

**TOWN OF BERLIN, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Berlin
Berlin, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Vermont, as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of Town's proportionate share of the net pension liability and Town contributions in Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

January 5, 2021

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Our discussion and analysis of the Town of Berlin, Vermont's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2020. Please read it in conjunction with the Town's financial statements which begin on page 10.

Financial Highlights

Government-Wide Statements

- Net position of our governmental activities increased by \$151,631 or about 5%, compared to an increase of \$415,604 in the prior year. The net position of our business-type activities increased by \$180,954 or about 5%, compared to an increase of \$67,705 in the prior year.
- The cost of all of the Town's programs was \$4,282,654 in fiscal year 2020, compared to \$4,152,511 in fiscal year 2019, with no new programs added this year.

Fund Statements

- The General Fund reported an increase in fund balance this year of \$366,707, which was \$366,707 better than what was budgeted. This compares to an increase of \$139,991 in fiscal year 2019.
- The General Fund restricted fund balance was \$224,600 and is restricted for lister training, reappraisal, record restoration, and recreation. The committed fund balance of \$138,067 is for the items noted in Note 10. The assigned fund balance of \$24,076 is for highway equipment, capital budget, and highway materials. The nonspendable fund balance of \$262,392 consists of \$93,534 of prepaids, \$18,690 of highway inventory and the \$150,168 note due from the Water Fund.
- The nonmajor funds, as a whole, reported a net decrease in fund balance this year of \$14,797 compared to a decrease of \$49,944 in fiscal year 2019. This brings the combined fund balance from \$112,540 to \$97,743.
- The Cemetery Funds reported an increase in fund balance this year of \$28 from a balance of \$14,008 to \$14,036.
- The Water Pollution Fund reported an increase in net position of \$234,402 in fiscal year 2020, compared to an increase of \$167,957 in fiscal year 2019, resulting in an ending net position of \$1,958,123.
- The Water Division Fund reported a decrease in net position of \$53,448 in fiscal year 2020, compared to a decrease of \$100,252 in fiscal year 2019, resulting in an ending net position of \$1,722,614.

Using This Annual Report

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

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

Reporting the Town as a Whole

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

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

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

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

Reporting the Town's Most Significant Funds

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

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

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

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

The Town as a Whole

The Town's combined net position increased by \$332,585 from a year ago – increasing from a balance of \$6,720,931 to \$7,053,516. Net position for the governmental activities increased from a balance of \$3,221,148 to \$3,372,779. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,963,473	\$ 1,576,773	\$ 1,274,279	\$ 1,042,841	\$ 3,237,752	\$ 2,619,614
Capital assets, net of depr	2,253,659	2,231,905	6,375,588	6,387,736	8,629,247	8,619,641
Total assets	<u>4,217,132</u>	<u>3,808,678</u>	<u>7,649,867</u>	<u>7,430,577</u>	<u>11,866,999</u>	<u>11,239,255</u>
Deferred outflows of resources	182,989	190,189	0	0	182,989	190,189
Long-term liabilities	334,594	247,749	3,873,393	3,860,059	4,207,987	4,107,808
Net pension liability	512,225	405,476	0	0	512,225	405,476
Other liabilities	165,012	103,232	95,737	70,735	260,749	173,967
Total liabilities	<u>1,011,831</u>	<u>756,457</u>	<u>3,969,130</u>	<u>3,930,794</u>	<u>4,980,961</u>	<u>4,687,251</u>
Deferred inflows of resources	15,511	21,262	0	0	15,511	21,262
Net position:						
Invested in capital assets, net of debt	1,961,960	2,027,552	2,490,599	2,507,849	4,452,559	4,535,401
Restricted	322,343	333,613	0	0	322,343	333,613
Unrestricted	1,088,476	859,983	1,190,138	991,934	2,278,614	1,851,917
Total net position	<u>\$ 3,372,779</u>	<u>\$ 3,221,148</u>	<u>\$ 3,680,737</u>	<u>\$ 3,499,783</u>	<u>\$ 7,053,516</u>	<u>\$ 6,720,931</u>

Net position of the Town's governmental activities increased by about 5% in fiscal year 2020 (\$3,372,779 compared to a balance of \$3,221,148). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$859,983 to \$1,088,476. Restricted net position decreased from \$333,613 to \$322,343 in fiscal year 2020. The net position of our business-type activities increased by \$180,954 in fiscal year 2020 (\$3,680,737 compared to \$3,499,783).

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2020	2019	Change	2020	2019	Change
REVENUES						
Program revenues:						
Charges for services	\$ 110,165	\$ 96,612	\$ 13,553	\$ 1,028,570	\$ 953,478	\$ 75,092
Operating grants and contributions	258,290	260,100	(1,810)	0	0	0
Capital grants and contributions	0	285,155	(285,155)	3,608	2,740	868
General revenues:						
Property taxes	3,091,025	2,946,304	144,721	0	0	0
Interest/penalty on del. taxes	46,068	42,685	3,383	6,478	6,608	(130)
Investment income	4,874	4,106	768	11,394	8,652	2,742
Gain on asset disposal	54,767	29,380	25,387	0	0	0
Total revenues	<u>3,565,189</u>	<u>3,664,342</u>	<u>(99,153)</u>	<u>1,050,050</u>	<u>971,478</u>	<u>78,572</u>
PROGRAM EXPENSES						
General government	926,897	823,458	103,439	0	0	0
Highway	1,078,429	1,055,684	22,745	0	0	0
Police	1,061,236	1,041,267	19,969	0	0	0
Appropriations	342,415	322,265	20,150	0	0	0
Interest on debt	4,581	6,064	(1,483)	0	0	0
Water division	0	0	0	323,675	348,346	(24,671)
Water pollution	0	0	0	545,421	555,427	(10,006)
Total program expenses	<u>3,413,558</u>	<u>3,248,738</u>	<u>164,820</u>	<u>869,096</u>	<u>903,773</u>	<u>(34,677)</u>
CHANGE IN NET POSITION	<u>\$ 151,631</u>	<u>\$ 415,604</u>	<u>\$ (263,973)</u>	<u>\$ 180,954</u>	<u>\$ 67,705</u>	<u>\$ 113,249</u>

Governmental Activities

The increase in net position for governmental activities was \$151,631 in fiscal year 2020, compared to an increase of \$415,604 in fiscal year 2019.

The cost of all governmental activities this year was \$3,413,558. However, as shown in the Statement of Activities on Exhibit B, the amount that our taxpayers ultimately financed for these activities through Town taxes and other revenue was only \$3,045,103 because some of the cost was paid by those who directly benefited from the programs (\$110,165) or by other governments and organizations that subsidized certain programs with grants and contributions (\$258,290).

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
General government	\$ 926,897	\$ 823,458	\$ 726,148	\$ 640,177
Highway	1,078,429	1,055,684	962,875	658,025
Police	1,061,236	1,041,267	1,009,084	980,340
All others	346,996	328,329	346,996	328,329
Totals	<u>\$3,413,558</u>	<u>\$3,248,738</u>	<u>\$3,045,103</u>	<u>\$2,606,871</u>

Business-Type Activities

The net position for business type activities increased by \$180,954 in fiscal year 2020, compared to an increase of \$67,705 in fiscal year 2019.

The cost of all business-type activities this year was \$869,096. However, these costs were covered by those who directly benefited from the programs (\$1,028,570) and by other governments and organizations that subsidized certain programs with grants and contributions (\$3,608).

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,678,408, which is greater than last year's total fund balance of \$1,326,498. Included in this year's total increase in fund balance of \$351,910, was an increase of \$366,707 in the General Fund and a decrease of \$14,797 in the nonmajor governmental funds.

General Fund Budgetary Highlights

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

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State of Vermont	\$ 193,500	\$ 275,292	\$ 81,792
Taxes	3,055,668	3,118,015	62,347
Expenditures:			
General Government	674,134	623,066	51,068
Police	978,020	1,031,636	(53,616)
Capital outlays	382,000	338,255	43,745
Other Financing Sources (Uses)			
Loan proceeds	0	150,000	150,000

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

State of Vermont revenue was greater than budget due to having received unbudgeted grants and appraisal assistance. Taxes exceeded budget due mostly to a decrease in deferred taxes and additional PILOT from the State. General government expenses were under budget due mostly to underspending of legal, office supplies, record restoration, heat and utilities. Police expenses were over budget due to costs related to unbudgeted grant expenses, excess wages and uniforms. Capital outlays were under budget due to trade in value of disposed vehicle. Loan proceeds were not budgeted.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020, the Town had \$8,629,247 invested in a broad range of capital assets, including land, buildings and improvements, vehicles, infrastructure, plant, machinery and equipment, and infrastructure, net of accumulated depreciation. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$9,606.

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 52,400	\$ 52,400	\$ 134,435	\$ 106,000	\$ 186,835	\$ 158,400
Construction in progress	61,096	45,863	307,745	170,688	368,841	216,551
Land improvements	24,567	26,767	0	0	24,567	26,767
Plant	0	0	5,933,408	6,111,048	5,933,408	6,111,048
Buildings and impr.	156,864	167,307	0	0	156,864	167,307
Infrastructure	1,403,749	1,443,023	0	0	1,403,749	1,443,023
Machinery and equip.	23,267	30,821	0	0	23,267	30,821
Vehicles	531,716	465,724	0	0	531,716	465,724
Totals	<u>\$ 2,253,659</u>	<u>\$ 2,231,905</u>	<u>\$ 6,375,588</u>	<u>\$ 6,387,736</u>	<u>\$ 8,629,247</u>	<u>\$ 8,619,641</u>

This year's major additions for governmental activities were paving and culvert projects, doors, Down Town designation, new highway equipment and a police vehicle. The major additions to the business-type activities was work done on the sewer project and one of the water wells.

Debt Administration

At June 30, 2020, the Town had \$4,165,092 in notes and bonds outstanding versus \$4,064,412 on June 30, 2019 – an increase of \$100,680 – as shown in Table 5.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-Type Activities	Total
Balance - June 30, 2019	\$ 204,353	\$3,860,059	\$4,064,412
Proceeds	150,000	76,641	226,641
Principal payments	(62,654)	(63,307)	(125,961)
Balance - June 30, 2020	\$ 291,699	\$3,873,393	\$4,165,092

Proceeds received in fiscal year 2020 were for new highway equipment, one well, and the sewer project.

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for fiscal year 2021, the Selectboard based their figures on previous year spending and departmental budget requests. The tax rate is set based on the voter approved budget amount for taxes divided by the Grand List.

Contacting the Town's Financial Management

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

TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,431,734	\$ 795,596	\$ 2,227,330
Investments - CDs	0	405,635	405,635
Accounts receivable - State	20,295	0	20,295
Accounts receivable - other, net of allowance	4,500	53,804	58,304
Unbilled user fees	0	228,931	228,931
Taxes, interest and penalty receivable, net of allowance	180,011	0	180,011
Internal balances	214,709	(214,709)	0
Prepaid expenses	93,534	5,022	98,556
Inventory	18,690	0	18,690
Capital Assets			
Land	52,400	134,435	186,835
Construction in process	61,096	307,745	368,841
Other capital assets, (net of accumulated depreciation)	2,140,163	5,933,408	8,073,571
Total assets	4,217,132	7,649,867	11,866,999
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related	182,989	0	182,989
Total assets and deferred outflows of resources	4,400,121	7,649,867	12,049,988
<u>LIABILITIES</u>			
Accounts payable	68,421	73,913	142,334
Construction and retainage payable	0	11,596	11,596
Accrued interest payable	0	10,228	10,228
Accrued payroll and benefits payable	36,643	0	36,643
Prepaid property taxes	59,948	0	59,948
Bonds and notes payable due within one year	74,290	64,989	139,279
Accrued compensated absences	42,895	0	42,895
Net pension liability	512,225	0	512,225
Bonds and notes payable due after one year	217,409	3,808,404	4,025,813
Total liabilities	1,011,831	3,969,130	4,980,961
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related	15,511	0	15,511
Total liabilities and deferred inflows of resources	1,027,342	3,969,130	4,996,472
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,961,960	2,490,599	4,452,559
Restricted	322,343	0	322,343
Unrestricted	1,088,476	1,190,138	2,278,614
Total net position	\$ 3,372,779	\$ 3,680,737	\$ 7,053,516

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities:							
General Government	\$ 926,897	\$ 77,149	\$ 123,600	\$ 0	\$ (726,148)	\$ 0	\$ (726,148)
Highway	1,078,429	0	115,554	0	(962,875)	0	(962,875)
Police	1,061,236	33,016	19,136	0	(1,009,084)	0	(1,009,084)
Appropriations	342,415	0	0	0	(342,415)	0	(342,415)
Interest on Long-Term Debt	4,581	0	0	0	(4,581)	0	(4,581)
Total Governmental Activities	<u>3,413,558</u>	<u>110,165</u>	<u>258,290</u>	<u>0</u>	<u>(3,045,103)</u>	<u>0</u>	<u>(3,045,103)</u>
Business-Type Activities:							
Water division	323,675	263,944	0	3,608	0	(56,123)	(56,123)
Water pollution	545,421	764,626	0	0	0	219,205	219,205
Total Business-Type Activities	<u>869,096</u>	<u>1,028,570</u>	<u>0</u>	<u>3,608</u>	<u>0</u>	<u>163,082</u>	<u>163,082</u>
Total	<u>\$ 4,282,654</u>	<u>\$ 1,138,735</u>	<u>\$ 258,290</u>	<u>\$ 3,608</u>	<u>(3,045,103)</u>	<u>163,082</u>	<u>(2,882,021)</u>
General Revenues:							
Property taxes					3,091,025	0	3,091,025
Interest and penalties on delinquent taxes/user charges					46,068	6,478	52,546
Net investment income					4,874	11,394	16,268
Gain (loss) on asset disposal					54,767	0	54,767
Total general revenues					<u>3,196,734</u>	<u>17,872</u>	<u>3,214,606</u>
Change in Net Position					151,631	180,954	332,585
Net Position - July 1, 2019					<u>3,221,148</u>	<u>3,499,783</u>	<u>6,720,931</u>
Net Position - June 30, 2020					<u>\$ 3,372,779</u>	<u>\$ 3,680,737</u>	<u>\$ 7,053,516</u>

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	Major Fund General Fund	Nonmajor Funds Other Governmental Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 1,346,993	\$ 84,741	\$ 1,431,734
Taxes, interest and penalty receivable, net of allowance	180,011	0	180,011
Accounts receivable - State	20,295	0	20,295
Accounts receivable - other	4,500	0	4,500
Prepaid expenses	93,534	0	93,534
Inventory	18,690	0	18,690
Advances to other funds	150,168	0	150,168
Due from other funds	51,539	13,002	64,541
Total assets	<u>\$ 1,865,730</u>	<u>\$ 97,743</u>	<u>\$ 1,963,473</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 68,421	\$ 0	\$ 68,421
Accrued wages & taxes	36,643	0	36,643
Property tax overpayments	59,948	0	59,948
Total liabilities	<u>165,012</u>	<u>0</u>	<u>165,012</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	<u>120,053</u>	<u>0</u>	<u>120,053</u>
Fund Balances			
 Nonspendable:			
Prepays	93,534	0	93,534
Inventory	18,690	0	18,690
Advances to other funds	150,168	0	150,168
Restricted	224,600	97,743	322,343
Committed	138,067	0	138,067
Assigned	24,076	0	24,076
Unassigned	931,530	0	931,530
Total fund balances	<u>1,580,665</u>	<u>97,743</u>	<u>1,678,408</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,865,730</u>	<u>\$ 97,743</u>	<u>\$ 1,963,473</u>

TOWN OF BERLIN, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,678,408
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.		2,253,659
Unavailable revenue for property taxes is recognized on an accrual basis in the statement of net position, not for the modified cash basis.		120,053
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net pension liability		(512,225)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		167,478
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund statements. Long-term liabilities at year end consist of:		
Bond and notes payable		(291,699)
Accrued compensated absences		(42,895)
		(334,594)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	3,372,779

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	Major Fund General Fund	Other Governmental Funds	Totals
Revenues			
Property taxes	\$ 3,118,015	\$ 0	\$ 3,118,015
Delinquent tax penalties & interest	46,068	0	46,068
Licenses, fees & permits	72,649	0	72,649
Interest income	4,671	203	4,874
Intergovernmental	275,292	0	275,292
Charges for services - police	15,764	0	15,764
Other	4,750	0	4,750
Total revenues	<u>3,537,209</u>	<u>203</u>	<u>3,537,412</u>
Expenditures			
Current:			
General government	623,066	15,000	638,066
Highways	922,662	0	922,662
Police	1,031,636	0	1,031,636
Appropriations	342,415	0	342,415
Total current	<u>2,919,779</u>	<u>15,000</u>	<u>2,934,779</u>
Debt service:			
Principal	62,654	0	62,654
Interest	4,581	0	4,581
Total debt service	<u>67,235</u>	<u>0</u>	<u>67,235</u>
Capital outlays:			
Highways	275,539	0	275,539
General government	62,716	0	62,716
Total capital outlays	<u>338,255</u>	<u>0</u>	<u>338,255</u>
Total expenditures	<u>3,325,269</u>	<u>15,000</u>	<u>3,340,269</u>
Excess Revenues (Expenditures)	<u>211,940</u>	<u>(14,797)</u>	<u>197,143</u>
Other Financing Sources (Uses)			
Sale of assets	4,767	0	4,767
Loan proceeds	150,000	0	150,000
Total other financing sources (uses)	<u>154,767</u>	<u>0</u>	<u>154,767</u>
Net Change in Fund Balances	366,707	(14,797)	351,910
Fund Balances - July 1, 2019	<u>1,213,958</u>	<u>112,540</u>	<u>1,326,498</u>
Fund Balances - June 30, 2020	<u>\$ 1,580,665</u>	<u>\$ 97,743</u>	<u>\$ 1,678,408</u>

TOWN OF BERLIN, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 351,910
Amounts reported for governmental activities in the statement of activities are different because:		
Some revenues are not collected for several months after the Town's year end; they are not considered "available" revenue in the fund statements.		
Unavailable property taxes decreased by \$26,990.		(26,990)
Repayment of notes, bonds and lease principal is an expenditure in the governmental funds; but the repayment reduces long-term liabilities in the statement of net position.		
		62,654
Loan proceeds are an other financing source in the governmental funds; but increases in long-term liabilities in the statement of net position.		
		(150,000)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense:		
Town pension contributions	57,194	
Cost of benefits earned, net of employee contributions	<u>(165,392)</u>	(108,198)
In the statement of activities, accrued compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year compensated absences accrued was less than what was paid by \$501.		
		501
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$388,255) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$366,501). This is the amount by which depreciation expense exceeds capital outlays in the current period.		
		<u>21,754</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 151,631</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Property taxes	\$ 2,870,668	\$ 2,902,949	\$ 32,281
PILOT	185,000	215,066	30,066
Total taxes	<u>3,055,668</u>	<u>3,118,015</u>	<u>62,347</u>
State of Vermont			
Current use	40,000	55,477	15,477
Highways	112,500	115,554	3,054
State hospital	25,000	25,000	0
Appraisal assistance	0	13,048	13,048
Railroad levy	4,000	4,761	761
Police - highway fines	12,000	17,252	5,252
Road permits grant	0	9,173	9,173
Municipal planning mitigation	0	2,940	2,940
Town Center designation	0	12,951	12,951
Public safety grants	0	19,136	19,136
Total State of Vermont	<u>193,500</u>	<u>275,292</u>	<u>81,792</u>
Fees, Licenses and Permits			
Animal licenses	1,600	1,052	(548)
Beverage and entertainment licenses	1,100	860	(240)
Copier fees	7,000	6,503	(497)
Zoning fees	10,000	15,309	5,309
Town Clerk fees	30,000	44,071	14,071
Records restoration	2,000	2,162	162
Excess weight permits	1,000	845	(155)
Peddlers' permits	300	415	115
Marriage licenses	100	0	(100)
Land posting permits	50	0	(50)
Other miscellaneous	0	1,432	1,432
Total fees, licenses and permits	<u>53,150</u>	<u>72,649</u>	<u>19,499</u>
Police			
Contract wages	0	11,087	11,087
Other miscellaneous	3,000	4,677	1,677
Total police	<u>3,000</u>	<u>15,764</u>	<u>12,764</u>
Interest and Penalties			
Investment income	1,800	4,671	2,871
Interest on delinquent taxes	15,000	22,186	7,186
Penalties on delinquent taxes	18,000	23,882	5,882
Total interest and penalties	<u>34,800</u>	<u>50,739</u>	<u>15,939</u>
Other Revenues			
Water pollution control	4,500	4,500	0
Berlin Historical Society	300	250	(50)
Total other revenues	<u>4,800</u>	<u>4,750</u>	<u>(50)</u>
Total revenues	<u>3,344,918</u>	<u>3,537,209</u>	<u>192,291</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
General Government			
Administration			
Town Clerk	47,134	47,519	(385)
Town Treasurer	56,600	58,336	(1,736)
Assistant Clerk	18,838	15,857	2,981
Selectboard	3,750	3,750	0
Assistant Town Administrator	43,281	46,802	(3,521)
Town Administrator	66,900	67,449	(549)
Board of Civil Authority	500	0	500
Office supplies	12,000	7,320	4,680
Training	1,200	50	1,150
Computers and equipment	2,300	0	2,300
Copier	950	953	(3)
Records restoration	5,000	0	5,000
Postage	6,000	5,000	1,000
Postage meter rental	750	964	(214)
Telephone	3,000	2,935	65
Software and support	1,000	540	460
Clerk - advertising	500	0	500
Total administration	<u>269,703</u>	<u>257,475</u>	<u>12,228</u>
Listers			
Contract - assessor	20,400	20,354	46
Supplies	100	28	72
Software and support	250	653	(403)
Legal	500	45	455
Tax maps	3,000	1,897	1,103
License	1,500	1,248	252
Total listers	<u>25,750</u>	<u>24,225</u>	<u>1,525</u>
Meetings and Elections			
Town meetings and elections	4,300	851	3,449
Town reports	1,500	1,503	(3)
Legal notices and advertising	500	1,472	(972)
Total meetings and elections	<u>6,300</u>	<u>3,826</u>	<u>2,474</u>
Insurance			
Workers' compensation	1,303	1,321	(18)
Health insurance	26,080	26,148	(68)
Social Security	19,500	17,926	1,574
Unemployment	143	101	42
Disability	862	1,017	(155)
Life insurance	701	729	(28)
Health insurance buyback	9,750	9,750	0

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Insurance (continued)			
Deductible	700	314	386
Pension	13,400	14,323	(923)
General insurance	15,509	16,457	(948)
Total insurance	<u>87,948</u>	<u>88,086</u>	<u>(138)</u>
Zoning			
Training	350	146	204
Mileage	500	285	215
Telephone	1,200	1,567	(367)
Legal fees	2,000	0	2,000
Advertising	500	0	500
Total zoning	<u>4,550</u>	<u>1,998</u>	<u>2,552</u>
Development Review Board			
Secretary	5,000	1,107	3,893
Legal fees	2,000	145	1,855
Advertising	1,500	1,127	373
Total development review board	<u>8,500</u>	<u>2,379</u>	<u>6,121</u>
Planning			
Supplies, mileage and training	500	597	(97)
Advertising and printing	500	0	500
Other	0	2,940	(2,940)
Total planning	<u>1,000</u>	<u>3,537</u>	<u>(2,537)</u>
Other			
Cemeteries	10,000	7,000	3,000
Recreation	2,500	904	1,596
Conservation Commission	50	0	50
Green Up Day	750	480	270
Emergency management commission	1,500	1,200	300
Total other	<u>14,800</u>	<u>9,584</u>	<u>5,216</u>
Taxes and Assessments			
Animal control officer	1,500	1,391	109
Washington county assessment	39,500	38,779	721
Ambulance service	102,145	99,865	2,280
Central Vermont Humane Society	1,500	0	1,500
Central Vermont Solid Waste Mgmt District	2,850	2,840	10
Central Vermont Economic Development	500	500	0
Vermont League of Cities and Towns	4,363	4,484	(121)
Central Vermont Regional Planning Commission	3,465	3,464	1
Total taxes and assessments	<u>155,823</u>	<u>151,323</u>	<u>4,500</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Town Office			
Janitorial	8,500	4,713	3,787
Supplies	3,000	1,792	1,208
Training	1,000	351	649
Copier	1,550	1,634	(84)
Advertising	1,000	381	619
Software and support	6,000	12,601	(6,601)
Web page	600	0	600
Cloud backup	1,550	1,725	(175)
Backup storage fees	360	155	205
Maintenance	10,000	7,527	2,473
Vehicle	1,500	2,875	(1,375)
Heat and utilities	9,600	3,998	5,602
Internet	2,400	2,919	(519)
Equipment contracts	6,000	9,133	(3,133)
Total town office	<u>53,060</u>	<u>49,804</u>	<u>3,256</u>
General			
Legal	20,000	1,642	18,358
Auditing and accounting	14,000	13,550	450
Payroll services	2,300	1,995	305
Selectboard minutes	2,400	1,065	1,335
Emergency generator	2,000	0	2,000
Tax refunds and abatements	5,000	12,238	(7,238)
Miscellaneous	1,000	339	661
Total general	<u>46,700</u>	<u>30,829</u>	<u>15,871</u>
Total general government	<u>674,134</u>	<u>623,066</u>	<u>51,068</u>
Police			
Wages	315,400	328,012	(12,612)
Wages - night shift	176,000	172,449	3,551
Wages - part time	22,000	58,642	(36,642)
Wages - clerical	40,000	32,004	7,996
Wages - overtime	20,000	29,012	(9,012)
Wages - on call	4,000	3,947	53
Wages - education	1,100	1,350	(250)
Wages - longevity	500	500	0
Workers' compensation	55,745	50,209	5,536
Health insurance	143,300	143,160	140
Social Security	51,000	48,601	2,399
Unemployment	525	373	152
Disability insurance	2,500	2,075	425

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Police (continued)			
Life insurance	2,000	1,991	9
Health insurance buyback	4,875	5,313	(438)
Employee benefits	4,500	493	4,007
Pension	38,500	33,729	4,771
Vehicle and liability insurance	19,325	19,914	(589)
Supplies	4,000	1,390	2,610
Uniforms	9,000	16,843	(7,843)
Guns and ammo	2,000	1,816	184
Copier lease	1,550	1,650	(100)
Equipment - radios	4,000	2,844	1,156
VIBRS	5,000	5,659	(659)
Media and data	5,700	5,323	377
Advertising	200	0	200
Training	4,000	4,123	(123)
Telephone	8,000	5,194	2,806
Legal	2,000	0	2,000
Equipment maintenance	13,000	17,182	(4,182)
Vehicle fuel	15,000	17,793	(2,793)
Lodging prisoners	1,000	500	500
Policing grants	0	18,211	(18,211)
Special investigation unit	2,300	2,300	0
Other	0	564	(564)
Berlin Community Fund	0	(1,530)	1,530
Total police	<u>978,020</u>	<u>1,031,636</u>	<u>(53,616)</u>
Highways			
Summer roads			
Wages	96,850	117,481	(20,631)
Roadside mowing	10,000	8,063	1,937
Chloride	28,000	26,278	1,722
Culverts and materials	10,000	20,341	(10,341)
Equipment maintenance	27,000	21,217	5,783
Fuel	20,000	9,050	10,950
Total summer roads	<u>191,850</u>	<u>202,430</u>	<u>(10,580)</u>
Winter roads			
Wages	128,650	115,429	13,221
Sand	70,000	70,958	(958)
Salt	75,000	91,574	(16,574)
Equipment maintenance	37,000	42,751	(5,751)
Fuel	30,000	19,745	10,255
Total winter roads	<u>340,650</u>	<u>340,457</u>	<u>193</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General			
Paving	20,000	19,979	21
Resurfacing - gravel	130,000	155,097	(25,097)
Bridge maintenance	1,500	0	1,500
Road signs and fencing	4,000	1,388	2,612
Guardrails	10,000	12,118	(2,118)
Total general	<u>165,500</u>	<u>188,582</u>	<u>(23,082)</u>
Other			
Workers' compensation	23,378	20,703	2,675
Health insurance	60,000	57,242	2,758
Social Security	17,250	19,013	(1,763)
Unemployment	143	101	42
Disability insurance	923	897	26
Life insurance	850	729	121
Health insurance buyback	4,875	4,875	0
Deductible	1,400	0	1,400
Pension	13,500	13,252	248
General insurance	9,200	9,844	(644)
Storm water permit	3,600	832	2,768
Erosion control	8,000	4,777	3,223
Supplies	6,000	3,641	2,359
Advertising	500	408	92
Training	500	90	410
Telephone	2,550	1,533	1,017
Garage	16,000	29,198	(13,198)
Garage - energy improv	5,000	599	4,401
Trash removal	1,300	0	1,300
Street lights	10,500	8,447	2,053
Traffic lights	3,000	4,503	(1,503)
Miscellaneous	500	90	410
Uniforms	7,500	10,419	(2,919)
Total other	<u>196,469</u>	<u>191,193</u>	<u>5,276</u>
Total highways	<u>894,469</u>	<u>922,662</u>	<u>(28,193)</u>
Appropriations			
Battered Women Services	975	975	0
Berlin Volunteer Fire Department	267,968	267,968	0
Central Vermont Adult Basic Education	1,200	1,200	0
Capstone Community Action	700	700	0
Central Vermont Council on Aging	3,000	3,000	0
Community Harvest	400	400	0
Central Vermont Home Health and Hospice	6,450	6,450	0

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Appropriations (continued)			
Central Vermont Memorial Civic	1,000	1,000	
Family Center of Washington County	800	800	0
Green Mountain Transit Agency	10,920	10,920	0
Home Share	300	300	0
Kellogg-Hubbard Library	30,402	30,402	0
Good Beginnings of Central Vermont	300	300	0
Montpelier Senior Center	12,500	12,500	0
People's Health & Wellness Clinic	500	500	0
Sexual Assault Crisis Team	500	500	0
Vermont Assoc. for the Blind & Visually Impaired	500	500	0
Vermont Center for Independent Living	1,000	1,000	0
Washington County Diversion	500	500	0
Washington County Mental Health	2,000	2,000	0
Washington County Youth Service Bureau	500	500	0
Total appropriations	342,415	342,415	0
Debt service			
Principal	68,880	62,654	6,226
Interest	5,000	4,581	419
Total debt service	73,880	67,235	6,645
Capital outlays			
Highway	345,000	275,539	69,461
General government	37,000	62,716	(25,716)
Total capital outlays	382,000	338,255	43,745
Total expenditures	3,344,918	3,325,269	19,649
Excess Revenues (Expenditures)	0	211,940	211,940
Other Financing Sources (Uses)			
Sale of assets	0	4,767	4,767
Loan proceeds	0	150,000	150,000
Total other financing sources (uses)	0	154,767	154,767
Net Change in Fund Balance	\$ 0	366,707	\$ 366,707
Fund Balance - July 1, 2019		1,213,958	
Fund Balance - June 30, 2020		\$ 1,580,665	

TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

EXHIBIT H

	Water Pollution Fund	Water Division Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 789,576	\$ 6,020	\$ 795,596
Investments - CDs	405,635	0	405,635
Accounts receivable, net of allowance	32,179	21,625	53,804
Unbilled user fees	162,650	66,281	228,931
Prepays	4,779	243	5,022
Total current assets	<u>1,394,819</u>	<u>94,169</u>	<u>1,488,988</u>
Non-Current Assets			
Land	0	134,435	134,435
Construction in progress	161,740	146,005	307,745
Plant and equipment, net of depreciation	539,000	5,394,408	5,933,408
Total non-current assets	<u>700,740</u>	<u>5,674,848</u>	<u>6,375,588</u>
Total assets	<u>2,095,559</u>	<u>5,769,017</u>	<u>7,864,576</u>
LIABILITIES			
Current Liabilities			
Accounts payable	73,441	472	73,913
Construction and retainage payable	0	11,596	11,596
Accrued interest payable	0	10,228	10,228
Due to other funds	23,279	41,262	64,541
Advances from other funds	0	150,168	150,168
Bond and note payable due within one year	0	64,989	64,989
Total current liabilities	<u>96,720</u>	<u>278,715</u>	<u>375,435</u>
Noncurrent Liabilities			
Bond and note payable due after one year	40,716	3,767,688	3,808,404
Total noncurrent liabilities	<u>40,716</u>	<u>3,767,688</u>	<u>3,808,404</u>
Total liabilities	<u>137,436</u>	<u>4,046,403</u>	<u>4,183,839</u>
NET POSITION			
Invested in capital assets, net of related debt	660,024	1,830,575	2,490,599
Unrestricted	1,298,099	(107,961)	1,190,138
Total net position	<u>\$ 1,958,123</u>	<u>\$ 1,722,614</u>	<u>\$ 3,680,737</u>

See Notes to Financial Statements.

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

EXHIBIT I

	<u>Water Pollution Fund</u>	<u>Water Division Fund</u>	<u>Total</u>
OPERATING REVENUES			
User charges and fees	\$ 764,626	\$ 263,944	\$ 1,028,570
Interest and penalties	<u>3,803</u>	<u>2,675</u>	<u>6,478</u>
Total operating revenues	<u>768,429</u>	<u>266,619</u>	<u>1,035,048</u>
OPERATING EXPENSES			
Wages and related	13,345	9,749	23,094
Professional services	1,280	220	1,500
Maintenance, operations and services	496,474	61,943	558,417
Administrative expenses	6,485	2,629	9,114
Depreciation	<u>27,837</u>	<u>149,804</u>	<u>177,641</u>
Total operating expenses	<u>545,421</u>	<u>224,345</u>	<u>769,766</u>
OPERATING INCOME	<u>223,008</u>	<u>42,274</u>	<u>265,282</u>
NONOPERATING REVENUES (EXPENSES)			
Grant income	0	3,608	3,608
Interest expense	0	(99,330)	(99,330)
Interest income	<u>11,394</u>	<u>0</u>	<u>11,394</u>
Net nonoperating revenues (expenses)	<u>11,394</u>	<u>(95,722)</u>	<u>(84,328)</u>
CHANGE IN NET POSITION	234,402	(53,448)	180,954
NET POSITION - JULY 1, 2019	<u>1,723,721</u>	<u>1,776,062</u>	<u>3,499,783</u>
NET POSITION - JUNE 30, 2020	<u>\$ 1,958,123</u>	<u>\$ 1,722,614</u>	<u>\$ 3,680,737</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

EXHIBIT J

	<u>Water Pollution Fund</u>	<u>Water Division Fund</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Cash received from customers	\$ 759,026	\$ 243,617
Cash payments to suppliers for goods and services	(484,324)	(75,116)
Net cash from operating activities	<u>274,702</u>	<u>168,501</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Cash payments from other funds	<u>23,207</u>	<u>19,289</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt and grants	1,196	79,054
Principal paid on capital debt	0	(63,307)
Additions of capital assets, net of change in related payables	(57,598)	(116,127)
Interest paid on capital debt	0	(99,503)
Net cash to capital and related financing activities	<u>(56,402)</u>	<u>(199,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>1,485</u>	<u>0</u>
Net cash from investing activities	<u>1,485</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	242,992	(12,093)
CASH, CASH EQUIVALENTS - JULY 1, 2019	<u>546,584</u>	<u>18,113</u>
CASH, CASH EQUIVALENTS - JUNE 30, 2020	<u>\$ 789,576</u>	<u>\$ 6,020</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 223,008	\$ 42,274
Adjustments to reconcile income from operations to net cash flow from operating activities		
Depreciation	27,837	149,804
(Increase) decrease in accounts receivable	(9,403)	(23,002)
(Increase) decrease in prepaids	(479)	(243)
Increase (decrease) in accounts payable	33,739	(332)
Net cash from operating activities	<u>\$ 274,702</u>	<u>\$ 168,501</u>

TOWN OF BERLIN, VERMONT
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2020

	<u>Cemetery Funds</u>
ASSETS	
Cash and cash equivalents	\$ 14,036
LIABILITIES	
	<u>0</u>
NET POSITION	
Restricted	<u><u>\$ 14,036</u></u>

TOWN OF BERLIN, VERMONT
 STATEMENT OF CHANGE IN NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2020

	Cemetery Funds
ADDITIONS	
Interest	\$ 28
DEDUCTIONS	0
CHANGE IN NET POSITION	28
NET POSITION - July 1, 2019	14,008
NET POSITION - June 30, 2020	\$ 14,036

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basic Financial Statements – Government-Wide Statements

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

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

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

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

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements - Fund Financial Statements

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Measurement Focus

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

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Accrual

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

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end for property taxes and six months for other revenue (grants and loans). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, compensated absences, claims and judgments, and certain prepaids, which are recognized when due/paid.

Government-wide and Proprietary Fund Net Position

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

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

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

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

Unavailable Revenue

Unavailable revenue consists of the following:

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

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) and additions to/deductions from VMERS's fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

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

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

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

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

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

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

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

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

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

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

1. Committed
2. Assigned
3. Unassigned

Cash and Cash Equivalents

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

Inventory

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

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

Accrued Compensated Absences

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

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

Budgetary Accounting

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

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

Interfund Activities

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e.,

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the current portion) or “advances to/from other funds” (i.e., the non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

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

Prepaid Expenses

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

Use of Estimates

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

NOTE 2 - DEPOSITS

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of June 30, 2020, \$2,469,439 of the government’s bank balance of \$2,917,002 was exposed to custodial credit risk. A summary of the Town’s custodial credit risk is as follows:

	Bank Balance
Insured by FDIC	\$ 447,563
Uninsured, collateralized by securities held by the pledging financial institution	2,469,439
Total	\$ 2,917,002

Of the Town’s \$2,917,002 bank balance, \$405,636 were CDs recorded as investments. Interest rates on the CDs range from 2.0% to 2.5% and mature between January 2022 and June 2025.

NOTE 3 - PROPERTY TAXES

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

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 4 – INTERFUND LOAN

During fiscal year 2015, the General Fund loaned the Water Division \$143,733 at 0% interest. The note is a demand note that is due in its entirety on June 30, 2021. In fiscal year 2020, \$22,000 was repaid on this loan. In March 2020, the General Fund loaned an additional \$28,435 to the Water Division at 0% interest. The note is a demand note that is due in its entirety on March 4, 2021. The total balance due at June 30, 2020 was \$150,168.

NOTE 5 - INTERFUND ACTIVITY

The composition of due from/(to) other funds at June 30, 2020 are as follows:

	Due from other funds	Due to other funds
Governmental funds:		
General Fund	\$ 51,539	\$ 0
Asset Forfeiture Fund	11,722	0
Montpelier Filtration Fund	1,280	0
Proprietary funds:		
Water Pollution	0	23,279
Water Division	0	41,262
	\$ 64,541	\$ 64,541

NOTE 6 - RECEIVABLES

Receivable balances as of June 30, 2020 were as follows:

	Governmental Activities	Business-Type Activities	Total Receivables
Delinquent taxes, penalty & interest receivable, net of \$35,274 allowance	\$ 180,011	\$ 0	\$ 180,011
Unbilled user fees	0	228,931	228,931
Accts receivable - State	20,295	0	20,295
Accts receivable - other, net of \$6,500 allowance	4,500	53,804	58,304
	\$ 204,806	\$ 282,735	\$ 487,541

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 7 - CAPITAL ASSETS

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

	Balance June 30, 2019	Additions	Disposals/ Reclassification	(Depreciation)	Balance June 30, 2020
<i>Governmental activities</i>					
Capital assets not depreciated					
Land	\$ 52,400	\$ 0	\$ 0	\$ 0	\$ 52,400
CIP - culverts	5,115	2,282	0	0	7,397
CIP - storm water planning	8,290	0	0	0	8,290
CIP - Down Town designation	0	12,951	0	0	12,951
CIP - Berlin Bike Path	32,458	0	0	0	32,458
Total capital assets not deprec.	<u>98,263</u>	<u>15,233</u>	<u>0</u>	<u>0</u>	<u>113,496</u>
Capital assets being depreciated					
Land improvements	33,000	0	0	0	33,000
Buildings and improvements	304,818	0	0	0	304,818
Infrastructure	2,390,137	124,634	0	0	2,514,771
Machinery and equipment	199,219	0	0	0	199,219
Vehicles	1,754,969	248,388	(230,816)	0	1,772,541
Total capital assets being depr.	<u>4,682,143</u>	<u>373,022</u>	<u>(230,816)</u>	<u>0</u>	<u>4,824,349</u>
Less accumulated depreciation for:					
Land improvements	(6,233)	0	0	(2,200)	(8,433)
Buildings and improvements	(137,511)	0	0	(10,443)	(147,954)
Infrastructure	(947,115)	0	0	(163,907)	(1,111,022)
Machinery and equipment	(168,398)	0	0	(7,554)	(175,952)
Vehicles	(1,289,244)	0	230,816	(182,397)	(1,240,825)
Total accum. depreciation	<u>(2,548,501)</u>	<u>0</u>	<u>230,816</u>	<u>(366,501)</u>	<u>(2,684,186)</u>
Total capital assets, net of deprec.	<u>2,133,642</u>	<u>373,022</u>	<u>0</u>	<u>(366,501)</u>	<u>2,140,163</u>
Total gov't activities assets, net	<u>\$ 2,231,905</u>	<u>\$ 388,255</u>	<u>\$ 0</u>	<u>\$ (366,501)</u>	<u>\$ 2,253,659</u>
<i>Business-type activities</i>					
Capital assets not depreciated					
Land	\$ 106,000	\$ 28,435	\$ 0	\$ 0	\$ 134,435
CIP - water pollution	104,142	57,598	0	0	161,740
CIP - water division	66,546	79,459	0	0	146,005
Total capital assets not deprec.	<u>276,688</u>	<u>165,492</u>	<u>0</u>	<u>0</u>	<u>442,180</u>
Capital assets being depreciated					
Capital improvements	749,574	0	0	0	749,574
Water supply system	5,953,790	0	0	0	5,953,790
Main pump upgrades	88,701	0	0	0	88,701
Equipment	71,549	0	0	0	71,549
Total capital assets being depr.	<u>6,863,614</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,863,614</u>
Less accumulated depreciation for:					
Capital improvements	(251,573)	0	0	(24,880)	(276,453)
Water supply system	(409,577)	0	0	(149,804)	(559,381)
Main pump upgrades	(19,866)	0	0	(2,957)	(22,823)
Equipment	(71,549)	0	0	0	(71,549)
Total accum. depreciation	<u>(752,565)</u>	<u>0</u>	<u>0</u>	<u>(177,641)</u>	<u>(930,206)</u>
Total capital assets, net of deprec.	<u>6,111,049</u>	<u>0</u>	<u>0</u>	<u>(177,641)</u>	<u>5,933,408</u>
Total business type activities assets, net	<u>\$ 6,387,737</u>	<u>\$ 165,492</u>	<u>\$ 0</u>	<u>\$ (177,641)</u>	<u>\$ 6,375,588</u>

Depreciation for the governmental activities was charged to general government for \$178,448, highway for \$155,688 and police for \$32,365. Depreciation for the proprietary funds consisted of \$27,837 for the Water Pollution Fund and \$149,804 for the Water Division Fund.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 8 – UNAVAILABLE REVENUE

Unavailable revenue in the General Fund consists of \$120,053 of property taxes not received within sixty days after year end.

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2020 consisted of the following:

Governmental Activities

		Due within one year
Bond payable to Vermont Bond Bank with yearly principal reduction of \$10,000 until 11/15/24, then \$5,000 due 11/15/25, variable interest due semiannually.	\$ 55,000	\$ 10,000
Note payable to Community National Bank for highway truck. Principal and interest payments of \$20,618 due annually through January 2022. Interest at 1.375%.	40,399	20,062
Note payable to Community Bank, N.A. for highway truck. Principal payments of \$15,433 plus interest due annually through August 2022. Interest at 1.95%.	46,300	15,433
Note payable to Community Bank, N.A. for highway truck. Principal and interest payments of \$31,870 due annually through December 2024. Interest at 2.05%.	150,000	28,795
Subtotal	291,699	\$ 74,290
Accrued compensated absences	42,895	
Total	334,594	
Amount due within one year	(74,290)	
Amount due after one year	\$ 260,304	

Proprietary Funds

Water Division Fund

Note payable with USDA, semiannual principal and interest payments of \$81,405 through November 2055, interest at 2.625%.	\$ 3,742,677	\$ 64,989
Note payable with Vermont Municipal Bond Bank for State Revolving Loan of \$90,000. Annual principal payments of \$18,000 due starting March 2023 through 2027.	90,000	0
Total water division	3,832,677	64,989

Water Pollution Fund

Note payable with Vermont Municipal Bond Bank for State Revolving Loan of \$42,415. Annual principal payments of \$4,242 due starting July 2023 through 2027. One half of the loan is expected to be forgiven. Drawn as of 6/30/20 was \$40,716	40,716	0
	3,873,393	\$ 64,989
Amount due within one year	(64,989)	
Amount due after one year	\$ 3,808,404	

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 9 - LONG-TERM LIABILITIES (Continued)

Long-term debt will mature approximately as follows:

	Governmental			Proprietary		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 74,290	\$ 6,102	\$ 80,392	\$ 64,989	\$ 97,811	\$ 162,800
2022	75,155	4,820	79,975	66,706	96,103	162,809
2023	55,421	3,203	58,624	86,469	94,341	180,810
2024	40,602	1,829	42,431	113,728	92,832	206,560
2025	41,231	764	41,995	94,377	90,675	185,052
2026-2030	5,000	(199)	4,801	430,533	423,668	854,201
2031-2035	0	0	0	451,434	369,398	820,832
2036-2040	0	0	0	506,583	307,467	814,050
2041-2045	0	0	0	577,140	236,910	814,050
2046-2050	0	0	0	657,524	156,526	814,050
2051-2055	0	0	0	749,104	64,946	814,050
2056-2060	0	0	0	74,806	981	75,787
Total	\$ 291,699	\$ 16,519	\$ 308,218	\$ 3,873,393	\$ 2,031,658	\$ 5,905,051

The following is a summary of changes of long-term liabilities for the year ended June 30, 2020:

	Governmental	Proprietary	Total
Balance at June 30, 2019	\$ 247,749	\$ 3,860,059	\$ 4,107,808
Proceeds	150,000	76,641	226,641
Accrued vacation earned	40,194	0	40,194
Accrued vacation used	(40,695)	0	(40,695)
Principal payments	(62,654)	(63,307)	(125,961)
Balance at June 30, 2020	<u>\$ 334,594</u>	<u>\$ 3,873,393</u>	<u>\$ 4,207,987</u>

Interest of \$103,911 was paid on long-term debt in fiscal year 2020.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

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

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

	<u>Restricted Net Position & Fund Balance</u>	<u>Committed Fund Balance</u>	<u>Assigned Fund Balance</u>
General Fund:			
Police Community Fund	\$ 0	\$ 14,402	\$ 0
Fire warden	0	120	0
Cemeteries	0	2,758	0
Bridges and culverts	0	96,097	0
Economic Dev. Board	0	1,515	0
Highway equipment	0	0	10,892
Bond build renovation	0	6,009	0
Water supply	0	2,166	0
Capital budget	0	0	6,233
Highway materials	0	0	6,951
Reappraisal	198,992	0	0
Listers education	821	0	0
Computer upgrade	0	15,000	0
Recreation	8,067	0	0
Records restoration	16,720	0	0
Total General Fund	<u>224,600</u>	<u>138,067</u>	<u>24,076</u>
Other Nonmajor Funds:			
Conservation	47,158	0	0
Asset Forfeiture	11,722		
Montpelier Filtration	1,280	0	0
Bike path	37,583	0	0
Total Other Nonmajor Funds	<u>97,743</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 322,343</u>	<u>\$ 138,067</u>	<u>\$ 24,076</u>

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 11 - PENSION PLAN

DEFINED CONTRIBUTION PLAN

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5.0% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$1,135,820, \$80,194 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$4,110 and by the employees were \$4,010.

VMERS

Plan description. The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) which is a cost sharing multiple employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2019, the retirement system consisted of 379 participating employers.

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

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

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

Summary of System Provisions

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

Creditable service is service as a member plus purchased service.

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Benefits provided and contributions

Avg Final Compensation (AFC)	Group A	Group B	Group C	Group D
	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
Early Retirement Allowance				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 years of service
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age		n/a	Normal allowance based on service and AFC at early retirement, without reduction
Vested Retirement Allowance				
Eligibility	5 years of service	5 years of service	5 years of service	5 years of service
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
Disability Retirement Allowance				
Eligibility	5 years of service and disability as determined by Retirement Board			
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.			
Death Benefit				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 5 years of service
Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death.			70% of the unreduced accrued benefit plus children's benefit
Optional Benefit and Death after Retirement				
	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			Lifetime allowance or 70% contingent annuitant option with no reduction
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.			
Post-Retirement Adjustments				
	Allowance in payment for at least one year, increased on each January 1 by one-half of the percentage increase in CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.625% eff. 7/1/18 2.75% eff 7/1/19	5.0% eff. 7/1/18 5.125% eff 7/1/19	10.125% eff. 7/1/18 10.25% eff 7/1/19	11.475% eff. 7/1/18 11.6% eff 7/1/19
Employer Contributions	4.125% eff. 7/1/18 4.25% eff 7/1/19	5.625% eff. 7/1/18 5.75% eff 7/1/19	7.375% eff. 7/1/18 7.5% eff 7/1/19	9.975% eff. 7/1/18 10.1% eff 7/1/19
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 11 - PENSION PLANS (Continued)

For the year ended June 30, 2020, the Town's contributions to the Plan were \$57,194.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the Town reported a liability of \$512,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the Town's proportion was 0.29524%, which was an increase of 0.000704% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$165,392. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 66,364	\$ 4,428
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,441	11,083
Changes in assumptions	17,102	0
Difference between projected and actual investment earnings	34,888	0
Member contributions subsequent to the measurement date	57,194	0
Total	\$ 182,989	\$ 15,511

Of the \$182,989 of deferred outflows of resources, \$57,194 was from the Town's contributions subsequent to the measurement date which will be recognized as pension expense in the year ending June 30, 2021. Other amounts (\$110,284) reported as deferred outflows of resources net of deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2021	\$	44,160
2022		22,904
2023		24,756
2024		18,464

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Salary increase - 5% per year

Mortality:

Death in Active Service:

Groups A, B, C – 98% of RP-2006 Mortality Tables blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using Scale SSA-2017.

Healthy Post-retirement:

Groups A, B, C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projection using Scale SSA-2017.

Disabled Post-retirement:

All groups - RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

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

Cost of Living Adjustments – 1.15% for Group A members and 1.3% for Groups B, C and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.3% and .8% respectively, for all groups.

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

Assets – The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.

Inflation – 2.5%

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 11 - PENSION PLANS (Continued)

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	29.00%	6.90%
US Equity - Large Cap	4.00%	5.94%
US Equity - Small/Mid Cap	3.00%	6.72%
Non-US Equity - Large Cap	5.00%	6.81%
Non-US Equity - Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
	<u>100.00%</u>	

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

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

<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$ 839,972	\$ 512,225	\$ 240,911

TOWN OF BERLIN, VERMONT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020
(Continued)

NOTE 11 - PENSION PLANS (Continued)

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

NOTE 12 - RISK MANAGEMENT

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

NOTE 13 - COMMITMENTS

In September 2016, the Town entered into a three year contract for ambulance service with the Town of Barre. The contract fees are based on a per capita fee with ranges from \$29.52 for fiscal year 2017 up to \$33.79 per capita for fiscal year 2019. The contract was extended for two additional years at the per capita rates of \$36.15 and \$38.68. The amount paid in fiscal year 2020 under this contract was \$91,315.

NOTE 14 - CONTINGENCY

The Town participates in state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2020 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 15 – TAX ABATEMENTS

The State of Vermont operates a Current Use Program and enters into tax abatement agreements directly with landowners. Enrolled landowners are required to manage their land in accordance with an approved plan, and the land is subject to a lien to recover taxes abated if the land is ever developed. In exchange, the landowners receive a reduction in assessed value on their property tax bills, which results in a reduction of property tax revenue to the Town. For fiscal year 2020, the amount of Town property taxes forgone as a result of the Current Use Program was approximately \$55,600. In accordance with 32 V.S.A. § 3760, the State of Vermont limits the total loss of revenue to zero by providing the Town with a Hold Harmless payment in the following year that is equivalent to the taxes previously foregone.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 5, 2021, the date which the financial statements were available for issue. In July 2020, the Town obtained a bond anticipation line of credit from Community Bank, N.A. for the sewer extension project. The line of credit is for \$2,196,000 at 1.6% due July 21, 2021. As of January 5, 2021, \$1,522,523 has been drawn on the line of credit.

TOWN OF BERLIN, VERMONT
 COMBINING AND INDIVIDUAL FUND BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2020

	Special Revenue Funds			Projects Fund	Total
	Conservation Fund	Asset Forfeiture	Montpelier Filtration Fund	Bike Path Fund	
ASSETS					
Cash and cash equivalents	\$ 47,158	\$ 0	\$ 0	\$ 37,583	\$ 84,741
Due from other funds	0	11,722	1,280	0	13,002
Total assets	<u>\$ 47,158</u>	<u>\$ 11,722</u>	<u>\$ 1,280</u>	<u>\$ 37,583</u>	<u>\$ 97,743</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCES					
Restricted	<u>47,158</u>	<u>11,722</u>	<u>1,280</u>	<u>37,583</u>	<u>97,743</u>
Total fund balances	<u>47,158</u>	<u>11,722</u>	<u>1,280</u>	<u>37,583</u>	<u>97,743</u>
Total liabilities and fund balances	<u>\$ 47,158</u>	<u>\$ 11,722</u>	<u>\$ 1,280</u>	<u>\$ 37,583</u>	<u>\$ 97,743</u>

TOWN OF BERLIN, VERMONT
 COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2020

	<u>Special Revenue Funds</u>			<u>Projects Fund</u>	<u>Total</u>
	<u>Conservation Fund</u>	<u>Asset Forfeiture</u>	<u>Montpelier Filtration Fund</u>	<u>Bike Path Fund</u>	
REVENUES					
Interest	\$ 97	\$ 0	\$ 0	\$ 106	\$ 203
Total revenues	97	0	0	106	203
EXPENDITURES	0	0	0	15,000	15,000
EXCESS REVENUES (EXPENDITURES)	97	0	0	(14,894)	(14,797)
FUND BALANCES - July 1, 2019	47,061	11,722	1,280	52,477	112,540
FUND BALANCES - June 30, 2020	<u>\$ 47,158</u>	<u>\$ 11,722</u>	<u>\$ 1,280</u>	<u>\$ 37,583</u>	<u>\$ 97,743</u>

TOWN OF BERLIN, VERMONT
 SCHEDULES OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND TOWN CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2020

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

	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset)	0.29524%	0.28820%	0.31227%	0.30481%	0.29990%	0.26030%
Town's proportionate share of the net pension liability (asset)	\$ 512,225	\$ 405,476	\$ 378,335	\$ 392,273	\$ 231,207	\$ 23,756
Town's covered-employee payroll	\$ 1,008,474	\$ 917,932	\$ 927,215	\$ 842,285	\$ 779,921	\$ 655,141
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.79%	44.17%	40.80%	46.57%	29.64%	3.63%
Plan fiduciary net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

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

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 57,194	\$ 56,727	\$ 50,486	\$ 50,997	\$ 46,326	\$ 41,921	\$ 33,576	\$ 30,031
Contributions in relation to the contractually required contribution	(57,194)	(56,727)	(50,486)	(50,997)	(46,326)	(41,921)	(33,576)	(30,031)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Town's covered-employee payroll	\$ 994,678	\$ 1,008,474	\$ 917,932	\$ 927,215	\$ 842,285	\$ 779,921	\$ 655,141	\$ 600,620
Contributions as a percentage of covered-employee payroll	5.750%	5.625%	5.500%	5.500%	5.500%	5.375%	5.125%	5.000%

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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Donald J. Murray, CPA

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

To the Selectboard
Town of Berlin
Berlin, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Vermont, as of and for the year ended June 30, 2020, 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 5, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

January 5, 2021