

**TOWN OF BERLIN, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2017**

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

To the Selectboard
 Town of Berlin
 Berlin, Vermont

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Vermont, as of June 30, 2017, 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.

143 BARRE STREET • MONTPELIER • VERMONT 05602 • 802-223-6261 • FAX: 802-223-1550 • www.fsv-cpas.com

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 November 21, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 SEGAL & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

November 21, 2017

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

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, 2017. 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 decreased by \$48,056 or about 2%, compared to an increase of \$164,262 in the prior year. The net position of our business-type activities increased by \$146,530 or more than 4%, compared to an increase of \$1,723,901 in the prior year.
- The cost of all of the Town's programs was \$3,898,602 in fiscal year 2017, compared to \$3,370,669 in fiscal year 2016, with no new programs added this year.

Fund Statements

- The General Fund reported an increase in fund balance this year of \$43,912, which was \$88,627 better than what was budgeted. This compares to an increase of \$155,089 in fiscal year 2016.
- The restricted fund balance was \$188,668 and is restricted for lister training, reappraisal and record restoration. The committed fund balance of \$72,743 is for the items noted in Note 10. The assigned fund balance of \$8,734 is for computer equipment, capital budget and highway paving/tires. The nonspendable fund balance of \$249,959 consists of \$76,651 of prepaids, \$29,575 of highway inventory and the \$143,733 note due from the Water Fund.
- The nonmajor funds, as a whole, reported a net increase in fund balance this year of \$1,345, compared to an increase of \$5,398 in fiscal year 2016. This brings the combined fund balance from \$162,068 to \$163,413.
- The Cemetery Funds reported an increase in fund balance this year of \$6 from a balance of \$13,962 to \$13,968.
- The Water Pollution Fund reported a decrease in net position of \$26,629 in fiscal year 2017, compared to an increase of \$23,724 in fiscal year 2016, resulting in an ending net position of \$1,585,877.
- The Water Division Fund reported an increase in net position of \$173,159 in fiscal year 2017, compared to an increase of \$1,700,177 in fiscal year 2016, resulting in an ending net position of \$1,873,736.

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, 2017
(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, 2017
(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 \$98,474 from a year ago – increasing from a balance of \$6,285,254 to \$6,383,728. Net position for the governmental activities decreased from a balance of \$2,972,171 to \$2,924,115. 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,479,429	\$ 1,517,025	\$ 1,130,747	\$ 1,449,989	\$ 2,610,176	\$ 2,967,014
Capital assets, net of depr	1,960,730	1,920,293	6,540,301	6,380,752	8,501,031	8,301,045
Total assets	<u>3,440,159</u>	<u>3,437,318</u>	<u>7,671,048</u>	<u>7,830,741</u>	<u>11,111,207</u>	<u>11,268,059</u>
Total deferred outflows of resources	264,326	158,365	0	0	264,326	158,365
Long-term liabilities	280,641	207,270	3,977,673	4,036,215	4,258,314	4,243,485
Net pension liability	392,273	231,207	0	0	392,273	231,207
Other liabilities	107,456	185,035	233,762	481,443	341,218	666,478
Total liabilities	<u>780,370</u>	<u>623,512</u>	<u>4,211,435</u>	<u>4,517,658</u>	<u>4,991,805</u>	<u>5,141,170</u>
Net position:						
Invested in capital assets, net of debt	1,713,226	1,739,492	2,419,999	2,140,283	4,133,225	3,879,775
Restricted	303,121	286,846	0	0	303,121	286,846
Unrestricted	907,768	945,833	1,039,614	1,172,800	1,947,382	2,118,633
Total net position	<u>\$ 2,924,115</u>	<u>\$ 2,972,171</u>	<u>\$ 3,459,613</u>	<u>\$ 3,313,083</u>	<u>\$ 6,383,728</u>	<u>\$ 6,285,254</u>

Net position of the Town's governmental activities decreased by about 2% in fiscal year 2017 (\$2,924,115 compared to a balance of \$2,972,171). 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 – decreased from \$945,833 to \$907,768 in fiscal year 2017. Restricted net position increased from \$286,846 to \$303,121 in fiscal year 2017.

The net position of our business-type activities increased by \$146,530 in fiscal year 2017 (\$3,459,613 compared to \$3,313,083).

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2017	2016	Change	2017	2016	Change
REVENUES						
Program revenues:						
Charges for services	\$ 193,522	\$ 212,222	\$ (18,700)	\$ 748,477	\$ 634,603	\$ 113,874
Operating grants and contributions	227,332	237,615	(10,283)	0	0	0
Capital grants and contributions	5,100	27,900	(22,800)	239,430	1,702,176	(1,462,746)
General revenues:						
Property taxes	2,488,691	2,362,240	126,451	0	0	0
Interest/penalty on del. taxes	55,332	48,371	6,961	2,749	5,139	(2,390)
Investment income	1,731	2,067	(336)	6,369	9,711	(3,342)
Gain on sale of assets	31,768	16,788	14,980	(3,425)	0	(3,425)
Total revenues	3,003,476	2,907,203	96,273	993,600	2,351,629	(1,358,029)
PROGRAM EXPENSES						
General government	753,293	680,373	72,920	0	0	0
Highway	1,001,048	849,710	151,338	0	0	0
Police	981,391	931,610	49,781	0	0	0
Appropriations	310,124	275,849	34,275	0	0	0
Interest on debt	5,676	5,399	277	0	0	0
Water pollution	0	0	0	579,468	538,316	41,152
Water division	0	0	0	267,602	89,412	178,190
Total program expenses	3,051,532	2,742,941	308,591	847,070	627,728	219,342
CHANGE IN NET POSITION	\$ (48,056)	\$ 164,262	\$ (212,318)	\$ 146,530	\$ 1,723,901	\$ (1,577,371)

Governmental Activities

The decrease in net position for governmental activities was \$48,056 in fiscal year 2017, compared to an increase of \$164,262 in fiscal year 2016.

The cost of all governmental activities this year was \$3,051,532. However, as shown in the Statement of Activities on Exhibit B, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$2,625,578 because some of the cost was paid by those who directly benefited from the programs (\$193,522) or by other governments and organizations that subsidized certain programs with grants and contributions (\$232,432).

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(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	
	2017	2016	2017	2016
General government	\$ 753,293	\$ 680,373	\$ 579,509	\$ 481,515
Highway	1,001,048	849,710	888,362	737,005
Police	981,391	931,610	841,907	765,436
All others	315,800	281,248	315,800	281,248
Totals	<u>\$3,051,532</u>	<u>\$2,742,941</u>	<u>\$2,625,578</u>	<u>\$2,265,204</u>

Business-Type Activities

The net position for business type activities increased by \$146,530 in fiscal year 2017, compared to \$1,723,901 in fiscal year 2016. The majority of the water system project was done in fiscal year 2016 for which grant funds were received.

The cost of all business-type activities this year was \$847,070. However, these costs were fully covered by those who directly benefited from the programs (\$748,477) and by other governments and organizations that subsidized certain programs with grants and contributions (\$239,430).

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 \$1,266,928, which is greater than last year's total fund balance of \$1,221,671. Included in this year's total increase in fund balance of \$45,257, was an increase of \$43,912 in the General Fund and an increase of \$1,345 in the nonmajor governmental funds.

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	Favorable (Unfavorable)
Revenues:			
Taxes	\$ 2,472,137	\$ 2,493,965	\$ 21,828
State of Vermont	205,718	236,693	30,975
Interest and penalties	35,000	57,015	22,015
Other Financing Sources (Uses)			
Loan proceeds	125,000	98,969	(26,031)

Tax revenue was greater than budget due mostly to PILOT funds for the State psychiatric hospital which was more than expected. State of Vermont revenue was greater than budget due to having received unbudgeted Public Safety grants. Interest and penalties revenue was greater than budget due

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)

to receiving more than anticipated penalties for delinquent tax payments. Loan proceeds were under budget due to a vehicle being traded in so less than anticipated loan proceeds were needed.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2017, the Town had \$8,501,031 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 \$199,986.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 52,400	\$ 52,400	\$ 106,000	\$ 106,000	\$ 158,400	\$ 158,400
Construction in progress	32,458	63,458	0	5,616,450	32,458	5,679,908
Land improvements	31,167	0	0	0	31,167	0
Plant	0	0	6,430,802	651,303	6,430,802	651,303
Buildings and impr.	170,301	179,897	0	0	170,301	179,897
Infrastructure	1,160,722	1,154,453	0	0	1,160,722	1,154,453
Machinery and equip.	32,008	30,229	3,499	6,999	35,507	37,228
Vehicles	481,674	439,856	0	0	481,674	439,856
Totals	<u>\$ 1,960,730</u>	<u>\$ 1,920,293</u>	<u>\$ 6,540,301</u>	<u>\$ 6,380,752</u>	<u>\$ 8,501,031</u>	<u>\$ 8,301,045</u>

This year's major additions for governmental activities were Crosstown Road paving, work on Friendship Park, security system, and two new vehicles. The major addition to the business-type activities was completion of the new water system.

Debt Administration

At June 30, 2017, the Town had \$4,225,177 in notes, lease and bonds outstanding versus \$4,217,016 on June 30, 2016 – an increase of \$8,161 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-Type Activities	Total
Balance - June 30, 2016	\$ 180,801	\$4,036,215	\$4,217,016
Proceeds	98,969	0	98,969
Principal payments	(32,266)	(58,542)	(90,808)
Balance - June 30, 2017	<u>\$ 247,504</u>	<u>\$3,977,673</u>	<u>\$4,225,177</u>

Proceeds received in fiscal year 2017 were for a new highway vehicle.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for the fiscal year 2018 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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 957,890	\$ 1,046,232	\$ 2,004,122
Accounts receivable - State	4,001	0	4,001
Accounts receivable - other, net of allowance	2,080	3,382	5,462
Unbilled user fees	0	206,768	206,768
Grant receivable - USDA	0	145,981	145,981
Taxes, interest and penalty receivable, net of allowance	137,616	0	137,616
Internal balances	271,616	(271,616)	0
Prepaid expenses	76,651	0	76,651
Inventory	29,575	0	29,575
Capital Assets			
Land	52,400	106,000	158,400
Construction in process	32,458	0	32,458
Other capital assets, (net of accumulated depreciation)	1,875,872	6,434,301	8,310,173
Total assets	3,440,159	7,671,048	11,111,207
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	264,326	0	264,326
Total assets and deferred outflows of resources	3,704,485	7,671,048	11,375,533
LIABILITIES			
Accounts payable	33,528	80,399	113,927
Construction and retainage payable	0	142,629	142,629
Accrued interest payable	0	10,734	10,734
Accrued payroll and benefits payable	19,018	0	19,018
Prepaid property taxes	54,910	0	54,910
Accrued compensated absences	33,137	0	33,137
Bonds and notes payable due within one year	52,025	110,020	162,045
Net pension liability	392,273	0	392,273
Bonds and notes payable due after one year	195,479	3,867,653	4,063,132
Total liabilities	780,370	4,211,435	4,991,805
NET POSITION			
Invested in capital assets, net of related debt	1,713,226	2,419,999	4,133,225
Restricted	303,121	0	303,121
Unrestricted	907,768	1,039,614	1,947,382
Total net position	\$ 2,924,115	\$ 3,459,613	\$ 6,383,728

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs	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
Governmental Activities:							
General Government	\$ 753,293	\$ 71,795	\$ 96,889	\$ 5,100	\$ (579,509)	\$ 0	\$ (579,509)
Highway	1,001,048	0	112,686	0	(888,362)	0	(888,362)
Police	981,391	121,727	17,757	0	(841,907)	0	(841,907)
Appropriations	310,124	0	0	0	(310,124)	0	(310,124)
Interest on Long-Term Debt	5,676	0	0	0	(5,676)	0	(5,676)
Total Governmental Activities	3,051,532	193,522	227,332	5,100	(2,625,578)	0	(2,625,578)
Business-Type Activities:							
Water division	267,602	200,732	0	239,430	0	172,560	172,560
Water pollution	579,468	547,745	0	0	0	(31,723)	(31,723)
Total Business-Type Activities	847,070	748,477	0	239,430	0	140,837	140,837
Total	\$ 3,898,602	\$ 941,999	\$ 227,332	\$ 244,530	(2,625,578)	140,837	(2,484,741)
General Revenues:							
Property taxes					2,488,691	0	2,488,691
Interest and penalties on delinquent taxes/user charges					55,332	2,749	58,081
Net investment income					1,731	6,369	8,100
Gain (loss) on asset disposal					31,768	(3,425)	28,343
Total general revenues					2,577,522	5,693	2,583,215
Change in Net Position					(48,056)	146,530	98,474
Net Position - July 1, 2016					2,972,171	3,313,083	6,285,254
Net Position - June 30, 2017					\$ 2,924,115	\$ 3,459,613	\$ 6,383,728

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	Major Fund General Fund	Nonmajor Funds Other Governmental Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 848,365	\$ 109,525	\$ 957,890
Taxes, interest and penalty receivable, net of allowance	137,616	0	137,616
Accounts receivable - State	4,001	0	4,001
Accounts receivable - other	2,080	0	2,080
Prepaid expenses	76,651	0	76,651
Inventory	29,575	0	29,575
Advances to other funds	143,733	0	143,733
Due from other funds	73,995	53,888	127,883
Total assets	<u>\$ 1,316,016</u>	<u>\$ 163,413</u>	<u>\$ 1,479,429</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 33,528	\$ 0	\$ 33,528
Accrued wages & taxes	19,018	0	19,018
Property tax overpayments	54,910	0	54,910
Total liabilities	<u>107,456</u>	<u>0</u>	<u>107,456</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	<u>105,045</u>	<u>0</u>	<u>105,045</u>
Fund Balances			
Nonspendable:			
Prepays	76,651	0	76,651
Inventory	29,575	0	29,575
Advances to other funds	143,733	0	143,733
Restricted	188,668	114,453	303,121
Committed	72,743	48,960	121,703
Assigned	8,734	0	8,734
Unassigned	583,411	0	583,411
Total fund balances	<u>1,103,515</u>	<u>163,413</u>	<u>1,266,928</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,316,016</u>	<u>\$ 163,413</u>	<u>\$ 1,479,429</u>

See Notes to Financial Statements.

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,266,928
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.		1,960,730
Unavailable revenue for property taxes is recognized on an accrual basis in the statement of net position, not for the modified cash basis.		105,045
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		(392,273)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		264,326
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		(247,504)
Accrued compensated absences		(33,137)
		(280,641)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	2,924,115

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Major Fund General Fund	Other Governmental Funds	Totals
Revenues			
Property taxes	\$ 2,493,965	\$ 0	\$ 2,493,965
Delinquent tax penalties & interest	55,332	0	55,332
Licenses, fees & permits	67,295	0	67,295
Interest income	1,683	48	1,731
Intergovernmental	236,693	0	236,693
Charges for services - police	103,416	0	103,416
Other	9,850	8,700	18,550
Total revenues	2,968,234	8,748	2,976,982
Expenditures			
Current:			
General government	584,102	7,403	591,505
Highways	868,699	0	868,699
Police	948,545	0	948,545
Appropriations	310,124	0	310,124
Total current	2,711,470	7,403	2,718,873
Debt service:			
Principal	32,266	0	32,266
Interest	5,676	0	5,676
Total debt service	37,942	0	37,942
Capital outlays:			
General government	2,000	0	2,000
Highways	236,606	0	236,606
Police	42,041	0	42,041
Total capital outlays	280,647	0	280,647
Total expenditures	3,030,059	7,403	3,037,462
Excess Revenues (Expenditures)	(61,825)	1,345	(60,480)
Other Financing Sources (Uses)			
Sale of assets	6,768	0	6,768
Loan proceeds	98,969	0	98,969
Total other financing sources (uses)	105,737	0	105,737
Net Change in Fund Balances	43,912	1,345	45,257
Fund Balances - July 1, 2016	1,059,603	162,068	1,221,671
Fund Balances - June 30, 2017	\$ 1,103,515	\$ 163,413	\$ 1,266,928

See Notes to Financial Statements.

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, 2017

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	45,257
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 decreased by \$5,274.		(5,274)
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.		32,266
Loan proceeds are an other financing source in the governmental funds; but increases in long-term liabilities in the statement of net position.		(98,969)
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	54,111	
Cost of benefits earned, net of employee contributions	<u>(109,216)</u>	(55,105)
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 \$6,668.		
		(6,668)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$305,647) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$265,210). This is the amount by which depreciation was less than capital outlays in the current period.		
		<u>40,437</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(48,056)</u></u>

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - COMPARED TO BUDGET
 GENERAL FUND
 YEAR ENDED JUNE 30, 2017

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Property taxes	\$ 2,306,137	\$ 2,305,914	\$ (223)
PILOT	166,000	188,051	22,051
Total taxes	<u>2,472,137</u>	<u>2,493,965</u>	<u>21,828</u>
State of Vermont			
Current use	40,000	45,450	5,450
Highways	113,000	112,686	(314)
State hospital	25,000	25,000	0
Appraisal assistance	13,718	12,827	(891)
Railroad levy	2,000	4,662	2,662
Police - highway fines	12,000	18,312	6,312
Public safety grants	0	17,756	17,756
Total State of Vermont	<u>205,718</u>	<u>236,693</u>	<u>30,975</u>
Fees, Licenses and Permits			
Animal licenses	2,000	1,608	(392)
Beverage and entertainment licenses	1,100	1,365	265
Copier fees	8,000	7,461	(539)
Zoning fees	7,500	16,749	9,249
Town Clerk fees	42,000	34,043	(7,957)
Records restoration	2,500	2,026	(474)
Excess weight permits	1,000	975	(25)
Peddlers' permits	150	350	200
Marriage licenses	200	0	(200)
Land posting permits	100	0	(100)
Grant - lister training	100	0	(100)
Other miscellaneous	100	2,718	2,618
Total fees, licenses and permits	<u>64,750</u>	<u>67,295</u>	<u>2,545</u>
Police			
Contract wages	113,880	99,220	(14,660)
Other miscellaneous	2,000	4,196	2,196
Total police	<u>115,880</u>	<u>103,416</u>	<u>(12,464)</u>
Interest and Penalties			
Investment income	2,000	1,683	(317)
Interest on delinquent taxes	15,000	20,067	5,067
Penalties on delinquent taxes	18,000	35,265	17,265
Total interest and penalties	<u>35,000</u>	<u>57,015</u>	<u>22,015</u>
Other Revenues			
Water pollution control	4,500	4,500	0
Berlin Historical Society	250	250	0
Friendship Park grant	0	5,100	5,100
Total other revenues	<u>4,750</u>	<u>9,850</u>	<u>5,100</u>
Total revenues	<u>2,898,235</u>	<u>2,968,234</u>	<u>69,999</u>

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - COMPARED TO BUDGET
 GENERAL FUND
 YEAR ENDED JUNE 30, 2017

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
General Government			
Administration			
Town Clerk	43,981	44,176	(195)
Town Treasurer	53,750	54,422	(672)
Assistant Clerk	17,519	18,571	(1,052)
Selectboard	3,750	3,750	0
Assistant Town Administrator	40,400	40,883	(483)
Town Administrator	62,425	62,701	(276)
Board of Civil Authority	500	0	500
Office supplies	8,000	9,081	(1,081)
Training	1,200	1,054	146
Computers and equipment	1,350	0	1,350
Copier	1,450	1,416	34
Records restoration	2,500	0	2,500
Postage	6,000	5,561	439
Postage meter rental	750	726	24
Telephone	4,500	4,179	321
Software and support	1,000	0	1,000
Clerk - advertising	500	0	500
Total administration	<u>249,575</u>	<u>246,520</u>	<u>3,055</u>
Listers			
Contract - assessor	20,500	20,145	355
Supplies	400	129	271
Software and support	500	1,177	(677)
Tax maps	1,500	1,182	318
License	350	215	135
Computer	250	0	250
Legal	500	0	500
Total listers	<u>24,000</u>	<u>22,848</u>	<u>1,152</u>
Meetings and Elections			
Town meetings and elections	7,000	6,121	879
Town reports	1,500	1,280	220
Legal notices and advertising	750	1,286	(536)
Total meetings and elections	<u>9,250</u>	<u>8,687</u>	<u>563</u>
Insurance			
Workers' compensation	2,107	1,238	869
Health insurance	20,750	20,904	(154)
Social Security	16,700	17,143	(443)
Unemployment	240	279	(39)
Disability	780	779	1
Life insurance	687	686	1
Health insurance buyback	4,875	5,063	(188)
Deductible	700	0	700

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2017

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Insurance (continued)			
Pension	11,400	12,128	(728)
General insurance	14,664	15,648	(984)
Total insurance	<u>72,903</u>	<u>73,868</u>	<u>(965)</u>
Zoning			
Training	250	387	(137)
Advertising	500	0	500
Legal fees	2,000	0	2,000
Total zoning	<u>2,750</u>	<u>387</u>	<u>2,363</u>
Development Review Board			
Secretary	4,500	2,115	2,385
Legal fees	2,000	147	1,853
Advertising	1,500	1,535	(35)
Total development review board	<u>8,000</u>	<u>3,797</u>	<u>4,203</u>
Planning			
Supplies, mileage and training	250	175	75
Advertising and printing	500	15	485
Total planning	<u>750</u>	<u>190</u>	<u>560</u>
Other			
Cemeteries	10,000	8,400	1,600
Conservation Commission	50	50	0
Green Up Day	500	667	(167)
Emergency management commission	2,087	2,030	57
Total other	<u>12,637</u>	<u>11,147</u>	<u>1,490</u>
Taxes and Assessments			
Animal control officer	2,500	428	2,072
Washington county assessment	36,826	36,826	0
Ambulance service	80,000	79,412	588
Central Vermont Humane Society	1,800	1,480	320
Central Vermont Solid Waste Mgmt District	5,700	2,840	2,860
Central Vermont Economic Development	500	500	0
Vermont League of Cities and Towns	4,126	4,126	0
Central Vermont Regional Planning Commission	3,176	3,176	0
Total taxes and assessments	<u>134,628</u>	<u>128,788</u>	<u>5,840</u>
Town Office			
Janitorial	7,000	8,107	(1,107)
Supplies	3,000	1,543	1,457
Training	500	545	(45)
Copier	1,700	1,676	24
Advertising	1,000	515	485
Newsletter	500	0	500

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - COMPARED TO BUDGET
 GENERAL FUND
 YEAR ENDED JUNE 30, 2017

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Town Office (continued)			
Software and support	5,000	6,429	(1,429)
Web page	600	511	89
Cloud backup	1,500	1,500	0
Backup storage fees	360	129	231
Maintenance	10,000	10,415	(415)
Vehicle	1,500	1,411	89
Heat and utilities	9,600	4,368	5,232
Internet	1,000	2,249	(1,249)
Equipment contracts	1,500	2,373	(873)
Total town office	<u>44,760</u>	<u>41,771</u>	<u>2,989</u>
General			
Legal	20,000	10,940	9,060
Auditing and accounting	15,000	17,000	(2,000)
Payroll services	2,000	2,253	(253)
Selectboard minutes	2,400	960	1,440
Emergency generator	1,500	733	767
Tax refunds and abatements	5,000	10,408	(5,408)
Town office water connection	0	3,767	(3,767)
Municipal boundary signs	2,000	0	2,000
Miscellaneous	1,000	38	962
Total general	<u>48,900</u>	<u>46,099</u>	<u>2,801</u>
Total general government	<u>608,153</u>	<u>584,102</u>	<u>24,051</u>
Police			
Wages	267,220	285,121	(17,901)
Wages - night shift	171,963	151,691	20,272
Wages - part time	22,000	23,676	(1,676)
Wages - clerical	33,656	33,861	(205)
Wages - CVMC	87,360	67,855	19,505
Wages - overtime	15,000	28,593	(13,593)
Wages - on call	4,350	10,161	(5,811)
Workers' compensation	51,574	61,687	(10,113)
Health insurance	86,900	72,038	14,862
Social Security	46,100	40,922	5,178
Unemployment	349	2,402	(2,053)
Social Security - CVMC	6,700	5,261	1,439
Disability insurance	2,500	1,970	530
Life insurance	2,025	1,809	216
Health insurance buyback	9,750	9,075	675
Employee benefits	3,150	1,143	2,007
Pension	29,900	34,170	(4,270)
Vehicle and liability insurance	27,762	29,505	(1,743)
Supplies	4,500	1,850	2,650

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - COMPARED TO BUDGET
 GENERAL FUND
 YEAR ENDED JUNE 30, 2017

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Police (continued)			
Uniforms	6,000	13,206	(7,206)
Guns and ammo	1,500	1,595	(95)
Copier lease	1,524	1,524	0
VIBRS	5,100	6,784	(1,684)
Media and data	4,500	4,268	232
Advertising	200	0	200
Training	2,500	1,093	1,407
Telephone	6,900	7,760	(860)
Legal	2,000	0	2,000
Equipment maintenance	10,425	10,615	(190)
Vehicle fuel	16,000	14,665	1,335
Lodging prisoners	1,000	400	600
Policing grants	0	16,488	(16,488)
Special investigation unit	2,300	2,300	0
Other	2,800	4,025	(1,225)
Berlin Community Fund	0	1,032	(1,032)
Total police	935,508	948,545	(13,037)
Highways			
Summer roads			
Wages	90,055	94,554	(4,499)
Roadside mowing	7,000	6,250	750
Chloride	28,000	27,640	360
Culverts and materials	10,000	13,147	(3,147)
Equipment maintenance	26,000	20,478	5,522
Fuel	20,000	9,332	10,668
Total summer roads	181,055	171,401	9,654
Winter roads			
Wages	119,620	114,322	5,298
Sand	60,000	64,107	(4,107)
Salt	70,000	81,900	(11,900)
Equipment maintenance	35,000	34,837	163
Fuel	30,000	20,486	9,514
Total winter roads	314,620	315,652	(1,032)
General			
Paving	60,000	66,707	(6,707)
Resurfacing - gravel	117,000	127,680	(10,680)
Bridge maintenance	10,000	0	10,000
Road signs and fencing	4,000	1,284	2,716
Guardrails	12,000	12,601	(601)
Total general	203,000	208,272	(5,272)

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2017

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Other			
Workers' compensation	39,802	31,460	8,342
Health insurance	40,450	34,908	5,542
Social Security	16,100	16,302	(202)
Unemployment	186	335	(149)
Disability insurance	920	920	0
Life insurance	800	844	(44)
Health insurance buyback	4,875	4,875	0
Deductible	1,400	0	1,400
Pension	11,900	11,536	364
General insurance	10,780	10,770	10
Storm water permit	300	1,185	(885)
Erosion control	4,000	4,675	(675)
Supplies	5,000	9,097	(4,097)
Advertising	500	830	(330)
Training	500	60	440
Telephone	2,500	2,694	(194)
Garage	23,000	24,557	(1,557)
Trash removal	1,285	0	1,285
Street lights	10,500	8,843	1,657
Traffic lights	3,000	1,031	1,969
Miscellaneous	500	0	500
Uniforms	6,200	8,452	(2,252)
Total other	<u>184,498</u>	<u>173,374</u>	<u>11,124</u>
Total highways	<u>883,173</u>	<u>868,699</u>	<u>14,474</u>
Appropriations			
Battered Women Services	975	975	0
Berlin Volunteer Fire Department	245,158	245,158	0
Barre Area Senior Center	1,000	1,000	0
Central Vermont Adult Basic Education	1,200	1,200	0
Capstone Community Action	500	500	0
Central Vermont Council on Aging	3,000	3,000	0
Central Vermont Home Health and Hospice	5,700	5,700	0
Central Vermont Memorial Civic	1,000	1,000	0
Family Center of Washington County	800	800	0
Good Samaritan Haven	800	800	0
Green Mountain Transit Agency	10,920	10,920	0
Green Up Vermont	150	150	0
Home Share	300	300	0
Just Basics, Inc.	2,000	2,000	0
Kellogg-Hubbard Library	28,271	28,271	0
Montpelier Senior Center	4,200	4,200	0
Our House of Central Vermont	250	250	0
People's Health & Wellness Clinic	500	500	0

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - COMPARED TO BUDGET
 GENERAL FUND
 YEAR ENDED JUNE 30, 2017

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Appropriations (continued)			
Prevent Child Abuse VT	600	600	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 Diversion	500	500	0
Washington County Youth Service Bureau	500	500	0
Total appropriations	<u>310,124</u>	<u>310,124</u>	<u>0</u>
Debt service			
Principal	31,902	32,266	(364)
Interest	6,090	5,676	414
Total debt service	<u>37,992</u>	<u>37,942</u>	<u>50</u>
Capital outlays			
General government	0	2,000	(2,000)
Highway	255,000	236,606	18,394
Police	38,000	42,041	(4,041)
Total capital outlays	<u>293,000</u>	<u>280,647</u>	<u>12,353</u>
Total expenditures	<u>3,067,950</u>	<u>3,030,059</u>	<u>37,891</u>
Excess Revenues (Expenditures)	<u>(169,715)</u>	<u>(61,825)</u>	<u>107,890</u>
Other Financing Sources (Uses)			
Sale of assets	0	6,768	6,768
Loan proceeds	125,000	98,969	(26,031)
Total other financing sources (uses)	<u>125,000</u>	<u>105,737</u>	<u>(19,263)</u>
Net Change in Fund Balance	<u>\$ (44,715)</u>	43,912	<u>\$ 88,627</u>
Fund Balance - July 1, 2016		1,059,603	
Fund Balance - June 30, 2017		<u>\$ 1,103,515</u>	

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

EXHIBIT H

	Water Pollution Fund	Water Division Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 987,654	\$ 58,578	\$ 1,046,232
Accounts receivable, net of allowance	2,268	1,114	3,382
Unbilled user fees	154,473	52,295	206,768
Grant receivable	0	145,981	145,981
Total current assets	<u>1,144,395</u>	<u>257,968</u>	<u>1,402,363</u>
Non-Current Assets			
Land	0	106,000	106,000
Plant and equipment, net of depreciation	626,645	5,807,656	6,434,301
Total non-current assets	<u>626,645</u>	<u>5,913,656</u>	<u>6,540,301</u>
Total assets	<u>1,771,040</u>	<u>6,171,624</u>	<u>7,942,664</u>
LIABILITIES			
Current Liabilities			
Accounts payable	78,962	1,437	80,399
Construction and retainage payable	0	142,629	142,629
Accrued interest payable	0	10,734	10,734
Advances from other funds	0	143,733	143,733
Due to other funds	106,201	21,682	127,883
Bond and note payable due within one year	0	110,020	110,020
Total current liabilities	<u>185,163</u>	<u>430,235</u>	<u>615,398</u>
Noncurrent Liabilities			
Bond and note payable due after one year	0	3,867,653	3,867,653
Total noncurrent liabilities	<u>0</u>	<u>3,867,653</u>	<u>3,867,653</u>
Total liabilities	<u>185,163</u>	<u>4,297,888</u>	<u>4,483,051</u>
NET POSITION			
Invested in capital assets, net of related debt	626,645	1,793,354	2,419,999
Unrestricted	959,232	80,382	1,039,614
Total net position	<u>\$ 1,585,877</u>	<u>\$ 1,873,736</u>	<u>\$ 3,459,613</u>

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT I

	Water Pollution Fund	Water Division Fund	Total
OPERATING REVENUES			
User charges and fees	\$ 547,745	\$ 200,732	\$ 748,477
Interest and penalties	2,150	599	2,749
Total operating revenues	549,895	201,331	751,226
OPERATING EXPENSES			
Wages and related	18,023	207	18,230
Professional services	7,824	75	7,899
Maintenance, operations and services	515,709	50,900	566,609
Administrative expenses	6,255	1,339	7,594
Depreciation	31,657	110,974	142,631
Total operating expenses	579,468	163,495	742,963
OPERATING INCOME (LOSS)	(29,573)	37,836	8,263
NONOPERATING REVENUES (EXPENSES)			
Grant income	0	239,430	239,430
Loss on disposal of asset	(3,425)	0	(3,425)
Interest expense	0	(104,107)	(104,107)
Interest income	6,369	0	6,369
Net nonoperating revenues	2,944	135,323	138,267
CHANGE IN NET POSITION	(26,629)	173,159	146,530
NET POSITION - JULY 1, 2016	1,612,506	1,700,577	3,313,083
NET POSITION - JUNE 30, 2017	\$ 1,585,877	\$ 1,873,736	\$ 3,459,613

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT J

	Water Pollution Fund	Water Division Fund
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Cash received from customers	\$ 687,165	\$ 195,112
Cash payments to suppliers for goods and services	<u>(486,545)</u>	<u>(51,371)</u>
Net cash from operating activities	<u>200,620</u>	<u>143,741</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments from (to) other funds	<u>26,944</u>	<u>(3,574)</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt and grants	0	352,426
Principal paid on capital debt	0	(58,542)
Additions of capital assets, net of change in related payables	0	(367,230)
Interest paid on capital debt	<u>0</u>	<u>(104,267)</u>
Net cash from (to) capital and related financing activities	<u>0</u>	<u>(177,613)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	<u>6,369</u>	<u>0</u>
Net cash from investing activities	<u>6,369</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	233,933	(37,446)
CASH AND CASH EQUIVALENTS - JULY 1, 2016	<u>753,721</u>	<u>96,024</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2017	<u>\$ 987,654</u>	<u>\$ 58,578</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (29,573)	\$ 37,836
Adjustments to reconcile income (loss) from operations to net cash flow from operating activities		
Depreciation	31,657	110,974
(Increase) decrease in accounts receivable	137,337	(6,219)
Increase (decrease) in accounts payable	<u>61,199</u>	<u>1,150</u>
Net cash from operating activities	<u>\$ 200,620</u>	<u>\$ 143,741</u>

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2017

	<u>Cemetery Funds</u>
ASSETS	
Cash and cash equivalents	\$ 13,968
LIABILITIES	
	<u>0</u>
NET POSITION	
Restricted	<u>\$ 13,968</u>

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2017

	<u>Cemetery Funds</u>
ADDITIONS	
Interest	\$ 6
DEDUCTIONS	<u> 0</u>
CHANGE IN NET POSITION	6
NET POSITION - July 1, 2016	<u>13,962</u>
NET POSITION - June 30, 2017	<u><u>\$ 13,968</u></u>

See Notes to Financial Statements.

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TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements - Fund Financial Statements

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Measurement Focus

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

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(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, 2017
(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).

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, 2017
(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, 2017
(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.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activities

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

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

Prepaid Expenses

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

Use of Estimates

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

NOTE 2 - DEPOSITS

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of June 30, 2017, \$1,332,535 of the government’s bank balance of \$2,117,567 was exposed to custodial credit risk. A summary of the Town’s custodial credit risk is as follows:

	Bank Balance
Insured by FDIC	\$ 785,032
Uninsured, collateralized by securities held by the pledging financial institution	<u>1,332,535</u>
Total	<u><u>\$ 2,117,567</u></u>

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 3 - PROPERTY TAXES

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

NOTE 4 – INTERFUND LOAN

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

NOTE 5 - INTERFUND ACTIVITY

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations. There were no transfers in fiscal year 2017.

The composition of due from/(to) other funds at June 30, 2017 are as follows:

	Due from other funds	Due to other funds
Governmental funds:		
General Fund	\$ 73,995	\$ 0
Recreation and Parks Fund	3,648	0
Montpelier Filtration Fund	1,280	0
Bridge Fund	19,398	0
Road Project Fund	29,562	0
Proprietary funds:		
Water Pollution	0	106,201
Water Division	0	21,682
	<u>\$ 127,883</u>	<u>\$ 127,883</u>

NOTE 6 - RECEIVABLES

Receivable balances as of June 30, 2017 were as follows:

	Governmental Activities	Business-Type Activities	Net Receivables
Delinquent taxes, penalty & interest receivable, net of \$25,547 allowance	\$ 137,616	\$ 0	\$ 137,616
Grant receivable - USDA	0	145,981	145,981
Unbilled user fees	0	206,768	206,768
Accts receivable - State	4,001	0	4,001
Accts receivable - other, net of \$2,500 allow. (business-type)	2,080	3,382	5,462
	<u>\$ 143,697</u>	<u>\$ 356,131</u>	<u>\$ 499,828</u>

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 7 - CAPITAL ASSETS

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

	Balance June 30, 2016	Additions	Disposals/ Reclassification	(Depreciation)	Balance June 30, 2017
<i>Governmental activities</i>					
Capital assets not depreciated					
Land	\$ 52,400	\$ 0	\$ 0	\$ 0	\$ 52,400
CIP - Friendship Park	31,000	0	(31,000)	0	0
CIP - Berlin Bike Path	32,458	0	0	0	32,458
Total capital assets not deprec.	<u>115,858</u>	<u>0</u>	<u>(31,000)</u>	<u>0</u>	<u>84,858</u>
Capital assets being depreciated					
Land improvements	0	2,000	31,000	0	33,000
Buildings and improvements	287,845	0	0	0	287,845
Infrastructure	1,783,062	97,637	0	0	1,880,699
Machinery and equipment	173,539	9,491	0	0	183,030
Vehicles	1,627,520	196,519	(158,454)	0	1,665,585
Total capital assets being deprec.	<u>3,871,966</u>	<u>305,647</u>	<u>(127,454)</u>	<u>0</u>	<u>4,050,159</u>
Less accumulated depreciation for:					
Land improvements	0	0	0	(1,833)	(1,833)
Buildings and improvements	(107,949)	0	0	(9,595)	(117,544)
Infrastructure	(628,610)	0	0	(91,367)	(719,977)
Machinery and equipment	(143,310)	0	0	(7,712)	(151,022)
Vehicles	(1,187,662)	0	158,454	(154,703)	(1,183,911)
Total accum. depreciation	<u>(2,067,531)</u>	<u>0</u>	<u>158,454</u>	<u>(265,210)</u>	<u>(2,174,287)</u>
Total capital assets, net of deprec.	<u>1,804,435</u>	<u>305,647</u>	<u>31,000</u>	<u>(265,210)</u>	<u>1,875,872</u>
Total gov't activities assets, net	<u>\$ 1,920,293</u>	<u>\$ 305,647</u>	<u>\$ 0</u>	<u>\$ (265,210)</u>	<u>\$ 1,960,730</u>
<i>Business-type activities</i>					
Capital assets not depreciated					
Land	\$ 106,000	\$ 0	\$ 0	\$ 0	\$ 106,000
CIP - water pollution	3,425	0	(3,425)	0	0
CIP - water division	5,613,025	0	(5,613,025)	0	0
Total capital assets not deprec.	<u>5,722,450</u>	<u>0</u>	<u>(5,616,450)</u>	<u>0</u>	<u>106,000</u>
Capital assets being depreciated					
Capital improvements	749,574	0	0	0	749,574
Water supply system	0	305,605	5,613,025	0	5,918,630
Main pump upgrades	88,701	0	0	0	88,701
Equipment	71,549	0	0	0	71,549
Total capital assets being deprec.	<u>909,824</u>	<u>305,605</u>	<u>5,613,025</u>	<u>0</u>	<u>6,828,454</u>
Less accumulated depreciation for:					
Capital improvements	(175,978)	0	0	(25,199)	(201,177)
Water supply system	0	0	0	(110,974)	(110,974)
Main pump upgrades	(10,994)	0	0	(2,958)	(13,952)
Equipment	(64,550)	0	0	(3,500)	(68,050)
Total accum. depreciation	<u>(251,522)</u>	<u>0</u>	<u>0</u>	<u>(142,631)</u>	<u>(394,153)</u>
Total capital assets, net of deprec.	<u>\$ 6,380,752</u>	<u>\$ 305,605</u>	<u>\$ (3,425)</u>	<u>\$ (142,631)</u>	<u>\$ 6,540,301</u>

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 7 - CAPITAL ASSETS (Continued)

Depreciation for the governmental activities was charged to general government for \$104,377, highway for \$128,457 and police for \$32,376. Depreciation for the proprietary funds consisted of \$31,657 for the Water Pollution Fund and \$110,974 for the Water Division Fund.

NOTE 8 – UNAVAILABLE REVENUE

Unavailable revenue in the General Fund consists of \$105,045 of property taxes not received within sixty days after year end.

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2017 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.	\$ 85,000	\$ 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%.	98,969	19,257
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%.	63,535	22,768
Subtotal	<u>247,504</u>	<u>\$ 52,025</u>
Accrued compensated absences	33,137	
Total	280,641	
Amount due within one year	(52,025)	
Amount due after one year	<u>\$ 228,616</u>	

Proprietary Funds

Water Division Fund

Note payable to State of Vermont for water supply project. The loan balance remaining is anticipated loan forgiveness expected to be recognized by the State in fiscal year 2018.	\$ 49,921	\$ 49,921
Note payable with USDA, semiannual principal and interest payments of \$81,405 through November 2055, interest at 2.625%.	3,927,752	60,099
Total	<u>3,977,673</u>	<u>\$ 110,020</u>
Amount due within one year	(110,020)	
Amount due after one year	<u>\$ 3,867,653</u>	

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 9 - LONG-TERM LIABILITIES (Continued)

Long-term debt will mature approximately as follows:

	Governmental			Proprietary		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 52,025	\$ 5,762	\$ 57,787	\$ 110,020	\$ 102,711	\$ 212,731
2019	52,752	4,571	57,323	61,687	101,123	162,810
2020	47,327	3,386	50,713	63,316	99,494	162,810
2021	30,062	2,123	32,185	64,989	97,811	162,800
2022	30,338	1,733	32,071	66,706	96,103	162,809
2023-2027	35,000	1,145	36,145	360,920	453,340	814,260
2028-2032	0	0	0	411,189	402,860	814,049
2033-2037	0	0	0	468,459	345,591	814,050
2038-2042	0	0	0	533,707	280,343	814,050
2043-2047	0	0	0	608,042	206,008	814,050
2048-2052	0	0	0	692,730	121,320	814,050
2053-2057	0	0	0	535,908	28,083	563,991
Total	\$ 247,504	\$ 18,720	\$ 266,224	\$ 3,977,673	\$ 2,334,787	\$ 6,312,460

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

	Governmental	Proprietary	Total
Balance at June 30, 2016	\$ 207,270	\$ 4,036,215	\$ 4,243,485
Proceeds	98,969	0	98,969
Accrued vacation earned	30,563	0	30,563
Accrued vacation used	(23,895)	0	(23,895)
Principal payments	(32,266)	(58,542)	(90,808)
Balance at June 30, 2017	<u>\$ 280,641</u>	<u>\$ 3,977,673</u>	<u>\$ 4,258,314</u>

Interest of \$109,783 was paid on long-term debt in fiscal year 2017.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 10 – RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

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

	Restricted Net Position & Fund Balance	Committed Fund Balance	Assigned Fund Balance
Police Community Fund	\$ 0	\$ 12,653	\$ 0
Fire warden	0	900	0
Building maintenance	0	7,026	0
Task force	0	3,000	0
Cemeteries	0	2,758	0
Bridge maintenance	0	34,799	0
Economic Dev. Board	0	1,515	0
Highway equipment	0	847	0
Bond build renovation	0	5,980	0
Planning	0	1,100	0
Water supply	0	2,165	0
Recreation and parks	13,916	0	0
Conservation	46,928	0	0
Montpelier Filtration	1,280	0	0
Bike path	52,329	0	0
Bridges	0	19,398	0
Road projects	0	29,562	0
Computer equipment	0	0	1,350
Capital budget	0	0	6,233
Highway paving/tires	0	0	1,151
Reappraisal	172,328	0	0
Listers education	820	0	0
Records restoration	15,520	0	0
Totals	<u>\$ 303,121</u>	<u>\$ 121,703</u>	<u>\$ 8,734</u>

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 11 - PENSION PLAN

DEFINED CONTRIBUTION PLAN

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

Of the Town's total payroll of \$1,073,838, \$72,811 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$3,732 and by the employees were \$3,641.

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, 2016, the retirement system consisted of 441 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, 2017
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Benefits provided and contributions

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>
Avg Final Compensation (AFC)	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
Early Retirement Allowance				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 years of service
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age		n/a	Normal allowance based on service and AFC at early retirement, without reduction
Vested Retirement Allowance				
Eligibility	5 years of service	5 years of service	5 years of service	5 years of service
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
Disability Retirement Allowance				
Eligibility	5 years of service and disability as determined by Retirement Board			
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.			
Death Benefit				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 5 years of service
Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death.			70% of the unreduced accrued benefit plus children's benefit
Optional Benefit and Death after Retirement				
	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			Lifetime allowance or 70% contingent annuitant option with no reduction
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.			
Post-Retirement Adjustments				
	Allowance in payment for at least one year, increased on each January 1 by one-half of the percentage increase in CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.5% effective 1/1/00	4.875% effective 7/1/16	10% eff. 1/1/16	11.35% effective 7/1/16
Employer Contributions	4%	5.5% effective 7/1/16	7.25% eff. 1/1/16	9.85% effective 7/1/16
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 11 - PENSION PLANS (Continued)

For the year ended June 30, 2017, the Town's contributions to the Plan were \$54,111.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the Town reported a liability of \$392,273 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town's proportion was 0.30481%, which was an increase of 0.00491% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$109,216. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,058	\$ 0
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,965	0
Changes in assumptions	62,998	0
Difference between projected and actual investment earnings	127,194	0
Member contributions subsequent to the measurement date	54,111	0
Total	<u>\$ 264,326</u>	<u>\$ 0</u>

Of the \$264,326 of deferred outflows of resources, \$54,111 was from the Town's contributions subsequent to the measurement date which will be recognized as pension expense in the year ending June 30, 2018. Other amounts (\$210,215) reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2017	\$ 55,854
2018	55,854
2019	76,562
2020	21,945

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate – 7.95% per annum

Salary increase - 5% per year

Deaths

Groups A, B and C – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment.

Group D – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue collar adjustment.

The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation.

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

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

Actuarial Cost Method – Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing by 5% per year.

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

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

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

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

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

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

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$ 651,212	\$ 392,273	\$ 175,464

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.

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 may be extended for two additional years at the per capita rates of \$36.15 and \$38.68.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017
(Continued)

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, 2017 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 \$44,715 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 – 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 2017, the amount of Town property taxes forgone as a result of the Current Use Program was approximately \$192,000. 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 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2017, the date which the financial statements were available for issue.

In August, 2017, the Town signed a \$77,167 note with Community Bank N.A. for the purchase of a truck. The note is to be paid in five annual principal payments of \$15,433 plus interest at 1.95% through August 2022.

TOWN OF BERLIN, VERMONT
 COMBINING AND INDIVIDUAL FUND BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue Funds			Capital Project Funds			Total
	Recreation and Parks Fund	Conservation Fund	Montpelier Filtration Fund	Bike Path Fund	Bridge Fund	Road Project Fund	
ASSETS							
Cash and cash equivalents	\$ 10,268	\$ 46,928	\$ 0	\$ 52,329	\$ 0	\$ 0	\$ 109,525
Due from other funds	3,648	0	1,280	0	19,398	29,562	53,888
Total assets	<u>\$ 13,916</u>	<u>\$ 46,928</u>	<u>\$ 1,280</u>	<u>\$ 52,329</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 163,413</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCES							
Restricted	13,916	46,928	1,280	52,329	0	0	114,453
Committed	0	0	0	0	19,398	29,562	48,960
Total fund balances	<u>13,916</u>	<u>46,928</u>	<u>1,280</u>	<u>52,329</u>	<u>19,398</u>	<u>29,562</u>	<u>163,413</u>
Total liabilities and fund balances	<u>\$ 13,916</u>	<u>\$ 46,928</u>	<u>\$ 1,280</u>	<u>\$ 52,329</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 163,413</u>

TOWN OF BERLIN, VERMONT
 COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			Capital Project Funds			Total
	Recreation and Parks Fund	Conservation Fund	Montpelier Filtration Fund	Bike Path Fund	Bridge Fund	Road Project Fund	
REVENUES							
Interest	\$ 5	\$ 18	\$ 0	\$ 25	\$ 0	\$ 0	\$ 48
Other	0	8,700	0	0	0	0	8,700
Total revenues	5	8,718	0	25	0	0	8,748
EXPENDITURES	1,653	2,750	0	3,000	0	0	7,403
EXCESS REVENUES (EXPENDITURES)	(1,648)	5,968	0	(2,975)	0	0	1,345
FUND BALANCES - July 1, 2016	15,564	40,960	1,280	55,304	19,398	29,562	162,068
FUND BALANCES - June 30, 2017	\$ 13,916	\$ 46,928	\$ 1,280	\$ 52,329	\$ 19,398	\$ 29,562	\$ 163,413

TOWN OF BERLIN, VERMONT
SCHEDULES OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND TOWN CONTRIBUTIONS
YEAR ENDED JUNE 30, 2017

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	0.30481%	0.29990%	0.26030%
Town's proportionate share of the net pension liability (asset)	\$ 392,273	\$ 231,207	\$ 23,756
Town's covered-employee payroll	\$ 842,285	\$ 779,921	\$ 655,141
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.57%	29.64%	3.63%
Plan fiduciary net position as a percentage of the total pension liability	80.95%	87.42%	98.32%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 54,111	\$ 46,326	\$ 41,921	\$ 33,576	\$ 30,031
Contributions in relation to the contractually required contribution	<u>(54,111)</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	\$ 983,843	\$ 842,285	\$ 779,921	\$ 655,141	\$ 600,620
Contributions as a percentage of covered-employee payroll	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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 21, 2017.

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

November 21, 2017