

**TOWN OF BERLIN, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2019**

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2019, 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 3, 2020 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 solely 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 the effectiveness of the Town's 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 Segale & Valley, CPAs

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

January 3, 2020

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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, 2019. 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 \$415,604 or about 15%, compared to a decrease of \$118,571 in the prior year. The net position of our business-type activities increased by \$67,705 or about 2%, compared to a decrease of \$27,535 in the prior year.
- The cost of all of the Town's programs was \$4,152,511 in fiscal year 2019, compared to \$4,004,209 in fiscal year 2018, with no new programs added this year.

Fund Statements

- The General Fund reported an increase in fund balance this year of \$139,991, which was \$183,903 better than what was budgeted. This compares to a decrease of \$29,548 in fiscal year 2018.
- The General Fund restricted fund balance was \$221,073 and is restricted for lister training, reappraisal, record restoration, recreation and I-89 exit closure. The committed fund balance of \$86,733 is for the items noted in Note 10. The assigned fund balance of \$24,032 is for highway equipment, capital budget, and highway materials. The nonspendable fund balance of \$278,420 consists of \$96,032 of prepaids, \$38,655 of highway inventory and the \$143,733 note due from the Water Fund.
- The nonmajor funds, as a whole, reported a net decrease in fund balance this year of \$49,944 compared to a decrease of \$929 in fiscal year 2018. This brings the combined fund balance from \$162,484 to \$112,540.
- The Cemetery Funds reported an increase in fund balance this year of \$26 from a balance of \$13,982 to \$14,008.
- The Water Pollution Fund reported an increase in net position of \$167,957 in fiscal year 2019, compared to a decrease of \$30,113 in fiscal year 2018, resulting in an ending net position of \$1,723,721.
- The Water Division Fund reported a decrease in net position of \$100,252 in fiscal year 2019, compared to an increase of \$2,578 in fiscal year 2018, resulting in an ending net position of \$1,776,062.

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, 2019
(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, 2019
(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 \$483,309 from a year ago – increasing from a balance of \$6,237,622 to \$6,720,931. Net position for the governmental activities increased from a balance of \$2,805,544 to \$3,221,148. 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,576,773	\$ 1,472,742	\$ 1,042,841	\$ 962,513	\$ 2,619,614	\$ 2,435,255
Capital assets, net of depr	2,231,905	1,947,191	6,387,736	6,430,396	8,619,641	8,377,587
Total assets	<u>3,808,678</u>	<u>3,419,933</u>	<u>7,430,577</u>	<u>7,392,909</u>	<u>11,239,255</u>	<u>10,812,842</u>
Deferred outflows of resources	190,189	209,741	0	0	190,189	209,741
Long-term liabilities	247,749	309,992	3,860,059	3,867,662	4,107,808	4,177,654
Net pension liability	405,476	378,335	0	0	405,476	378,335
Other liabilities	103,232	126,437	70,735	93,169	173,967	219,606
Total liabilities	<u>756,457</u>	<u>814,764</u>	<u>3,930,794</u>	<u>3,960,831</u>	<u>4,687,251</u>	<u>4,775,595</u>
Deferred inflows of resources	21,262	9,366	0	0	21,262	9,366
Net position:						
Invested in capital assets, net of debt	2,027,552	1,673,271	2,507,849	2,532,892	4,535,401	4,206,163
Restricted	333,613	312,206	0	0	333,613	312,206
Unrestricted	859,983	820,067	991,934	899,186	1,851,917	1,719,253
Total net position	<u>\$ 3,221,148</u>	<u>\$ 2,805,544</u>	<u>\$ 3,499,783</u>	<u>\$ 3,432,078</u>	<u>\$ 6,720,931</u>	<u>\$ 6,237,622</u>

Net position of the Town's governmental activities increased by about 15% in fiscal year 2019 (\$3,221,148 compared to a balance of \$2,805,544). 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 \$820,067 to \$859,983. Restricted net position increased from \$312,206 to \$333,613 in fiscal year 2019. The net position of our business-type activities increased by \$67,705 in fiscal year 2019 (\$3,499,783 compared to \$3,432,078).

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
REVENUES						
Program revenues:						
Charges for services	\$ 96,612	\$ 138,665	\$ (42,053)	\$ 953,478	\$ 763,987	\$ 189,491
Operating grants and contributions	260,100	229,074	31,026	0	0	0
Capital grants and contributions	285,155	11,959	273,196	2,740	79,601	(76,861)
General revenues:						
Property taxes	2,946,304	2,523,702	422,602	0	0	0
Interest/penalty on del. taxes	42,685	47,517	(4,832)	6,608	1,651	4,957
Investment income	4,106	2,450	1,656	8,652	6,845	1,807
Gain on asset disposal	29,380	52,652	(23,272)	0	0	0
Total revenues	<u>3,664,342</u>	<u>3,006,019</u>	<u>658,323</u>	<u>971,478</u>	<u>852,084</u>	<u>119,394</u>
PROGRAM EXPENSES						
General government	823,458	782,327	41,131	0	0	0
Highway	1,055,684	1,073,754	(18,070)	0	0	0
Police	1,041,267	947,523	93,744	0	0	0
Appropriations	322,265	315,324	6,941	0	0	0
Interest on debt	6,064	5,662	402	0	0	0
Water division	0	0	0	348,346	301,502	46,844
Water pollution	0	0	0	555,427	578,117	(22,690)
Total program expenses	<u>3,248,738</u>	<u>3,124,590</u>	<u>124,148</u>	<u>903,773</u>	<u>879,619</u>	<u>24,154</u>
CHANGE IN NET POSITION	<u>\$ 415,604</u>	<u>\$ (118,571)</u>	<u>\$ 534,175</u>	<u>\$ 67,705</u>	<u>\$ (27,535)</u>	<u>\$ 95,240</u>

Governmental Activities

The increase in net position for governmental activities was \$415,604 in fiscal year 2019, compared to a decrease of \$118,571 in fiscal year 2018.

The cost of all governmental activities this year was \$3,248,738. However, as shown in the Statement of Activities on Exhibit B, the amount that our taxpayers ultimately financed for these activities through Town taxes and other revenue was only \$2,606,871 because some of the cost was paid by those who directly benefited from the programs (\$96,612) or by other governments and organizations that subsidized certain programs with grants and contributions (\$545,255).

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

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	
	2019	2018	2019	2018
General government	\$ 823,458	\$ 782,327	\$ 640,177	\$ 612,727
Highway	1,055,684	1,073,754	658,025	958,322
Police	1,041,267	947,523	980,340	852,857
All others	328,329	320,986	328,329	320,986
Totals	<u>\$3,248,738</u>	<u>\$3,124,590</u>	<u>\$2,606,871</u>	<u>\$2,744,892</u>

Business-Type Activities

The net position for business type activities increased by \$67,705 in fiscal year 2019, compared to a decrease of \$27,535 in fiscal year 2018.

The cost of all business-type activities this year was \$903,773. However, these costs were covered by those who directly benefited from the programs (\$953,478) and by other governments and organizations that subsidized certain programs with grants and contributions (\$2,740).

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 \$1,326,498, which is greater than last year's total fund balance of \$1,236,451. Included in this year's total increase in fund balance of \$90,047, was an increase of \$139,991 in the General Fund and a decrease of \$49,944 in the nonmajor governmental funds. The decrease in the nonmajor governmental funds is due to transfers made to the General Fund.

General Fund Budgetary Highlights

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

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State of Vermont	\$ 191,500	\$ 545,114	\$ 353,614
Other revenues	4,750	56,900	52,150
Expenditures:			
Police	936,446	1,012,521	(76,075)
Highway - winter roads	325,090	384,515	(59,425)
Capital outlays	449,196	634,580	(185,384)
Other Financing Sources (Uses)			
Transfers in	0	61,873	61,873

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

State of Vermont revenue was greater than budget due to having received unbudgeted grants and appraisal assistance. Other revenues exceeded budget due to insurance proceeds received. Police expenses were over budget due to costs related to unbudgeted grant expenses and excess wages/benefits. Highway winter roads were over budget mostly due to salt usage being more than anticipated. Capital outlays were over budget due to some projects not being budgeted, but were offset by revenue that also was not budgeted. Transfers in were not budgeted.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the Town had \$8,619,641 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 \$242,054.

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 52,400	\$ 52,400	\$ 106,000	\$ 106,000	\$ 158,400	\$ 158,400
Construction in progress	45,863	38,288	170,688	35,390	216,551	73,678
Land improvements	26,767	28,967	0	0	26,767	28,967
Plant	0	0	6,111,048	6,289,006	6,111,048	6,289,006
Buildings and impr.	167,307	160,707	0	0	167,307	160,707
Infrastructure	1,443,023	1,108,550	0	0	1,443,023	1,108,550
Machinery and equip.	30,821	38,375	0	0	30,821	38,375
Vehicles	465,724	519,904	0	0	465,724	519,904
Totals	<u>\$ 2,231,905</u>	<u>\$ 1,947,191</u>	<u>\$ 6,387,736</u>	<u>\$ 6,430,396</u>	<u>\$ 8,619,641</u>	<u>\$ 8,377,587</u>

This year's major additions for governmental activities were the salt shed, paving and culvert projects, storm water planning, Fisher Road lights, new highway equipment and a police vehicle. The major additions to the business-type activities was work done on the sewer project and one of the water wells.

Debt Administration

At June 30, 2019, the Town had \$4,064,412 in notes, lease and bonds outstanding versus \$4,140,208 on June 30, 2018 – a decrease of \$75,796 – as shown in Table 5.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-Type Activities	Total
Balance - June 30, 2018	\$ 272,546	\$ 3,867,662	\$ 4,140,208
Proceeds	0	54,074	54,074
Principal payments	(68,193)	(61,677)	(129,870)
Balance - June 30, 2019	<u>\$ 204,353</u>	<u>\$ 3,860,059</u>	<u>\$ 4,064,412</u>

Proceeds received in fiscal year 2019 were for a new water well and the sewer project.

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for the fiscal year 2020 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, 2019

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,076,228	\$ 564,697	\$ 1,640,925
Investments - CDs	0	395,727	395,727
Accounts receivable - State	14,236	0	14,236
Accounts receivable - other, net of allowance	595	21,493	22,088
Unbilled user fees	0	228,837	228,837
Taxes, interest and penalty receivable, net of allowance	178,814	0	178,814
Internal balances	172,213	(172,213)	0
Prepaid expenses	96,032	4,300	100,332
Inventory	38,655	0	38,655
Capital Assets			
Land	52,400	106,000	158,400
Construction in process	45,863	170,688	216,551
Other capital assets, (net of accumulated depreciation)	2,133,642	6,111,048	8,244,690
Total assets	3,808,678	7,430,577	11,239,255
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related	190,189	0	190,189
Total assets and deferred outflows of resources	3,998,867	7,430,577	11,429,444
<u>LIABILITIES</u>			
Accounts payable	26,232	40,506	66,738
Construction and retainage payable	0	19,828	19,828
Accrued interest payable	0	10,401	10,401
Accrued payroll and benefits payable	21,497	0	21,497
Prepaid property taxes	55,503	0	55,503
Bonds and notes payable due within one year	62,652	63,316	125,968
Accrued compensated absences	43,396	0	43,396
Net pension liability	405,476	0	405,476
Bonds and notes payable due after one year	141,701	3,796,743	3,938,444
Total liabilities	756,457	3,930,794	4,687,251
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related	21,262	0	21,262
Total liabilities and deferred inflows of resources	777,719	3,930,794	4,708,513
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	2,027,552	2,507,849	4,535,401
Restricted	333,613	0	333,613
Unrestricted	859,983	991,934	1,851,917
Total net position	\$ 3,221,148	\$ 3,499,783	\$ 6,720,931

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	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	\$ 823,458	\$ 73,706	\$ 109,575	\$ 0	\$ (640,177)	\$ 0	\$ (640,177)
Highway	1,055,684	0	124,226	273,433	(658,025)	0	(658,025)
Police	1,041,267	22,906	26,299	11,722	(980,340)	0	(980,340)
Appropriations	322,265	0	0	0	(322,265)	0	(322,265)
Interest on Long-Term Debt	6,064	0	0	0	(6,064)	0	(6,064)
Total Governmental Activities	<u>3,248,738</u>	<u>96,612</u>	<u>260,100</u>	<u>285,155</u>	<u>(2,606,871)</u>	<u>0</u>	<u>(2,606,871)</u>
Business-Type Activities:							
Water division	348,346	243,595	0	2,740	0	(102,011)	(102,011)
Water pollution	555,427	709,883	0	0	0	154,456	154,456
Total Business-Type Activities	<u>903,773</u>	<u>953,478</u>	<u>0</u>	<u>2,740</u>	<u>0</u>	<u>52,445</u>	<u>52,445</u>
Total	<u>\$ 4,152,511</u>	<u>\$ 1,050,090</u>	<u>\$ 260,100</u>	<u>\$ 287,895</u>	<u>(2,606,871)</u>	<u>52,445</u>	<u>(2,554,426)</u>
General Revenues:							
Property taxes					2,946,304	0	2,946,304
Interest and penalties on delinquent taxes/user charges					42,685	6,608	49,293
Net investment income					4,106	8,652	12,758
Gain (loss) on asset disposal					29,380	0	29,380
Total general revenues					<u>3,022,475</u>	<u>15,260</u>	<u>3,037,735</u>
Change in Net Position					415,604	67,705	483,309
Net Position - July 1, 2018					<u>2,805,544</u>	<u>3,432,078</u>	<u>6,237,622</u>
Net Position - June 30, 2019					<u>\$ 3,221,148</u>	<u>\$ 3,499,783</u>	<u>\$ 6,720,931</u>

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Fund General Fund	Nonmajor Funds Other Governmental Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 976,690	\$ 99,538	\$ 1,076,228
Taxes, interest and penalty receivable, net of allowance	178,814	0	178,814
Accounts receivable - State	14,236	0	14,236
Accounts receivable - other	595	0	595
Prepaid expenses	96,032	0	96,032
Inventory	38,655	0	38,655
Advances to other funds	143,733	0	143,733
Due from other funds	15,478	13,002	28,480
Total assets	<u>\$ 1,464,233</u>	<u>\$ 112,540</u>	<u>\$ 1,576,773</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 26,232	\$ 0	\$ 26,232
Accrued wages & taxes	21,497	0	21,497
Property tax overpayments	55,503	0	55,503
Total liabilities	<u>103,232</u>	<u>0</u>	<u>103,232</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	147,043	0	147,043
Fund Balances			
 Nonspendable:			
Prepays	96,032	0	96,032
Inventory	38,655	0	38,655
Advances to other funds	143,733	0	143,733
Restricted	221,073	112,540	333,613
Committed	86,733	0	86,733
Assigned	24,032	0	24,032
Unassigned	603,700	0	603,700
Total fund balances	<u>1,213,958</u>	<u>112,540</u>	<u>1,326,498</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,464,233</u>	<u>\$ 112,540</u>	<u>\$ 1,576,773</u>

TOWN OF BERLIN, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,326,498
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.		2,231,905
Unavailable revenue for property taxes is recognized on an accrual basis in the statement of net position, not for the modified cash basis.		147,043
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		(405,476)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		168,927
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		(204,353)
Accrued compensated absences		(43,396)
		(247,749)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	3,221,148

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	Major Fund General Fund	Other Governmental Funds	Totals
Revenues			
Property taxes	\$ 2,909,115	\$ 0	\$ 2,909,115
Delinquent tax penalties & interest	42,685	0	42,685
Licenses, fees & permits	69,206	0	69,206
Interest income	3,899	207	4,106
Intergovernmental	545,114	11,722	556,836
Charges for services - police	11,075	0	11,075
Other	56,900	0	56,900
Total revenues	<u>3,637,994</u>	<u>11,929</u>	<u>3,649,923</u>
Expenditures			
Current:			
General government	618,994	0	618,994
Highways	897,259	0	897,259
Police	1,012,521	0	1,012,521
Appropriations	322,265	0	322,265
Total current	<u>2,851,039</u>	<u>0</u>	<u>2,851,039</u>
Debt service:			
Principal	68,193	0	68,193
Interest	6,064	0	6,064
Total debt service	<u>74,257</u>	<u>0</u>	<u>74,257</u>
Capital outlays:			
Highways	626,290	0	626,290
General government	8,290	0	8,290
Total capital outlays	<u>634,580</u>	<u>0</u>	<u>634,580</u>
Total expenditures	<u>3,559,876</u>	<u>0</u>	<u>3,559,876</u>
Excess Revenues (Expenditures)	<u>78,118</u>	<u>11,929</u>	<u>90,047</u>
Other Financing Sources (Uses)			
Transfers in (out)	61,873	(61,873)	0
Total other financing sources (uses)	<u>61,873</u>	<u>(61,873)</u>	<u>0</u>
Net Change in Fund Balances	139,991	(49,944)	90,047
Fund Balances - July 1, 2018	<u>1,073,967</u>	<u>162,484</u>	<u>1,236,451</u>
Fund Balances - June 30, 2019	<u>\$ 1,213,958</u>	<u>\$ 112,540</u>	<u>\$ 1,326,498</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, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 90,047
Amounts reported for governmental activities in the statement of activities are different because:		
Some revenues are not collected for several months after the Town's year end; they are not considered "available" revenue in the fund statements.		
Unavailable property taxes increased by \$37,189.		37,189
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.		
		68,193
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:		
Town pension contributions	56,727	
Cost of benefits earned, net of employee contributions	<u>(115,316)</u>	(58,589)
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 accrued was more than what was paid by \$5,950.		
		(5,950)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$634,580) of those assets, net of insurance proceeds (\$52,150) and disposals (\$29,380), is allocated over their estimated useful lives and reported as depreciation expense (\$327,096). This is the amount by which depreciation was less than capital outlays in the current period.		
		<u>284,714</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 415,604</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Property taxes	\$ 2,754,323	\$ 2,717,125	\$ (37,198)
PILOT	170,000	191,990	21,990
Total taxes	<u>2,924,323</u>	<u>2,909,115</u>	<u>(15,208)</u>
State of Vermont			
Current use	40,000	54,776	14,776
Highways	112,500	112,610	110
State hospital	25,000	25,000	0
Appraisal assistance	0	12,945	12,945
Railroad levy	2,000	4,761	2,761
Police - highway fines	12,000	11,831	(169)
I-89 Bypass	0	11,616	11,616
Municipal planning mitigation	0	4,410	4,410
Clean water block	0	7,433	7,433
Mirror Lake Road culvert	0	172,173	172,173
Fisher Road paving	0	101,260	101,260
Public safety grants	0	26,299	26,299
Total State of Vermont	<u>191,500</u>	<u>545,114</u>	<u>353,614</u>
Fees, Licenses and Permits			
Animal licenses	1,600	1,133	(467)
Beverage and entertainment licenses	1,100	1,365	265
Copier fees	8,000	6,650	(1,350)
Zoning fees	10,000	22,713	12,713
Town Clerk fees	28,000	31,761	3,761
Records restoration	2,000	2,046	46
Excess weight permits	1,000	936	(64)
Peddlers' permits	300	150	(150)
Marriage licenses	100	(150)	(250)
Land posting permits	50	0	(50)
Other miscellaneous	0	2,602	2,602
Total fees, licenses and permits	<u>52,150</u>	<u>69,206</u>	<u>17,056</u>
Police			
Contract wages	0	3,920	3,920
Other miscellaneous	3,000	7,155	4,155
Total police	<u>3,000</u>	<u>11,075</u>	<u>8,075</u>
Interest and Penalties			
Investment income	1,500	3,899	2,399
Interest on delinquent taxes	15,000	19,541	4,541
Penalties on delinquent taxes	18,000	23,144	5,144
Total interest and penalties	<u>34,500</u>	<u>46,584</u>	<u>12,084</u>
Other Revenues			
Water pollution control	4,500	4,500	0
Berlin Historical Society	250	250	0
Insurance proceeds	0	52,150	52,150
Total other revenues	<u>4,750</u>	<u>56,900</u>	<u>52,150</u>
Total revenues	<u>3,210,223</u>	<u>3,637,994</u>	<u>427,771</u>

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, 2019

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
General Government			
Administration			
Town Clerk	46,207	46,225	(18)
Town Treasurer	56,467	56,693	(226)
Assistant Clerk	18,405	19,323	(918)
Selectboard	3,750	3,750	0
Assistant Town Administrator	42,432	42,457	(25)
Town Administrator	65,586	65,611	(25)
Board of Civil Authority	500	0	500
Office supplies	10,000	9,678	322
Training	1,200	60	1,140
Copier	1,450	963	487
Records restoration	2,500	58	2,442
Postage	6,000	6,552	(552)
Postage meter rental	750	726	24
Telephone	5,500	2,727	2,773
Software and support	1,000	0	1,000
Clerk - advertising	500	0	500
Total administration	<u>262,247</u>	<u>254,823</u>	<u>7,424</u>
Listers			
Contract - assessor	20,340	33,581	(13,241)
Software and support	250	215	35
Legal	500	0	500
Tax maps	2,500	0	2,500
License	600	615	(15)
Total listers	<u>24,190</u>	<u>34,411</u>	<u>(10,221)</u>
Meetings and Elections			
Town meetings and elections	6,500	8,060	(1,560)
Town reports	1,500	1,323	177
Legal notices and advertising	750	1,970	(1,220)
Total meetings and elections	<u>8,750</u>	<u>11,353</u>	<u>(2,603)</u>
Insurance			
Workers' compensation	1,545	1,424	121
Health insurance	24,200	24,372	(172)
Social Security	19,166	16,831	2,335
Unemployment	400	224	176
Disability	780	1,247	(467)
Life insurance	687	1,132	(445)
Health insurance buyback	9,750	9,750	0

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Insurance (continued)			
Deductible	700	169	531
Pension	13,057	13,471	(414)
General insurance	14,511	14,695	(184)
Total insurance	<u>84,796</u>	<u>83,315</u>	<u>1,481</u>
Zoning			
Training	350	331	19
Mileage	200	0	200
Telephone	650	1,652	(1,002)
Legal fees	2,000	0	2,000
Advertising	500	0	500
Total zoning	<u>3,700</u>	<u>1,983</u>	<u>1,717</u>
Development Review Board			
Secretary	4,500	1,647	2,853
Legal fees	2,000	0	2,000
Advertising	1,500	784	716
Total development review board	<u>8,000</u>	<u>2,431</u>	<u>5,569</u>
Planning			
Supplies, mileage and training	250	476	(226)
Advertising and printing	500	435	65
Other	1,000	5,430	(4,430)
Total planning	<u>1,750</u>	<u>6,341</u>	<u>(4,591)</u>
Other			
Cemeteries	10,000	7,000	3,000
Recreation	500	3,941	(3,441)
Conservation Commission	50	0	50
Green Up Day	750	105	645
Emergency management commission	1,454	0	1,454
Total other	<u>12,754</u>	<u>11,046</u>	<u>1,708</u>
Taxes and Assessments			
Animal control officer	2,500	420	2,080
Washington county assessment	38,806	38,806	0
Ambulance service	90,600	93,333	(2,733)
Central Vermont Humane Society	1,500	0	1,500
Central Vermont Solid Waste Mgmt District	2,850	2,840	10
Central Vermont Economic Development	500	500	0
Vermont League of Cities and Towns	4,363	4,363	0
Central Vermont Regional Planning Commission	3,263	3,262	1
Total taxes and assessments	<u>144,382</u>	<u>143,524</u>	<u>858</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Town Office			
Janitorial	8,500	5,250	3,250
Supplies	3,000	1,510	1,490
Training	500	1,186	(686)
Copier	1,550	1,618	(68)
Advertising	1,000	458	542
Newsletter	500	0	500
Software and support	6,000	11,665	(5,665)
Web page	600	0	600
Cloud backup	1,500	1,725	(225)
Backup storage fees	360	153	207
Maintenance	10,000	10,972	(972)
Vehicle	1,500	2,558	(1,058)
Heat and utilities	9,600	3,694	5,906
Internet	2,400	2,459	(59)
Equipment contracts	5,600	7,855	(2,255)
Total town office	52,610	51,103	1,507
General			
Legal	20,000	2,509	17,491
Auditing and accounting	14,000	12,500	1,500
Payroll services	2,300	2,182	118
Selectboard minutes	2,400	740	1,660
Emergency generator	2,000	0	2,000
Tax refunds and abatements	5,000	728	4,272
Miscellaneous	1,000	5	995
Total general	46,700	18,664	28,036
Total general government	649,879	618,994	30,885
Police			
Wages	306,398	313,134	(6,736)
Wages - night shift	175,882	182,316	(6,434)
Wages - part time	20,000	43,330	(23,330)
Wages - clerical	40,000	36,048	3,952
Wages - overtime	16,000	28,473	(12,473)
Wages - on call	3,351	3,645	(294)
Wages - education	750	1,050	(300)
Wages - longevity	500	500	0
Workers' compensation	67,768	54,097	13,671
Health insurance	116,010	123,490	(7,480)
Social Security	44,494	47,136	(2,642)
Unemployment	1,190	824	366
Disability insurance	2,303	2,202	101

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Police (continued)			
Life insurance	2,025	1,902	123
Health insurance buyback	4,875	9,075	(4,200)
Employee benefits	4,075	617	3,458
Pension	32,717	33,681	(964)
Vehicle and liability insurance	23,558	21,510	2,048
Supplies	4,000	1,106	2,894
Uniforms	8,500	13,481	(4,981)
Guns and ammo	2,000	0	2,000
Copier lease	1,550	1,634	(84)
Equipment - radios	5,500	5,205	295
VIBRS	5,000	4,126	874
Media and data	4,500	2,416	2,084
Advertising	200	0	200
Training	3,000	3,165	(165)
Telephone	8,000	4,953	3,047
Legal	2,000	0	2,000
Equipment maintenance	13,000	19,447	(6,447)
Vehicle fuel	14,000	22,270	(8,270)
Lodging prisoners	1,000	900	100
Policing grants	0	22,001	(22,001)
Special investigation unit	2,300	2,300	0
Other	0	1,788	(1,788)
Berlin Community Fund	0	4,699	(4,699)
Total police	936,446	1,012,521	(76,075)
Highways			
Summer roads			
Wages	93,330	103,645	(10,315)
Roadside mowing	10,000	5,574	4,426
Chloride	28,000	15,428	12,572
Culverts and materials	10,000	4,895	5,105
Equipment maintenance	27,000	29,311	(2,311)
Fuel	20,000	18,395	1,605
Total summer roads	188,330	177,248	11,082
Winter roads			
Wages	123,090	131,004	(7,914)
Sand	65,000	67,528	(2,528)
Salt	70,000	118,606	(48,606)
Equipment maintenance	37,000	35,949	1,051
Fuel	30,000	31,428	(1,428)
Total winter roads	325,090	384,515	(59,425)

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General			
Paving	0	19,567	(19,567)
Resurfacing - gravel	130,000	137,949	(7,949)
Bridge maintenance	1,500	0	1,500
Road signs and fencing	4,000	1,921	2,079
Total general	<u>135,500</u>	<u>159,437</u>	<u>(23,937)</u>
Other			
Workers' compensation	24,353	23,885	468
Health insurance	40,330	36,324	4,006
Social Security	16,556	18,543	(1,987)
Unemployment	350	224	126
Disability insurance	900	899	1
Life insurance	823	823	0
Health insurance buyback	4,875	4,875	0
Deductible	1,400	0	1,400
Pension	11,903	13,469	(1,566)
General insurance	8,969	8,972	(3)
Storm water permit	3,600	3,298	302
Erosion control	5,000	7,244	(2,244)
Supplies	6,000	7,560	(1,560)
Advertising	500	0	500
Training	500	60	440
Telephone	2,550	2,187	363
Garage	16,000	24,996	(8,996)
Garage - energy improv	5,000	124	4,876
Trash removal	1,300	0	1,300
Street lights	10,500	9,314	1,186
Traffic lights	3,000	2,985	15
Miscellaneous	500	1,442	(942)
Uniforms	7,500	8,835	(1,335)
Total other	<u>172,409</u>	<u>176,059</u>	<u>(3,650)</u>
Total highways	<u>821,329</u>	<u>897,259</u>	<u>(75,930)</u>
Appropriations			
Battered Women Services	975	975	0
Berlin Volunteer Fire Department	254,818	254,818	0
Barre Area Senior Center	1,000	1,000	0
Central Vermont Adult Basic Education	1,200	1,200	0
Capstone Community Action	700	700	0
Central Vermont Council on Aging	3,000	3,000	0
Community Harvest	400	400	0
Central Vermont Home Health and Hospice	5,700	5,700	0

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT G

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Appropriations (continued)			
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
Home Share	300	300	0
Kellogg-Hubbard Library	30,402	30,402	0
Good Beginnings of Central Vermont	300	300	0
Montpelier Senior Center	8,000	8,000	0
People's Health & Wellness Clinic	500	500	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>322,265</u>	<u>322,265</u>	<u>0</u>
Debt service			
Principal	68,130	68,193	(63)
Interest	6,890	6,064	826
Total debt service	<u>75,020</u>	<u>74,257</u>	<u>763</u>
Capital outlays			
Highway	449,196	626,290	(177,094)
General government	0	8,290	(8,290)
Total capital outlays	<u>449,196</u>	<u>634,580</u>	<u>(185,384)</u>
Total expenditures	<u>3,254,135</u>	<u>3,559,876</u>	<u>(305,741)</u>
Excess Revenues (Expenditures)	<u>(43,912)</u>	<u>78,118</u>	<u>122,030</u>
Other Financing Sources (Uses)			
Transfers in	0	61,873	61,873
Total other financing sources (uses)	<u>0</u>	<u>61,873</u>	<u>61,873</u>
Net Change in Fund Balance	<u>\$ (43,912)</u>	<u>139,991</u>	<u>\$ 183,903</u>
Fund Balance - July 1, 2018		<u>1,073,967</u>	
Fund Balance - June 30, 2019		<u>\$ 1,213,958</u>	

TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

EXHIBIT H

	Water Pollution Fund	Water Division Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 546,584	\$ 18,113	\$ 564,697
Investments - CDs	395,727	0	395,727
Accounts receivable, net of allowance	17,389	4,104	21,493
Unbilled user fees	168,037	60,800	228,837
Prepays	4,300	0	4,300
Total current assets	<u>1,132,037</u>	<u>83,017</u>	<u>1,215,054</u>
Non-Current Assets			
Land	0	106,000	106,000
Construction in progress	104,142	66,546	170,688
Plant and equipment, net of depreciation	566,836	5,544,212	6,111,048
Total non-current assets	<u>670,978</u>	<u>5,716,758</u>	<u>6,387,736</u>
Total assets	<u>1,803,015</u>	<u>5,799,775</u>	<u>7,602,790</u>
LIABILITIES			
Current Liabilities			
Accounts payable	39,702	804	40,506
Construction and retainage payable	0	19,828	19,828
Accrued interest payable	0	10,401	10,401
Due to other funds	72	28,408	28,480
Bond and note payable due within one year	0	63,316	63,316
Total current liabilities	<u>39,774</u>	<u>122,757</u>	<u>162,531</u>
Noncurrent Liabilities			
Advances from other funds	0	143,733	143,733
Bond and note payable due after one year	39,520	3,757,223	3,796,743
Total noncurrent liabilities	<u>39,520</u>	<u>3,900,956</u>	<u>3,940,476</u>
Total liabilities	<u>79,294</u>	<u>4,023,713</u>	<u>4,103,007</u>
NET POSITION			
Invested in capital assets, net of related debt	631,458	1,876,391	2,507,849
Unrestricted	1,092,263	(100,329)	991,934
Total net position	<u>\$ 1,723,721</u>	<u>\$ 1,776,062</u>	<u>\$ 3,499,783</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

EXHIBIT I

	<u>Water Pollution Fund</u>	<u>Water Division Fund</u>	<u>Total</u>
OPERATING REVENUES			
User charges and fees	\$ 709,883	\$ 243,595	\$ 953,478
Interest and penalties	4,849	1,759	6,608
	<u>714,732</u>	<u>245,354</u>	<u>960,086</u>
OPERATING EXPENSES			
Wages and related	13,357	9,425	22,782
Professional services	250	1,080	1,330
Maintenance, operations and services	507,559	84,934	592,493
Administrative expenses	6,106	2,139	8,245
Depreciation	28,155	149,804	177,959
	<u>555,427</u>	<u>247,382</u>	<u>802,809</u>
OPERATING INCOME (LOSS)	<u>159,305</u>	<u>(2,028)</u>	<u>157,277</u>
NONOPERATING REVENUES (EXPENSES)			
Grant income	0	2,740	2,740
Interest expense	0	(100,964)	(100,964)
Interest income	8,652	0	8,652
Net nonoperating revenues (expenses)	<u>8,652</u>	<u>(98,224)</u>	<u>(89,572)</u>
CHANGE IN NET POSITION	167,957	(100,252)	67,705
NET POSITION - JULY 1, 2018	<u>1,555,764</u>	<u>1,876,314</u>	<u>3,432,078</u>
NET POSITION - JUNE 30, 2019	<u>\$ 1,723,721</u>	<u>\$ 1,776,062</u>	<u>\$ 3,499,783</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

EXHIBIT J

	<u>Water Pollution Fund</u>	<u>Water Division Fund</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Cash received from customers	\$ 674,766	\$ 236,937
Cash payments to suppliers for goods and services	(542,113)	(99,226)
Net cash from operating activities	<u>132,653</u>	<u>137,711</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Cash payments from (to) other funds	<u>(127,547)</u>	<u>325</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt and grants	39,520	19,819
Principal paid on capital debt	0	(61,677)
Additions of capital assets, net of change in related payables	(93,114)	(52,198)
Interest paid on capital debt	0	(101,177)
Net cash to capital and related financing activities	<u>(53,594)</u>	<u>(195,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>1,138</u>	<u>0</u>
Net cash from investing activities	<u>1,138</u>	<u>0</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,350)	(57,197)
CASH, CASH EQUIVALENTS - JULY 1, 2018	<u>593,934</u>	<u>75,310</u>
CASH, CASH EQUIVALENTS - JUNE 30, 2019	<u>\$ 546,584</u>	<u>\$ 18,113</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM (TO) OPERATING ACTIVITIES		
Income (loss) from operations	\$ 159,305	\$ (2,028)
Adjustments to reconcile income (loss) from operations to net cash flow from operating activities		
Depreciation	28,155	149,804
(Increase) decrease in accounts receivable	(39,948)	(8,417)
(Increase) decrease in prepaids	(4,300)	0
Increase (decrease) in accounts payable	(10,559)	(1,648)
Net cash from (to) operating activities	<u>\$ 132,653</u>	<u>\$ 137,711</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2019

	<u>Cemetery Funds</u>
ASSETS	
Cash and cash equivalents	\$ 14,008
LIABILITIES	<u>0</u>
NET POSITION	
Restricted	<u>\$ 14,008</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2019

	<u>Cemetery Funds</u>
ADDITIONS	
Interest	\$ 26
DEDUCTIONS	<u> 0</u>
CHANGE IN NET POSITION	26
NET POSITION - July 1, 2018	<u>13,982</u>
NET POSITION - June 30, 2019	<u><u>\$ 14,008</u></u>

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(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, Asset Forfeiture, 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, 2019
(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, 2019
(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 differences between expected and actual experience and the changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflow of resources is 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.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(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, 2019
(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.

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.,

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019, \$1,834,580 of the government’s bank balance of \$2,312,466 was exposed to custodial credit risk. A summary of the Town’s custodial credit risk is as follows:

	Bank Balance
Insured by FDIC	\$ 477,886
Uninsured, collateralized by securities held by the pledging financial institution	1,834,580
Total	\$ 2,312,466

Of the Town’s \$2,312,466 bank balance, \$395,727 were CDs recorded as investments. Interest rates on the CDs range from 2.0% to 2.5% and mature between June 2020 and February 2022.

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.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

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. In 2019, the following funds were transferred to the General Fund:

Recreation and Parks Fund	\$	12,913
Bridge Fund		19,398
Road Project Fund		29,562
		\$ 61,873

The composition of due from/(to) other funds at June 30, 2019 are as follows:

	Due from other funds	Due to other funds
Governmental funds:		
General Fund	\$ 15,478	\$ 0
Asset Forfeiture Fund	11,722	0
Montpelier Filtration Fund	1,280	0
Proprietary funds:		
Water Pollution	0	72
Water Division	0	28,408
	\$ 28,480	\$ 28,480

NOTE 6 - RECEIVABLES

Receivable balances as of June 30, 2019 were as follows:

	Governmental Activities	Business-Type Activities	Total Receivables
Delinquent taxes, penalty & interest receivable, net of \$31,419 allowance	\$ 178,814	\$ 0	\$ 178,814
Unbilled user fees	0	228,837	228,837
Accts receivable - State	14,236	0	14,236
Accts receivable - other, net of \$6,500 allowance	595	21,493	22,088
	\$ 193,645	\$ 250,330	\$ 443,975

TOWN OF BERLIN, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 7 - CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Disposals/ Reclassification	(Depreciation)	Balance June 30, 2019
<i>Governmental activities</i>					
Capital assets not depreciated					
Land	\$ 52,400	\$ 0	\$ 0	\$ 0	\$ 52,400
CIP - culverts	5,830	2,425	(3,140)	0	5,115
CIP - storm water planning	0	8,290	0	0	8,290
CIP - Berlin Bike Path	32,458	0	0	0	32,458
Total capital assets not deprec.	90,688	10,715	(3,140)	0	98,263
Capital assets being depreciated					
Land improvements	33,000	0	0	0	33,000
Buildings and improvements	287,845	16,973	0	0	304,818
Infrastructure	1,924,625	462,372	3,140	0	2,390,137
Machinery and equipment	199,219	0	0	0	199,219
Vehicles	1,699,249	144,520	(88,800)	0	1,754,969
Total capital assets being depr.	4,143,938	623,865	(85,660)	0	4,682,143
Less accumulated depreciation for:					
Land improvements	(4,033)	0	0	(2,200)	(6,233)
Buildings and improvements	(127,138)	0	0	(10,373)	(137,511)
Infrastructure	(816,075)	0	0	(131,040)	(947,115)
Machinery and equipment	(160,844)	0	0	(7,554)	(168,398)
Vehicles	(1,179,345)	0	66,030	(175,929)	(1,289,244)
Total accum. depreciation	(2,287,435)	0	66,030	(327,096)	(2,548,501)
Total capital assets, net of deprec.	1,856,503	623,865	(19,630)	(327,096)	2,133,642
Total gov't activities assets, net	\$ 1,947,191	\$ 634,580	\$ (22,770)	\$ (327,096)	\$ 2,231,905
<i>Business-type activities</i>					
Capital assets not depreciated					
Land	\$ 106,000	\$ 0	\$ 0	\$ 0	\$ 106,000
CIP - water pollution	25,110	79,032	0	0	104,142
CIP - water division	10,280	56,266	0	0	66,546
Total capital assets not deprec.	141,390	135,298	0	0	276,688
Capital assets being depreciated					
Capital improvements	749,574	0	0	0	749,574
Water supply system	5,953,789	0	0	0	5,953,789
Main pump upgrades	88,701	0	0	0	88,701
Equipment	71,549	0	0	0	71,549
Total capital assets being depr.	6,863,613	0	0	0	6,863,613
Less accumulated depreciation for:					
Capital improvements	(226,375)	0	0	(25,198)	(251,573)
Water supply system	(259,773)	0	0	(149,804)	(409,577)
Main pump upgrades	(16,909)	0	0	(2,957)	(19,866)
Equipment	(71,549)	0	0	0	(71,549)
Total accum. depreciation	(574,606)	0	0	(177,959)	(752,565)
Total capital assets, net of deprec.	6,289,007	0	0	(177,959)	6,111,048
Total business type activities assets, net	\$ 6,430,397	\$ 135,298	\$ 0	\$ (177,959)	\$ 6,387,736

Depreciation for the governmental activities was charged to general government for \$145,511, highway for \$154,957 and police for \$26,628. Depreciation for the proprietary funds consisted of \$28,155 for the Water Pollution Fund and \$149,804 for the Water Division Fund.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 8 – UNAVAILABLE REVENUE

Unavailable revenue in the General Fund consists of \$147,043 of property taxes not received within sixty days after year end.

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2019 consisted of the following:

Governmental Activities

		<u>Due within one year</u>
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.	\$ 65,000	\$ 10,000
Note payable to Community National Bank for highway truck. Principal and interest payments of \$20,618 due annually through January 2022. Interest at 1.375%.	60,190	19,790
Note payable to Community Bank, N.A. for highway truck. Principal payments of \$15,433 plus interest due annually through August 2022. Interest at 1.95%.	61,734	15,433
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%.	<u>17,429</u>	<u>17,429</u>
Subtotal	204,353	<u>\$ 62,652</u>
Accrued compensated absences	43,396	
Total	<u>247,749</u>	
Amount due within one year	(62,652)	
Amount due after one year	<u>\$ 185,097</u>	

Proprietary Funds

Water Division Fund

Note payable with USDA, semiannual principal and interest payments of \$81,405 through November 2055, interest at 2.625%.	\$ 3,805,985	\$ 63,316
Note payable with Vermont Municipal Bond Bank for State Revolving Loan of \$90,000. Annual principal payments of \$18,000 due starting March 2023 through 2027. Drawn as of 6/30/19 was \$14,554.	<u>14,554</u>	<u>0</u>
Total water division	3,820,539	63,316

Water Pollution Fund

Note payable with Vermont Municipal Bond Bank for State Revolving Loan of \$42,415. Annual principal payments of \$4,242 due starting July 2023 through 2027. One half of the loan is expected to be forgiven. Drawn as of 6/30/19 was \$39,520.	<u>39,520</u>	<u>0</u>
	3,860,059	<u>\$ 63,316</u>
Amount due within one year	(63,316)	
Amount due after one year	<u>\$ 3,796,743</u>	

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 9 - LONG-TERM LIABILITIES (Continued)

Long-term debt will mature approximately as follows:

	Governmental			Proprietary		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 62,652	\$ 4,893	\$ 67,545	\$ 63,316	\$ 99,494	\$ 162,810
2021	45,495	3,026	48,521	64,989	97,811	162,800
2022	45,772	2,333	48,105	66,706	96,103	162,809
2023	25,434	1,321	26,755	83,023	94,341	177,364
2024	10,000	124	10,124	95,727	92,832	188,559
2025-2029	15,000	3	15,003	394,315	433,715	828,030
2030-2034	0	0	0	433,206	380,844	814,050
2035-2039	0	0	0	493,542	320,508	814,050
2040-2044	0	0	0	562,283	251,767	814,050
2045-2049	0	0	0	640,598	173,452	814,050
2050-2054	0	0	0	729,821	84,229	814,050
2055-2059	0	0	0	232,533	6,056	238,589
Total	\$ 204,353	\$ 11,700	\$ 216,053	\$ 3,860,059	\$2,131,152	\$ 5,991,211

The following is a summary of changes of long-term liabilities for the year ended June 30, 2019:

	Governmental	Proprietary	Total
Balance at June 30, 2018	\$ 309,992	\$ 3,867,662	\$ 4,177,654
Proceeds	0	54,074	54,074
Accrued vacation earned	46,645	0	46,645
Accrued vacation used	(40,695)	0	(40,695)
Principal payments	(68,193)	(61,677)	(129,870)
Balance at June 30, 2019	<u>\$ 247,749</u>	<u>\$ 3,860,059</u>	<u>\$ 4,107,808</u>

Interest of \$107,241 was paid on long-term debt in fiscal year 2019.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 10 – RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES AND NET POSITION

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

	<u>Restricted Net Position & Fund Balance</u>	<u>Committed Fund Balance</u>	<u>Assigned Fund Balance</u>
General Fund:			
Police Community Fund	\$ 0	\$ 12,871	\$ 0
Fire warden	0	220	0
Building maintenance	0	7,026	0
Cemeteries	0	2,758	0
Bridges and culverts	0	54,198	0
Economic Dev. Board	0	1,515	0
Highway equipment	0	0	10,848
Bond build renovation	0	5,980	0
Water supply	0	2,165	0
Capital budget	0	0	6,233
Highway materials	0	0	6,951
Reappraisal	185,046	0	0
Listers education	821	0	0
I-89 closure	11,616	0	0
Recreation	8,971	0	0
Records restoration	14,619	0	0
Total General Fund	<u>221,073</u>	<u>86,733</u>	<u>24,032</u>
Other Nonmajor Funds:			
Conservation	47,061	0	0
Asset Forfeiture	11,722	0	0
Montpelier Filtration	1,280	0	0
Bike path	52,477	0	0
Total Other Nonmajor Funds	<u>112,540</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 333,613</u>	<u>\$ 86,733</u>	<u>\$ 24,032</u>

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(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 5.0% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$1,134,277, \$75,997 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$3,895 and by the employees were \$3,800.

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, 2018, the retirement system consisted of 402 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, 2019
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Benefits provided and contributions

Avg Final Compensation (AFC)	Group A	Group B	Group C	Group D
	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% for fiscal year ended 6/30/18. 2.625% eff. 7/1/18	4.875% for fiscal year ended 6/30/18. 5.0% eff. 7/1/18	10% for fiscal year ended 6/30/18. 10.125% eff. 7/1/18	11.35% for fiscal year ended 6/30/18. 11.475% eff. 7/1/18
Employer Contributions	4.0% for fiscal year ended 6/30/18. 4.125% eff. 7/1/18	5.5% for fiscal year ended 6/30/18. 5.625% eff. 7/1/18	7.25% for fiscal year ended 6/30/18. 7.375% eff. 7/1/18	9.85% for fiscal year ended 6/30/18. 9.975% eff. 7/1/18
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 11 - PENSION PLANS (Continued)

For the year ended June 30, 2019, the Town's contributions to the Plan were \$56,727.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the Town reported a liability of \$405,476 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town's proportion was 0.28820%, which was a decrease of 0.02407% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$115,316. At June 30, 2019, 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	\$ 35,220	\$ 6,484
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,348	14,778
Changes in assumptions	44,901	0
Difference between projected and actual investment earnings	46,993	0
Member contributions subsequent to the measurement date	56,727	0
Total	\$ 190,189	\$ 21,262

Of the \$190,189 of deferred outflows of resources, \$56,727 was from the Town's contributions subsequent to the measurement date which will be recognized as pension expense in the year ending June 30, 2020. Other amounts (\$112,200) reported as deferred outflows of resources net of deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2019	\$ 76,856
2020	25,021
2021	4,268
2022	6,055

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate of return – 7.5%, net of pension plan investment expenses, including inflation.

Salary increase - 5% per year

Mortality:

Death in Active Service:

Groups A, B, C – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement.

Group D – RP-2006 Blue Collar Annuitant Table with generational improvement.

Healthy Post-retirement:

Groups A, B, C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement

Group D – 100% of RP-2014 Healthy Annuitant Table with generational improvement.

Disabled Post-retirement:

All groups - RP-2006 Disabled Mortality Table with generational improvement.

Spouse's age – females three years younger than males.

Cost of Living Adjustments – Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.3% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups A, B, and D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.3% for all age groups.

Actuarial Cost Method – Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation – 2.5%

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%
Fixed Income	26.00%	2.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability calculated using the discount rate of 7.5%, as well as what the proportionate share would be if it were calculated using a discount rate that is 1 percent lower (6.5%) or 1 percent higher (8.5%) than the current rate:

<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$ 686,785	\$ 405,476	\$ 176,694

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.

NOTE 12 - 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.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 13 - 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 capita fee with ranges from \$29.52 for fiscal year 2017 up to \$33.79 per capita for fiscal year 2019. The contract was extended for two additional years at the per capita rates of \$36.15 and \$38.68. The amount paid in fiscal year 2019 under this contract was \$85,353. In February 2019, the Town entered into an option agreement to purchase 2 parcels of land for future well sites at a price of \$50,000.

NOTE 14 - 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, 2019 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 15 – BUDGETED DEFICIT

The Town elected to budget expenditures in excess of revenues by \$43,912 in the General Fund in order to reduce the prior year fund balance. This is reflected as a budgeted deficiency in revenues over expenditures on Exhibit G.

NOTE 16 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded appropriations in the General Fund by \$305,741. The excess expenditures were funded by additional revenues.

NOTE 17 – TAX ABATEMENTS

The State of Vermont operates a Current Use Program and enters into tax abatement agreements directly with landowners. Enrolled landowners are required to manage their land in accordance with an approved plan, and the land is subject to a lien to recover taxes abated if the land is ever developed. In exchange, the landowners receive a reduction in assessed value on their property tax bills, which results in a reduction of property tax revenue to the Town. For fiscal year 2019, the amount of Town property taxes forgone as a result of the Current Use Program was approximately \$54,300. In accordance with 32 V.S.A. § 3760, the State of Vermont limits the total loss of revenue to zero by providing the Town with a Hold Harmless payment in the following year that is equivalent to the taxes previously foregone.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 3, 2020, the date which the financial statements were available for issue. In December 2019, the Town obtained a highway equipment loan from Community National Bank for \$150,000 at 2.05% for five years. Annual payments of \$31,870 begin December 2020 and continue through December 2024.

TOWN OF BERLIN, VERMONT
 COMBINING AND INDIVIDUAL FUND BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds			Capital Project Funds			Total	
	Recreation and Parks Fund	Conservation Fund	Asset Forfeiture	Montpelier Filtration Fund	Bike Path Fund	Bridge Fund		Road Project Fund
ASSETS								
Cash and cash equivalents	\$ 0	\$ 47,061	\$ 0	\$ 0	\$ 52,477	\$ 0	\$ 0	\$ 99,538
Due from other funds	0	0	11,722	1,280	0	0	0	13,002
Total assets	\$ 0	\$ 47,061	\$ 11,722	\$ 1,280	\$ 52,477	\$ 0	\$ 0	\$ 112,540
LIABILITIES AND FUND BALANCES								
LIABILITIES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCES								
Restricted	0	47,061	11,722	1,280	52,477	0	0	112,540
Total fund balances	0	47,061	11,722	1,280	52,477	0	0	112,540
Total liabilities and fund balances	\$ 0	\$ 47,061	\$ 11,722	\$ 1,280	\$ 52,477	\$ 0	\$ 0	\$ 112,540

TOWN OF BERLIN, VERMONT
 COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2019

	Special Revenue Funds				Capital Project Funds			Total
	Recreation and Parks Fund	Conservation Fund	Asset Forfeiture	Montpelier Filtration Fund	Bike Path Fund	Bridge Fund	Road Project Fund	
REVENUES								
Interest	\$ 23	\$ 87	\$ 0	\$ 0	\$ 97	\$ 0	\$ 0	\$ 207
Intergovernmental	0	0	11,722	0	0	0	0	11,722
Total revenues	23	87	11,722	0	97	0	0	11,929
EXPENDITURES	0	0	0	0	0	0	0	0
EXCESS REVENUES (EXPENDITURES)	23	87	11,722	0	97	0	0	11,929
OTHER FINANCING SOURCES (USES)								
Transfers out	(12,913)	0	0	0	0	(19,398)	(29,562)	(61,873)
NET CHANGES IN FUND BALANCES	(12,890)	87	11,722	0	97	(19,398)	(29,562)	(49,944)
FUND BALANCES - July 1, 2018	12,890	46,974	0	1,280	52,380	19,398	29,562	162,484
FUND BALANCES - June 30, 2019	\$ 0	\$ 47,061	\$ 11,722	\$ 1,280	\$ 52,477	\$ 0	\$ 0	\$ 112,540

TOWN OF BERLIN, VERMONT
SCHEDULES OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND TOWN CONTRIBUTIONS
YEAR ENDED JUNE 30, 2019

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	0.28820%	0.31227%	0.30481%	0.29990%	0.26030%
Town's proportionate share of the net pension liability (asset)	\$ 405,476	\$ 378,335	\$ 392,273	\$ 231,207	\$ 23,756
Town's covered-employee payroll	\$ 917,932	\$ 927,215	\$ 842,285	\$ 779,921	\$ 655,141
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.17%	40.80%	46.57%	29.64%	3.63%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 56,727	\$ 50,486	\$ 50,997	\$ 46,326	\$ 41,921	\$ 33,576	\$ 30,031
Contributions in relation to the contractually required contribution	<u>(56,727)</u>	<u>(50,486)</u>	<u>(50,997)</u>	<u>(46,326)</u>	<u>(41,921)</u>	<u>(33,576)</u>	<u>(30,031)</u>
Contribution deficiency (excess)	<u>\$ 0</u>						
Town's covered-employee payroll	\$ 1,008,474	\$ 917,932	\$ 927,215	\$ 842,285	\$ 779,921	\$ 655,141	\$ 600,620
Contributions as a percentage of covered-employee payroll	5.625%	5.500%	5.500%	5.500%	5.375%	5.125%	5.000%

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

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

To the Selectboard
Town of Berlin
Berlin, Vermont

We have audited, 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, the 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 3, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

January 3, 2020