

**TOWN OF BERLIN, VERMONT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**

**TOWN OF BERLIN, VERMONT**

**JUNE 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

The Selectboard  
Town of 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 (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Vermont as of June 30, 2015, and the respective changes in

financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Information***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

#### *Supplementary 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 accompanying schedules 1 and 2, and the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules 1 and 2, and the Schedule of Expenditures of Federal Awards 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, the accompanying schedules 1 and 2, and the Schedule of Expenditures of Federal Awards 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 3, 2015 on our consideration of the Town's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Montpelier, Vermont  
November 3, 2015

*Mudgett, Jennett E.  
Krogh-Wisner, P.C.*

**TOWN OF BERLIN, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The Town of Berlin is the crossroads for central Vermont. The Town hosts the area hospital, Knapp State Airport, Berlin Mall, both Vermont and Central Vermont Chambers of Commerce, Blue Cross & Blue Shield of VT and many, many more industrial and commercial businesses, all in an area of 37.9 square miles. The population is roughly 2,880; however, daytime population swells to 7,500. Our central location makes it easy for visitors to ski, hike, shop, sightsee, conduct business or visit family.

The following is a discussion and analysis of the Town of Berlin's (the Town) financial performance including an overview and analysis of the financial activities of the Town for the fiscal year ending June 30, 2015. Readers should consider this information in conjunction with the Town's financial statements which follow this analysis.

In 2015, the Town implemented a change in governmental accounting and reporting which was mandated by the Governmental Accounting Standards Board in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The impact on these financial statements is to include the Town's proportionate share of the Vermont Municipal Employees' Retirement System's net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. Fund financial statements have not been affected by this change.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Town's financial statements consist of four sections: 1) Management's Discussion and Analysis, 2) Basic Financial Statements, 3) Supplementary Schedules, and 4) Compliance Reports.

- **Management's Discussion and Analysis** - An introduction to the basic financial statements that is intended to be an easily read analysis of the Town's financial activities based on currently known facts, decisions or conditions.
- **Basic Financial Statements** - This section of the report includes government-wide financial statements, fund financial statements and notes to the financial statements. The government-wide financial statements present the financial position and activities of the Town as a whole using accounting methods similar to those used by private-sector companies. The fund financial statements present financial information on specific activities of the Town. The notes to the financial statements provide additional disclosures to the information presented in the financial statements.
- **Supplementary Schedules** - This section of the report is not required by accounting principles generally accepted in the United States of America (U.S. GAAP) but is presented as supplementary information. This information includes combining statements.
- **Compliance Reports** - This section includes the auditor's reports on the Town's internal controls for financial reporting and federal programs, and a report of any findings. Internal controls deal with the Town's processes and procedures which give an auditor greater confidence that financial statements and grant reports are accurate and assets are being safeguarded in reasonable fashion.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances. The statements provide both short-term and long-term information about the Town's financial

position, which helps readers determine whether the Town's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenues and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30. There are two government-wide statements:

- **Statement of Net Position** - This statement presents information on all of the Towns' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities** - This statement presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** - Activities reported here include general government, public safety, highways, and culture and recreation. Property taxes and federal, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here include the Water Pollution Fund and the Water Division Fund.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds are categorized as follows and use the accounting approaches described.

- **Governmental Funds** - The basic services provided by the Town are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Town's current needs.
- **Proprietary Funds** - Proprietary funds report activities that operate more like those of private-sector businesses and use the accrual basis of accounting. Proprietary funds are reported as business-type activities on the government-wide financial statements. Since proprietary funds use accrual basis accounting, there are no differences between amounts reported on the government-wide statement and the proprietary fund statements. The Town uses proprietary funds to account for its Water Pollution Fund and its Water Division Fund.
- **Fiduciary Funds** - 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 is the Cemetery Funds.

## Reconciliation of Government-wide Financial Statements to Fund Financial Statements

This report includes a reconciliation of the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included on the fund financial statements. These liabilities are only included in the government-wide statements.
- Deferred outflows of resources and deferred inflows of resources, relating to pension, are not reported on the fund financial statements.
- Deferred inflows of resources, relating to deferred taxes, are included in the fund financial statements to offset uncollected taxes which are not available financial resources but are excluded from government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements.

Because the focus of governmental funds is different from that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Town's near-term financing decisions. The comparisons are:

- Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities.

The reconciliation of the government-wide financial statements to the proprietary funds financial statements is not necessary. The business-type activities of the government-wide financial statements and the proprietary funds use the same accounting basis and measurement focus.

## FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Our analysis below focuses on the net position and changes in net position of the Town's activities. The Town's net position for governmental activities increased from \$2,673,617, as restated, to \$2,973,758, or \$305,013. The Town's net position for business-type activities increased from \$1,578,363 to \$1,589,182, or \$10,819.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for the governmental activities to a balance of \$683,388 at the end of the fiscal year. The business-type activities' unrestricted net position decreased to a balance of \$308,206.

**Table 1**  
**Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 1,289,518	\$ 1,033,494	\$ 783,411	\$ 924,923	\$ 2,072,929	\$ 1,958,417
Capital assets	<u>2,124,725</u>	<u>2,470,682</u>	<u>3,305,679</u>	<u>678,576</u>	<u>5,430,404</u>	<u>3,149,258</u>
Total assets	<u>3,414,243</u>	<u>3,504,176</u>	<u>4,089,090</u>	<u>1,603,499</u>	<u>7,503,333</u>	<u>5,107,675</u>
Deferred outflows of resources	<u>44,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,865</u>	<u>-</u>

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current liabilities	171,132	277,111	597,352	25,136	768,484	302,247
Long-term liabilities	236,093	541,428	1,902,556	-	2,138,649	541,428
Total liabilities	<u>407,225</u>	<u>818,539</u>	<u>2,499,908</u>	<u>25,136</u>	<u>2,907,133</u>	<u>843,675</u>
Deferred inflows of resources	73,253	-	-	-	73,253	-
Net investment in capital assets	1,898,031	1,820,120	1,280,976	678,576	3,179,007	2,498,696
Restricted	397,211	355,190	-	-	397,211	355,190
Unrestricted	683,388	510,327	308,206	899,787	991,594	1,410,114
Total net position	<u>2,978,630</u>	<u>2,685,637</u>	<u>1,589,182</u>	<u>1,578,363</u>	<u>4,567,812</u>	<u>4,264,000</u>
Restatement	-	(12,020)	-	-	-	(12,020)
Total net position, as restated	\$ <u>2,978,630</u>	\$ <u>2,673,617</u>	\$ <u>1,589,182</u>	\$ <u>1,578,363</u>	\$ <u>4,567,812</u>	\$ <u>4,251,980</u>

Revenues of the Town's governmental activities increased by 7.8%, while total expenses increased by 4.9%. Business-type activities' revenues increased by less than 1%, while total expenses increased by 5.8%.

**Table 2**  
**Change in Net Position**

	<u>2015</u>			<u>2014</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>REVENUES</b>						
<b>Program revenues:</b>						
Grants and contributions	\$ 427,907	\$ -	\$ 427,907	\$ 404,227	\$ -	\$ 404,227
Charges for services	203,866	541,733	745,599	187,852	537,965	725,817
Other	28,016	635	28,651	33,854	3,676	37,530
<b>General revenues:</b>						
Property taxes	2,347,935	-	2,347,935	2,157,438	-	2,157,438
Interest income	47,902	11,083	58,985	51,028	10,565	61,593
Total revenues	<u>3,055,626</u>	<u>553,451</u>	<u>3,609,077</u>	<u>2,834,399</u>	<u>552,206</u>	<u>3,386,605</u>
<b>PROGRAM EXPENSES</b>						
General government	609,636	-	609,636	602,803	-	602,803
Highways	958,839	-	958,839	931,109	-	931,109
Police	909,928	-	909,928	868,199	-	868,199
Special appropriations	265,020	-	265,020	213,080	-	213,080
Interest on capital lease	1,648	-	1,648	4,273	-	4,273
Interest on long-term debt	5,542	-	5,542	7,419	-	7,419
Water Pollution	-	542,632	542,632	-	512,531	512,531
Total program expenses	<u>2,750,613</u>	<u>542,632</u>	<u>3,293,245</u>	<u>2,626,883</u>	<u>512,531</u>	<u>3,139,414</u>
Change in Net Position	305,013	10,819	315,832	207,516	39,675	247,191
Net Position - July 1	2,685,637	1,578,363	4,264,000	2,431,674	1,538,688	3,970,362
Restatement	(12,020)	-	(12,020)	46,447	-	46,447
Net Position - July 1, as restated	<u>2,673,617</u>	<u>1,578,363</u>	<u>4,251,980</u>	<u>2,478,121</u>	<u>1,538,688</u>	<u>4,016,809</u>
Net Position - June 30	\$ <u>2,978,630</u>	\$ <u>1,589,182</u>	\$ <u>4,567,812</u>	\$ <u>2,685,637</u>	\$ <u>1,578,363</u>	\$ <u>4,264,000</u>

## FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

### Governmental Funds

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

**Table 3**  
**Fund Balances - Governmental Funds**

	<u>2015</u>	<u>2014</u>
General Fund:		
Nonspendable	\$ 93,736	\$ 54,506
Restricted	156,421	-
Committed	84,120	208,208
Unassigned	<u>570,237</u>	<u>470,027</u>
Total General Fund, as restated	\$ <u>904,514</u>	\$ <u>732,741</u>
Other Governmental Funds:		
Restricted	\$ 107,710	\$ 98,022
Committed	<u>48,960</u>	<u>48,960</u>
Total Other Governmental Funds	\$ <u>156,670</u>	\$ <u>146,982</u>

The General Fund total fund balance increased by \$171,773 from the prior fiscal year (as restated). The Other Governmental Funds total fund balance increased by \$9,688 from the prior fiscal year.

### Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements.

The Water Pollution Fund had a surplus for the year of \$10,419. Last year, the Water Pollution Fund had a surplus of \$39,675.

The Water Division Fund, which was established during FY15, had a surplus for the year of \$400.

### Fiduciary Funds

The Town's fiduciary fund, the Cemetery Funds, had a restricted net position of \$13,955, an increase of \$7 from the prior year's restricted net position of \$13,948.

## BUDGETARY HIGHLIGHTS

The General Fund actual revenues were more than budgeted by \$314,251. This was mainly the result of an unbudgeted grant for the buyout of the flood damaged property.

The General Fund actual expenditures were over the budget by \$255,818. General government (\$231,784) and highways (\$30,543) were both expended over budget. The primary cause of the general government being over budget was the unanticipated purchase of flood damaged property, which was offset by an unbudgeted grant. Highway equipment expenditures include the purchase of a dump truck which was financed with a bank loan.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2015, the net book value of the Town’s governmental capital assets decreased by \$387,663 from the prior year balance. The decrease included the transfer of land and construction costs for the water project from governmental capital assets to business-type capital assets in the amount \$537,120. Governmental capital additions were \$413,427 and depreciation was \$263,970.

The increase in business-type capital assets of \$2,627,103 is primarily due to construction of the water project. Depreciation of business-type assets was \$30,593.

**Table 5  
Capital Assets (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 223,121	\$ 145,000	\$ 106,000	\$ -	\$ 329,121	\$ 145,000
Work in process, as restated	32,458	451,847	2,542,625	3,425	2,575,083	455,272
Buildings and improvements	287,845	287,845	-	-	287,845	287,845
Infrastructure	1,660,069	1,660,069	-	-	1,660,069	1,660,069
Machinery and equipment	173,539	143,593	71,549	71,549	245,088	215,142
Vehicles	1,606,343	1,566,147	-	-	1,606,343	1,566,147
Capital improvements	-	-	717,732	717,732	717,732	717,732
Main pump upgrades	-	-	88,701	76,205	88,701	76,205
Less: accumulated depreciation	<u>(1,858,650)</u>	<u>(1,742,113)</u>	<u>(220,928)</u>	<u>(190,335)</u>	<u>(2,079,578)</u>	<u>(1,932,448)</u>
Totals	\$ <u>2,124,725</u>	\$ <u>2,512,388</u>	\$ <u>3,305,679</u>	\$ <u>678,576</u>	\$ <u>5,430,404</u>	\$ <u>3,190,964</u>

**Debt Administration**

As of June 30, 2015, the Town’s governmental debt of \$226,694 included a bond, note payable and capital lease. Governmental debt was \$650,562 at the end of the prior year, a decrease of \$423,868. Water project debt of \$393,387 was reclassified from governmental activities to business-type activities.

As of June 30, 2015, the Town’s business-type debt of \$2,024,703 included notes payable related to construction of the water project.

The Town also has an interfund note payable to the General Fund from the Water Division Fund in the amount of \$143,733 for expenses relating to construction of the water supply system that were paid by the General Fund in previous years.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Berlin’s finances for all those with an interest in the Town’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Treasurer, Town of Berlin, 108 Shed Road, Berlin, VT 05602-9049.

**TOWN OF BERLIN, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
(Page 1 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<b>ASSETS:</b>			
Current assets -			
Cash and cash equivalents	\$ 790,948	\$ 734,785	\$ 1,525,733
Delinquent taxes receivable, net	155,736	-	155,736
Accounts receivable, net	23,863	273,861	297,724
Interfund note receivable (payable)	143,733	(143,733)	-
Prepaid expenses	56,385	-	56,385
Due from (to) other activities	81,502	(81,502)	-
Inventory	37,351	-	37,351
Total current assets	<u>1,289,518</u>	<u>783,411</u>	<u>2,072,929</u>
Noncurrent assets -			
Capital assets	3,983,375	3,526,607	7,509,982
less - accumulated depreciation	<u>(1,858,650)</u>	<u>(220,928)</u>	<u>(2,079,578)</u>
Total noncurrent assets	<u>2,124,725</u>	<u>3,305,679</u>	<u>5,430,404</u>
Total assets	<u>3,414,243</u>	<u>4,089,090</u>	<u>7,503,333</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred pension expense	<u>44,865</u>	<u>-</u>	<u>44,865</u>
<b>LIABILITIES:</b>			
Current liabilities -			
Accounts payable	84,983	470,726	555,709
Accrued interest payable	-	2,980	2,980
Accrued expenses	40,229	-	40,229
Customer overpayments	-	1,499	1,499
Current portion of capital lease	14,018	-	14,018
Current portion of long-term debt	<u>31,902</u>	<u>122,147</u>	<u>154,049</u>
Total current liabilities	<u>171,132</u>	<u>597,352</u>	<u>768,484</u>
Noncurrent liabilities -			
Compensated absences	31,563	-	31,563
Long-term debt	180,774	1,902,556	2,083,330
Net pension liability	<u>23,756</u>	<u>-</u>	<u>23,756</u>
Total noncurrent liabilities	<u>236,093</u>	<u>1,902,556</u>	<u>2,138,649</u>
Total liabilities	<u>407,225</u>	<u>2,499,908</u>	<u>2,907,133</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
(Page 2 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred pension credits	<u>73,253</u>	<u>-</u>	<u>73,253</u>
<b>NET POSITION:</b>			
Net investment in capital assets	1,898,031	1,280,976	3,179,007
Restricted	397,211	-	397,211
Unrestricted	<u>683,388</u>	<u>308,206</u>	<u>991,594</u>
Total net position	\$ <u>2,978,630</u>	\$ <u>1,589,182</u>	\$ <u>4,567,812</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS:	Program Revenues			Net (Expense) Revenue and			
	Charges for			Changes in Net Position			
	Expenses	Grants and Contributions	Services	Other	Governmental Activities	Business-type Activities	Totals
Governmental activities -							
General government	\$ 609,636	\$ 284,138	\$ 86,115	\$ 15,025	\$ (224,358)	\$ -	\$ (224,358)
Highway	958,839	112,786	-	-	(846,053)	-	(846,053)
Police	909,928	30,983	117,751	12,991	(748,203)	-	(748,203)
Appropriations	265,020	-	-	-	(265,020)	-	(265,020)
Interest on capital lease	1,648	-	-	-	(1,648)	-	(1,648)
Interest on long-term debt	5,542	-	-	-	(5,542)	-	(5,542)
Total governmental activities	<u>2,750,613</u>	<u>427,907</u>	<u>203,866</u>	<u>28,016</u>	<u>(2,090,824)</u>	<u>-</u>	<u>(2,090,824)</u>
Business-type activities -							
Water pollution	542,632	-	541,333	635	-	(664)	(664)
Water division	-	-	400	-	-	400	400
Total business-type activities	<u>542,632</u>	<u>-</u>	<u>541,733</u>	<u>635</u>	<u>-</u>	<u>(264)</u>	<u>(264)</u>
	<u>\$ 3,293,245</u>	<u>\$ 427,907</u>	<u>\$ 745,599</u>	<u>\$ 28,651</u>	<u>(2,090,824)</u>	<u>(264)</u>	<u>(2,091,088)</u>
					2,347,935	-	2,347,935
					<u>47,902</u>	<u>11,083</u>	<u>58,985</u>
					<u>2,395,837</u>	<u>11,083</u>	<u>2,406,920</u>
					305,013	10,819	315,832
					<u>2,673,617</u>	<u>1,578,363</u>	<u>4,251,980</u>
NET POSITION, July 1, 2014, as restated							
NET POSITION, June 30, 2015					<u>\$ 2,978,630</u>	<u>\$ 1,589,182</u>	<u>\$ 4,567,812</u>

CHANGE IN NET POSITION

NET POSITION, July 1, 2014, as restated

NET POSITION, June 30, 2015

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**  
(Page 1 of 2)

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Totals Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 711,198	\$ 79,750	\$ 790,948
Delinquent taxes receivable, net	155,736	-	155,736
Accounts receivable	23,863	-	23,863
Interfund note receivable	143,733	-	143,733
Prepaid expenditures	56,385	-	56,385
Due from other funds	4,582	76,920	81,502
Inventory	<u>37,351</u>	<u>-</u>	<u>37,351</u>
 Total assets	 \$ <u>1,132,848</u>	 \$ <u>156,670</u>	 \$ <u>1,289,518</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 84,983	\$ -	\$ 84,983
Accrued expenditures	<u>40,229</u>	<u>-</u>	<u>40,229</u>
Total liabilities	<u>125,212</u>	<u>-</u>	<u>125,212</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred property taxes	<u>103,122</u>	<u>-</u>	<u>103,122</u>
<b>FUND BALANCES:</b>			
Nonspendable	93,736	-	93,736
Restricted	156,421	107,710	264,131
Committed	84,120	48,960	133,080
Unassigned	<u>570,237</u>	<u>-</u>	<u>570,237</u>
Total fund balances	<u>904,514</u>	<u>156,670</u>	<u>1,061,184</u>
 Total liabilities, deferred inflows of resources and fund equity	 \$ <u>1,132,848</u>	 \$ <u>156,670</u>	 \$ <u>1,289,518</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**  
(Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$ 1,061,184
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	3,983,375
Accumulated depreciation	(1,858,650)
Liabilities not due and payable are not reported in governmental funds.	
Long-term debt	(212,676)
Capital lease	(14,018)
Compensated absences	(31,563)
Balances related to net pension asset or liability and related deferred outflows/inflows of resources are not reported in the governmental funds.	
Deferred pension expense	44,865
Deferred pension credits	(73,253)
Net pension liability	(23,756)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.	103,122
Net position of governmental activities - Government-wide Statement of Net Position	\$ 2,978,630

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 1 of 2)

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Totals Governmental <u>Funds</u>
<b>REVENUES:</b>			
Property taxes	\$ 2,407,147	\$ -	\$ 2,407,147
Fees, licenses, permits	86,115	-	86,115
Interest and penalties	47,863	39	47,902
Intergovernmental	427,907	-	427,907
Police - charges for services	117,751	-	117,751
Other	<u>18,367</u>	<u>9,649</u>	<u>28,016</u>
Total revenues	<u>3,105,150</u>	<u>9,688</u>	<u>3,114,838</u>
<b>EXPENDITURES:</b>			
Current -			
General government	598,078	-	598,078
Highways and bridges	820,658	-	820,658
Police	862,300	-	862,300
Special appropriations	265,020	-	265,020
Capital outlay	349,650	-	349,650
Capital lease -			
Principal	82,751	-	82,751
Interest	1,648	-	1,648
Debt service -			
Principal	61,070	-	61,070
Interest	<u>5,542</u>	<u>-</u>	<u>5,542</u>
Total expenditures	<u>3,046,717</u>	<u>-</u>	<u>3,046,717</u>
<b>EXCESS OF REVENUES OR (EXPENDITURES)</b>	58,433	9,688	68,121
<b>OTHER FINANCING SOURCES (USES):</b>			
Loan proceeds	<u>113,340</u>	<u>-</u>	<u>113,340</u>
<b>NET CHANGE IN FUND BALANCES</b>	171,773	9,688	181,461
<b>FUND BALANCES, July 1, 2014, as restated</b>	<u>732,741</u>	<u>146,982</u>	<u>879,723</u>
<b>FUND BALANCES, June 30, 2015</b>	\$ <u>904,514</u>	\$ <u>156,670</u>	\$ <u>1,061,184</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(Page 2 of 2)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:

Net change in fund balance - total governmental funds	\$ 181,461
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Additions to capital assets	413,427
Depreciation	(263,970)
Property tax revenue in governmental funds includes deferred revenue of the prior year but excludes deferred revenue of the current year as taxes uncollected within 60 days are unavailable at year end.	
Prior year	(162,334)
Current year	103,122
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
Proceeds from long-term debt	(113,340)
Debt service - principal paid on capital lease	82,751
Debt service - principal paid on long-term debt	61,070
Changes in accrued compensated absences accumulated by employees will increase or decrease the liability reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	
Increase in compensated absences	(2,539)
Changes in net pension asset or liability and related deferred outflows/inflows of resources will increase or decrease the amounts reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	
Net increase (decrease) in net pension expense	<u>5,365</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u><u>305,013</u></u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 1 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<b>REVENUES:</b>			
Taxes -			
Property taxes	\$ 2,178,524	\$ 2,290,954	\$ 112,430
PILOT	175,301	116,193	(59,108)
Total taxes	<u>2,353,825</u>	<u>2,407,147</u>	<u>53,322</u>
State of Vermont -			
Current use	40,000	42,294	2,294
Highways - Summer	56,500	56,393	(107)
Highways - Winter	56,500	56,393	(107)
State hospital	25,000	25,000	-
Berlin Bike Path	-	11,731	11,731
Appraisal assistance	13,718	13,852	134
Railroad levy	2,000	2,442	442
Municipal planning	-	4,698	4,698
Police - Highway fines	16,000	13,122	(2,878)
Public Safety grants	-	17,861	17,861
Total State of Vermont	<u>209,718</u>	<u>243,786</u>	<u>34,068</u>
Property buyout - Muzzy Road	<u>-</u>	<u>184,121</u>	<u>184,121</u>
Fees, Licenses, Permits -			
Animal licenses	2,000	1,970	(30)
Mobile home parks	750	-	(750)
Beverage and entertainment licenses	1,100	1,340	240
Copier fees	7,000	9,014	2,014
Zoning fees	7,500	26,787	19,287
Town Clerk fees	41,000	43,346	2,346
Records restoration	2,500	2,563	63
Excess weight permits	1,000	795	(205)
Peddlers' permits	300	300	-
Marriage licenses	200	-	(200)
Land posting permits	100	-	(100)
Other miscellaneous	1,500	627	(873)
Total fees, licenses, permits	<u>64,950</u>	<u>86,742</u>	<u>21,792</u>
Police Revenue -			
Contract wages	110,656	117,751	7,095
Berlin Community Fund	-	6,821	6,821

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 2 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<b>REVENUES (CONTINUED):</b>			
Police Revenue (continued) -			
Other miscellaneous	3,000	6,169	3,169
Total police revenue	<u>113,656</u>	<u>130,741</u>	<u>17,085</u>
Interest and Penalties -			
Interest - Checking and savings	2,000	2,094	94
Interest - Delinquent taxes	17,000	21,969	4,969
Penalties - Delinquent taxes	<u>25,000</u>	<u>23,800</u>	<u>(1,200)</u>
Total interest and penalties	<u>44,000</u>	<u>47,863</u>	<u>3,863</u>
Other Revenues -			
Water pollution control	4,500	4,500	-
Berlin Historical Society	<u>250</u>	<u>250</u>	<u>-</u>
Total other revenues	<u>4,750</u>	<u>4,750</u>	<u>-</u>
Total revenues	<u>2,790,899</u>	<u>3,105,150</u>	<u>314,251</u>
<b>EXPENDITURES:</b>			
General Government -			
Administration:			
Town Clerk	41,803	41,970	167
Town Treasurer	49,920	52,062	2,142
Assistant Clerk	15,089	15,209	120
Selectboard	3,750	3,750	-
Assistant Town Administrator	29,672	30,416	744
Town Administrator	70,609	73,241	2,632
Relocation reimbursement	-	2,500	2,500
Board of Civil Authority	500	-	(500)
Office supplies	8,000	6,219	(1,781)
Training	1,200	286	(914)
Computers and equipment	1,350	3,589	2,239
Copier	1,500	1,459	(41)
Records restoration	2,500	-	(2,500)
Postage	5,000	5,749	749
Postage meter rental	1,250	908	(342)
Telephone	6,000	5,358	(642)
Software and support	500	220	(280)
Clerk - Advertising	<u>500</u>	<u>-</u>	<u>(500)</u>
Total administration	<u>239,143</u>	<u>242,936</u>	<u>3,793</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 3 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<b>EXPENDITURES (CONTINUED):</b>			
General Government (continued) -			
Listers:			
Contract - Assessor	17,000	19,750	2,750
Training	500	-	(500)
Supplies	400	907	507
Software and support	500	3,047	2,547
Tax maps	750	-	(750)
License	250	-	(250)
Computer	500	-	(500)
Mileage	200	-	(200)
Legal	-	555	555
Total listers	<u>20,100</u>	<u>24,259</u>	<u>4,159</u>
Meetings and Elections:			
Town meetings and elections	7,900	6,789	(1,111)
Town Reports	1,500	1,368	(132)
Legal notices and advertising	750	-	(750)
Total meetings and elections	<u>10,150</u>	<u>8,157</u>	<u>(1,993)</u>
Insurance:			
Workers' compensation	1,112	1,706	594
Health insurance	12,432	15,960	3,528
Social Security	15,963	16,677	714
Unemployment	535	428	(107)
Disability	1,219	779	(440)
Life insurance	1,131	669	(462)
Health insurance buyback	4,500	4,875	375
Deductible	2,000	336	(1,664)
Pension	11,216	10,450	(766)
General insurance	17,102	12,329	(4,773)
Total insurance	<u>67,210</u>	<u>64,209</u>	<u>(3,001)</u>
Zoning:			
Training	250	110	(140)
Telephone	-	162	162
Advertising	-	152	152
Legal fees	2,000	180	(1,820)
Total zoning	<u>2,250</u>	<u>604</u>	<u>(1,646)</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 4 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<b>EXPENDITURES (CONTINUED):</b>			
General Government (continued) -			
Development Review Board:			
Secretary	4,500	7,060	2,560
Legal fees	300	2,707	2,407
Advertising	900	2,035	1,135
Total Development Review Board	<u>5,700</u>	<u>11,802</u>	<u>6,102</u>
Planning:			
Supplies, mileage and training	250	105	(145)
Postage	200	-	(200)
Advertising and printing	850	133	(717)
Consultant	-	5,308	5,308
Total planning	<u>1,300</u>	<u>5,546</u>	<u>4,246</u>
Town Cemeteries	<u>9,000</u>	<u>9,675</u>	<u>675</u>
Recreation Board	<u>3,500</u>	<u>2,083</u>	<u>(1,417)</u>
Conservation Board	<u>-</u>	<u>520</u>	<u>520</u>
Green Up Day	<u>500</u>	<u>-</u>	<u>(500)</u>
Berlin Economic Development	<u>500</u>	<u>708</u>	<u>208</u>
Water Supply Commission	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Emergency Management Commission	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Mobile home parks fee refunds	<u>-</u>	<u>3,744</u>	<u>3,744</u>
Taxes and Assessments:			
Animal Control Officer	2,500	1,279	(1,221)
Washington County Assessment	34,695	33,871	(824)
Ambulance service	71,955	73,985	2,030
Central Vermont Humane Society	1,800	220	(1,580)
Central Vermont Solid Waste Management District	2,887	2,886	(1)
Vermont League of Cities and Towns	3,952	3,952	-
Central Vermont Regional Planning Commission	3,176	3,176	-
Total taxes and assessments	<u>120,965</u>	<u>119,369</u>	<u>(1,596)</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 5 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
EXPENDITURES (CONTINUED):			
General Government (continued) -			
Town Office:			
Janitorial services	6,212	5,986	(226)
Supplies	4,500	2,360	(2,140)
Training	500	726	226
Copier	1,668	1,930	262
Advertising	1,000	448	(552)
Newsletter	250	-	(250)
Software and support	3,000	10,115	7,115
Web page	600	8	(592)
Maintenance	6,500	11,266	4,766
Vehicle	1,000	3,179	2,179
Heat and utilities	9,000	5,024	(3,976)
Internet	1,500	1,589	89
Equipment contracts	1,500	1,844	344
Backup storage fees	-	5	5
Total Town office	<u>37,230</u>	<u>44,480</u>	<u>7,250</u>
General expenditures:			
Legal fees	14,000	16,362	2,362
CPA audit and accounting	10,000	11,000	1,000
Payroll services	1,800	1,917	117
Selectboard minutes	2,400	2,020	(380)
Emergency generator	1,200	1,440	240
Tax refunds and abatements	3,000	18,270	15,270
Miscellaneous	1,000	7,779	6,779
Total general expenditures	<u>33,400</u>	<u>58,788</u>	<u>25,388</u>
Special projects -			
Berlin Bike Path	-	11,731	11,731
Property buyout - Muzzy Road	-	184,121	184,121
Total special projects	<u>-</u>	<u>195,852</u>	<u>195,852</u>
Total general government	<u>562,148</u>	<u>793,932</u>	<u>231,784</u>
Police -			
Wages	397,569	392,857	(4,712)
Wages - Part time	22,000	24,800	2,800
Wages - Clerical	31,770	31,910	140

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 6 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
EXPENDITURES (CONTINUED):			
Police (continued) -			
Wages - CVMC	87,360	80,586	(6,774)
Wages - Overtime	14,000	13,301	(699)
Wages - On call	2,775	4,139	1,364
Wages - Grants	-	10,456	10,456
Workers' compensation	27,900	33,632	5,732
Health insurance	95,206	82,068	(13,138)
Social Security	38,850	35,768	(3,082)
Unemployment	2,093	2,136	43
Social Security - CVMC	6,639	6,124	(515)
Disability insurance	2,705	2,325	(380)
Life insurance	2,650	1,196	(1,454)
Health insurance buyback	4,500	4,875	375
Deductible	16,000	8,067	(7,933)
Employee benefits	-	960	960
Pension	29,555	26,946	(2,609)
Vehicle and liability insurance	32,920	25,491	(7,429)
Supplies	5,000	1,629	(3,371)
Uniforms	5,000	5,861	861
Guns and ammo	1,100	2,044	944
Copier lease	1,500	2,274	774
VIBRS	4,500	3,526	(974)
Media and data	4,100	5,452	1,352
Advertising	200	-	(200)
Training	1,700	1,612	(88)
Telephone	2,000	6,578	4,578
Legal	2,500	30	(2,470)
Equipment maintenance	10,000	13,482	3,482
Vehicle fuel	20,000	22,362	2,362
Lodging prisoners	1,500	500	(1,000)
Policing grants	-	4,832	4,832
Miscellaneous expenditures	3,500	4,481	981
Total police	<u>877,092</u>	<u>862,300</u>	<u>(14,792)</u>
Highways -			
Summer roads:			
Wages	85,569	84,187	(1,382)
Roadside mowing	6,000	6,917	917
Chloride	28,000	16,428	(11,572)

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 7 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<b>EXPENDITURES (CONTINUED):</b>			
Highways (continued) -			
Summer roads (continued):			
Culverts and materials	10,000	4,612	(5,388)
Equipment maintenance	26,000	3,863	(22,137)
Fuel	<u>23,000</u>	<u>15,983</u>	<u>(7,017)</u>
Total summer roads	<u>178,569</u>	<u>131,990</u>	<u>(46,579)</u>
Winter roads:			
Wages	106,560	103,337	(3,223)
Sand	59,431	49,257	(10,174)
Salt	60,000	70,826	10,826
Equipment maintenance	30,000	42,115	12,115
Fuel	<u>37,000</u>	<u>28,257</u>	<u>(8,743)</u>
Total winter roads	<u>292,991</u>	<u>293,792</u>	<u>801</u>
General:			
Resurfacing - Asphalt	140,000	137,931	(2,069)
Resurfacing - Gravel	117,000	99,636	(17,364)
Bridge maintenance	10,000	-	(10,000)
Road signs, guardrails and fencing	2,500	3,459	959
Guardrails	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Total general	<u>272,500</u>	<u>241,026</u>	<u>(31,474)</u>
Other:			
Workers' compensation	14,500	25,282	10,782
Health insurance	34,937	27,097	(7,840)
Social Security	14,915	14,420	(495)
Unemployment	565	428	(137)
Disability	1,125	693	(432)
Life insurance	1,098	785	(313)
Health insurance buyback	-	2,438	2,438
Deductible	6,000	38	(5,962)
Pension	9,735	9,609	(126)
General insurance	15,355	12,863	(2,492)
Storm water permit	286	-	(286)
Erosion control	4,000	1,860	(2,140)
Supplies	3,200	6,442	3,242
Advertising	500	1,021	521
Training	500	45	(455)

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(Page 8 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<b>EXPENDITURES (CONTINUED):</b>			
Highways (continued) -			
Other (continued):			
Telephone	1,300	2,229	929
Garage	22,000	17,461	(4,539)
Trash removal	1,285	1,332	47
Street lights	10,000	10,228	228
Traffic lights	2,000	2,778	778
Uniforms	6,200	6,100	(100)
Miscellaneous	350	1,439	1,089
Total other	<u>149,851</u>	<u>144,588</u>	<u>(5,263)</u>
Special projects -			
Capital budget	10,000	9,218	(782)
Highway equipment	40,000	153,840	113,840
Total special projects	<u>50,000</u>	<u>163,058</u>	<u>113,058</u>
Total highways	<u>943,911</u>	<u>974,454</u>	<u>30,543</u>
Debt Service -			
Debt service - Principal	55,525	61,070	5,545
Debt service - Interest	2,804	5,542	2,738
Capital lease - Principal	82,751	82,751	-
Capital lease - Interest	1,648	1,648	-
Total debt service	<u>142,728</u>	<u>151,011</u>	<u>8,283</u>
Special Appropriations -			
Berlin Volunteer Fire Department	236,700	236,700	-
Central Vermont Adult Basic Education	1,200	1,200	-
Central Vermont Community Action	500	500	-
Central Vermont Council on Aging	2,000	2,000	-
Central Vermont Home Health and Hospice	5,700	5,700	-
Family Center of Washington County	800	800	-
Good Samaritan Haven	800	800	-
Green Mountain Transit Agency	10,920	10,920	-
Green Up Vermont	150	150	-
Montpelier Senior Center	2,900	2,900	-
People's Health & Wellness Clinic	500	500	-
Prevent Child Abuse VT	350	350	-
Retired and Senior Volunteer Program	200	200	-

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
(Page 9 of 9)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
EXPENDITURES (CONTINUED):			
Special Appropriations (continued) -			
Sexual Assault Crisis Team VT	300	300	-
Vermont Association for the Blind and Visually Impaired	500	500	-
Vermont Center for Independent Living	1,000	1,000	-
Washington County Youth Services Bureau	500	500	-
Total special appropriations	<u>265,020</u>	<u>265,020</u>	<u>-</u>
Total expenditures	<u>2,790,899</u>	<u>3,046,717</u>	<u>255,818</u>
EXCESS OF REVENUES OR (EXPENDITURES)	-	58,433	58,433
OTHER FINANCING SOURCES (USES):			
Loan proceeds	<u>-</u>	<u>113,340</u>	<u>113,340</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>171,773</u>	\$ <u>171,773</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<u>Water Pollution Fund</u>	<u>Water Division Fund</u>	<u>Totals Proprietary Funds</u>
<b>ASSETS:</b>			
Current assets -			
Cash and cash equivalents	\$ 733,425	\$ 1,360	\$ 734,785
Accounts receivable, net of allowance	<u>273,861</u>	<u>-</u>	<u>273,861</u>
Total current assets	<u>1,007,286</u>	<u>1,360</u>	<u>1,008,646</u>
Noncurrent assets -			
Capital assets	881,407	2,645,200	3,526,607
less - accumulated depreciation	<u>(220,928)</u>	<u>-</u>	<u>(220,928)</u>
Total noncurrent assets	<u>660,479</u>	<u>2,645,200</u>	<u>3,305,679</u>
 Total assets	 <u>1,667,765</u>	 <u>2,646,560</u>	 <u>4,314,325</u>
<b>LIABILITIES:</b>			
Current liabilities -			
Accounts payable	17,636	453,090	470,726
Accrued interest payable	-	2,980	2,980
Customer overpayments	1,499	-	1,499
Due to other funds	59,848	21,654	81,502
Interfund note payable	-	143,733	143,733
Current portion of long-term debt	<u>-</u>	<u>122,147</u>	<u>122,147</u>
Total current liabilities	<u>78,983</u>	<u>743,604</u>	<u>822,587</u>
Noncurrent liabilities -			
Long-term debt	<u>-</u>	<u>1,902,556</u>	<u>1,902,556</u>
 Total liabilities	 <u>78,983</u>	 <u>2,646,160</u>	 <u>2,725,143</u>
<b>NET POSITION:</b>			
Net investment in capital assets	660,479	620,497	1,280,976
Unrestricted	<u>928,303</u>	<u>(620,097)</u>	<u>308,206</u>
 Total net position	 \$ <u>1,588,782</u>	 \$ <u>400</u>	 \$ <u>1,589,182</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Water Pollution <u>Fund</u>	Water Division <u>Fund</u>	Totals Proprietary <u>Funds</u>
<b>OPERATING REVENUES:</b>			
User charges and fees	\$ 541,333	\$ 400	\$ 541,733
Interest and penalties	<u>635</u>	<u>-</u>	<u>635</u>
Total operating revenues	<u>541,968</u>	<u>400</u>	<u>542,368</u>
<b>OPERATING EXPENSES:</b>			
Professional services	5,594	-	5,594
Maintenance, operations and services	478,633	-	478,633
Administrative expenses	27,812	-	27,812
Depreciation	<u>30,593</u>	<u>-</u>	<u>30,593</u>
Total operating expenses	<u>542,632</u>	<u>-</u>	<u>542,632</u>
Operating income (loss)	(664)	400	(264)
<b>NONOPERATING REVENUES:</b>			
Investment income	<u>11,083</u>	<u>-</u>	<u>11,083</u>
CHANGE IN NET POSITION	10,419	400	10,819
NET POSITION, July 1, 2014	<u>1,578,363</u>	<u>-</u>	<u>1,578,363</u>
NET POSITION, June 30, 2015	\$ <u>1,588,782</u>	\$ <u>400</u>	\$ <u>1,589,182</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Water Pollution <u>Fund</u>	Water Division <u>Fund</u>	Totals Proprietary <u>Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 550,792	\$ 400	\$ 551,192
Cash payments for goods and services	<u>(497,182)</u>	<u>-</u>	<u>(497,182)</u>
Net cash provided (used) by operating activities	<u>53,610</u>	<u>400</u>	<u>54,010</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from long-term debt	-	2,024,703	2,024,703
Proceeds from interfund note payable	-	143,733	143,733
Additions to capital assets	(12,496)	(2,189,130)	(2,201,626)
Change in due to/from other funds	<u>-</u>	<u>21,654</u>	<u>21,654</u>
Net cash provided (used) by capital and related financing	<u>(12,496)</u>	<u>960</u>	<u>(11,536)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>11,083</u>	<u>-</u>	<u>11,083</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>52,197</b>	<b>1,360</b>	<b>53,557</b>
<b>CASH AND CASH EQUIVALENTS, July 1, 2014</b>	<b><u>681,228</u></b>	<b><u>-</u></b>	<b><u>681,228</u></b>
<b>CASH AND CASH EQUIVALENTS, June 30, 2015</b>	<b>\$ <u>733,425</u></b>	<b>\$ <u>1,360</u></b>	<b>\$ <u>734,785</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (664)	\$ 400	\$ (264)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -			
Depreciation	30,593	-	30,593
Change in the following assets/liabilities:			
Accounts receivable	8,824	-	8,824
Accounts payable	(4,813)	-	(4,813)
Customer overpayments	(1,188)	-	(1,188)
Due to other funds	<u>20,858</u>	<u>-</u>	<u>20,858</u>
Net cash provided (used) by operating activities	<u>\$ 53,610</u>	<u>\$ 400</u>	<u>\$ 54,010</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUND**  
**JUNE 30, 2015**

	<u>Cemetery Funds</u>
ASSETS:	
Cash and cash equivalents	\$ <u>13,955</u>
LIABILITIES	<u>-</u>
NET POSITION:	
Restricted	\$ <u>13,955</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Cemetery Funds</u>
ADDITIONS:	
Interest	\$ 7
DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	7
NET POSITION, July 1, 2014	<u>13,948</u>
NET POSITION, June 30, 2015	\$ <u>13,955</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. Summary of significant accounting policies:**

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

- A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the Town.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the Government-wide Statement of Net Position, the financial position of the Town is consolidated and incorporates capital assets as well as all long-term debt and obligations. The Government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are summarized in a single column.

- C. Basis of presentation - The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues and expenditures or expenses, as appropriate.

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. Summary of significant accounting policies (continued):**

C. Basis of presentation (continued) -

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

Water Pollution Fund - This Fund is used to account for the activities of the Town's Water Pollution system.

Water Division Fund - This Fund is used to account for the activities of the Town's Water Supply system.

The Town also reports fiduciary funds which are used to 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 Funds, a trust fund.

- D. Measurement focus and basis of accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Unbilled service revenue is accrued in the Water Pollution Fund.

Property taxes are recorded as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received because they are generally not measurable prior to collection. Investment earnings and certain intergovernmental grants are recorded as earned.

- E. Budgets and budgetary accounting - The Town approves a budget for the General Fund at an annual Town Meeting. The tax rate is determined by the Selectboard based on the education and municipal grand lists and the approved operating budget. The accounting method used for budget presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund. The Town does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. Summary of significant accounting policies (continued):**

- F. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1<sup>st</sup>. 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. Property taxes for the fiscal year ended June 30, 2015 were payable in four installments due September 22, 2014, November 15, 2014, February 15, 2015 and May 15, 2015.
- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- H. Risk management - The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- I. Cash and cash equivalents - The Town considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.
- J. 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.
- K. Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
- L. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not retroactively report infrastructure assets. The Town began capitalizing newly acquired or constructed general infrastructure assets as of July 1, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

**TOWN OF BERLIN, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**1. Summary of significant accounting policies (continued):**

L. Capital assets (continued) - Capital assets are depreciated using the straight-line method over the useful lives shown below:

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

M. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), if applicable, are reported as separate sections in the Government-wide Statement of Net Position and the Balance Sheet - Governmental Funds. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.

N. Compensated absences - It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits based upon their length of employment. Union employees may accumulate up to 80 hours of vacation and 200 hours of sick leave. Non-union employees may accumulate up to 220 hours of vacation and 160 hours of sick leave. Upon separation from the Town, employees shall only be entitled to compensation for accrued vacation time. Sick leave is only paid upon illness during employment. Accrued vacation time is reported in the government-wide financial statements. Governmental funds report compensated absences as an expenditure when the benefit is paid.

O. Long-term obligations - In the government-wide financial statements and proprietary fund financial statements, governmental activities, business-type activities, or proprietary funds report long-term debt and other long-term obligations as liabilities in the applicable Statement of Net Position. In the fund financial statements, governmental fund types report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

P. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined 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 balance includes amounts that are intended to be used by the Town for specific purposes as authorized by the Selectboard.

**TOWN OF BERLIN, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**1. Summary of significant accounting policies (continued):**

P. Fund equity (continued) -

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The Town's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned unless the Selectboard specifies otherwise.

- Q. New accounting standard - The Town has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The impact on these financial statements is to include the Town's proportionate share of the Vermont Municipal Employees' Retirement System's (VMERS) net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. Fund financial statements have not been affected by this change.

**2. Deposits:**

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. As of June 30, 2015, the Town's depository accounts were fully insured or collateralized.

**3. Capital assets:**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ 145,000	\$ 184,121	\$ 106,000	\$ 223,121
Work in process - Water Supply Project	431,120	-	431,120	-
Work in process - Berlin Bike Path	20,727	11,731	-	32,458
Total capital assets, not depreciated	<u>596,847</u>	<u>195,852</u>	<u>537,120</u>	<u>255,579</u>
Capital assets, depreciated:				
Buildings and improvements	287,845	-	-	287,845
Infrastructure	1,660,069	-	-	1,660,069
Machinery and equipment	143,593	29,946	-	173,539
Vehicles	1,566,147	187,629	147,433	1,606,343
Total capital assets, depreciated	<u>3,657,654</u>	<u>217,575</u>	<u>147,433</u>	<u>3,727,796</u>

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**3. Capital assets (continued):**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental activities (continued) -				
Less accumulated depreciation for:				
Buildings and improvements	88,759	9,595	-	98,354
Infrastructure	487,315	69,366	-	556,681
Machinery and equipment	126,439	9,241	-	135,680
Vehicles	<u>1,039,600</u>	<u>175,768</u>	<u>147,433</u>	<u>1,067,935</u>
Total accumulated depreciation	<u>1,742,113</u>	<u>263,970</u>	<u>147,433</u>	<u>1,858,650</u>
Total capital assets, depreciated, net	<u>1,915,541</u>	<u>(46,395)</u>	<u>-</u>	<u>1,869,146</u>
 Total capital assets, net, governmental activities:	 <u>2,512,388</u>	 <u>149,457</u>	 <u>537,120</u>	 <u>2,124,725</u>
Business-type activities -				
Capital assets, not depreciated:				
Land	-	106,000	-	106,000
Work in process - Sewer Extension	3,425	-	-	3,425
Work in process - Water Supply Project	<u>-</u>	<u>2,539,200</u>	<u>-</u>	<u>2,539,200</u>
Total capital assets, not depreciated	<u>3,425</u>	<u>2,645,200</u>	<u>-</u>	<u>2,648,625</u>
Capital assets, depreciated:				
Capital improvements	717,732	-	-	717,732
Main pump upgrades	76,205	12,496	-	88,701
Equipment	<u>71,549</u>	<u>-</u>	<u>-</u>	<u>71,549</u>
Total capital assets, depreciated	<u>865,486</u>	<u>12,496</u>	<u>-</u>	<u>877,982</u>
Less accumulated depreciation for:				
Capital improvements	127,705	24,136	-	151,841
Main pump upgrades	5,080	2,957	-	8,037
Equipment	<u>57,550</u>	<u>3,500</u>	<u>-</u>	<u>61,050</u>
Total accumulated depreciation	<u>190,335</u>	<u>30,593</u>	<u>-</u>	<u>220,928</u>
 Total capital assets, depreciated, net, business-type activities	 <u>678,576</u>	 <u>2,627,103</u>	 <u>-</u>	 <u>3,305,679</u>
 Total capital assets, net	 \$ <u>3,190,964</u>	 \$ <u>2,776,560</u>	 \$ <u>537,120</u>	 \$ <u>5,430,404</u>

Depreciation expense of \$263,970 in the governmental activities was allocated to expenses of the general government (\$14,384), highway (\$201,958) and police (\$47,628) programs based on capital assets assigned to those functions.

Depreciation expense of \$30,593 in the business-type activities was fully allocated to the water pollution function.

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**4. Interfund receivable and payable balances:**

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2015 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General Fund	\$ 4,582	\$ -
Other Governmental Funds	<u>76,920</u>	<u>-</u>
	<u>81,502</u>	<u>-</u>
Proprietary fund -		
Water Pollution Fund	-	59,848
Water Division Fund	<u>-</u>	<u>21,654</u>
	<u>-</u>	<u>81,502</u>
	<u>\$ 81,502</u>	<u>\$ 81,502</u>

In prior years, the Water Division Fund borrowed \$143,733 from the General Fund to finance capital expenses in relation to the water supply project. This interfund loan is reported as an interfund note receivable in the General Fund and a note payable in the Water Division Fund.

**5. Debt:**

Long-term - Outstanding long-term debt as of June 30, 2015 is as follows:

Governmental activities -

General Obligation Bond payable (2014 Series 4) to Vermont Municipal Bond Bank for the Town's office building. Principal and interest due in annual payments of \$10,000 with final \$5,000, variable interest rate, currently at 4.479%, through November 2025. \$ 105,000

Note payable to Northfield Savings Bank for the purchase of a dump truck and chipper. Principal and interest due in quarterly payments of \$5,971, interest at 1.99%, due March 2020. 107,676

Total governmental activities \$ 212,676

Business-type activities -

Note payable to State of Vermont for preliminary engineering of water supply project. Annual payments of \$81,748 due from August 2015 through August 2019, interest at 0%. \$ 408,739

Note payable to Community National Bank in anticipation of long-term loan from USDA for financing the construction of the water supply project. Principal and interest due in monthly payments of \$40,399, interest at 2.75%, due through December 2054. 1,615,964

Total business-type activities \$ 2,024,703

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**5. Debt (continued):**

Long-term debt activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities -					
Bond payable:					
VMBB-Office Building Bond	\$ 115,000	\$ -	\$ 10,000	\$ 105,000	\$ 10,000
Notes payable:					
SOV-WPL 118	393,387	-	393,387	-	-
CNB-2014 Capital Expense Note	45,406	-	45,406	-	-
NSB-2015 Capital Expense Note	<u>-</u>	<u>113,340</u>	<u>5,664</u>	<u>107,676</u>	<u>21,902</u>
Total governmental activities	\$ <u>553,793</u>	\$ <u>113,340</u>	\$ <u>454,457</u>	\$ <u>212,676</u>	\$ <u>31,902</u>
Business-type activities -					
Notes payable:					
SOV-WPL 118	\$ -	\$ 408,739	\$ -	\$ 408,739	\$ 81,748
CNB-Capital Improvement Note	<u>-</u>	<u>1,615,964</u>	<u>-</u>	<u>1,615,964</u>	<u>40,399</u>
Total business-type activities	\$ <u>-</u>	\$ <u>2,024,703</u>	\$ <u>-</u>	\$ <u>2,024,703</u>	\$ <u>122,147</u>

Debt service requirements to maturity are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 31,902	\$ 5,323	\$ 122,147	\$ 44,439
2017	32,341	5,600	122,147	43,328
2018	32,789	4,380	122,147	42,217
2019	33,246	3,459	122,147	41,106
2020	27,398	2,549	122,147	39,995
2021-2025	50,000	4,726	201,995	183,311
2026-2030	5,000	(559)	201,995	155,537
2031-2035	-	-	201,995	127,762
2036-2040	-	-	201,995	99,988
2041-2045	-	-	201,995	72,213
2046-2050	-	-	201,995	44,439
2051-2055	<u>-</u>	<u>-</u>	<u>201,998</u>	<u>16,665</u>
	\$ <u>212,676</u>	\$ <u>25,478</u>	\$ <u>2,024,703</u>	\$ <u>911,000</u>

The Vermont Municipal Bond Bank's Series 2014-4 refunded the General Obligation Bond resulting in interest savings to the Town of \$45,195. This savings allocation, to be received between FY15 and FY27, has been reflected as a reduction of interest in the debt service requirements table.

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**6. Capital lease:**

The Town has entered into a lease agreement as lessee for financing the acquisition of vehicles for the highway and police departments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, the cost and depreciation of these assets are included with other capital assets of the Town. The cost of the assets acquired by capital leases is the present value of the future lease payments. The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2015 are as follows:

Year ending June 30, 2016	\$ 14,066
Less: amount representing interest	<u>(48)</u>
Present value of minimum lease payments	\$ <u>14,018</u>

**7. Fund balances:**

As of June 30, 2015, the nonspendable fund balance of the General Fund consists of the following:

Inventory	\$ 37,351
Prepaid expenditures	<u>56,385</u>
	\$ <u>93,736</u>

As of June 30, 2015, the restricted fund balance of the General Fund consists of the following:

	Balance <u>July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2015</u>
Reappraisal	\$ 132,689	\$ 13,916	\$ -	\$ 146,605
Record restoration	6,675	2,321	-	8,996
Lister training	<u>523</u>	<u>297</u>	<u>-</u>	<u>820</u>
	\$ <u>139,887</u>	\$ <u>16,534</u>	\$ <u>-</u>	\$ <u>156,421</u>

**TOWN OF BERLIN, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**7. Fund balances (continued):**

As of June 30, 2015, the committed fund balance of the General Fund consists of the following:

	Balance			Balance
	<u>July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2015</u>
Town center task force	\$ 3,000	\$ -	\$ -	\$ 3,000
Economic Development Council	1,723	-	208	1,515
Cemetery	2,758	-	-	2,758
Highway equipment	2,047	800	2,000	847
Bridge maintenance	34,799	-	-	34,799
Building maintenance	2,026	5,000	-	7,026
Building renovation	5,972	2	-	5,974
Police Department Community Fund	5,419	10,120	-	15,539
Police	6,498	8,400	6,401	8,497
Fire Warden	900	-	-	900
Water supply	2,165	-	-	2,165
Planning	1,100	-	-	1,100
	<u>\$ 68,407</u>	<u>\$ 24,322</u>	<u>\$ 8,609</u>	<u>\$ 84,120</u>

**8. Restatements:**

The Town has restated beginning net position of the governmental activities of the government-wide financial statements from \$2,685,637 to \$2,673,617. Beginning net position increased to record \$20,980 of work in process additions and \$24,509 of grant revenues inadvertently excluded in prior years and decreased in the amount of \$57,509 to record the change in accounting for the Town's proportionate share of the VMERS pension plan, for a total net decrease of \$12,020.

The Town has also restated beginning fund balance of the General Fund on the fund financial statements from \$585,225 to \$732,741, an increase of \$147,516 to record additional expenditures related to FY2015 activity \$(20,726), to record additional grant revenue inadvertently excluded in prior years in the amount of \$24,509, and to record an interfund loan due from the Water Division Fund in the amount of \$143,733 for unreimbursed expenditures related to construction of the water supply project paid by the General Fund.

**9. Pension plans:**

Vermont Municipal Employees' Retirement System -

Plan description: The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. The state statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6901 or by calling (802) 828-2305. Information can also be obtained online by visiting the following web address: <http://www.vermonttreasurer.gov/retirement/municipal-vmers>.

**TOWN OF BERLIN, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**9. Pension plans (continued):**

Vermont Municipal Employees' Retirement System (continued) -

Benefits provided: VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits do vary between the four groups included in the plan, but are determined for the members of each group as a percentage of average compensation in a certain number of the highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.75% (Group B), 9.625% (Group C) or 11.25% (Group D) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5.375% (Group B), 7.0% (Group C) or 9.75% (Group D) of the employees' compensation. Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the Town is required to contribute an equal dollar amount. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contributions to VMERS for the years ended June 30, 2015, 2014, and 2013 were \$41,921, \$40,290, and \$29,444, respectively. The amounts contributed were equal to the required contributions for each year.

Pension liabilities, deferred outflows of resources, deferred inflows of resources: In 2015, the Town implemented a change in governmental accounting and reporting which was mandated by the Governmental Accounting Standards Board in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The impact on these financial statements is to include the Town's proportionate share of the VMERS' net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. Financial statements of the individual funds have not been affected by the change in 2015, but may be affected by certain estimates or accruals in future years. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on their calculation of the Town's 0.2603% proportionate share of the VMERS Defined Benefit Plan.

Town's share of	
VMERS net pension liability	\$ <u>23,756</u>
Deferred outflow of resources -	
Deferred pension expense	\$ <u>44,865</u>
Deferred inflow of resources -	
Deferred pension credits	\$ <u>73,253</u>

Other information: VMERS obtains an annual actuarial valuation for the pension plan. Detailed information is provided in that report for actuarial assumptions of inflation rates, salary increases, investment rates of return, mortality rates, discount rates, and the calculations used to develop annual contributions and the VMERS net position.

**TOWN OF BERLIN, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**9. Pension plans (continued):**

Vermont Municipal Employees' Retirement System (continued) -

Required supplementary information: Implementation of GASB Statement No. 68 requires reporting of ten years of historical pension information by employers. This information will be built up by year for the next ten years in schedules of the *Town's Proportionate Share of Net Pension Liability of VMERS* and *Town Contributions to VMERS*. The required information the year ended June 30, 2015 is as follows:

Town's proportion of the net pension liability	<u>0.2603%</u>
Town's proportionate share of the net pension liability	\$ <u>23,756</u>
Town's covered-employee payroll	\$ <u>779,921</u>
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>3.04%</u>
VMERS net position as a percentage of the total pension liability	<u>98.32%</u>
Contractually required contribution (fully paid)	\$ <u>41,921</u>
Contributions as a percentage of covered-employee payroll	<u>5.37%</u>

**TOWN OF BERLIN, VERMONT  
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>Recreation and Parks Fund</u>	<u>Conservation Fund</u>	<u>Montpelier Filtration Fund</u>	<u>Bike Path Fund</u>	<u>Bridge Fund</u>	<u>Road Project Fund</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 13,932	\$ 10,542	\$ -	\$ 55,276	\$ -	\$ -	\$ 79,750
Due from other funds	<u>663</u>	<u>26,017</u>	<u>1,280</u>	<u>-</u>	<u>19,398</u>	<u>29,562</u>	<u>76,920</u>
Total assets	<u>\$ 14,595</u>	<u>\$ 36,559</u>	<u>\$ 1,280</u>	<u>\$ 55,276</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 156,670</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND EQUITY:</b>							
Fund balances -							
Restricted	14,595	36,559	1,280	55,276	-	-	107,710
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,398</u>	<u>29,562</u>	<u>48,960</u>
Total fund balances	<u>14,595</u>	<u>36,559</u>	<u>1,280</u>	<u>55,276</u>	<u>19,398</u>	<u>29,562</u>	<u>156,670</u>
Total liabilities and fund equity	<u>\$ 14,595</u>	<u>\$ 36,559</u>	<u>\$ 1,280</u>	<u>\$ 55,276</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 156,670</u>

**TOWN OF BERLIN, VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Recreation and Parks Fund	Conservation Fund	Montpelier Filtration Fund	Bike Path Fund	Bridge Fund	Road Project Fund	Total
REVENUES:							
Interest and penalties	\$ 7	\$ 5	\$ -	\$ 27	\$ -	\$ -	\$ 39
Other	<u>940</u>	<u>8,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,649</u>
Total revenues	<u>947</u>	<u>8,714</u>	<u>-</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>9,688</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OR (EXPENDITURES)/NET CHANGE IN FUND BALANCES	947	8,714	-	27	-	-	9,688
FUND BALANCES, July 1, 2014	<u>13,648</u>	<u>27,845</u>	<u>1,280</u>	<u>55,249</u>	<u>19,398</u>	<u>29,562</u>	<u>146,982</u>
FUND BALANCES, June 30, 2015	<u>\$ 14,595</u>	<u>\$ 36,559</u>	<u>\$ 1,280</u>	<u>\$ 55,276</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 156,670</u>

**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***

The Selectboard  
Town of Berlin, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Vermont (the Town) as of and for the year ended June 30, 2015, 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 3, 2015.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2015-001 through 2015-003, that we consider to be material weaknesses.

**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*.

### **Town's Responses to Findings**

Management's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

### **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 report is not suitable for any other purpose.

Montpelier, Vermont  
November 3, 2015

*Mudgett, Jennett &  
Krogh-Wisner, P.C.*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Selectboard  
Town of Berlin, Vermont

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Berlin, Vermont's (the Town) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town of Berlin, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit

of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

#### ***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont  
November 3, 2015

*Mudgett, Bennett &  
Krogh-Wagner, P.C.*

**TOWN OF BERLIN, VERMONT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Federal Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture:</b>			
Water and Waste Disposal Systems for Rural Communities	10.760	Grant/Loan	\$ <u>2,069,053</u>
<b>U.S. Department of Transportation:</b>			
Passed through the Vermont Agency of Transportation -			
Highway Planning and Construction	20.205	CA0372	11,731
State and Community Highway Safety	20.600	02140-1415-1003	5,067
State and Community Highway Safety	20.600	02140-1415-2002	3,961
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	20140-1115-5103	1,689
Passed through the Vermont Department of Public Safety -			
State and Community Highway Safety	20.600	02140-1314-1003	1,658
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1114-5003	<u>4,710</u>
			<u>28,816</u>
<b>U.S. Department of Homeland Security:</b>			
Passed through the Vermont Agency of Transportation -			
Hazard Mitigation Grant	97.039	02140-34000-049	<u>138,091</u>
			\$ <u>2,235,960</u>

The accompanying notes are an integral part of this schedule.

**TOWN OF BERLIN, VERMONT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2015**

**1. Summary of significant accounting policies:**

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

- A. Single Audit reporting entity - For purposes of complying with the Single Audit Act of 1984, as amended, the Town includes all funds and programs that are considered part of the primary governmental unit, as described in the basic financial statements as of and for the year ended June 30, 2015.
- B. Basis of presentation - The information in the accompanying schedule is presented in accordance with Office of Management and Budget (OMB) Circular A-133.
1. Federal award - Pursuant to the Single Audit Act and OMB Circular A-133, federal award means federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. The Town received direct federal awards and awards which were passed primarily through the State of Vermont.
  2. Federal financial assistance - In the Single Audit Act and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Federal financial assistance does not include direct federal cash payments to individuals.
  3. Major and nonmajor programs - OMB Circular A-133 establishes risk-based criteria for determining those major programs to be tested for compliance with program requirements. Nonmajor federal programs are included on the Schedule of Expenditures of Federal Awards but are subject to lower levels of testing.
- C. Basis of accounting - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**TOWN OF BERLIN, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015**

**A. Summary of Auditor's Results:**

**Financial Statements -**

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *Yes*
- Significant deficiency(ies) identified? *None reported*

Noncompliance material to financial statements noted? *No*

**Federal Awards -**

Internal control over major programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? *No*

Identification of major programs:

- *U.S. Department of Agriculture:  
CFDA 10.760 - Water and Waste Disposal Systems for Rural Communities*

Dollar threshold used to distinguish between type A and type B programs: *\$300,000*

Auditee qualified as low-risk auditee? *No*

**B. Audit Findings - Financial Statements:**

**2015-001 Cash accounts - bank reconciliations:**

Timely and accurate bank reconciliations are necessary to ensure that all cash activity is properly recorded in the general ledger and that the recorded cash balance is accurate. During our testing of the Town's cash balances, we noted that the June 30, 2015 bank reconciliations for the Town's General Fund, Conservation Fund, and Restoration Fund contained items which were incorrectly listed as outstanding transactions.

We recommend that the Town's accounting staff receive training on bank reconciliations. We also recommend that the reconciliation process include a thorough review of the listing of outstanding items to determine if they are valid.

Management's response - We are aware of the importance of having the Town's cash account reconciled on a monthly basis. There were annual entries that should have been completed in June, 2015 but were not approved by the Board until early July, 2015. We will have these transactions approved and posted within the proper fiscal year in the future. We also will review our reconciliation procedures to ensure that reconciliations are correct and properly verified.

**TOWN OF BERLIN, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015**

**B. Audit Findings - Financial Statements (continued):**

**2015-002 Capital assets:**

Reconciliations for capital asset accounts were not completed prior to our audit and were not recorded in the general ledger. During our audit, we proposed audit adjustments to record activity related to capital asset additions and retirements, and depreciation expense for the current year. The presentation of capital assets is required for complete financial reporting.

We recommend that the Town identify and record capital asset activity in the general ledger throughout the year. The year end listing of capital assets should be compared to recorded general ledger balances. The list of assets should also be checked by performing a physical inventory of the capital assets.

Management's response - We will record Capital Asset activity throughout the year to ensure that entries are completed and listed asset balances are matched to the general ledger monthly. We have developed a spreadsheet system to track these assets throughout the year. This past year entries had not been completed prior to the audit. Next year and subsequent years those entries will be made before the end of the fiscal year. As we have in the past, we will implement a formal physical inventory.

**2015-003 Interfund receivables and payables:**

Interfund receivable and interfund payable accounts are used to record transactions between funds. During our audit, we noted that interfund receivable and payable balances were not reconciled and as a result individual funds did not balance.

We recommend that the Town accounting staff receive training on the proper use of the NEMRC software as it relates to interfund activity. We also recommend that the Town periodically review the general ledger to determine that funds are in balance and interfund activity is recorded correctly.

Management's response - We will seek available training to correctly track these entries through the NEMRC software system. We will review the general ledger on a monthly basis to monitor interfund activity and verify entries. A spreadsheet has been developed to give us a tool to more efficiently track activity.

**C. Audit Findings - Federal Awards:**

There were no audit findings identified for the year ended June 30, 2015.

**STATUS OF PRIOR AUDIT FINDINGS  
AS OF JUNE 30, 2015**

We consider prior audit findings 2014-001, 2014-002 and 2014-004 to be resolved.

Prior audit finding 2014-003 has been updated and reported in the current year as finding 2015-002.