

**TOWN OF BERLIN, VERMONT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**

**TOWN OF BERLIN, VERMONT**

**JUNE 30, 2014**

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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, 2014, 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, 2014, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules 1 and 2 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules 1 and 2 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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.

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

Montpelier, Vermont  
January 20, 2015

**TOWN OF BERLIN, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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, 2014. Readers should consider this information in conjunction with the Town's financial statements which follow this analysis.

**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 report on the Town's financial internal controls 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 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 and liabilities, with the difference between the two 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, federal, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here include the Water Pollution 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 a proprietary fund to account for its Water Pollution 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 in the fund financial statements. These liabilities are only included in the government-wide 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 in 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 \$2,478,121, as restated, to \$2,685,637, or \$207,516. The business-type activities' net position increased by \$39,675 from \$1,538,688 to \$1,578,363.

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 \$510,327 at the end of the fiscal year. The business-type activities' unrestricted net position increased to a balance of \$899,787.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 1,033,494	\$ 973,596	\$ 924,923	\$ 878,539	\$ 1,958,417	\$ 1,852,135
Capital assets	2,470,682	2,182,494	678,576	669,272	3,149,258	2,851,766
Total assets	<u>3,504,176</u>	<u>3,156,090</u>	<u>1,603,499</u>	<u>1,547,811</u>	<u>5,107,675</u>	<u>4,703,901</u>
Current liabilities	277,111	297,772	25,136	9,123	302,247	306,895
Long-term liabilities	541,428	426,644	-	-	541,428	426,644
Total liabilities	<u>818,539</u>	<u>724,416</u>	<u>25,136</u>	<u>9,123</u>	<u>843,675</u>	<u>733,539</u>
Net position:						
Net investment in capital assets	1,820,120	1,634,743	678,576	669,272	2,498,696	2,304,015
Restricted	355,190	382,189	-	-	355,190	382,189
Unrestricted	510,327	414,742	899,787	869,416	1,410,114	1,284,158
Total net position	<u>2,685,637</u>	<u>2,431,674</u>	<u>1,578,363</u>	<u>1,538,688</u>	<u>4,264,000</u>	<u>3,970,362</u>
Restatement	-	46,447	-	-	-	46,447
Total net position, as restated	\$ <u>2,685,637</u>	\$ <u>2,478,121</u>	\$ <u>1,578,363</u>	\$ <u>1,538,688</u>	\$ <u>4,264,000</u>	\$ <u>4,016,809</u>

Revenues of the Town's governmental activities increased by 11.7%, while total expenses increased by less than 1%. Business-type activities' revenues decreased by 2.3%, while total expenses increased by 5.1%.

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

	2014			2013		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
<b>REVENUES</b>						
Program revenues:						
Grants and contributions	\$ 404,227	\$ -	\$ 404,227	\$ 207,272	\$ -	\$ 207,272
Charges for services	187,852	537,965	725,817	190,910	551,436	742,346
Other	33,854	3,676	37,530	19,243	3,376	22,619
General revenues:						
Property taxes	2,157,438	-	2,157,438	2,068,471	-	2,068,471
Interest income	51,028	10,565	61,593	52,443	10,532	62,975
Total revenues	<u>2,834,399</u>	<u>552,206</u>	<u>3,386,605</u>	<u>2,538,339</u>	<u>565,344</u>	<u>3,103,683</u>
<b>PROGRAM EXPENSES</b>						
General government	602,803	-	602,803	595,647	-	595,647
Highways	931,109	-	931,109	914,424	-	914,424
Police	868,199	-	868,199	870,090	-	870,090
Special appropriations	213,080	-	213,080	224,317	-	224,317
Interest on capital lease	4,273	-	4,273	6,485	-	6,485
Interest on long-term debt	7,419	-	7,419	9,208	-	9,208
Water Pollution	-	512,531	512,531	-	487,511	487,511
Total program expenses	<u>2,626,883</u>	<u>512,531</u>	<u>3,139,414</u>	<u>2,620,171</u>	<u>487,511</u>	<u>3,107,682</u>
Change in Net Position	207,516	39,675	247,191	(81,832)	77,833	(3,999)
Net Position - July 1	2,431,674	1,538,688	3,970,362	2,513,506	1,460,855	3,974,361
Restatement	46,447	-	46,447	-	-	-
Net Position - July 1, as restated	<u>2,478,121</u>	<u>1,538,688</u>	<u>4,016,809</u>	<u>2,513,506</u>	<u>1,460,855</u>	<u>3,974,361</u>
Net Position - June 30	\$ <u>2,685,637</u>	\$ <u>1,578,363</u>	\$ <u>4,264,000</u>	\$ <u>2,431,674</u>	\$ <u>1,538,688</u>	\$ <u>3,970,362</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>2014</u>	<u>2013</u>
General Fund:		
Nonspendable	\$ 54,506	\$ 86,798
Committed	208,208	252,279
Unassigned	<u>322,511</u>	<u>239,791</u>
Total General Fund	\$ <u>585,225</u>	\$ <u>578,868</u>
Other Governmental Funds:		
Restricted	\$ 98,022	\$ 80,950
Committed	<u>48,960</u>	<u>48,960</u>
Total Other Governmental Funds	\$ <u>146,982</u>	\$ <u>129,910</u>

The General Fund total fund balance increased by \$6,357 from the prior fiscal year. The Other Governmental Funds total fund balance increased by \$17,072 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 \$39,675. Last year, the Water Pollution Fund had a surplus of \$77,833.

**Fiduciary Funds**

The Town's fiduciary fund, the Cemetery Funds, had a restricted net position of \$13,948, an increase of \$7 from the prior year's restricted net position of \$13,941.

**BUDGETARY HIGHLIGHTS**

During the year, the Town's voters approved the use of an additional \$50,000 of prior year fund balance.

The General Fund actual revenues were more than budgeted by \$106,691. This was mainly the result of an unbudgeted highway grant.

The General Fund actual expenditures were over the budget by \$360,505. General government (\$248,527), police (\$32,803) and highways (\$78,895) were all expended over budget. The highway department was over budget, but this was offset by an unbudgeted highway grant. The Water Supply Commission was also significantly over budget; however, the Town anticipates recovering these expenditures in FY15 as the project moves forward and financing is received.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2014, the net book value of government-wide capital assets recorded by the Town increased by \$251,045 over the prior year. The increase is the result of current year depreciation of \$302,965 and capital additions of \$554,010.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 145,000	\$ 145,000	\$ -	\$ -	\$ 145,000	\$ 145,000
Work in process, as restated	410,141	234,608	3,425	-	413,566	234,608
Buildings and improvements	287,845	287,845	-	-	287,845	287,845
Infrastructure	1,660,069	1,409,912	-	-	1,660,069	1,409,912
Machinery and equipment	143,593	127,913	71,549	71,549	215,142	199,462
Vehicles	1,566,147	1,500,298	-	-	1,566,147	1,500,298
Capital improvements	-	-	717,732	674,366	717,732	674,366
Main pump upgrades	-	-	76,205	76,205	76,205	76,205
Less: accumulated depreciation	<u>(1,742,113)</u>	<u>(1,476,635)</u>	<u>(190,335)</u>	<u>(152,848)</u>	<u>(1,932,448)</u>	<u>(1,629,483)</u>
Totals	\$ <u>2,470,682</u>	\$ <u>2,228,941</u>	\$ <u>678,576</u>	\$ <u>669,272</u>	\$ <u>3,149,258</u>	\$ <u>2,898,213</u>

**Debt Administration**

As of June 30, 2014, the Town had \$650,562 in a bond, notes payable, and a capital lease outstanding compared to \$547,751 at the end of the prior year, an increase of \$102,811, or 18.8%.

**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, 2014**

	<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	\$ 729,460	\$ 681,228	\$ 1,410,688
Delinquent taxes receivable, net	210,538	-	210,538
Accounts receivable, net	-	282,685	282,685
Prepaid expenses	19,583	-	19,583
Due from (to) other activities	38,990	(38,990)	-
Inventory	34,923	-	34,923
Total current assets	<u>1,033,494</u>	<u>924,923</u>	<u>1,958,417</u>
Noncurrent assets -			
Capital assets	4,212,795	868,911	5,081,706
less - accumulated depreciation	<u>(1,742,113)</u>	<u>(190,335)</u>	<u>(1,932,448)</u>
Total noncurrent assets	<u>2,470,682</u>	<u>678,576</u>	<u>3,149,258</u>
Total assets	<u>3,504,176</u>	<u>1,603,499</u>	<u>5,107,675</u>
<b>LIABILITIES:</b>			
Current liabilities -			
Accounts payable	100,695	22,449	123,144
Accrued expenses	38,258	-	38,258
Customer overpayments	-	2,687	2,687
Current portion of capital lease	82,752	-	82,752
Current portion of long-term debt	55,406	-	55,406
Total current liabilities	<u>277,111</u>	<u>25,136</u>	<u>302,247</u>
Noncurrent liabilities -			
Compensated absences	29,024	-	29,024
Capital lease	14,017	-	14,017
Long-term debt	498,387	-	498,387
Total noncurrent liabilities	<u>541,428</u>	<u>-</u>	<u>541,428</u>
Total liabilities	<u>818,539</u>	<u>25,136</u>	<u>843,675</u>
<b>NET POSITION;</b>			
Net investment in capital assets	1,820,120	678,576	2,498,696
Restricted	355,190	-	355,190
Unrestricted	510,327	899,787	1,410,114
Total net position	<u>\$ 2,685,637</u>	<u>\$ 1,578,363</u>	<u>\$ 4,264,000</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, 2014**

FUNCTIONS/PROGRAMS:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Grants and Contributions	Charges for Services	Other	Governmental Activities	Business-type Activities	Totals
		Other					
Governmental activities -							
General government	\$ 602,803	\$ 59,957	\$ 74,137	\$ 26,077	\$ (442,632)	\$ -	\$ (442,632)
Highway	931,109	287,751	-	1,200	(642,158)	-	(642,158)
Police	868,199	56,519	113,715	6,577	(691,388)	-	(691,388)
Appropriations	213,080	-	-	-	(213,080)	-	(213,080)
Interest on capital lease	4,273	-	-	-	(4,273)	-	(4,273)
Interest on long-term debt	7,419	-	-	-	(7,419)	-	(7,419)
Total governmental activities	<u>2,626,883</u>	<u>404,227</u>	<u>187,852</u>	<u>33,854</u>	<u>(2,000,950)</u>	<u>-</u>	<u>(2,000,950)</u>
Business-type activities -							
Water pollution	512,531	-	537,965	3,676	-	29,110	29,110
	<u>\$ 3,139,414</u>	<u>\$ 404,227</u>	<u>\$ 725,817</u>	<u>\$ 37,530</u>	<u>(2,000,950)</u>	<u>29,110</u>	<u>(1,971,840)</u>
GENERAL REVENUES - PROPERTY TAXES					2,157,438	-	2,157,438
- INTEREST INCOME					51,028	10,565	61,593
					<u>2,208,466</u>	<u>10,565</u>	<u>2,219,031</u>
CHANGE IN NET POSITION					207,516	39,675	247,191
NET POSITION, July 1, 2013, as restated					2,478,121	1,538,688	4,016,809
NET POSITION, June 30, 2014					<u>\$ 2,685,637</u>	<u>\$ 1,578,363</u>	<u>\$ 4,264,000</u>

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

**TOWN OF BERLIN, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
(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	\$ 649,750	\$ 79,710	\$ 729,460
Delinquent taxes receivable, net	210,538	-	210,538
Prepaid expenditures	19,583	-	19,583
Due from other funds	-	67,272	67,272
Inventory	<u>34,923</u>	<u>-</u>	<u>34,923</u>
Total assets	\$ <u>914,794</u>	\$ <u>146,982</u>	\$ <u>1,061,776</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 100,695	\$ -	\$ 100,695
Due to other funds	28,282	-	28,282
Accrued expenditures	<u>38,258</u>	<u>-</u>	<u>38,258</u>
Total liabilities	<u>167,235</u>	<u>-</u>	<u>167,235</u>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred property taxes	<u>162,334</u>	<u>-</u>	<u>162,334</u>
 <b>FUND BALANCES:</b>			
Nonspendable	54,506	-	54,506
Restricted	-	98,022	98,022
Committed	208,208	48,960	257,168
Unassigned	<u>322,511</u>	<u>-</u>	<u>322,511</u>
Total fund balances	<u>585,225</u>	<u>146,982</u>	<u>732,207</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>914,794</u>	\$ <u>146,982</u>	\$ <u>1,061,776</u>

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

**TOWN OF BERLIN, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
(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	\$ 732,207
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	4,212,795
Accumulated depreciation	(1,742,113)
Liabilities not due and payable are not reported in governmental funds.	
Long-term debt	(553,793)
Capital lease	(96,769)
Compensated absences	(29,024)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.	<u>162,334</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>2,685,637</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, 2014**

(Page 1 of 2)

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Totals Governmental <u>Funds</u>
<b>REVENUES:</b>			
Property taxes	\$ 2,119,438	\$ -	\$ 2,119,438
Fees, licenses, permits	74,137	-	74,137
Interest and penalties	50,988	40	51,028
Intergovernmental - State	404,227	-	404,227
Police - charges for services	113,715	-	113,715
Other	<u>16,545</u>	<u>17,309</u>	<u>33,854</u>
Total revenues	<u>2,779,050</u>	<u>17,349</u>	<u>2,796,399</u>
<b>EXPENDITURES:</b>			
Current -			
General government	593,440	277	593,717
Highways/bridges	733,730	-	733,730
Police	816,343	-	816,343
Special appropriations	213,080	-	213,080
Capital outlay	507,219	-	507,219
Capital lease -			
Principal	80,478	-	80,478
Interest	4,273	-	4,273
Debt service -			
Principal	76,882	-	76,882
Interest	<u>7,419</u>	<u>-</u>	<u>7,419</u>
Total expenditures	<u>3,032,864</u>	<u>277</u>	<u>3,033,141</u>
<b>EXCESS OF REVENUES OR (EXPENDITURES)</b>	<b>(253,814)</b>	<b>17,072</b>	<b>(236,742)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Loan proceeds	<u>260,171</u>	<u>-</u>	<u>260,171</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,357</b>	<b>17,072</b>	<b>23,429</b>
<b>FUND BALANCES, July 1, 2013</b>	<u><b>578,868</b></u>	<u><b>129,910</b></u>	<u><b>708,778</b></u>
<b>FUND BALANCES, June 30, 2014</b>	<b>\$ <u>585,225</u></b>	<b>\$ <u>146,982</u></b>	<b>\$ <u>732,207</u></b>

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, 2014**

(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	\$	23,429
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		507,219
Depreciation		(265,478)
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		(124,334)
Current year		162,334
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		(260,171)
Debt service - principal paid on capital lease		80,478
Debt service - principal paid on long-term debt		76,882
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.		
Decrease in compensated absences		<u>7,157</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$	<u>207,516</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, 2014**

(Page 1 of 8)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Taxes -			
Property taxes	\$ 2,027,802	\$ 2,004,853	\$ (22,949)
PILOT	<u>175,301</u>	<u>114,585</u>	<u>(60,716)</u>
Total taxes	<u>2,203,103</u>	<u>2,119,438</u>	<u>(83,665)</u>
State of Vermont -			
Current use	40,000	40,710	710
Highways - Summer	55,500	56,375	875
Highways - Winter	55,500	56,375	875
Highway grant	-	175,000	175,000
State hospital	25,000	-	(25,000)
Appraisal assistance	-	14,305	14,305
Railroad levy	2,000	2,442	442
Municipal planning	-	2,500	2,500
Police - Highway fines	16,000	14,519	(1,481)
Public Safety grants	<u>-</u>	<u>42,001</u>	<u>42,001</u>
Total State of Vermont	<u>194,000</u>	<u>404,227</u>	<u>210,227</u>
Fees, Licenses, Permits -			
Animal licenses	1,800	2,866	1,066
Mobile home parks	800	870	70
Beverage and entertainment licenses	1,000	1,505	505
Copier fees	7,500	7,823	323
Zoning fees	7,500	20,685	13,185
Town Clerk fees	40,000	36,997	(3,003)
Records restoration	2,500	2,316	(184)
Excess weight permits	1,000	750	(250)
Peddlers' permits	150	150	-
Marriage licenses	-	175	175
Land posting permits	100	-	(100)
Other miscellaneous	<u>1,000</u>	<u>1,575</u>	<u>575</u>
Total fees, licenses, permits	<u>63,350</u>	<u>75,712</u>	<u>12,362</u>
Police Revenue -			
Contract wages	110,656	113,715	3,059
Berlin Community Fund	-	2,264	2,264
Other miscellaneous	<u>2,500</u>	<u>4,314</u>	<u>1,814</u>
Total police revenue	<u>113,156</u>	<u>120,293</u>	<u>7,137</u>
Interest and Penalties -			
Interest - Checking/savings	8,000	2,158	(5,842)
Interest - Delinquent taxes	16,000	22,467	6,467

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, 2014**

(Page 2 of 8)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES (CONTINUED):</b>			
Interest and Penalties (continued) -			
Penalties - Delinquent taxes	20,000	26,363	6,363
Total interest and penalties	<u>44,000</u>	<u>50,988</u>	<u>6,988</u>
Other Revenues -			
Water pollution control	4,500	4,500	-
Berlin Historical Society	250	250	-
Anticipated fund balance	50,000	-	(50,000)
Sale of assets	-	2,425	2,425
Other miscellaneous	-	1,217	1,217
Total other revenues	<u>54,750</u>	<u>8,392</u>	<u>(46,358)</u>
Total revenues	<u>2,672,359</u>	<u>2,779,050</u>	<u>106,691</u>
<b>EXPENDITURES:</b>			
General Government -			
Administration:			
Town Clerk	41,185	42,852	(1,667)
Town Treasurer	34,944	46,204	(11,260)
Selectboard	3,750	3,750	-
Assistant Town Administrator	29,672	31,552	(1,880)
Town Administrator	69,566	72,432	(2,866)
Board of Civil Authority	500	-	500
Support staff	10,000	8,863	1,137
Office supplies	9,000	4,802	4,198
Training	250	5,666	(5,416)
Computers and equipment	800	3,239	(2,439)
Copier	1,800	1,364	436
Records restoration	2,500	-	2,500
Postage	6,500	5,422	1,078
Postage meter rental	1,250	863	387
Telephone	6,000	5,993	7
Software and support	500	1,483	(983)
Clerk - Advertising	500	1,895	(1,395)
Total administration	<u>218,717</u>	<u>236,380</u>	<u>(17,663)</u>
Listers:			
Contract - Assessor	16,000	13,307	2,693
Legal fees	-	578	(578)
Licenses	250	-	250
Training	250	-	250
Tax maps	500	-	500
Mileage	-	20	(20)

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, 2014**

(Page 3 of 8)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (CONTINUED):</b>			
General Government (continued) -			
Listers (continued):			
Computer	-	195	(195)
Supplies/software/support	<u>800</u>	<u>1,315</u>	<u>(515)</u>
Total listers	<u>17,800</u>	<u>15,415</u>	<u>2,385</u>
Meetings and Elections:			
Town meetings and elections	4,200	2,497	1,703
Town Reports	1,500	1,428	72
Legal notices/advertising	<u>750</u>	<u>367</u>	<u>383</u>
Total meetings and elections	<u>6,450</u>	<u>4,292</u>	<u>2,158</u>
Insurance:			
Workers' compensation	962	743	219
General liability	16,604	5,964	10,640
Health insurance	6,338	10,765	(4,427)
Health insurance buybacks	9,000	6,000	3,000
Deductible	1,000	868	132
Pension	9,312	11,064	(1,752)
Life insurance	1,099	660	439
Disability	1,184	554	630
Social Security	15,274	16,468	(1,194)
Unemployment	<u>520</u>	<u>433</u>	<u>87</u>
Total insurance	<u>61,293</u>	<u>53,519</u>	<u>7,774</u>
Zoning:			
Supplies/mileage/training	250	427	(177)
Legal fees	<u>2,000</u>	<u>961</u>	<u>1,039</u>
Total zoning	<u>2,250</u>	<u>1,388</u>	<u>862</u>
Development Review Board:			
Secretary	4,000	2,805	1,195
Legal fees	300	-	300
Advertising	<u>900</u>	<u>1,105</u>	<u>(205)</u>
Total Development Review Board	<u>5,200</u>	<u>3,910</u>	<u>1,290</u>
Planning:			
Advertising and web page	850	62	788
Supplies/mileage/training	<u>250</u>	<u>-</u>	<u>250</u>
Total planning	<u>1,100</u>	<u>62</u>	<u>1,038</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, 2014**

(Page 4 of 8)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (CONTINUED):</b>			
General Government (continued) -			
Town Cemeteries	9,000	6,390	2,610
Recreation Board	3,500	3,859	(359)
Conservation Board	550	-	550
Economic Development Board	1,000	500	500
Water Supply Commission	10,000	175,533	(165,533)
Green Up Day	500	196	304
Emergency Management Commission	1,000	2,076	(1,076)
Taxes and Assessments:			
Washington County assessment	34,695	34,695	-
Animal Control Officer	2,000	6,075	(4,075)
Central Vermont Solid Waste Management District	2,887	2,886	1
Vermont League of Cities and Towns	3,720	3,720	-
Central Vermont Humane Society	2,000	2,000	-
Ambulance service	66,826	69,514	(2,688)
Central Vermont Regional Planning Commission	3,032	3,031	1
Total taxes and assessments	<u>115,160</u>	<u>121,921</u>	<u>(6,761)</u>
Town Office:			
Janitorial services	5,980	7,418	(1,438)
Supplies	4,500	2,266	2,234
Training	300	500	(200)
Copier	1,668	1,848	(180)
Advertising	1,000	1,675	(675)
Newsletter	250	-	250
Software and support	3,000	7,311	(4,311)
Web page	600	200	400
Maintenance	6,500	9,977	(3,477)
Vehicle	1,000	-	1,000
Heat and utilities	9,500	6,672	2,828
Internet	550	1,070	(520)

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, 2014**

(Page 5 of 8)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (CONTINUED):</b>			
General Government (continued) -			
Town Office (continued):			
Equipment contracts	1,500	1,661	(161)
Total Town office	<u>36,348</u>	<u>40,598</u>	<u>(4,250)</u>
General expenditures:			
Legal fees	13,000	14,934	(1,934)
CPA audit and accounting	9,000	10,600	(1,600)
Payroll services	1,880	2,146	(266)
Tax refunds/abatements	2,500	16,720	(14,220)
Emergency generator	1,200	-	1,200
Miscellaneous	<u>3,000</u>	<u>58,536</u>	<u>(55,536)</u>
Total general expenditures	<u>30,580</u>	<u>102,936</u>	<u>(72,356)</u>
Total general government	<u>520,448</u>	<u>768,975</u>	<u>(248,527)</u>
Police -			
Wages	373,569	367,333	6,236
Wages - Part time	26,000	35,225	(9,225)
Wages - Clerical	31,301	32,549	(1,248)
Wages - CVMC	87,360	80,034	7,326
Wages - Overtime	15,000	12,741	2,259
Wages - On call	3,700	4,329	(629)
Wages - Grants	-	15,181	(15,181)
Workers' compensation	20,569	16,424	4,145
Health insurance	86,755	83,169	3,586
Social Security	40,692	41,068	(376)
Unemployment	1,914	1,583	331
Disability insurance	2,395	1,214	1,181
Life insurance	2,390	3,838	(1,448)
Health insurance buyback	4,500	4,688	(188)
Deductible	14,600	6,922	7,678
Employee benefits	-	95	(95)
Pension	25,891	24,937	954
Vehicle and liability insurance	31,981	13,036	18,945
Supplies	5,000	1,780	3,220
Uniforms	4,900	5,418	(518)
Guns and ammo	750	755	(5)
Copier lease	1,500	989	511
VIBRS	6,500	6,399	101
Media/data	4,100	1,798	2,302

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, 2014**

(Page 6 of 8)

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>EXPENDITURES (CONTINUED):</b>			
Police (continued) -			
Advertising	200	-	200
Training	1,500	1,219	281
Telephone	2,000	4,245	(2,245)
Legal	3,000	1,020	1,980
Equipment maintenance	10,000	11,095	(1,095)
Vehicle fuel	19,500	27,881	(8,381)
Lodging prisoners	1,500	600	900
Grant expenditures	-	21,630	(21,630)
Equipment	34,000	65,849	(31,849)
Miscellaneous expenditures	2,000	2,826	(826)
Total police	<u>865,067</u>	<u>897,870</u>	<u>(32,803)</u>
Highways -			
Summer roads:			
Wages	84,320	96,790	(12,470)
Chloride	26,000	18,180	7,820
Culverts/materials	6,000	8,840	(2,840)
Roadside mowing	5,000	4,800	200
Fuel	23,200	16,806	6,394
Equipment maintenance	27,500	16,217	11,283
Total summer roads	<u>172,020</u>	<u>161,633</u>	<u>10,387</u>
Winter roads:			
Wages	104,720	106,931	(2,211)
Sand	59,431	66,150	(6,719)
Salt	60,000	58,778	1,222
Fuel	35,000	46,986	(11,986)
Equipment maintenance	35,000	33,544	1,456
Total winter roads	<u>294,151</u>	<u>312,389</u>	<u>(18,238)</u>
General:			
Resurfacing - Asphalt	100,000	259,445	(159,445)
Resurfacing - Gravel	117,700	111,600	6,100
Road signs, guardrails and fencing	2,500	2,420	80
Guardrails	4,000	2,860	1,140
Bridge maintenance	15,000	-	15,000
Total general	<u>239,200</u>	<u>376,325</u>	<u>(137,125)</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, 2014**

(Page 7 of 8)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (CONTINUED):</b>			
Highways (continued) -			
Other:			
Street lights	12,000	10,275	1,725
Traffic lights	2,100	1,418	682
Town garage	23,000	25,478	(2,478)
Supplies	2,150	3,949	(1,799)
Pension	9,452	9,359	93
Advertising	500	498	2
Unit uniforms	6,200	7,412	(1,212)
Health insurance	34,223	33,069	1,154
Social Security	14,376	15,498	(1,122)
Life insurance	1,073	1,283	(210)
Disability insurance	1,093	555	538
Unemployment	521	333	188
Workers' compensation	13,097	7,928	5,169
General insurance	15,100	6,010	9,090
Deductible	6,000	6,699	(699)
Permit - Stormwater	286	-	286
Training	1,000	60	940
Telephone	1,100	1,631	(531)
Miscellaneous	350	720	(370)
Total other	<u>143,621</u>	<u>132,175</u>	<u>11,446</u>
Special projects -			
Capital budget	6,000	1,365	4,635
Highway equipment	50,000	-	50,000
Total special projects	<u>56,000</u>	<u>1,365</u>	<u>54,635</u>
Total highways	<u>904,992</u>	<u>983,887</u>	<u>(78,895)</u>
Debt Service -			
Bond - Principal	10,000	10,000	-
Bond - Interest	5,404	5,332	72
Equipment refinance - Principal	66,810	66,882	(72)
Equipment refinance - Interest	2,159	2,087	72
Capital lease - Principal	80,478	80,478	-
Capital lease - Interest	3,921	4,273	(352)
Total debt service	<u>168,772</u>	<u>169,052</u>	<u>(280)</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, 2014**

(Page 8 of 8)

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable ( <u>Unfavorable</u> )
<b>EXPENDITURES (CONTINUED):</b>			
Special Appropriations -			
Battered Women's Services and Shelter	975	975	-
Berlin Volunteer Fire Department	190,985	190,985	-
Central Vermont Adult Basic Education	1,200	1,200	-
Central Vermont Community Action	500	500	-
Central Vermont Council on Aging	2,000	2,000	-
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	1,750	1,750	-
People's Health & Wellness Clinic	500	500	-
Retired and Senior Volunteer Program	200	200	-
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>213,080</u>	<u>213,080</u>	<u>-</u>
Total expenditures	<u>2,672,359</u>	<u>3,032,864</u>	<u>(360,505)</u>
<b>EXCESS OF REVENUES OR (EXPENDITURES)</b>	-	(253,814)	(253,814)
<b>OTHER FINANCING SOURCES (USES):</b>			
Loan proceeds	<u>-</u>	<u>260,171</u>	<u>260,171</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 6,357</u>	<u>\$ 6,357</u>

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

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2014**

	<u>Water Pollution Fund</u>
<b>ASSETS:</b>	
Current assets -	
Cash and cash equivalents	\$ 681,228
Accounts receivable, net of allowance	<u>282,685</u>
Total current assets	<u>963,913</u>
Noncurrent assets -	
Capital assets	868,911
less - accumulated depreciation	<u>(190,335)</u>
Total noncurrent assets	<u>678,576</u>
Total assets	<u>1,642,489</u>
 <b>LIABILITIES:</b>	
Current liabilities -	
Accounts payable	22,449
Customer overpayments	2,687
Due to other funds	<u>38,990</u>
Total current liabilities	<u>64,126</u>
 <b>NET POSITION:</b>	
Net investment in capital assets	678,576
Unrestricted	<u>899,787</u>
Total net position	<u>\$ 1,578,363</u>

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

**TOWN OF BERLIN, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND CHANGE  
IN NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

		<u>Water Pollution Fund</u>
<b>OPERATING REVENUES:</b>		
User charges/fees	\$	537,965
Interest and penalties		<u>3,676</u>
Total operating revenues		<u>541,641</u>
 <b>OPERATING EXPENSES:</b>		
Professional services		4,330
Maintenance, operations and services		442,657
Administrative expenses		28,057
Depreciation		<u>37,487</u>
Total operating expenses		<u>512,531</u>
Operating income		29,110
 <b>NONOPERATING REVENUES:</b>		
Investment income		<u>10,565</u>
CHANGE IN NET POSITION		39,675
NET POSITION, July 1, 2013		<u>1,538,688</u>
NET POSITION, June 30, 2014	\$	<u>1,578,363</u>

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

**TOWN OF BERLIN, VERMONT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Water Pollution Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 540,184
Cash payments for goods and services	<u>(438,362)</u>
Net cash provided (used) by operating activities	<u>101,822</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	10,565
Cash paid for capital assets	<u>(46,791)</u>
Net cash provided (used) by investing activities	<u>(36,226)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>65,596</b>
<b>CASH AND CASH EQUIVALENTS, July 1, 2013</b>	<b><u>615,632</u></b>
<b>CASH AND CASH EQUIVALENTS, June 30, 2014</b>	<b>\$ <u>681,228</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 29,110
Adjustments to reconcile operating income to net cash provided (used) by operating activities -	
Depreciation	37,487
Change in the following assets/liabilities:	
Accounts receivable	(270,913)
Accounts payable	13,634
Unbilled revenue	269,456
Customer overpayments	2,379
Due to other funds	<u>20,669</u>
Net cash provided (used) by operating activities	<b>\$ <u>101,822</u></b>

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

**TOWN OF BERLIN, VERMONT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUND**  
**JUNE 30, 2014**

	<u>Cemetery</u> <u>Funds</u>
ASSETS:	
Cash and cash equivalents	\$ <u>13,948</u>
LIABILITIES	<u>-</u>
NET POSITION:	
Restricted	\$ <u>13,948</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, 2014**

	<u>Cemetery Funds</u>
ADDITIONS:	
Interest	\$ 7
DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	7
NET POSITION, July 1, 2013	<u>13,941</u>
NET POSITION, June 30, 2014	\$ <u>13,948</u>

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

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014**

**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 fund:

Water Pollution Fund - This Fund is used to account for the activities of the Town's Water Pollution 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, 2014**

**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, 2014 were payable in four installments due August 20, 2013, November 15, 2013, February 15, 2014 and May 15, 2014.
- 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 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, 2014**

**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. 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.

N. Long-term obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. In the fund financial statements, governmental fund types recognize the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

O. 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.

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.

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

P. New accounting standard - The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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, will be reported as separate sections in the statement of net position and the governmental funds balance sheet. 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. The Town does not currently report any deferred outflows of resources. The Town reports deferred property taxes as a deferred inflow of resources.

**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, 2014, the Town's depository accounts were fully insured or collateralized.

**3. Capital assets:**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Work in process - Water Supply Project	<u>234,608</u>	<u>175,533</u>	<u>-</u>	<u>410,141</u>
Total capital assets, not depreciated	<u>379,608</u>	<u>175,533</u>	<u>-</u>	<u>555,141</u>
Capital assets, depreciated:				
Buildings and improvements	287,845	-	-	287,845
Infrastructure	1,409,912	250,157	-	1,660,069
Machinery and equipment	127,913	15,680	-	143,593
Vehicles	<u>1,500,298</u>	<u>65,849</u>	<u>-</u>	<u>1,566,147</u>
Total capital assets, depreciated	<u>3,325,968</u>	<u>331,686</u>	<u>-</u>	<u>3,657,654</u>

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Less accumulated depreciation for:				
Buildings and improvements	79,164	9,595	-	88,759
Infrastructure	417,948	69,367	-	487,315
Machinery and equipment	114,107	12,332	-	126,439
Vehicles	865,416	174,184	-	1,039,600
Total accumulated depreciation	<u>1,476,635</u>	<u>265,478</u>	<u>-</u>	<u>1,742,113</u>
Total capital assets, depreciated, net	<u>1,849,333</u>	<u>66,208</u>	<u>-</u>	<u>1,915,541</u>
 Total capital assets, net, governmental activities	 <u>2,228,941</u>	 <u>241,741</u>	 <u>-</u>	 <u>2,470,682</u>
Business-type activities -				
Capital assets, not depreciated:				
Work in process	<u>-</u>	<u>3,425</u>	<u>-</u>	<u>3,425</u>
Capital assets, depreciated:				
Capital improvements	674,366	43,366	-	717,732
Main pump upgrades	76,205	-	-	76,205
Equipment	71,549	-	-	71,549
Total capital assets, depreciated	<u>822,120</u>	<u>43,366</u>	<u>-</u>	<u>865,486</u>
Less accumulated depreciation for:				
Capital improvements	103,568	24,137	-	127,705
Main pump upgrades	2,540	2,540	-	5,080
Equipment	46,740	10,810	-	57,550
Total accumulated depreciation	<u>152,848</u>	<u>37,487</u>	<u>-</u>	<u>190,335</u>
Total capital assets, depreciated, net, business-type activities	 <u>669,272</u>	 <u>9,304</u>	 <u>-</u>	 <u>678,576</u>
 Total capital assets, net	 \$ <u>2,898,213</u>	 \$ <u>251,045</u>	 \$ <u>-</u>	 \$ <u>3,149,258</u>

Depreciation expense of \$265,478 in the governmental activities was allocated to expenses of the general government (\$16,243), highway (\$197,379) and police (\$51,856) programs based on capital assets assigned to those functions.

Depreciation expense of \$37,487 in the business-type activities was fully allocated to the water pollution function.

**TOWN OF BERLIN, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General Fund	\$ -	\$ 28,282
Other Governmental Funds	<u>67,549</u>	<u>277</u>
	67,549	28,559
Proprietary fund -		
Water Pollution Fund	<u>-</u>	<u>38,990</u>
	\$ <u>67,549</u>	\$ <u>67,549</u>

**5. Debt:**

Long-term - Outstanding long-term debt as of June 30, 2014 is as follows:

Governmental activities -

Bond payable to Vermont Municipal Bond Bank for the Town's office building. Principal and interest due in annual payments ranging from \$5,000 to \$10,000, at a variable interest rate, currently at 4.205%, due through December 2025.	\$ 115,000
Note payable to Community National Bank for the refinancing of previous purchases of a grader and two dump trucks. Principal and interest due in monthly payments of \$5,747, interest at 2.60%, due through February 2015.	45,406
Note payable to State of Vermont for preliminary engineering of water supply project. Annual payments of \$78,677 due from August 2015 through August 2019, interest at 0%.	<u>393,387</u>
Total governmental activities	\$ <u>553,793</u>

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**5. Debt (continued):**

Long-term debt activity for the year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities -					
VMBB - office building	\$ 125,000	\$ -	\$ 10,000	\$ 115,000	\$ 10,000
Community National Bank:					
Equipment refinance	112,288	-	66,882	45,406	45,406
State of Vermont:					
Water supply	<u>133,216</u>	<u>260,171</u>	<u>-</u>	<u>393,387</u>	<u>-</u>
Total governmental activities	\$ <u>370,504</u>	\$ <u>260,171</u>	\$ <u>76,882</u>	\$ <u>553,793</u>	\$ <u>55,406</u>

Debt service requirements to maturity are as follows:

Year ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 55,406	\$ 5,488
2016	88,677	4,490
2017	88,678	4,060
2018	88,678	3,624
2019	88,677	3,183
2020-2024	128,677	9,160
2025-2026	<u>15,000</u>	<u>577</u>
	\$ <u>553,793</u>	\$ <u>30,582</u>

**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, 2014 are as follows:

Year ending June 30,	
2015	\$ 84,399
2016	<u>14,066</u>
Total minimum lease payments	98,465
Less: amount representing interest	<u>(1,696)</u>
Present value of minimum lease payments	\$ <u>96,769</u>

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**7. Fund balances:**

As of June 30, 2014, the nonspendable fund balance of the General Fund consists of the following:

Inventory	\$ 34,923
Prepaid expenditures	<u>19,583</u>
	<u>\$ 54,506</u>

As of June 30, 2014, the committed fund balance of the General Fund consists of the following:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Expenditures</u>	Balance <u>June 30, 2014</u>
Reappraisal	\$ 132,634	\$ -	\$ -	\$ 132,634
Record restoration	6,668	-	-	6,668
Lister training	523	-	-	523
Town center task force	3,000	-	-	3,000
Economic Development Council	1,723	-	-	1,723
Cemetery	2,758	-	-	2,758
Highway equipment	27	2,000	-	2,027
Bridge maintenance	34,799	-	-	34,799
Building maintenance	2,026	-	-	2,026
Building renovation	5,968	-	-	5,968
Police Department Community Fund	5,419	-	-	5,419
Police	1,800	4,698	-	6,498
Fire Warden	900	-	-	900
Water supply	2,165	-	-	2,165
Planning	1,100	-	-	1,100
Emergency management	769	-	769	-
Budgeted use of fund balance, FY14	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total committed fund balance	<u>\$ 252,279</u>	<u>\$ 6,698</u>	<u>\$ 50,769</u>	<u>\$ 208,208</u>

**8. Restatements:**

The Town has restated beginning net position of the governmental activities on the government-wide financial statements from \$2,431,674 to \$2,478,121, an increase of \$46,447 to record additional work in process additions inadvertently excluded in prior years.

**9. Budgeted deficit:**

The voters approved a budget for FY14 with a deficit of \$50,000 to utilize a portion of the prior year surplus fund balance. This budgeted deficit is shown as anticipated fund balance revenue in the budget column of the Statement of Revenues and Expenditures - Budget and Actual - General Fund.

**TOWN OF BERLIN, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**10. 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. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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.

Funding policy: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.625% (Group B), 9.50% (Group C) or 11.125% (Group D) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5.125% (Group B), 6.75% (Group C) or 9.625% (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, 2014, 2013 and 2012 were \$40,290, \$29,444 and \$31,314 for the Defined Benefit Plan and \$10,199, \$10,882 and \$10,793 for the Defined Contribution Plan, respectively. The amounts contributed were equal to the required contributions for each year.

The July 1, 2013 actuarial valuation of VMERS reports asset actuarial value of \$446,235,922 and actuarial accrued liability of \$528,426,358, leaving an unfunded accrued liability of \$82,190,436.

**11. Commitments:**

The Town has committed to purchase a highway truck for a total purchase price of \$123,345. This purchase was approved by the Selectboard in May 2014.

**TOWN OF BERLIN, VERMONT**  
**COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<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>
Cash and cash equivalents	\$ 13,925	\$ 10,536	\$ -	\$ 55,249	\$ -	\$ -	\$ 79,710
Due from other funds	<u>-</u>	<u>17,309</u>	<u>1,280</u>	<u>-</u>	<u>19,398</u>	<u>29,562</u>	<u>67,549</u>
Total assets	<u>\$ 13,925</u>	<u>\$ 27,845</u>	<u>\$ 1,280</u>	<u>\$ 55,249</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 147,259</u>

**ASSETS**

**LIABILITIES AND FUND EQUITY**

LIABILITIES							
Due to other funds	\$ 277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277
FUND EQUITY:							
Fund balances -							
Restricted	13,648	27,845	1,280	55,249	-	-	98,022
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>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>
Total liabilities and fund equity	<u>\$ 13,925</u>	<u>\$ 27,845</u>	<u>\$ 1,280</u>	<u>\$ 55,249</u>	<u>\$ 19,398</u>	<u>\$ 29,562</u>	<u>\$ 147,259</u>

**TOWN OF BERLIN, VERMONT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Recreation and Parks Fund	Conservation Fund	Montpelier Filtration Fund	Bike Path Fund	Bridge Fund	Road Project Fund	Total
REVENUES:							
Interest and penalties	\$ 7	\$ 5	\$ -	\$ 28	\$ -	\$ -	\$ 40
Other	<u>-</u>	<u>17,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,309</u>
Total revenues	<u>7</u>	<u>17,314</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>17,349</u>
EXPENDITURES							
General government	<u>277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277</u>
EXCESS OF REVENUES OR (EXPENDITURES)/NET CHANGE IN FUND BALANCES	(270)	17,314	-	28	-	-	17,072
FUND BALANCES, July 1, 2013	<u>13,918</u>	<u>10,531</u>	<u>1,280</u>	<u>55,221</u>	<u>19,398</u>	<u>29,562</u>	<u>129,910</u>
FUND BALANCES, June 30, 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>

**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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 20, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2014-001 through 2014-004 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 Response 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.

*Mudgett, Jennett &  
Krogl Wisner, P.C.*

Montpelier, Vermont  
January 20, 2015

**TOWN OF BERLIN, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**2014-001 Segregation of duties:**

During the audit it was noted that there is limited segregation of duties in the processing of cash receipts and disbursements. The Town Treasurer deposits receipts at the bank, has sole access to the general ledger, signs checks and reconciles the bank statements. Segregation of duties between accounting and treasury functions is a material control and can prevent fraud.

We recommend the Town resume these oversight controls, as well as consider additional ways to mitigate the risks caused by limited segregation of duties in a small government structure.

Management's response - The Town has taken steps to address the issue of segregation of duties, and understands that with the limited number of staff members it needs to find creative ways to accomplish this:

- a) The Town Administrator will reconcile the checking account for the General Fund on a monthly basis with the reconciliation report reviewed with the Selectboard each month for Board approval.
- b) All adjusting entries entered in the general journal will be approved by the Town Administrator on a monthly basis and reported to the Selectboard monthly.
- c) The Town Clerk opens the Town's mail and all checks for the General Fund are recorded in a log that is kept in the Clerk's office. A copy of the daily log and the checks are submitted to the Treasurer. The Treasurer will deposit and post all checks that are for the Town's General Fund. Checks that belong to the Sewer Commission are given to the Sewer Commission Clerk and they are posted. The deposit is given to the Treasurer for deposit.
- d) The Town Administrator reviews all time cards for employee payroll and the electronic payroll request. The Town Administrator will be the back-up to prepare the payroll in the absence of the Treasurer.
- e) All expenditures are approved by the Selectboard prior to release of checks. Checks greater than the amount of \$5,000 will be signed by both the Treasurer and the Town Clerk who is the second signer on the account.

**2014-002 Balance sheet account reconciliations:**

The balance sheet accounts are used to record and report the value of assets, liabilities, deferred inflows of resources, and equity (net position or fund balance) for each fund and for the government-wide summary of the Town. Each balance sheet account should be reconciled regularly to ensure reports of the Town's financial position and activity are complete and accurate. Each balance sheet account should have appropriate supporting documentation. The reconciliation process was not completed prior to the 2014 audit for many balance sheet accounts such as accounts receivable, prepaid expenditures, inventory, various clearing accounts, deferred property taxes and tax credits payable.

We recommend that active balance sheet accounts such as cash, accounts receivable and accounts payable be reconciled on a monthly basis and that other balance sheet accounts be reconciled promptly at year end.

Management's response - Balance sheet accounts will be reconciled on a monthly basis with proper backup supporting documents. The accounts will be reviewed by the Town Administrator.

**TOWN OF BERLIN, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**2014-003 Capital assets, capital leases and long-term debt:**

The accounting for capital assets, capital leases and long-term debt was not completed prior to our audit and was not recorded in the general ledger. During our audit, we proposed adjusting journal entries to record activity related to capital lease and debt service payments, capital asset additions and retirements, and depreciation expense for the current year. The presentation of capital assets, capital leases and long-term debt and related activity is required for complete financial reporting.

We recommend that the Town record capital asset and long-term debt activity in the general ledger throughout the year.

Management's response - The Town will record capital assets and long-term debt activity in the general ledger as transactions occur throughout the year. Depreciation will be recorded on an annual basis.

**2014-004 Record retention:**

During the audit it was noted that personnel information which we requested for audit tests could not be readily located in the Town files.

We recommend that the Town develop a centralized personnel filing system to ensure that the Town has adequate documentation to support all personnel actions, including authorization of pay rates, withholding authorizations, and other payroll related matters.

Management's response - The Town has developed a centralized filing system for all personnel records. These records will be in the Treasurer's office and will include appropriate documentation in each payroll file. This will include pay rate authorizations as approved by the Department Head or the Selectboard.