Total capital outlays	<u>230,000</u>	<u>233,108</u>	<u>(3,108)</u>
Total expenditures	<u>2,865,897</u>	<u>2,736,233</u>	<u>129,664</u>
Excess Revenues (Expenditures)	<u>3,500</u>	<u>141,801</u>	<u>138,301</u>
Other Financing Sources (Uses)			
Sale of assets	0	16,788	16,788
Transfers out	(3,500)	(3,500)	0
Total other financing sources (uses)	<u>(3,500)</u>	<u>13,288</u>	<u>16,788</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>155,089</u>	<u>\$ 155,089</u>
Fund Balance - July 1, 2015		<u>904,514</u>	
Fund Balance - June 30, 2016		<u>\$ 1,059,603</u>	

TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

EXHIBIT H

	Water Pollution Fund	Water Division Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 753,721	\$ 96,024	\$ 849,745
Accounts receivable, net of allowance	19,060	5,327	24,387
Unbilled user fees	275,017	41,863	316,880
Grant receivable	0	258,977	258,977
Total current assets	<u>1,047,798</u>	<u>402,191</u>	<u>1,449,989</u>
Non-Current Assets			
Land	0	106,000	106,000
Construction in process	3,425	5,613,025	5,616,450
Plant and equipment, net of depreciation	658,302	0	658,302
Total non-current assets	<u>661,727</u>	<u>5,719,025</u>	<u>6,380,752</u>
Total assets	<u>1,709,525</u>	<u>6,121,216</u>	<u>7,830,741</u>
LIABILITIES			
Current Liabilities			
Accounts payable	17,696	287	17,983
Construction and retainage payable	0	204,254	204,254
Accrued interest payable	0	10,894	10,894
Customer overpayments	67	0	67
Advances from other funds	0	143,733	143,733
Due to other funds	79,256	25,256	104,512
Bond and note payable due within one year	0	108,473	108,473
Total current liabilities	<u>97,019</u>	<u>492,897</u>	<u>589,916</u>
Noncurrent Liabilities			
Bond and note payable due after one year	0	3,927,742	3,927,742
Total noncurrent liabilities	<u>0</u>	<u>3,927,742</u>	<u>3,927,742</u>
Total liabilities	<u>97,019</u>	<u>4,420,639</u>	<u>4,517,658</u>
NET POSITION			
Invested in capital assets, net of related debt	661,727	1,478,556	2,140,283
Unrestricted	950,779	222,021	1,172,800
Total net position	<u>\$ 1,612,506</u>	<u>\$ 1,700,577</u>	<u>\$ 3,313,083</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT I

	Water Pollution Fund	Water Division Fund	Total
OPERATING REVENUES			
User charges and fees	\$ 547,659	\$ 86,944	\$ 634,603
Interest and penalties	4,670	469	5,139
Total operating revenues	552,329	87,413	639,742
OPERATING EXPENSES			
Wages and related	16,079	484	16,563
Professional services	1,349	3,380	4,729
Maintenance, operations and services	484,118	21,838	505,956
Administrative expenses	6,176	1,117	7,293
Depreciation	30,594	0	30,594
Total operating expenses	538,316	26,819	565,135
OPERATING INCOME (LOSS)	14,013	60,594	74,607
NONOPERATING REVENUES (EXPENSES)			
Grant income	0	1,702,176	1,702,176
Interest expense	0	(62,593)	(62,593)
Interest income	9,711	0	9,711
Net nonoperating revenues	9,711	1,639,583	1,649,294
CHANGE IN NET POSITION	23,724	1,700,177	1,723,901
NET POSITION - JULY 1, 2015	1,588,782	400	1,589,182
NET POSITION - JUNE 30, 2016	\$ 1,612,506	\$ 1,700,577	\$ 3,313,083

TOWN OF BERLIN, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT J

	<u>Water Pollution Fund</u>	<u>Water Division Fund</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Cash received from customers	\$ 530,681	\$ 40,223
Cash payments to suppliers for goods and services	<u>(507,662)</u>	<u>(26,532)</u>
Net cash from operating activities	<u>23,019</u>	<u>13,691</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments from other funds	<u>19,408</u>	<u>3,602</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt and grants	0	7,761,818
Principal paid on capital debt	0	(4,307,106)
Additions of capital assets, net of change in related payables	(31,842)	(3,322,661)
Interest paid on capital debt	<u>0</u>	<u>(54,680)</u>
Net cash from (to) capital and related financing activities	<u>(31,842)</u>	<u>77,371</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	<u>9,711</u>	<u>0</u>
Net cash from investing activities	<u>9,711</u>	<u>0</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,296	94,664
CASH AND CASH EQUIVALENTS - JULY 1, 2015	<u>733,425</u>	<u>1,360</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2016	<u>\$ 753,721</u>	<u>\$ 96,024</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 14,013	\$ 60,594
Adjustments to reconcile income from operations to net cash flow from operating activities		
Depreciation	30,594	0
(Increase) decrease in accounts receivable	(20,216)	(47,190)
Increase (decrease) in accounts payable	60	287
Increase (decrease) in customer overpayments	<u>(1,432)</u>	<u>0</u>
Net cash from operating activities	<u>\$ 23,019</u>	<u>\$ 13,691</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2016

	<u>Cemetery Funds</u>
ASSETS	
Cash and cash equivalents	\$ 13,962
LIABILITIES	<u>0</u>
NET POSITION	
Restricted	<u><u>\$ 13,962</u></u>

TOWN OF BERLIN, VERMONT
STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2016

	<u>Cemetery Funds</u>
ADDITIONS	
Interest	\$ 7
DEDUCTIONS	<u> 0</u>
CHANGE IN NET POSITION	7
NET POSITION - July 1, 2015	<u>13,955</u>
NET POSITION - June 30, 2016	<u><u>\$ 13,962</u></u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The Town of Berlin (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a five member Select Board. The Town provides various services as authorized and funded by State government or Town voters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the criteria, the Town has no component units.

Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (focusing on the Town's major funds). The government-wide financial statements categorize primary activities as either governmental or business type.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants and contributions. Program revenue must be directly associated with the governmental function (public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary grants while capital grants and contribution column reflects capital specific grants and contributions.

The net costs (by governmental function or business-type activity) are normally covered by general revenues (property taxes, intergovernmental revenues, interest income, etc.).

This 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Basic Financial Statements - Fund Financial Statements*

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by major fund within the financial statements.

The Town's major funds consist of the General Fund, the Water Pollution Fund and the Water Division Fund. The non-major funds of the Town consist of the Recreation and Parks Fund, Conservation Fund, Montpelier Filtration Fund, Bike Path Fund, Bridge Fund and the Road Project Fund. The General Fund is the main operating fund of the Town. The Water Pollution Fund accounts for the activity of the water pollution system. The Water Division Fund accounts for the activities of the Town's water supply system.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

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 the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Water Pollution Fund and the Water Division Fund are major Enterprise Funds.

Fiduciary Funds

Fiduciary funds account for assets held in a trustee capacity (trust funds) or as an agent (agency funds) for the benefit of parties outside of the Town. The Town's fiduciary fund is the Cemetery Fund, which is a trust fund.

Measurement Focus

The accounting and financial reporting applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity is segregated into invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when transactions occur and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end for property taxes and six months for other revenue (grants and loans). 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, compensated absences, claims and judgments, and certain prepaids, which are recognized when due/paid.

Government-wide and Proprietary Fund Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

Unavailable Revenue

Unavailable revenue consists of the following:

General Fund – Delinquent taxes not collected within sixty (60) days after year end and other receivables not collected within six months after year end.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

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 Vermont Municipal Employees' Retirement System (VMERS) and additions to/deductions from VMERS's fiduciary net position have been determined on the same basis as they are reported by VMERS. 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.

Deferred Outflows of Resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year's financial statements are for 1) the difference between expected and actual experience 2) changes in assumptions 3) contributions made subsequent to the measurement date 4) differences between projected and actual investment earnings and 5) changes in proportion and differences between employer contributions and proportionate share of contributions. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The Town's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s).

Deferred inflows of resources are reported in the Town's statement of net position for changes in proportion and differences between Town contributions and proportionate share of contributions. These deferred inflows of resources are attributed to pension expense over a total of 5 years, including the current year.

In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The Town has one item which occurs because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the Town's fiscal year for property taxes, and six months for all other revenues) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable property tax revenue is reported in the governmental funds balance sheet. The Town did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Fund Equity*

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories, prepaids and long-term receivables) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory

Inventory in the General Fund consists of expendable supplies held for consumption by the highway department and is valued at cost, using the first-in/first-out method. Inventory is recorded as an expenditure when consumed rather than when purchased.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Net interest costs are capitalized on projects during the construction period.

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

Buildings and improvements	30 years
Infrastructure	15 - 30 years
Machinery and equipment	5 – 10 years
Vehicles	4 – 10 years

GASB No. 34 requires the Town to report and depreciate new general infrastructure assets prospectively starting July 1, 2003. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

Accrued Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Budgetary Accounting

The Town employs a formal budgetary process as a management control device during the year for the General Fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, presents comparisons of the budget with actual data. The budget numbers shown are on the same basis as the financial statements.

The Town is not legally required to adopt a budget for funds other than the General Fund. Therefore, a budgetary comparison is not presented for those funds.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Interfund Activities*

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion) or “advances to/from other funds” (i.e., the non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account (nonspendable fund balance) in the applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Prepaid Expenses

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS

The Treasurer is authorized to invest excess deposits and investments according to policies set by the Selectboard.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of June 30, 2016, \$1,292,788 of the government’s bank balance of \$2,067,861 was exposed to custodial credit risk. A summary of the Town’s custodial credit risk is as follows:

	Bank Balance
Insured by FDIC	\$ 775,073
Uninsured, collateralized by securities held by the pledging financial institution	1,191,388
Uninsured, uncollateralized	101,400
Total	<u>\$ 2,067,861</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 3 - PROPERTY TAXES

Property taxes in the Town of Berlin support the School District as well as Town operations. Property taxes attach as an enforceable lien on property owned as of April 1st. Listers establish a grand list of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Agency of Education. Taxes are payable in four installments, in August, November, February and May. All late payments are subject to an 8% penalty, and interest.

NOTE 4 – INTERFUND LOAN

During fiscal year 2015 the General Fund loaned the Water Division \$143,733 at 0% interest. The note is a demand note that is due in its entirety on June 30, 2021.

NOTE 5 - INTERFUND ACTIVITY

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations. \$3,500 was transferred to the Recreation and Parks Fund from the General Fund per budget authorization.

The composition of due from/(to) other funds at June 30, 2016 are as follows:

	Due from other funds	Due to other funds
Governmental funds:		
General Fund	\$ 50,624	\$ 0
Recreation and Parks Fund	3,648	0
Montpelier Filtration Fund	1,280	0
Bridge Fund	19,398	0
Road Project Fund	29,562	0
Proprietary funds:		
Water Pollution	0	79,256
Water Division	0	25,256
	<u>\$ 104,512</u>	<u>\$ 104,512</u>

NOTE 6 - RECEIVABLES

Receivable balances as of June 30, 2016 were as follows:

	Governmental Activities	Business-Type Activities	Net Receivables
Delinquent taxes, penalty & interest receivable, net of \$25,547 allowance	\$ 137,242	\$ 0	\$ 137,242
Grant receivable- USDA	0	258,977	258,977
Unbilled user fees	0	316,880	316,880
Accts receivable - State	8,994	0	8,994
Accts receivable - other, net of \$2,500 allow. (business-type)	48,089	24,387	72,476
	<u>\$ 194,325</u>	<u>\$ 600,244</u>	<u>\$ 794,569</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 7 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year:

	(Restated) Balance June 30, 2015	Additions	Disposals	(Depreciation)	Balance June 30, 2016
<i>Governmental activities</i>					
Capital assets not depreciated					
Land	\$ 52,400	\$ 0	\$ 0	\$ 0	\$ 52,400
CIP - Friendship Park	0	31,000	0	0	31,000
CIP - Berlin Bike Path	32,458	0	0	0	32,458
Total capital assets not deprec.	<u>84,858</u>	<u>31,000</u>	<u>0</u>	<u>0</u>	<u>115,858</u>
Capital assets being depreciated					
Buildings and improvements	287,845	0	0	0	287,845
Infrastructure	1,660,069	122,993	0	0	1,783,062
Machinery and equipment	173,539	0	0	0	173,539
Vehicles	1,606,343	79,115	(57,938)	0	1,627,520
Total capital assets being deprec.	<u>3,727,796</u>	<u>202,108</u>	<u>(57,938)</u>	<u>0</u>	<u>3,871,966</u>
Less accumulated depreciation for:					
Buildings and improvements	(98,354)	0	0	(9,595)	(107,949)
Infrastructure	(556,681)	0	0	(71,929)	(628,610)
Machinery and equipment	(135,680)	0	0	(7,630)	(143,310)
Vehicles	(1,067,935)	0	57,938	(177,665)	(1,187,662)
Total accum. depreciation	<u>(1,858,650)</u>	<u>0</u>	<u>57,938</u>	<u>(266,819)</u>	<u>(2,067,531)</u>
Total capital assets, net of deprec.	<u>1,869,146</u>	<u>202,108</u>	<u>0</u>	<u>(266,819)</u>	<u>1,804,435</u>
Total gov't activities assets, net	<u>\$ 1,954,004</u>	<u>\$ 233,108</u>	<u>\$ 0</u>	<u>\$ (266,819)</u>	<u>\$ 1,920,293</u>
<i>Business-type activities</i>					
Capital assets not depreciated					
Land	\$ 106,000	\$ 0	\$ 0	\$ 0	\$ 106,000
CIP - water pollution	3,425	0	0	0	3,425
CIP - water division	2,539,200	3,073,825	0	0	5,613,025
Total capital assets not deprec.	<u>2,648,625</u>	<u>3,073,825</u>	<u>0</u>	<u>0</u>	<u>5,722,450</u>
Capital assets being depreciated					
Capital improvements	717,732	31,842	0	0	749,574
Main pump upgrades	88,701	0	0	0	88,701
Equipment	71,549	0	0	0	71,549
Total capital assets being deprec.	<u>877,982</u>	<u>31,842</u>	<u>0</u>	<u>0</u>	<u>909,824</u>
Less accumulated depreciation for:					
Capital improvements	(151,841)	0	0	(24,137)	(175,978)
Main pump upgrades	(8,037)	0	0	(2,957)	(10,994)
Equipment	(61,050)	0	0	(3,500)	(64,550)
Total accum. depreciation	<u>(220,928)</u>	<u>0</u>	<u>0</u>	<u>(30,594)</u>	<u>(251,522)</u>
Total capital assets, net of deprec.	<u>\$ 3,305,679</u>	<u>\$ 3,105,667</u>	<u>\$ 0</u>	<u>\$ (30,594)</u>	<u>\$ 6,380,752</u>

Depreciation for the governmental activities was charged to general government for \$81,524, highway for \$141,559 and police for \$43,736. Depreciation for the proprietary funds consisted of \$30,594 for the Pollution Fund.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 8 – UNAVAILABLE REVENUE

Unavailable revenue in the General Fund consists of \$110,319 of property taxes not received within sixty days after year end.

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2016 consisted of the following:

Governmental Activities

		Due within one year
Bond payable to Vermont Bond Bank with yearly principal reduction of \$10,000 until 11/15/24, then \$5,000 due 11/15/25, variable interest due semiannually.	\$ 95,000	\$ 10,000
Note payable to Northfield Savings Bank for dump truck and chipper. Principal and interest payments of \$5,971 due quarterly through March 2020. Interest at 1.99%.	85,801	22,314
Subtotal	<u>180,801</u>	<u>\$ 32,314</u>
Accrued compensated absences	26,469	
Total	<u>207,270</u>	
Amount due within one year	<u>(32,314)</u>	
Amount due after one year	<u>\$ 174,956</u>	

Proprietary Funds**Water Division Fund**

Note payable to State of Vermont for water supply project. The loan balance remaining is anticipated loan forgiveness expected to be recognized by the State in fiscal year 2017.

	\$ 49,921	\$ 49,921
Note payable with USDA, semiannual principal and interest payments of \$81,405 through November 2055, interest at 2.625%.	3,986,294	58,552
Total	<u>4,036,215</u>	<u>\$ 108,473</u>
Amount due within one year	<u>(108,473)</u>	
Amount due after one year	<u>\$ 3,927,742</u>	

TOWN OF BERLIN, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 9 - LONG-TERM LIABILITIES (Continued)

Long-term debt will mature approximately as follows:

	Governmental			Proprietary		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 32,314	\$ 5,628	\$ 37,942	\$ 108,473	\$ 104,258	\$ 212,731
2018	32,768	4,401	37,169	60,099	102,711	162,810
2019	33,230	3,475	36,705	61,687	101,123	162,810
2020	27,489	2,558	30,047	63,316	99,494	162,810
2021	10,000	1,567	11,567	64,989	97,811	162,800
2022-2026	45,000	2,598	47,598	351,629	462,630	814,259
2027-2031	0	0	0	400,604	413,445	814,049
2032-2036	0	0	0	456,400	357,650	814,050
2037-2041	0	0	0	519,968	294,082	814,050
2042-2046	0	0	0	592,390	221,660	814,050
2047-2051	0	0	0	674,897	139,153	814,050
2052-2056	0	0	0	681,763	45,227	726,990
Total	\$ 180,801	\$ 20,227	\$ 201,028	\$ 4,036,215	\$ 2,439,244	\$ 6,475,459

The following is a summary of changes of long-term liabilities for the year ended June 30, 2016:

	Governmental	Proprietary	Total
Balance at June 30, 2015	\$ 258,257	\$ 2,024,703	\$ 2,282,960
Proceeds	0	6,318,619	6,318,619
Accrued vacation earned	769	0	769
Accrued vacation used	(5,863)	0	(5,863)
Principal payments	(45,893)	(4,307,107)	(4,353,000)
Balance at June 30, 2016	\$ 207,270	\$ 4,036,215	\$ 4,243,485

Interest of \$67,992 was paid on long-term debt in fiscal year 2016.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 10 – RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

Net position and fund balances are committed/restricted/assigned as follows:

	Restricted Net Position & Fund Balance	Committed Fund Balance	Assigned Fund Balance
Police Community Fund	\$ 0	\$ 14,679	\$ 0
Fire warden	0	900	0
Building maintenance	0	7,026	0
Task force	0	3,000	0
Cemeteries	0	2,758	0
Bridge maintenance	0	34,799	0
Economic Dev. Board	0	1,515	0
Highway equipment	0	847	0
Bond build renovation	0	5,974	0
Planning	0	1,100	0
Water supply	0	2,165	0
Police equipment	0	8,497	0
Recreation and parks	15,564	0	0
Conservation	40,960	0	0
Montpelier Filtration	1,280	0	0
Bike path	55,304	0	0
Bridges	0	19,398	0
Road projects	0	29,562	0
Computer equipment	0	0	1,350
Capital budget	0	0	10,000
Highway paving/tires	0	0	18,151
Reappraisal	159,429	0	0
Listers education	821	0	0
Records restoration	13,488	0	0
Totals	<u>\$ 286,846</u>	<u>\$ 132,220</u>	<u>\$ 29,501</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 11 - PENSION PLAN**DEFINED CONTRIBUTION PLAN**

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$1,058,268, \$107,896 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$5,530 and by the employees were \$5,275.

VMERS

Plan description. The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) which is a cost sharing multiple employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees, consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives – one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Summary of System Provisions

Membership is open to all full time employees of participating municipalities. The municipality elects coverage under Groups A, B, C, or D. The Town only has Group B members.

Creditable service is service as a member plus purchased service.

TOWN OF BERLIN, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 11 - PENSION PLANS (Continued)

Benefits provided and contributions

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>
Avg Final Compensation (AFC)	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
Early Retirement Allowance				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 years of service
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age		n/a	Normal allowance based on service and AFC at early retirement, without reduction
Vested Retirement Allowance				
Eligibility	5 years of service	5 years of service	5 years of service	5 years of service
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
Disability Retirement Allowance				
Eligibility	5 years of service and disability as determined by Retirement Board			
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.			
Death Benefit				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 5 years of service
Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death.			70% of the unreduced accrued benefit plus children's benefit
Optional Benefit and Death after Retirement				
	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			Lifetime allowance or 70% contingent annuitant option with no reduction
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.			
Post-Retirement Adjustments				
	Allowance in payment for at least one year, increased on each January 1 by one-half of the percentage increase in CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.5% effective 1/1/00	4.875% effective 7/1/15	9.625% eff. 7/1/14 and 9.75% eff. 1/1/15	11.25% effective 7/1/14
Employer Contributions	4%	5.5% effective 7/1/15	6.875% eff. 7/1/14 and 7% eff 1/1/15	9.75% effective 7/1/14
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016
(Continued)

NOTE 11 - PENSION PLANS (Continued)

For the year ended June 30, 2016, the Town's contributions to the Plan were \$46,326.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the Town reported a liability of \$231,207 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Town's proportion was 0.2999%, which was an increase of 0.03961% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$67,024. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,309	\$ 0
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,019	0
Changes in assumptions	46,045	0
Difference between projected and actual investment earnings	44,666	0
Member contributions subsequent to the measurement date	46,326	0
Total	\$ 158,365	\$ 0

Of the \$158,365 of deferred outflows of resources, \$46,326 was from the Town's contributions subsequent to the measurement date which will be recognized as pension expense in the year ending June 30, 2017. Other amounts (\$112,039) reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2017	\$ 22,919
2018	22,919
2019	22,919
2020	43,282

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Actuarial Assumptions

Interest rate – 7.95% per annum. Through July 1, 2014, a select-and-ultimate rate set was used, as specified below. The interest rate set is restarted every year.

Year 1	6.25%	Year 10	8.50%
Year 2	6.75%	Year 11	8.50%
Year 3	7.00%	Year 12	8.50%
Year 4	7.50%	Year 13	8.50%
Year 5	7.75%	Year 14	8.50%
Year 6	8.25%	Year 15	8.50%
Year 7	8.25%	Year 16	8.75%
Year 8	8.25%	Year 17 and later	9.00%
Year 9	8.50%		

Salary increase - 5% per year

Deaths

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females

Non-disabled retirees and terminated vested participants – the 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females

Disabled retirees – RP-2000 Disabled Life Tables

Beneficiaries – 1995 Buck Mortality Tables for males and females

Spouse's age – husbands are assumed to be three years older than their wives

Cost of Living Adjustments to Benefits of Terminated Vested and Retired Participants - Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Actuarial Cost Method – Entry age normal-level percentage of pay.

Asset Valuation Method – Invested assets are reported at fair value.

Inflation - The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 11 - PENSION PLANS (Continued)

functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate – The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

The following presents the net pension liability calculated using the discount rate of 7.95%, as well as what the proportionate share would be if it were calculated using a discount rate that is 1 percentage point lower (6.95%) or 1 percentage point higher (8.95%) than the current rate:

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$ 461,820	\$ 231,207	\$ 37,887

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(Continued)

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The government-wide net position for July 1, 2015 was restated below to adjust the beginning balances of the Town to account for the impairment loss on the Muzzy Road flood property that was acquired in fiscal year 2015. The governmental activities opening net position was restated as follows:

July 1, 2015, as previously reported	\$ 2,978,630
Impairment loss - Muzzy Road flood property	<u>(170,721)</u>
July 1, 2015, as restated	<u>\$ 2,807,909</u>

NOTE 13 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 14 - COMMITMENTS

In September 2016, the Town entered into a three year contract for ambulance service with the Town of Barre. The contract fees are based on a per capital fee with ranges from \$29.52 for fiscal year 2017 up to \$33.79 per capital for fiscal year 2019. The contract may be extended for two additional years at the per capital rates of \$36.15 and \$38.68.

NOTE 15 - CONTINGENCY

The Town participates in state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2016 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 6, 2017, the date which the financial statements were available for issue.

TOWN OF BERLIN, VERMONT
 COMBINING AND INDIVIDUAL FUND BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue Funds			Capital Project Funds			Total
	Recreation and Parks Fund	Conservation Fund	Montpelier Filtration Fund	Bike Path Fund	Bridge Fund	Road Project Fund	
ASSETS							
Cash and cash equivalents	\$ 11,916	\$ 40,960	\$ 0	\$ 55,304	\$ 0	\$ 0	\$ 108,180
Due from other funds	3,648	0	1,280	0	19,398	29,562	53,888
Total assets	<u>\$ 15,564</u>	<u>\$ 40,960</u>	<u>\$ 1,280</u>	<u>\$ 55,304</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 162,068</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCES							
Restricted	15,564	40,960	1,280	55,304	0	0	113,108
Committed	0	0	0	0	19,398	29,562	48,960
Total fund balances	<u>15,564</u>	<u>40,960</u>	<u>1,280</u>	<u>55,304</u>	<u>19,398</u>	<u>29,562</u>	<u>162,068</u>
Total liabilities and fund balances	<u>\$ 15,564</u>	<u>\$ 40,960</u>	<u>\$ 1,280</u>	<u>\$ 55,304</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 162,068</u>

TOWN OF BERLIN, VERMONT
 COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			Capital Project Funds			Total
	Recreation and Parks Fund	Conservation Fund	Montpelier Filtration Fund	Bike Path Fund	Bridge Fund	Road Project Fund	
REVENUES							
Interest	\$ 7	\$ 18	\$ 0	\$ 28	\$ 0	\$ 0	\$ 53
Other	748	4,383	0	0	0	0	5,131
Total revenues	755	4,401	0	28	0	0	5,184
EXPENDITURES	3,286	0	0	0	0	0	3,286
EXCESS REVENUES (EXPENDITURES)	(2,531)	4,401	0	28	0	0	1,898
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	3,500	0	0	0	0	0	3,500
Total other financing sources (uses)	3,500	0	0	0	0	0	3,500
NET CHANGE IN FUND BALANCES	969	4,401	0	28	0	0	5,398
FUND BALANCES - July 1, 2015	14,595	36,559	1,280	55,276	19,398	29,562	156,670
FUND BALANCES - June 30, 2016	\$ 15,564	\$ 40,960	\$ 1,280	\$ 55,304	\$ 19,398	\$ 29,562	\$ 162,068

TOWN OF BERLIN, VERMONT
 SCHEDULES OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND TOWN CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2016

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 AS OF MEASUREMENT DATE JUNE 30,

	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	0.29990%	0.26030%
Town's proportionate share of the net pension liability (asset)	\$ 231,207	\$ 23,756
Town's covered-employee payroll	\$ 779,921	\$ 655,141
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.64%	3.63%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%

SCHEDULE OF TOWN CONTRIBUTIONS
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 YEARS ENDED JUNE 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 46,326	\$ 41,921	\$ 33,576	\$ 30,031
Contributions in relation to the contractually required contribution	<u>(46,326)</u>	<u>(41,921)</u>	<u>(33,576)</u>	<u>(30,031)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's covered-employee payroll	\$ 842,285	\$ 779,921	\$ 655,141	\$ 600,620
Contributions as a percentage of covered-employee payroll	5.500%	5.375%	5.125%	5.000%