

TOWN OF BERLIN, VERMONT

AUDIT REPORT

JUNE 30, 2022

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AUDIT REPORT
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Independent Auditor's Report

Selectboard
Town of Berlin, Vermont
108 Shed Road
Berlin, Vermont 05602

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Vermont's basic financial statements as listed in the Table of Contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Berlin, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Errors

As described in Note III.C. to the financial statements, certain errors were corrected by management during the current year. Our opinion is not modified with respect to this matter.

Change in Accounting Principles

As described in Note I.F. to the financial statements, effective June 30, 2022, the Town implemented GASB Statement No. 87, "Leases".

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Berlin, Vermont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and "Government Auditing Standards" will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and "Government Auditing Standards", we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Berlin, Vermont's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Berlin, Vermont's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 of Berlin, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated March 10, 2023 on our consideration of the Town of Berlin, Vermont's internal control over financial reporting and 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 of Berlin, Vermont'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 of Berlin, Vermont's internal control over financial reporting and compliance.

Sullivan, Powers & Co.

March 10, 2023
Montpelier, Vermont
VT Lic. #92-000180

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

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, 2022. Please read it in conjunction with the Town's financial statements which begin on page 11.

Financial Highlights

Government-Wide Statements

- Net position of our governmental activities increased by \$170,054 or about 4.5%, compared to an increase of \$444,571 in the prior year. The net position of our business-type activities increased by \$242,707 or about 5.8%, compared to an increase of \$308,395 in the prior year.
- The cost of all of the Town's programs was \$4,573,746 in fiscal year 2022, compared to \$4,282,434 in fiscal year 2021, with no new programs added this year.

Fund Statements

- The General Fund reported a decrease in fund balance this year of \$728,307. This compares to an increase of \$554,257 in fiscal year 2021.
- The General Fund restricted fund balance was \$27,685 and is restricted for police expenses, lister training, record restoration, and recreation. The committed fund balance of \$6,558 is for the items noted in Notes to Financial Statement. The assigned fund balance of \$338,270 is mainly for highway equipment, capital budget, and reappraisal. The nonspendable fund balance of \$154,671 consists of \$88,428 of prepaids and \$66,243 of highway inventory. The unassigned fund balance was \$929,091, which represents the amount of resources available for future budgets.
- The nonmajor funds, as a whole, reported a net increase in fund balance this year of \$9 compared to an increase of \$2,575 in fiscal year 2021. This brings the combined fund balance from \$50,601 to \$50,613.
- The Cemetery Funds reported an increase in fund balance of \$3 from a balance of \$14,043 to \$14,046.
- The Water Pollution Fund reported an increase in net position of \$264,840 in fiscal year 2022, compared to an increase of \$368,902 in fiscal year 2021, resulting in an ending net position of \$2,692,904.
- The Water Division Fund reported a decrease in net position of \$22,133 in fiscal year 2022, compared to a decrease of \$60,507 in fiscal year 2021, resulting in an ending net position of \$1,661,974.

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, 2022
(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 and deferred inflows and outflows of resources 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 and deferred inflows and outflows of resources 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 funds**– The Town's basic services are reported in the governmental funds, 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 C and E that are included in the financial statements.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022
(Continued)

- **Proprietary funds** – 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 funds** –Fiduciary funds are used to account for resources held for the benefit of other parties. Fiduciary activity is not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Town's fiduciary funds consists of the Cemetery Fund and the Education Tax Fund.

The Town as a Whole

The Town's combined net position increased by \$412,761 from a year ago – increasing from a balance of \$7,929,521 to \$8,342,282. Net position for the governmental activities increased from a balance of \$3,817,350 to \$3,987,404. 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	
	2022	2021	2022	2021	2022	2021
				(As Restated)		(As Restated)
Current and other assets	\$ 2,241,053	\$ 2,558,439	\$ 2,099,663	\$ 1,843,337	\$ 4,340,716	\$ 4,401,776
Capital assets, net of depreciation	3,974,995	2,463,188	8,333,437	8,256,617	12,308,432	10,719,805
Total assets	6,216,048	5,021,627	10,433,100	10,099,954	16,649,148	15,121,581
Deferred outflows of resources	241,533	292,273	0	0	241,533	292,273
Long-term liabilities	1,131,809	533,028	5,784,891	5,898,323	6,916,700	6,431,351
Net pension liability	423,231	698,107	0	0	423,231	698,107
Other liabilities	588,234	235,145	293,331	89,460	881,565	324,605
Total liabilities	2,143,274	1,466,280	6,078,222	5,987,783	8,221,496	7,454,063
Deferred inflows of resources	326,903	30,270	0	0	326,903	30,270
Net investment in capital assets	2,894,869	1,997,877	2,460,968	2,338,244	5,355,837	4,336,121
Restricted	40,688	336,683	0	0	40,688	336,683
Unrestricted	1,051,847	1,482,790	1,893,910	1,773,927	2,945,757	3,256,717
Total net position	\$ 3,987,404	\$ 3,817,350	\$ 4,354,878	\$ 4,112,171	\$ 8,342,282	\$ 7,929,521

Net position of the Town's governmental activities increased by about 4.5% in fiscal year 2022 (\$3,987,404 compared to a balance of \$3,817,350). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$1,482,790 to \$1,051,847. Restricted net position decreased from \$336,683 to \$40,688 in fiscal year 2022. The net position of our business-type activities increased by \$242,707 in fiscal year 2022 (\$4,354,878 compared to \$4,112,171).

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022
(Continued)

Table 2
Changes in Net Position

	Governmental Activities	Business-type Activities
	2022	2022
REVENUES		
Program revenues:		
Charges for services	\$ 104,776	\$ 1,119,286
Operating grants and contributions	184,373	0
Capital grants and contributions	52,506	17,313
General revenues:		
Property taxes	3,099,595	0
Penalties and interest on delinquent taxes	52,255	0
Payments in lieu of taxes	248,892	0
General state grants	88,508	0
Unrestricted investment earnings	643	6,339
Insurance proceeds	12,021	0
Total revenues	<u>3,843,569</u>	<u>1,142,938</u>
PROGRAM EXPENSES		
General government	753,783	0
Public safety	1,662,377	0
Highways and streets	1,187,771	0
Culture and recreation	35,217	0
Cemetery	18,175	0
Interest on debt	16,192	0
Water	0	320,223
Sewer	0	580,008
Total program expenses	<u>3,673,515</u>	<u>900,231</u>
CHANGE IN NET POSITION	<u>\$ 170,054</u>	<u>\$ 242,707</u>

Governmental Activities

The increase in net position for governmental activities was \$170,054 in fiscal year 2022, compared to an increase of \$444,571 in fiscal year 2021.

The cost of all governmental activities this year was \$3,673,515. 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 \$3,331,860 because some of the cost was paid by those who directly benefited from the programs (\$104,776) or by other governments and organizations that subsidized certain programs with grants and contributions (\$189,629).

Table 3 presents the cost of each of the Town's programs 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.

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022
(Continued)

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2022	2022
General government	\$ 753,783	\$ 616,955
Public safety	1,662,377	1,640,741
Highways and streets	1,187,771	1,004,580
Culture and recreation	35,217	35,217
Cemetery	18,175	18,175
Interest on long-term debt	16,192	16,192
Totals	\$ 3,673,515	\$ 3,331,860

Business-Type Activities

The net position for business type activities increased by \$242,707 in fiscal year 2022, compared to an increase of \$308,395 in fiscal year 2021.

The cost of all business-type activities this year was \$900,231. However, these costs were covered by those who directly benefited from the programs (\$1,119,286) and by other governments and organizations that subsidized certain programs with grants and contributions (\$17,313).

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 \$1,506,933, which is less than last year's total fund balance of \$2,235,240. Included in this year's total decrease in fund balance of \$728,307, was an decrease of \$728,361 in the General Fund and an increase of \$9 in the nonmajor governmental funds.

General Fund Budgetary Highlights

The Town's General Fund activity compared to budget is reported on Schedule 1. Some of the larger variances were as follows:

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022
(Continued)

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Town Clerk	\$ 35,000	\$ 61,259	\$ 26,259
PILOT Revenue	195,000	248,892	53,892
Expenditures:			
Town Offices - Maintenance	8,000	44,397	(36,397)
Police Services - Wages	682,189	766,761	(84,572)
Highways - Winter Roads - Salt	90,000	48,130	41,870
Capital - Highway Equipment & Structures	250,000	12,891	237,109

Increase in revenues for the Town Clerk's office was due to COVID 19 restrictions being lifted, more revenue for use of Town Vault and records. Increase of sales in properties resulting in more income for filing of transfers. PILOT revenues were increased by more fees paid by the State. Office maintenance increase in expense, wall replaced in Town Clerk's office and rewiring in the office to accommodate a new server. Police wages increased due to overtime paid to officers who worked for those out with COVID 19 and those training at the academy. Had a surplus of salt from 2021, purchased less than anticipated for the Highway department. Fisher Road Culvert replacement expense increased due to higher costs of materials from inflation.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the Town had \$12,308,432 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 \$1,588,627.

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

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 55,240	\$ 52,400	\$ 134,435	\$ 134,435	\$ 189,675	\$ 186,835
Construction in progress	259,972	230,175	383,758	173,380	643,730	403,555
Land improvements	33,000	33,000	0	0	33,000	33,000
Buildings and building improvements	329,562	329,562	0	0	329,562	329,562
Vehicles, machinery and equipment	2,097,789	2,060,113	121,774	75,911	2,219,563	2,136,024
Infrastructure	4,257,474	2,613,562	0	0	4,257,474	2,613,562
Distribution and collection systems	0	0	8,978,210	8,981,392	8,978,210	8,981,392
Accumulated depreciation	(3,058,042)	(2,855,624)	(1,284,740)	(1,108,501)	(4,342,782)	(3,964,125)
Totals	\$ 3,974,995	\$ 2,463,188	\$ 8,333,437	\$ 8,256,617	\$ 12,308,432	\$ 10,719,805

TOWN OF BERLIN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022
(Continued)

This year's major additions for governmental activities were, storm water projects for Down Town Designation, paving, culvert project, and a police vehicle. The major additions to the business-type activities were work on fourth well, repair of pump on Barre-Montpelier Road.

Debt Administration

At June 30, 2022, the Town had \$6,865,017 in notes and bonds outstanding versus \$6,363,634 on June 30, 2021 – an increase of \$501,383 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-type Activities	Total
Balance - June 30, 2021	\$ 465,311	\$ 5,898,323	\$ 6,363,634
Proceeds	1,088,541	24,636	1,113,177
Loan forgiveness	(25,341)	(17,313)	(42,654)
Principal payments	(448,385)	(120,755)	(569,140)
Balance - June 30, 2022	<u>\$ 1,080,126</u>	<u>\$ 5,784,891</u>	<u>\$ 6,865,017</u>

Proceeds received in fiscal year 2022 were for replacement culvert.

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for fiscal year 2023, 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, 2022

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 1,852,650	\$ 1,847,562	\$ 3,700,212
Investments	0	27,832	27,832
Receivables (Net of Allowance for Uncollectibles)	143,376	309,100	452,476
Internal Balances	90,356	(90,356)	0
Prepaid Expenses	88,428	5,525	93,953
Inventory	66,243	0	66,243
Capital Assets:			
Land	55,240	134,435	189,675
Construction in Progress	259,972	383,758	643,730
Other Capital Assets, (Net of Accumulated Depreciation)	3,659,783	7,815,244	11,475,027
Total Assets	<u>6,216,048</u>	<u>10,433,100</u>	<u>16,649,148</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	241,533	0	241,533
Total Deferred Outflows of Resources	<u>241,533</u>	<u>0</u>	<u>241,533</u>
<u>LIABILITIES</u>			
Accounts Payable	65,500	272,821	338,321
Accrued Payroll and Benefits Payable	109,260	0	109,260
Unearned Revenue	385,610	1,161	386,771
Due to Others	25,700	0	25,700
Accrued Interest Payable	2,164	19,349	21,513
Noncurrent Liabilities:			
Due Within One Year	40,661	145,709	186,370
Due in More than One Year	1,514,379	5,639,182	7,153,561
Total Liabilities	<u>2,143,274</u>	<u>6,078,222</u>	<u>8,221,496</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	58,050	0	58,050
Deferred Inflows of Resources Related to the Town's Participation in VMERS	268,853	0	268,853
Total Deferred Inflows of Resources	<u>326,903</u>	<u>0</u>	<u>326,903</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,894,869	2,460,968	5,355,837
Restricted	40,688	0	40,688
Unrestricted	1,051,847	1,893,910	2,945,757
Total Net Position	<u>\$ 3,987,404</u>	<u>\$ 4,354,878</u>	<u>\$ 8,342,282</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Revenues				Net (Expense) Revenue 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:							
Primary Government:							
Governmental Activities:							
General Government	\$ 753,783	\$ 87,705	\$ 29,210	\$ 19,913	\$ (616,955)	\$ 0	\$ (616,955)
Public Safety	1,662,377	16,222	2,320	3,094	(1,640,741)	0	(1,640,741)
Highways and Streets	1,187,771	849	152,843	29,499	(1,004,580)	0	(1,004,580)
Culture and Recreation	35,217	0	0	0	(35,217)	0	(35,217)
Cemetery	18,175	0	0	0	(18,175)	0	(18,175)
Interest on Long-term Debt	16,192	0	0	0	(16,192)	0	(16,192)
Total Governmental Activities	3,673,515	104,776	184,373	52,506	(3,331,860)	0	(3,331,860)
Business-type Activities:							
Water	320,223	298,090	0	0	0	(22,133)	(22,133)
Sewer	580,008	821,196	0	17,313	0	258,501	258,501
Total Business-type Activities	900,231	1,119,286	0	17,313	0	236,368	236,368
Total Primary Government	\$ 4,573,746	\$ 1,224,062	\$ 184,373	\$ 69,819	(3,331,860)	236,368	(3,095,492)
General Revenues:							
Property Taxes					3,099,595	0	3,099,595
Penalties and Interest on Delinquent Taxes					52,255	0	52,255
Payments in Lieu of Taxes					248,892	0	248,892
General State Grants					88,508	0	88,508
Unrestricted Investment Earnings					643	6,339	6,982
Insurance Proceeds					12,021	0	12,021
Total General Revenues					3,501,914	6,339	3,508,253
Change in Net Position					170,054	242,707	412,761
Net Position - July 1, 2021, As Restated					3,817,350	4,112,171	7,929,521
Net Position - June 30, 2022					\$ 3,987,404	\$ 4,354,878	\$ 8,342,282

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	ARPA Fund	Non-Major Governmental Funds	Total
<u>ASSETS</u>				
Cash	\$ 1,410,622	\$ 392,695	\$ 49,333	\$ 1,852,650
Receivables (Net of Allowance for Uncollectibles)	143,376	0	0	143,376
Due from Other Funds	96,116	0	1,280	97,396
Prepaid Items	88,428	0	0	88,428
Inventory	<u>66,243</u>	<u>0</u>	<u>0</u>	<u>66,243</u>
Total Assets	<u>\$ 1,804,785</u>	<u>\$ 392,695</u>	<u>\$ 50,613</u>	<u>\$ 2,248,093</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 65,500	\$ 0	\$ 0	\$ 65,500
Accrued Payroll and Benefits Payable	109,260	0	0	109,260
Due to Other Funds	0	7,040	0	7,040
Unearned Revenue	0	385,610	0	385,610
Due to Others	<u>25,700</u>	<u>0</u>	<u>0</u>	<u>25,700</u>
Total Liabilities	<u>200,460</u>	<u>392,650</u>	<u>0</u>	<u>593,110</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	58,050	0	0	58,050
Unavailable Property Taxes, Penalties and Interest	<u>90,000</u>	<u>0</u>	<u>0</u>	<u>90,000</u>
Total Deferred Inflows of Resources	<u>148,050</u>	<u>0</u>	<u>0</u>	<u>148,050</u>
<u>FUND BALANCES</u>				
Nonspendable	154,671	0	0	154,671
Restricted	27,685	0	13,003	40,688
Committed	6,558	0	0	6,558
Assigned	338,270	45	37,610	375,925
Unassigned	<u>929,091</u>	<u>0</u>	<u>0</u>	<u>929,091</u>
Total Fund Balances	<u>1,456,275</u>	<u>45</u>	<u>50,613</u>	1,506,933
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,804,785</u>	<u>\$ 392,695</u>	<u>\$ 50,613</u>	

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 Funds.	3,974,995
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	90,000
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.	(1,557,204)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.	<u>(27,320)</u>
Net Position of Governmental Activities	<u>\$ 3,987,404</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	ARPA Fund	Non-Major Governmental Funds	Total
Revenues:				
Property Taxes	\$ 3,097,649	\$ 0	\$ 0	\$ 3,097,649
Penalties and Interest on Delinquent Taxes	52,255	0	0	52,255
Payments in Lieu of Taxes	248,892	0	0	248,892
Intergovernmental	269,749	30,047	0	299,796
Charges for Services	15,565	0	0	15,565
Permits, Licenses and Fees	88,554	0	0	88,554
Fines and Forfeits	5,157	0	0	5,157
Investment Income	589	45	9	643
Donations	250	0	0	250
	<u>3,778,660</u>	<u>30,092</u>	<u>9</u>	<u>3,808,761</u>
Expenditures:				
General Government	735,069	7,040	0	742,109
Public Safety	1,627,363	0	0	1,627,363
Highways and Streets	882,187	0	0	882,187
Culture and Recreation	33,017	0	0	33,017
Cemetery	18,175	0	0	18,175
Capital Outlay:				
General Government	20,674	19,913	0	40,587
Public Safety	57,338	3,094	0	60,432
Highways and Streets	1,771,347	0	0	1,771,347
Debt Service:				
Principal	448,385	0	0	448,385
Interest	14,028	0	0	14,028
	<u>5,607,583</u>	<u>30,047</u>	<u>0</u>	<u>5,637,630</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(1,828,923)</u>	<u>45</u>	<u>9</u>	<u>(1,828,869)</u>
Other Financing Sources:				
Insurance Proceeds	12,021	0	0	12,021
Issuance of Long-term Debt	1,088,541	0	0	1,088,541
	<u>1,100,562</u>	<u>0</u>	<u>0</u>	<u>1,100,562</u>
Net Change in Fund Balances	(728,361)	45	9	(728,307)
Fund Balances - July 1, 2021, As Reclassified	<u>2,184,636</u>	<u>0</u>	<u>50,604</u>	<u>2,235,240</u>
Fund Balances - June 30, 2022	<u>\$ 1,456,275</u>	<u>\$ 45</u>	<u>\$ 50,613</u>	<u>\$ 1,506,933</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	(728,307)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,872,366) is allocated over their estimated useful lives and reported as depreciation expense (\$360,559). This is the amount by which capital outlays exceeded depreciation in the current period.		1,511,807
The issuance of long-term debt (\$1,088,541) (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$448,385) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, the Town recognized forgiveness of debt in the amount of \$25,341. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(614,815)
Governmental funds report employer pension contributions as expenditures (\$76,954). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$91,401) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(14,447)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,946
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>13,870</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>170,054</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 0	\$ 1,847,562	\$ 1,847,562
Investments	0	27,832	27,832
Receivables (Net of Allowance for Uncollectibles)	77,622	231,478	309,100
Advances to Other Funds - Current Portion	0	18,000	18,000
Prepaid Expenses	245	5,280	5,525
Total Current Assets	<u>77,867</u>	<u>2,130,152</u>	<u>2,208,019</u>
Noncurrent Assets:			
Advances to Other Funds - Noncurrent Portion	0	69,578	69,578
Capital Assets:			
Land	134,435	0	134,435
Construction in Progress	309,045	74,713	383,758
Vehicles, Machinery and Equipment	0	121,774	121,774
Buildings, Distribution and Collection Systems	5,953,790	3,024,420	8,978,210
Less: Accumulated Depreciation	<u>(858,989)</u>	<u>(425,751)</u>	<u>(1,284,740)</u>
Total Noncurrent Assets	<u>5,538,281</u>	<u>2,864,734</u>	<u>8,403,015</u>
Total Assets	<u>\$ 5,616,148</u>	<u>\$ 4,994,886</u>	<u>\$ 10,611,034</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 138,077	\$ 134,744	\$ 272,821
Advances from Other Funds - Current Portion	18,000	0	18,000
Due to Other Funds	17,568	72,788	90,356
Unearned Revenue	0	1,161	1,161
Accrued Interest Payable	9,960	9,389	19,349
General Obligation Bonds Payable - Current Portion	<u>86,469</u>	<u>59,240</u>	<u>145,709</u>
Total Current Liabilities	<u>270,074</u>	<u>277,322</u>	<u>547,396</u>
Noncurrent Liabilities:			
Advances from Other Funds - Noncurrent Portion	69,578	0	69,578
General Obligation Bonds Payable - Noncurrent Portion	<u>3,614,522</u>	<u>2,024,660</u>	<u>5,639,182</u>
Total Noncurrent Liabilities	<u>3,684,100</u>	<u>2,024,660</u>	<u>5,708,760</u>
Total Liabilities	<u>3,954,174</u>	<u>2,301,982</u>	<u>6,256,156</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,749,712	711,256	2,460,968
Unrestricted/(Deficit)	<u>(87,738)</u>	<u>1,981,648</u>	<u>1,893,910</u>
Total Net Position	<u>1,661,974</u>	<u>2,692,904</u>	<u>4,354,878</u>
Total Liabilities and Net Position	<u>\$ 5,616,148</u>	<u>\$ 4,994,886</u>	<u>\$ 10,611,034</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 293,164	\$ 742,848	\$ 1,036,012
Penalties and Interest	2,676	7,285	9,961
Other Income	2,250	450	2,700
	<u>298,090</u>	<u>750,583</u>	<u>1,048,673</u>
Total Operating Revenues			
Operating Expenses:			
Salaries and Benefits	11,875	21,368	33,243
Administrative Fees	0	4,500	4,500
Utilities	10,866	15,362	26,228
Supplies	111	0	111
Printing and Advertising	0	909	909
Insurances	1,046	1,580	2,626
Machinery and Equipment	1,447	0	1,447
Professional Services	35,618	63,394	99,012
Dues and Fees	425	0	425
Telephone and Internet	0	1,546	1,546
City of Montpelier Sewage Treatment Charges	0	344,016	344,016
Repairs and Maintenance	10,687	49,569	60,256
Chemicals	166	8,187	8,353
Permits and Testing	1,464	2,237	3,701
Miscellaneous Expenses	702	827	1,529
Depreciation	149,803	29,618	179,421
	<u>224,210</u>	<u>543,113</u>	<u>767,323</u>
Total Operating Expenses			
Operating Income	<u>73,880</u>	<u>207,470</u>	<u>281,350</u>
Non-Operating Revenues/(Expenses):			
Allocation Charges	0	70,613	70,613
Investment Income	0	6,339	6,339
Interest Expense	(96,013)	(36,895)	(132,908)
	<u>(96,013)</u>	<u>40,057</u>	<u>(55,956)</u>
Total Non-Operating Revenues/(Expenses)			
Net Income/(Loss) Before Capital Contributions	(22,133)	247,527	225,394
Capital Contributions	<u>0</u>	<u>17,313</u>	<u>17,313</u>
Change in Net Position	(22,133)	264,840	242,707
Net Position - July 1, 2021, As Restated	<u>1,684,107</u>	<u>2,428,064</u>	<u>4,112,171</u>
Net Position - June 30, 2022	<u>\$ 1,661,974</u>	<u>\$ 2,692,904</u>	<u>\$ 4,354,878</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 290,014	\$ 732,781	\$ 1,022,795
Payments for Goods and Services	(64,236)	(297,242)	(361,478)
Payments for Interfund Services	0	(4,500)	(4,500)
Payments for Wages and Benefits	(11,875)	(21,368)	(33,243)
Net Cash Provided by Operating Activities	<u>213,903</u>	<u>409,671</u>	<u>623,574</u>
Cash Flows From Noncapital Financing Activities:			
(Decrease)/Increase in Due to Other Funds	<u>8,106</u>	<u>28,353</u>	<u>36,459</u>
Net Cash Provided by Noncapital Financing Activities	<u>8,106</u>	<u>28,353</u>	<u>36,459</u>
Cash Flows From Capital and Related Financing Activities:			
Allocation Charges	0	70,613	70,613
Proceeds from General Obligation Bonds Payable	0	24,636	24,636
Acquisition and Construction of Capital Assets	(27,198)	(113,251)	(140,449)
Principal Paid on General Obligation Bonds Payable	(66,707)	(54,048)	(120,755)
Interest Paid on General Obligation Bonds Payable	(96,104)	(27,506)	(123,610)
Increase/(Decrease) in Advances from Other Funds	(32,000)	0	(32,000)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(222,009)</u>	<u>(99,556)</u>	<u>(321,565)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	0	6,339	6,339
Net Decrease in Investments	0	387,683	387,683
(Increase)/Decrease in Advances to Other Funds	<u>0</u>	<u>32,000</u>	<u>32,000</u>
Net Cash Provided by Investing Activities	<u>0</u>	<u>426,022</u>	<u>426,022</u>
Net Increase in Cash	0	764,490	764,490
Cash - July 1, 2021	<u>0</u>	<u>1,083,072</u>	<u>1,083,072</u>
Cash - June 30, 2022	<u>\$ 0</u>	<u>\$ 1,847,562</u>	<u>\$ 1,847,562</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 73,880	\$ 207,470	\$ 281,350
Depreciation	149,803	29,618	179,421
(Increase)/Decrease in Receivables	(8,076)	93,150	85,074
(Increase)/Decrease in Prepaid Expenses	(245)	(807)	(1,052)
Increase/(Decrease) in Accounts Payable	(1,459)	79,079	77,620
Increase/(Decrease) in Unearned Revenue	<u>0</u>	<u>1,161</u>	<u>1,161</u>
Net Cash Provided by Operating Activities	<u>\$ 213,903</u>	<u>\$ 409,671</u>	<u>\$ 623,574</u>

The Sewer Fund recognized a forgiveness of debt from the State of Vermont in the amounts of \$17,313.

There was \$20,050 of capital acquisitions in the Sewer Fund included in accounts payable at June 30, 2021.

There was \$135,842 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2022.

The Sewer Fund disposed of capital assets with a cost and accumulated depreciation of \$3,182.

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2022

	Private-Purpose Trust Fund Cemetery Fund	Custodial Fund Education Tax Fund
<u>ASSETS</u>		
Cash	\$ <u>14,046</u>	\$ <u>0</u>
Total Assets	\$ <u><u>14,046</u></u>	\$ <u><u>0</u></u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:	\$ <u>0</u>	\$ <u>0</u>
Net Position:		
Restricted	<u>14,046</u>	<u>0</u>
Total Net Position	<u>14,046</u>	<u>0</u>
Total Liabilities and Net Position	\$ <u><u>14,046</u></u>	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Private-Purpose Trust Fund <u>Cemetery Fund</u>	<u>Custodial Fund Education Tax Fund</u>
Additions:		
Investment Income	\$ 3	\$ 0
Education Taxes Collected for Other Governments	<u>0</u>	<u>6,530,674</u>
Total Additions	<u>3</u>	<u>6,530,674</u>
Deductions:		
Education Taxes Distributed to Other Governments	<u>0</u>	<u>6,530,674</u>
Total Deductions	<u>0</u>	<u>6,530,674</u>
Change in Net Position	3	0
Net Position - July 1, 2021	<u>14,043</u>	<u>0</u>
Net Position - June 30, 2022	<u>\$ 14,046</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

The Town of Berlin, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services as authorized by its charter: public safety, highways and streets, health and social services, culture and recreation, community/economic development, cemetery, public improvements, planning and zoning, water, sewer and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of Berlin, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the activity of the Town of Berlin, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

ARPA Fund – This fund accounts for the resources from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program used to support the Town's response to and recovery from the COVID-19 public health emergency.

The Town reports on the following major enterprise funds:

Water Fund – This fund accounts for the activities of the Water Department of the Town.

Sewer Fund – This fund accounts for the activities of the Sewer Department of the Town.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Additionally, the Town reports the following fund types:

Private-Purpose Trust Fund – This fund is used to report trust arrangements under which resources are to be used for the benefit of individuals and organizations. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

Custodial Fund – This fund is used to report resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

C. Measurement Focus

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

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under financed purchases arrangements, insurance proceeds and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. New Pronouncement – Leases

Effective June 30, 2022, the Town implemented GASB Statement No. 87, “Leases”. GASB Statement No. 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. This Statement replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. The Town currently has no lease arrangements applicable to this Statement.

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G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

Cash balances of Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds.

2. Investments

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds”. All other outstanding balances between funds are reported as “due from/to other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

5. Pensions

For purposes of measuring the proportionate share of the net pension liability of the Vermont Municipal Employees’ Retirement System (VMERS) plan and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position and additions to/deductions from the 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.

6. Prepaid Expenses/Items

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

Reported prepaid items of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

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7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 5,000	N/A
Land Improvements	\$ 5,000	15 Years
Buildings and Building Improvements	\$ 5,000	30 Years
Vehicles	\$ 5,000	4-10 Years
Machinery and Equipment	\$ 5,000	5-10 Years
Infrastructure	\$ 5,000	15-30 Years
Distribution and Collection Systems	\$ 5,000	30-40 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are acquired.

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9. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences in the governmental funds are recorded as expenditures in the year they are paid.

10. Long-term Liabilities

Long-term liabilities include bonds and notes payable, financed purchases and other obligations such as compensated absences and the Town's net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

11. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide, proprietary and fiduciary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

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Loans receivable differences arise because governmental funds report the issuance of loans receivable as expenditures and repayments of loans receivable as revenues, whereas government-wide statements report those transactions as increases and decreases in assets, respectively.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Conservation Fund activity that is included with the General Fund and unbudgeted capital expenditures and related funding.

B. Budgeted Deficit

The Town budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amount of \$429,930 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

C. Restatement/Reclassification of Fund Balances/Net Position

The net position of the business-type activities was restated as follows:

	Business-type Activities
Net Position - June 30, 2021, As Originally Reported	\$ 3,989,132
Correction of Errors:	
Understatement of Receivables	123,039
Net Position - June 30, 2021, As Restated	\$ 4,112,171

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The restatement of the business-type activities was the result of an understatement of receivables. The effect of this restatement on the business-type activities Statement of Net Position is to increase assets and net position by \$123,039. The effect on the 2021 Statement of Activities has not been determined.

The fund balances/net position of the Governmental Funds and Proprietary Funds were restated/reclassified as follows:

	Governmental Funds		Proprietary Funds	
	General Fund	Non-Major Governmental Funds	Water Fund	Sewer Fund
Fund Balances/Net Position - June 30, 2021, As Originally Reported	\$ 2,134,922	\$ 100,318	\$ 1,662,107	\$ 2,327,025
Correction of Errors:				
Understatement of Receivables	0	0	0	123,039
Overstatement/(Understatement) of Due to Other Funds			22,000	(22,000)
Reclassification of Fund Types	49,714	(49,714)	0	0
Fund Balances/Net Position - June 30, 2021, As Restated/Reclassified	\$ 2,184,636	\$ 50,604	\$ 1,684,107	\$ 2,428,064

The Town reclassified the Conservation Fund with the General Fund as it does not qualify to be reported as a separate Special Revenue Fund which resulted in a \$49,714 increase in the General Fund fund balance.

The restatement of the Water Fund was the result of an overstatement of due to other funds. The effect of this restatement on the Water Fund Statement of Fund Net Position is to decrease liabilities by \$22,000 and increase net position by \$22,000. The effect on the 2021 Statement of Revenues, Expenses and Changes in Fund Net Position has not been determined.

The restatement of the Sewer Fund was the result of an understatement of receivables and an understatement of due to other funds. The effect of this restatement on the Sewer Fund Statement of Fund Net Position is to increase assets by \$123,039, increase liabilities by \$22,000 and increase net position by \$101,039. The effect on the 2021 Statement of Revenues, Expenses and Changes in Fund Net Position has not been determined.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2022 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$3,714,208
Cash on Hand	50
Total Cash	3,714,258

TOWN OF BERLIN, VERMONT
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Investments:	
Certificates of Deposit	\$ <u>27,832</u>
Total Cash and Investments	<u>\$3,742,090</u>

The Town has two (2) certificates of deposit with NorthCountry Federal Credit Union in the amounts of \$5,507 and \$22,325 with interest rates of 0.85% and 0.95%, respectively. Both certificates of deposit mature by fiscal year 2027.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit its exposure to custodial credit risk. The following table shows the custodial credit risk of the Town’s cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/NCUA Insured	\$ 277,832	\$ 277,832
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution’s Agent	<u>3,464,208</u>	<u>3,532,211</u>
Total	<u>\$3,742,040</u>	<u>\$3,810,043</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$3,714,208
Investments – Certificates of Deposit	<u>27,832</u>
Total	<u>\$3,742,040</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town’s certificates of deposit are not subject to interest rate risk disclosure.

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Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit are not subject to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has no investments subject to concentration of credit risk disclosure.

B. Receivables

Receivables as of June 30, 2022, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Delinquent Taxes Receivable	\$ 127,933	\$ 0	\$ 127,933
Penalties and Interest Receivable	49,922	0	49,922
Grants Receivable	586	0	586
Accounts Receivable	3,683	0	3,683
Due from City of Montpelier	0	10,926	10,926
Billed Services	0	34,721	34,721
Unbilled Services	0	269,953	269,953
Allowance for Doubtful Accounts - Taxes	(38,748)	0	(38,748)
Allowance for Doubtful Accounts - Sewer	0	(6,500)	(6,500)
	<u>0</u>	<u>(6,500)</u>	<u>(6,500)</u>
 Total	 <u>\$ 143,376</u>	 <u>\$ 309,100</u>	 <u>\$ 452,476</u>

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C. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 52,400	\$ 2,840	\$ 0	\$ 55,240
Construction in Progress	230,175	91,370	61,573	259,972
Total Capital Assets, Not Being Depreciated	<u>282,575</u>	<u>94,210</u>	<u>61,573</u>	<u>315,212</u>
Capital Assets, Being Depreciated:				
Land Improvements	33,000	0	0	33,000
Buildings and Building Improvements	329,562	0	0	329,562
Vehicles	1,844,441	47,592	0	1,892,033
Machinery and Equipment	215,672	50,588	60,504	205,756
Infrastructure	2,613,562	1,741,549	97,637	4,257,474
Totals	<u>5,036,237</u>	<u>1,839,729</u>	<u>158,141</u>	<u>6,717,825</u>
Less Accumulated Depreciation for:				
Land Improvements	10,633	2,200	0	12,833
Buildings and Building Improvements	161,665	12,918	0	174,583
Vehicles	1,211,516	143,492	0	1,355,008
Machinery and Equipment	185,154	13,570	60,504	138,220
Infrastructure	1,286,656	188,379	97,637	1,377,398
Totals	<u>2,855,624</u>	<u>360,559</u>	<u>158,141</u>	<u>3,058,042</u>
Total Capital Assets, Being Depreciated	<u>2,180,613</u>	<u>1,479,170</u>	<u>0</u>	<u>3,659,783</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,463,188</u>	<u>\$ 1,573,380</u>	<u>\$ 61,573</u>	<u>\$ 3,974,995</u>
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 134,435	\$ 0	\$ 0	\$ 134,435
Construction in Progress	173,380	210,378	0	383,758
Total Capital Assets, Not Being Depreciated	<u>307,815</u>	<u>210,378</u>	<u>0</u>	<u>518,193</u>
Capital Assets, Being Depreciated:				
Vehicles, Machinery and Equipment	75,911	45,863	0	121,774
Buildings, Distribution and Collection Systems	8,981,392	0	3,182	8,978,210
Totals	<u>9,057,303</u>	<u>45,863</u>	<u>3,182</u>	<u>9,099,984</u>
Less Accumulated Depreciation for:				
Vehicles, Machinery and Equipment	72,203	1,780	0	73,983
Buildings, Distribution and Collection Systems	1,036,298	177,641	3,182	1,210,757
Totals	<u>1,108,501</u>	<u>179,421</u>	<u>3,182</u>	<u>1,284,740</u>
Total Capital Assets, Being Depreciated	<u>7,948,802</u>	<u>(133,558)</u>	<u>0</u>	<u>7,815,244</u>
Business-type Activities Capital Assets, Net	<u>\$ 8,256,617</u>	<u>\$ 76,820</u>	<u>\$ 0</u>	<u>\$ 8,333,437</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 14,687	Water	\$ 149,803
Public Safety	37,404	Sewer	<u>29,618</u>
Highways and Streets	306,268		
Culture and Recreation	<u>2,200</u>		
 Total Depreciation Expense - Governmental Activities	 <u>\$ 360,559</u>	 Total Depreciation Expense - Business-type Activities	 <u>\$ 179,421</u>

D. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2022 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 96,116	\$ 0
ARPA Fund	0	7,040
Non-Major Governmental Funds	1,280	0
Water Fund	0	17,568
Sewer Fund	<u>0</u>	<u>72,788</u>
 Total	 <u>\$ 97,396</u>	 <u>\$ 97,396</u>

The composition of advances to/from other funds as of June 30, 2022 are as follows:

Fund	Advances to Other Funds	Advances from Other Funds
Water Fund	\$ 0	\$ 87,578
Sewer Fund	<u>87,578</u>	<u>0</u>
	<u>\$ 87,578</u>	<u>\$ 87,578</u>

The advances to/from other funds will be repaid as follows:

Advance to the Water Fund from the Sewer Fund for Water Projects, 0% Interest, Requires Monthly Principal Payments of \$1,500 Until Fully Paid. During the Year, \$32,000 was Repaid on this Loan.	<u>\$87,578</u>
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TOWN OF BERLIN, VERMONT
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E. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$78,883 from the difference between the expected and actual experience, \$66,898 from changes in assumptions and \$18,798 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$76,954 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$241,533.

F. Unearned Revenue

Unearned revenue in the governmental activities and ARPA Fund consists of \$385,610 of grant revenue received in advance.

Unearned revenue in the business-type activities and the Sewer Fund consists of \$1,161 of user fees received in advance.

G. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$58,050 of prepaid property taxes. It also includes \$249,549 from the difference between the projected and actual investment earnings and \$19,304 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the governmental activities is \$326,903.

Deferred inflows of resources in the General Fund consists of \$58,050 of prepaid property taxes. It also includes \$90,000 of delinquent property taxes, penalties and interest on those taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the General Fund is \$148,050.

H. Long-term Liabilities

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital assets. General obligation bonds have been issued for both governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

The Town had notes payable to finance various capital purchases through local banks.

The United States Department of Agriculture (USDA) offers a number of low interest loan programs for various purposes. The Town has borrowed money from the USDA, in the form of bonds, for water and sewer projects.

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The State of Vermont offers a number of no interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for public works projects, water and sewer projects.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements.

Long-term liabilities outstanding as of June 30, 2022 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Municipal Office Building Renovations, Principal Payments of \$10,000 Payable on December 1 Annually, Interest Rates Ranging from 3.835% to 4.625% Payable on June 1 and December 1, Due December, 2025	\$ 45,000	\$ 0	\$ 10,000	\$ 35,000
Bond Payable, Vermont Economic Development Authority, Fisher Road Culvert, Principal and Interest Payments of \$20,518 Payable on April 18 and October 18 Semi-Annually, Interest at 1.0%, Due October, 2051	0	1,063,200	18,074	1,045,126
Bond Payable, State of Vermont Special Environmental Revolving Fund, Stormwater Project, Authorized to \$157,820, but Eligible for 100% Subsidy. The Town Recognized \$25,341 of the Subsidy During the Year.	0	25,341	25,341	0
Note Payable, Community National Bank, Highway Truck, Principal and Interest Payments of \$20,618 Payable on January 6 Annually, Interest at 1.375%, Due and Paid January, 2022	20,336	0	20,336	0

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Community Bank, N.A., Highway Grader, Principal Payments of \$24,790 Plus Interest Payable on September 24 Annually, Interest at 2.05%, Due September, 2030. The Town Paid Off the Remaining Balance During the Year.	\$247,900	\$ 0	\$247,900	\$ 0
Note Payable, Community Bank, N.A., Highway Truck, Principal Payments of \$15,434 Plus Interest Payable on August 8 Annually, Interest at 1.95%, Due August, 2022. The Town Paid Off the Remaining Balance During the Year.	30,868	0	30,868	0
Note Payable, Community National Bank, Highway Truck, Principal and Interest Payments of \$31,870 Payable on December 5 Annually, Interest at 2.05%, Due December, 2024. The Town Paid Off the Remaining Balance During the Year.	<u>121,207</u>	<u>0</u>	<u>121,207</u>	<u>0</u>
Total Governmental Activities	<u>\$465,311</u>	<u>\$1,088,541</u>	<u>\$473,726</u>	<u>\$1,080,126</u>

Business-type Activities:

Water Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, U.S. Department of Agriculture, Water System Improvements, Principal and Interest Payments of \$81,405 Payable on May 23 and November 23 Semi-Annually, Interest at 2.625%, Due November, 2055	\$3,677,698	\$ 0	\$ 66,707	\$3,610,991
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal Payments of \$18,000 Payable on March 1 Annually Beginning March 1, 2023, 0% Interest, Due March, 2027	<u>90,000</u>	<u>0</u>	<u>0</u>	<u>90,000</u>
Total Water Fund	<u>3,767,698</u>	<u>0</u>	<u>66,707</u>	<u>3,700,991</u>

TOWN OF BERLIN, VERMONT
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Sewer Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, U.S. Department of Agriculture, Sewer System Improvements, Principal and Interest Payments of \$45,371 Payable on March 28 and September 28 Semi-Annually, Interest at 1.75%, Due March, 2051	\$2,110,267	\$ 0	\$ 54,048	\$2,056,219
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Planning Project, Authorized to \$42,415, but Eligible for \$21,208 Subsidy, Principal Payments of \$4,242 Payable on July 1 Annually Beginning July 1, 2023, 0% Interest, Due July, 2027	20,358	0	0	20,358
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Planning Project, Authorized to \$9,220, but Eligible for \$4,610 Subsidy, Principal Payments of \$922 Payable on May 1 Annually Beginning May 1, 2026, 0% Interest, Due May, 2030. The Town Recognized \$1,383 of the Subsidy During the Year.	0	2,766	1,383	1,383
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Planning Project, Authorized to \$34,700, but Eligible for 100% Subsidy. The Town Recognized \$9,990 of the Subsidy During the Year.	0	9,990	9,990	0
Bond Payable, State of Vermont Special Environmental Revolving Fund, Asset Management Plan, Authorized to \$84,860, but Eligible for \$42,430 Subsidy, Principal Payments of \$8,486 Payable on November 1 Annually Beginning November 1, 2026, 0% Interest, Due November, 2030. The Town Recognized \$5,940 of the Subsidy During the Year.	<u>0</u>	<u>11,880</u>	<u>5,940</u>	<u>5,940</u>
Total Sewer Fund	<u>2,130,625</u>	<u>24,636</u>	<u>71,361</u>	<u>2,083,900</u>
Total Business-type Activities	<u>\$5,898,323</u>	<u>\$24,636</u>	<u>\$138,068</u>	<u>\$5,784,891</u>

TOWN OF BERLIN, VERMONT
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Changes in long-term liabilities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 45,000	\$ 1,088,541	\$ 53,415	\$ 1,080,126	\$ 40,661
Notes Payable	420,311	0	420,311	0	0
Compensated Absences Payable	67,717	0	16,034	51,683	0
Net Pension Liability	698,107	0	274,876	423,231	0
Total Governmental Activities Long-term Liabilities	<u>\$ 1,231,135</u>	<u>\$ 1,088,541</u>	<u>\$ 764,636</u>	<u>\$ 1,555,040</u>	<u>\$ 40,661</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 5,898,323	\$ 24,636	\$ 138,068	\$ 5,784,891	\$ 145,709
Total Business-type Activities Long-term Liabilities	<u>\$ 5,898,323</u>	<u>\$ 24,636</u>	<u>\$ 138,068</u>	<u>\$ 5,784,891</u>	<u>\$ 145,709</u>

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 40,661	\$ 11,394	\$ 145,709	\$ 130,085
2024	40,949	10,648	148,484	127,310
2025	41,298	9,863	151,325	124,469
2026	36,540	9,117	155,154	121,562
2027	31,934	8,922	162,756	118,587
2028-2032	164,395	40,785	721,944	545,816
2033-2037	172,818	32,362	807,500	460,260
2038-2042	181,682	23,498	903,610	364,150
2043-2047	190,939	14,241	1,011,615	256,145
2048-2052	178,910	4,481	1,040,851	135,135
2053-2056	0	0	535,943	28,282
Total	<u>\$ 1,080,126</u>	<u>\$ 165,311</u>	<u>\$ 5,784,891</u>	<u>\$ 2,411,801</u>

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

I. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following fund is nonspendable as follows:

Major Funds

General Fund:

Nonspendable Prepaid Items	\$ 88,428
Nonspendable Inventory	<u>66,243</u>
Total Nonspendable Fund Balances	<u>\$154,671</u>

TOWN OF BERLIN, VERMONT
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The fund balances in the following funds are restricted as follows:

Major Funds

General Fund:

Restricted for Police Expenses by Donations (Source of Revenue is Donations)	\$ 6,144
Restricted for Lister Training by Statute (Source of Revenue is Grant Revenue)	821
Restricted for Records Restoration Expenses by Statute (Source of Revenue is Recording Fees)	16,381
Restricted for Recreation Expenses by Donations (Source of Revenue is Donations)	<u>4,339</u>
Total General Fund	<u>27,685</u>

Non-Major Funds

Special Revenue Funds:

Restricted for Asset Forfeiture Expenditures by Agreement (Source of Revenue is Grant Revenue)	11,723
Restricted for Montpelier Filtration Expenses	<u>1,280</u>
Total Non-Major Funds	<u>13,003</u>

Total Restricted Fund Balances \$40,688

The fund balances in the following fund is committed as follows:

Major Funds

General Fund:

Committed for Fire Warden Expenses by the Voters	\$ 120
Committed for Montpelier Water Expenses by the Voters	2,165
Committed for Cemeteries Expenses by the Voters	2,758
Committed for Economic Development Expenses by the Voters	<u>1,515</u>
Total Committed Fund Balances	<u>\$6,558</u>

TOWN OF BERLIN, VERMONT
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Reappraisal Expenses	\$225,461
Assigned for Highway Equipment Expenditures	10,898
Assigned for Capital Expenditures	9,276
Assigned for Highway Materials Expenditures	7,068
Assigned for Fisher Road Culvert Debt Payment	20,500
Assigned for Planning Expenses	12,000
Assigned for Police Education and Longevity Expenses	2,650
Assigned for Police Uniforms Expenses	4,000
Assigned for Highway Supplement Payment Expenses	12,999
Assigned for Conservation Expenses	<u>33,418</u>

Total General Fund	<u>338,270</u>
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ARPA Fund:

Assigned for ARPA Expenses	<u>45</u>
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Non-Major Funds

Capital Project Fund:

Assigned for Bike Path Expenditures	<u>37,610</u>
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Total Assigned Fund Balances	<u>\$375,925</u>
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J. Net Position

The restricted net position of the governmental activities as of June 30, 2022 consisted of the following:

Governmental Activities:

Restricted for Police Expenses by Donations	\$ 6,144
Restricted for Lister Training by Statute	821
Restricted for Records Restoration Expenses by Statute	16,381
Restricted for Recreation Expenses by Donations	4,339
Restricted for Asset Forfeiture Expenditures by Agreement	11,723
Restricted for Montpelier Filtration Expenses	<u>1,280</u>

Total Governmental Activities	<u>\$40,688</u>
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TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The unrestricted deficit in the Water Fund of \$87,738 will be funded in future years with additional revenues.

The net position held in trust for various purposes in the Town's Private-Purpose Trust Fund as of June 30, 2022 consisted of the following:

Private-Purpose Trust Fund:	
Restricted for Cemetery Expenses by Donations	<u>\$14,046</u>

V. OTHER INFORMATION

A. Pension Plans

Defined Benefit Plans

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) 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 municipal and school district 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. As of June 30, 2021, the measurement date selected by the State of Vermont, the retirement system consisted of 353 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.

TOWN OF BERLIN, VERMONT
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2021, the measurement date selected by the State of Vermont, VMERS was funded at 86.29% and had a plan fiduciary net position of \$926,034,330 and a total pension liability of \$1,073,218,528 resulting in a net position liability of \$147,184,198. As of June 30, 2022, the Town's proportionate share of this was 0.2876% resulting in a net pension liability of \$423,231. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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 municipalities, actuarially determined. The Town's proportion of 0.2876% was an increase of 0.0116 from its proportion measured as of the prior year.

For the year ended June 30, 2022, the Town recognized pension expense of \$91,401.

As of June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 78,883	\$ 0
Difference between projected and actual investment earnings on pension assets	0	249,549
Changes in assumptions	66,898	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,798	19,304
Town's required employer contributions made subsequent to the measurement date	<u>76,954</u>	<u>0</u>
	<u>\$ 241,533</u>	<u>\$ 268,853</u>

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The deferred outflows of resources resulting from the Town’s required employer contributions made subsequent to the measurement date in the amount of \$76,954 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2023	\$ (3,596)
2024	(9,628)
2025	(27,647)
2026	<u>(63,403)</u>
Total	\$(<u>104,274</u>)

Summary of System Provisions

Membership – Full time employees of participating municipalities. Municipalities can elect coverage under Groups A, B, C or D provisions. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

Service Retirement Allowance:

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Groups A and B. Age 50 with twenty (20) years of service for Group D.

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Groups A and B members, and payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility – Five (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 Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (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 – Death after five (5) years of service.

Amount – For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children’s benefit.

Optional Benefit and Death after Retirement – For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, 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 Consumer Price Index but not more than 2% for Group A and 3% for Groups B, C and D.

Member Contributions – Group A – 3.25%. Group B – 5.625%. Group C – 10.75%. Group D – 12.10%.

Employer Contributions – Group A – 4.75%. Group B – 6.25%. Group C – 8.00%. Group D – 10.60%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

Mortality:

Pre-Retirement: Groups A, B and C – 40% PubG-2010 General Employee Amount-Weighted below-median and 60% of PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee Amount-Weighted above-median, with generational projection using scale MP-2019.

Healthy Post-retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.

Healthy Post-retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor Amount-Weighted below-median and 30% of Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019.

Disabled Post-retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2021 COLA is 0.40% for all groups. The January 1, 2022 COLA is 2.00% for Group A members and 2.30% for Groups B, C and D members.

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 determine the contribution requirements.

Inflation: 2.30%

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Passive Global Equities	24%	5.05%
Active Global Equities	5%	5.05%
Large Cap US Equities	4%	4.00%
Small/Mid Cap US Equities	3%	4.50%
Non-US Developed Market Equities	7%	5.50%
Private Equity	10%	6.75%
Emerging Market Debt	4%	3.00%
Private & Alternate Credit	10%	4.75%
Non-Core Real Estate	4%	5.75%
Core Fixed Income	19%	0.00%
Core Real Estate	4%	3.75%
US TIPS	3%	(0.50)%
Infrastructure/Farmland	3%	4.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022, to be offset by any increases in the employee contribution rates as negotiated with employee groups and approved by Legislature. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2021. 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 Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$836,540	\$423,231	\$83,370

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

B. Contingent Liabilities

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures 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.

C. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. 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 coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

D. Property Taxes

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are levied in July and are payable in four (4) installments on August 15, November 15, February 15 and May 15. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2022 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Education	1.5772	1.4820
Town	0.5917	0.5917
Local Agreement	<u>0.0023</u>	<u>0.0023</u>
Total	<u>2.1712</u>	<u>2.0760</u>

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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E. Property Tax Stabilization Agreements

PURPOSE: To encourage and provide incentives to businesses and developers considering locating, relocating, developing or expanding within the Town of Berlin.

The Selectboard may enter in into a tax stabilization agreement (“agreement”) with existing or new owners, lessees or developers of agricultural, multi-unit residential developments, industrial or commercial real property.

The agreement may apply to new construction, renovations to existing property or additions to agricultural, multi-unit residential developments, industrial or commercial real property.

All agreements entered under the Berlin tax stabilization program shall comply with the provisions of Title 24, Section 2701 of the Vermont statutes annotated.

The agreement shall be based solely on the increase in assessed valuation due to the project construction or total assessed value of the new construction, and shall apply only to the municipal tax applicable to the property. The agreement shall be awarded at the sole discretion of the Berlin Selectboard after thorough review of the merits of the project and determination of whether the project meets the required criteria set forth in this program.

Applications must be received and approved prior to the commencement of any construction on the project. No retroactive contract will be considered. Applications shall be delivered to the Berlin Town Administrator.

The Town Administrator and the Berlin Economic Development Council (the “Council”) shall review the applications with the applicant, consult with the Town’s appraiser and make an initial determination as to the applicant’s compliance with the criteria set forth herein, the impact of the proposal on the valuation of the property and the tax impact of any agreement. The Town Administrator shall place the application on the agenda for a meeting of the Selectboard, at which time the applicant will have the opportunity to make a formal presentation to the Selectboard. The Selectboard will consider the application, any additional information provided by the applicant, and the recommendations of the Town Administrator and Council and shall take action to approve or deny the application or to request additional information.

Agreements for new construction or improvement projects may be structured as follows:

- 3 year tax stabilization agreement for projects under \$1M based solely on the increase in assessed valuation due to the project: Year 1: 25%, Year 2: 50%, Year 3: 75%, Year 4: 100%
- 5 year tax stabilization agreement for projects at or above \$1M based solely on the increase in assessed valuation due to the project: Year 1: 10%, Year 2: 20%, Year 3: 40%, Year 4: 60%, Year 5: 80%, Year 6: 100%

Proposed agreements that do not meet the above criteria or which would result in a term of more than 5 years shall require approval by Berlin voters at a duly warned regular or special town meeting.

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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TO QUALIFY: The proposed project must meet all the following criteria:

- The amount invested in the proposed project shall be at least at 25% or the greater of (i) the tax assessed value of the property or (ii) the fair market value of the property at the time of the application.
- The amount invested in the property shall be at least \$200,000.
- The proposed project shall include all improvements and repairs necessary such that, upon completion of the project, the property is fully compliant with all zoning, building, plumbing, electrical, life safety statutes, codes or ordinances, the Americans with Disability Act (ADA) and all other federal, state or local statutes, codes, ordinances and rules, as applicable.
- The applicant shall demonstrate current access to capital necessary to complete the project as presented.
- The project is consistent with the Berlin Town Plan and Economic Development Plan.
- The applicant is in good standing with the Vermont Tax Department, the Internal Revenue Service, local municipalities and the Town of Berlin with respect to all taxes.

All projects shall be further reviewed and reported using the following criteria:

Does the project:

- Create new jobs or retain existing jobs.
- Eliminate blight, improve aesthetics, or preserve historic or existing structures integral to the project.
- Remove environmental hazards such as hazardous waste, noise, dust, odor, material or other contaminations.
- Impact municipal, public safety, educational services or infrastructure in a significant way.

The Council shall write a summary report on its review of the application which shall be made available on the Town website and in hard copy, upon request. The application shall be posed as part of the Selectboard's agenda at least two weeks before the Selectboard plans to consider taking a vote.

The following documents and information shall be submitted by applicant and reviewed by the Town Administrator and the Selectboard Council for final approval by the Berlin Selectboard:

- Written application, duly signed.
- The full legal names and addresses of all persons and entities with a legal interest in the property.
- Current tax assessed value of the property.
- Site plan showing existing property lines, buildings and improvements.
- Scale drawing of all proposed construction detailing but not limited to the square footage and the proposed use of all space.
- Written estimate of construction costs.
- Employment data, current and projected.
- Any additional information requested by the Council necessary to evaluate the proposal under the relevant criteria.

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

- A letter from the Central Vermont Economic Development Corporation relative to the Economic impact of the project and from the Central Vermont Regional Planning Commission indicating whether the project is compatible with the Central Vermont Regional Plan.
- Optional letters of support from other regional stakeholders.

The applicant should be aware that this is a public process, and as such all meetings shall be open to the public and all information requested in the application shall be considered public information, except for information and documents exempt from public inspection or copying pursuant to title I, Sec. 317 (c) of the Vermont Statutes Annotated.

Following execution of the Agreement, the applicant shall submit an annual report to the Town Administrator and the Council on or before January 15 of each year during the term of the agreement, demonstrating continuing compliance with the criteria of the Agreement. The Town Administrator shall report the following to the council:

- Any material change in the use of the property or in the nature of the business.
- Any sale or transfer of the property or the business conducted on the property.
- Any information relating to noncompliance with the terms of the tax stabilization agreement or to the failure to complete the project as presented during the application process.
- Information relating to the non-payment or delinquency of any taxes assessed against the property.
- Information relating to non-compliance with any zoning, building, plumbing, electrical, life safety codes, statues or ordinances, the American with Disabilities act or other relevant federal, state, or locate statutes, rules, ordinances or codes.

The Council and the Town Administrator shall notify the Berlin Selectboard of any circumstances, as noted herein, during the term of the tax stabilization agreement which might impact compliance with the agreement. After such notification, or on their own volition, the Selectboard may direct the Town Administrator to send a written notice of non-compliance to the applicant providing a 90 day period of redress. Failure of the applicant to come into compliance with any provision of the tax stabilization agreement may result in the termination of the tax stabilization agreement, provided that written notice of such termination is forwarded by certified mail to the Applicant. Termination of the agreement shall be effective upon applicant's receipt of such written notice.

A rollback clause shall be included in all tax stabilization agreements providing for repayment of all taxes that would have been due and payable in the absence of the agreement, authorizing payment in full of such taxes, an 8% penalty and interest at a rate of 12% per annum, from the effective date of the agreement through the date of breach of the agreement. The rollback provision shall be invoked at the discretion of the Selectboard and shall be limited to breaches occasioned by an applicant's fraud, intentional misrepresentation or similar circumstances demonstrating that the nature of the applicant breach is egregious in nature.

TOWN OF BERLIN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

All agreements shall contain a provision prohibiting assignment of the rights and obligations of the agreement without the prior written consent of the Selectboard. In the event of a sale or transfer of ownership of the property subject to the agreement, the agreement shall terminate upon such sale or transfer of ownership, unless the Selectboard consents to assignment of rights and obligations imposed by the agreement to the transferee of the property. Such consent shall be requested in writing by the current or proposed owner of the property and received by the Town Administrator at least (30) days prior to the date of the sale or transfer of the property. The Selectboard shall act to approve or deny consent for assignment of the agreement within 30 days and shall consult with the Council regarding the request for assignment.

In the event an applicant seeks to terminate an existing agreement with the Town, the applicant shall submit a written request to the Town Administrator and the Council, setting forth the grounds in support of the termination request. The Selectboard shall act to approve or deny the request for termination, subject to the advice and recommendations of the Town Administrator and the Council.

During the year ended June 30, 2022, the Town had one (1) active stabilization agreement. The total reduction of taxes was \$33,329.

F. Sewage Treatment Agreement

The Town of Berlin and the City of Montpelier have entered into an agreement for the City to treat the Town's sewage. The agreement was executed in 1982 and amended to extend the agreement to August 25, 2041. The City bills the Town a set amount each month based on the budget and an estimate of the usage for both treatment and collection and administration. At the end of the year, the payment is trueed up based on the actual costs and usage.

As of June 30, 2022, the Town was owed \$10,926 from the 2021 true up and the Town owes the City \$41,678 from the 2022 true up which is included in accounts payable. The monthly payment starting in July, 22 through June, 23 is \$30,954 per month. The agreement also calls for the Town to pay its share of future construction or additions that benefit the Town.

G. Commitments

In February, 2021, the Town entered into a three year contract for ambulance service with the Town of Barre effective July 1, 2021 through June 30, 2024, extendable for an additional two (2) years. The contract calls for per capita rates of \$41.58 to \$48.05. The amount paid during fiscal year 2022 was \$105,031.

H. Subsequent Events

Subsequent to year-end, the Town will receive the second half of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program funds in the amount of \$415,657.

TOWN OF BERLIN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
State of Vermont:			
Railroad Levy	\$ 4,000	\$ 4,174	\$ 174
Highway - Summer	57,000	58,725	1,725
Highway - Winter	57,000	58,725	1,725
State Hospital	25,000	25,000	0
Highway Supplement Payments	0	12,999	12,999
Municipal Roads Grant Income	0	15,817	15,817
Transportation Alternatives Program Grant Income	0	6,577	6,577
Bicycle and Pedestrian Grant Income	0	4,158	4,158
Total State of Vermont	143,000	186,175	43,175
Licenses & Fees:			
Animal Licenses	1,200	2,117	917
Beverage & Entertainment	1,100	1,205	105
Copier	7,000	7,286	286
Zoning	15,000	13,016	(1,984)
Town Clerk	35,000	61,259	26,259
Records Restoration	2,000	2,554	554
Excess Weight Permits	900	849	(51)
Peddler's Permits & Tax	300	0	(300)
Marriage Licenses	100	0	(100)
Land Posting Permits	50	0	(50)
Miscellaneous	0	268	268
Total Licenses & Fees	62,650	88,554	25,904
Property Taxes:			
Property Taxes	3,115,115	3,109,758	(5,357)
Current Use	55,000	59,334	4,334
Reappraisal Revenue	12,500	14,754	2,254
PILOT Revenue	195,000	248,892	53,892
Total Property Taxes	3,377,615	3,432,738	55,123
Interest:			
Interest Earned	1,500	579	(921)
Delinquent Tax Interest	15,000	18,408	3,408
Delinquent Tax Penalty	19,000	33,847	14,847
Total Interest	35,500	52,834	17,334
Miscellaneous Revenue:			
Water Pollution Control	4,500	4,500	0
Berlin Historical Society	250	250	0
CVPR Grant Income	0	7,166	7,166
Insurance Claims	0	12,021	12,021
Total Miscellaneous Revenue	4,750	23,937	19,187

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TOWN OF BERLIN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
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BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Revenues:			
Highway Fines	\$ 12,000	\$ 5,157	\$ (6,843)
Contract Wages	0	1,750	1,750
Other Revenue	3,000	9,315	6,315
Police Grant Income	0	2,320	2,320
Total Police Revenues	15,000	18,542	3,542
Total Revenues	3,638,515	3,802,780	164,265
Expenditures:			
General Government:			
Administration:			
Wages - Clerk	49,038	55,423	(6,385)
Wages - Assistant Clerk	19,600	37,258	(17,658)
Wages - Treasurer	58,905	62,643	(3,738)
Wages - Town Administrator	76,500	76,953	(453)
Wages - Assistant Town Administrator	45,033	58,089	(13,056)
Wages - Selectboard	3,750	3,750	0
Wages - Board of Civil Authority	500	0	500
Office Supplies	9,000	8,929	71
Clerk/Treasurer Training	500	30	470
Computers/Equipment	0	20,674	(20,674)
Clerk Copier	1,000	1,015	(15)
Records Restoration	2,500	2,944	(444)
Postage	6,500	6,148	352
Postage Meter Rental	800	782	18
Telephone	3,000	3,026	(26)
Clerk/Treasurer Software Support	1,000	0	1,000
Total Administration	277,626	337,664	(60,038)
Assessing Department:			
Contract - Assessor	21,112	20,340	772
Supplies	50	449	(399)
Computer Support	250	0	250
Legal Fees	100	0	100
Tax Maps	2,500	1,126	1,374
CAPTAP Fees - State License	1,500	2,044	(544)
Total Assessing Department	25,512	23,959	1,553
Town Meetings & Elections:			
Ballots	3,000	2,387	613
Wages	2,000	1,593	407
Town Reports	1,500	1,347	153
Advertising - Notices	500	701	(201)
Total Town Meetings & Elections	7,000	6,028	972

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TOWN OF BERLIN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Insurances:			
Workers Compensation	\$ 1,326	\$ 1,143	\$ 183
Health Insurance	38,400	40,626	(2,226)
FICA/MEDI	19,300	22,200	(2,900)
FUTA/SUTA	530	345	185
Disability Insurance	865	1,423	(558)
Life Insurance	771	735	36
Health Insurance Buy-Out	9,750	9,750	0
Employee Benefits	700	428	272
Pension	15,725	21,503	(5,778)
General Insurance	18,258	17,286	972
Total Insurances	105,625	115,439	(9,814)
Zoning:			
Training	350	0	350
Inspection Mileage	350	451	(101)
Telephone	1,200	0	1,200
Legal Fees	100	0	100
Total Zoning	2,000	451	1,549
DRB:			
Wages	1,500	980	520
Legal Fees	1,000	0	1,000
Advertising	1,800	1,147	653
Total DRB	4,300	2,127	2,173
Planning Commission:			
Supplies/Mileage/Training	500	278	222
Advertising/Printing	500	3,444	(2,944)
Consultant	20,000	13,084	6,916
Total Planning Commission	21,000	16,806	4,194
Other Boards/Commissions:			
Recreation Board	0	2,615	(2,615)
Conservation Commission	2,000	0	2,000
Green Up Day	400	103	297
Emergency Management	1,200	1,200	0
Total Other Boards/Commissions	3,600	3,918	(318)
Cemeteries - Maintenance:	10,000	8,175	1,825

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TOWN OF BERLIN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Taxes & Assessments:			
Animal Control - Constable	\$ 1,000	\$ 325	\$ 675
County Tax	40,000	35,866	4,134
Ambulance Services	113,645	113,581	64
Humane Society	500	0	500
Central Vermont Solid Waste	2,850	2,781	69
Central Vermont Economic Development	500	0	500
VLCT Dues	4,669	4,669	0
Central Vermont Regional Planning Commission	3,560	3,560	0
Total Taxes & Assessments	166,724	160,782	5,942
Town Offices:			
Janitorial Services	8,500	4,680	3,820
Supplies	2,000	1,433	567
Training	1,500	113	1,387
Copier	1,650	2,364	(714)
Advertising	500	816	(316)
Telephone	0	36	(36)
Software Support	10,000	16,988	(6,988)
Web Page	1,500	5,044	(3,544)
Cloud Back-Up	1,800	71	1,729
Back-Up Storage Fees	500	0	500
Maintenance	8,000	44,397	(36,397)
Heat & Utilities	5,000	5,149	(149)
Internet	2,900	2,627	273
Equipment Contracts	9,200	8,737	463
Total Town Offices	53,050	92,455	(39,405)
General Expenses:			
Legal Services	15,000	31,978	(16,978)
CPA - Audit	17,800	16,500	1,300
Payroll Services	2,300	2,330	(30)
Selectboard Minutes	1,200	1,116	84
Emergency Generator	2,000	0	2,000
Tax Refunds/Abatements	5,000	12,109	(7,109)
Miscellaneous	500	1,034	(534)
Total General Expenses	43,800	65,067	(21,267)

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TOWN OF BERLIN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Services:			
Wages - Police FT	\$ 326,083	\$ 416,195	\$ (90,112)
Wages - Police Night Shift	261,008	177,284	83,724
Wages - Police PT	22,000	17,503	4,497
Wages - Police Clerical	45,448	50,170	(4,722)
Wages - Police OT	20,000	91,707	(71,707)
Wages - Police On Call	5,000	11,352	(6,352)
Wages - Police Education	1,650	1,550	100
Wages - Police Longevity	1,000	1,000	0
Workers Compensation	56,825	64,813	(7,988)
Health Insurance	199,500	169,891	29,609
FICA/MEDI	53,200	58,845	(5,645)
FUTA/SUTA	1,002	1,270	(268)
Disability Insurance	3,050	2,658	392
Life Insurance	2,650	1,361	1,289
Health Insurance Buy-Out	0	6,200	(6,200)
Employee Benefits	4,300	908	3,392
Pension	41,120	41,843	(723)
Vehicles & Liability Insurance	24,867	24,957	(90)
Supplies	1,500	2,197	(697)
Uniforms	9,000	8,957	43
Guns/Ammo	2,500	3,536	(1,036)
Copier Lease	1,550	1,339	211
Equipment Radios	5,800	3,599	2,201
VIBRS Database	5,700	6,461	(761)
Media/Data	6,000	4,088	1,912
Advertising	200	0	200
Training	8,000	7,919	81
Telephone	6,000	6,130	(130)
Equipment Maintenance	13,000	28,185	(15,185)
Gas/Oil	20,000	20,264	(264)
Lodging/Prisoners	500	200	300
Police Grant Expenses	0	2,514	(2,514)
Special Investigative Unit	2,300	2,300	0
Miscellaneous	0	53	(53)
	<u>1,150,753</u>	<u>1,237,249</u>	<u>(86,496)</u>
Total Police Services			
	<u>1,150,753</u>	<u>1,237,249</u>	<u>(86,496)</u>
Total General Government	<u>1,870,990</u>	<u>2,070,120</u>	<u>(199,130)</u>

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TOWN OF BERLIN, VERMONT
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highways:			
Summer Roads:			
Wages - Summer Roads	\$ 93,100	\$ 103,692	\$ (10,592)
Wages - Summer OT	4,500	1,598	2,902
Roadside Mowing/Tree Trimming	10,000	10,038	(38)
Chloride	28,000	20,756	7,244
Culverts/Materials	10,000	4,983	5,017
Summer Equipment - Maintenance/Repairs	30,000	18,799	11,201
Equipment Fuel	20,000	26,425	(6,425)
Total Summer Roads	<u>195,600</u>	<u>186,291</u>	<u>9,309</u>
Winter Roads:			
Wages - Winter Roads	97,100	83,618	13,482
Wages - Winter OT	33,600	31,363	2,237
Sand	80,000	74,540	5,460
Salt	90,000	48,130	41,870
Winter Equipment - Maintenance/Repairs	40,000	27,445	12,555
Equipment Fuel	30,000	26,675	3,325
Total Winter Roads	<u>370,700</u>	<u>291,771</u>	<u>78,929</u>
Highway General:			
Asphalt/Marking/Sealing	145,000	155,969	(10,969)
Resurface/Gravel	150,000	135,283	14,717
Bridge Maintenance	1,500	5	1,495
Crosstown Road Project Expenses	0	30,215	(30,215)
Road Signs	4,000	4,125	(125)
Guardrails	10,000	0	10,000
Total Highway General	<u>310,500</u>	<u>325,597</u>	<u>(15,097)</u>

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TOWN OF BERLIN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
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BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway - Other:			
Workers Compensation	\$ 18,765	\$ 16,334	\$ 2,431
Health Insurance	94,200	97,591	(3,391)
FICA/MEDI	17,630	17,144	486
FUTA/SUTA	338	347	(9)
Disability Insurance	950	1,064	(114)
Life Insurance	800	685	115
Employee Benefits	1,400	75	1,325
Pension	14,400	13,608	792
General Insurance	11,797	11,763	34
Stormwater - State Permit	3,600	1,832	1,768
Erosion Control	10,000	2,015	7,985
Municipal Road Permit	1,350	294	1,056
Supplies	6,000	6,072	(72)
Advertising	500	336	164
Training	1,000	4,542	(3,542)
Telephone	2,550	4,090	(1,540)
Garage - Maintenance/Utilities	16,000	19,669	(3,669)
Garage - Energy Improvements	5,000	0	5,000
Trash Removal	1,500	0	1,500
Street Lights	10,500	11,836	(1,336)
Traffic Lights	5,000	1,040	3,960
Miscellaneous	500	144	356
Uniforms	10,500	10,593	(93)
	<u>234,280</u>	<u>221,074</u>	<u>13,206</u>
Total Highway - Other			
	<u>1,111,080</u>	<u>1,024,733</u>	<u>86,347</u>
Total Highways			
Capital:			
Highway Equipment & Structures	250,000	12,891	237,109
Police Equipment	0	47,592	(47,592)
Debt Service - 2006 Bond Principal	10,000	10,000	0
Debt Service - 2006 Bond Interest	2,300	1,451	849
Debt Service - 2016 Loan Principal	20,338	20,336	2
Debt Service - 2016 Loan Interest	280	282	(2)
Debt Service - 2017 Loan Principal	15,434	30,868	(15,434)
Debt Service - 2017 Loan Interest	601	820	(219)
Debt Service - 2019 Loan Principal	121,205	121,207	(2)
Debt Service - 2019 Loan Interest	2,485	3,030	(545)
Debt Service - Grader Loan Principal	247,900	247,900	0
Debt Service - Grader Loan Interest	5,068	6,001	(933)
Debt Service - Fisher Road Culvert Principal	41,038	18,074	22,964
Debt Service - Fisher Road Culvert Interest	0	2,444	(2,444)
	<u>716,649</u>	<u>522,896</u>	<u>193,753</u>
Total Capital			

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TOWN OF BERLIN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Special Appropriations:			
Berlin Volunteer Fire Department	\$ 285,079	\$ 285,079	\$ 0
Kellogg Hubbard Library	30,402	30,402	0
Montpelier Senior Activities Center	15,000	15,000	0
Green Mountain Transit	10,920	10,920	0
Berlin Corner Cemetery Association	10,000	10,000	0
Central Vermont Home Health and Hospice	6,450	6,450	0
Washington County Mental Health	2,000	2,000	0
Central Vermont Adult Basic Education	1,200	1,200	0
Vermont Center for Independent Living	1,000	1,000	0
Central Vermont Memorial Civic Center	1,000	1,000	0
CIRCLE	975	975	0
Family Center of Washington County	800	800	0
Prevent Child Abuse Vermont	800	800	0
Capstone Community Action	700	700	0
Good Samaritan Haven	600	600	0
People's Health & Wellness Clinic	500	500	0
Vermont Association for the Blind and Visually Impaired	500	500	0
Washington County Youth Services Bureau	500	500	0
Mosaic Vermont	500	500	0
Community Harvest of Central Vermont	500	500	0
Good Beginnings of Central Vermont	300	300	0
	369,726	369,726	0
Total Special Appropriations			
	4,068,445	3,987,475	80,970
Total Expenditures			
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ (429,930)	(184,695)	\$ 245,235
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Conservation Fund Income		10	
Conservation Fund Expenses		(16,307)	
Unbudgeted Culvert Loan Proceeds		1,063,200	
Unbudgeted Stormwater Loan Proceeds		25,341	
Unbudgeted Culvert Project Expenses		(1,524,930)	
Unbudgeted Stormwater Project Expenses		(90,980)	
Net Change in Fund Balance		(728,361)	
Fund Balance - July 1, 2021, As Reclassified		2,184,636	
Fund Balance - June 30, 2022		\$ 1,456,275	

The reconciling items are due to combining one (1) fund, the Conservation Fund, with the General Fund in order to comply with GASB Statement No. 54 and unbudgeted capital expenditures and related funding.

TOWN OF BERLIN, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 147,184,198	\$ 252,974,064	\$ 173,491,807	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.2876%	0.2760%	0.2952%	0.2882%	0.3123%	0.3048%	0.2999%	0.2603%
Town's Proportionate Share of the Net Pension Liability	\$ 423,231	\$ 698,107	\$ 512,225	\$ 405,476	\$ 378,335	\$ 392,273	\$ 231,207	\$ 23,756
Town's Covered Employee Payroll	\$ 1,065,543	\$ 994,678	\$ 1,008,474	\$ 917,932	\$ 927,215	\$ 842,285	\$ 779,921	\$ 655,141
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	39.7197%	70.1842%	50.7921%	44.1728%	40.8034%	46.5725%	29.6449%	3.6261%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

TOWN OF BERLIN, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 76,954	\$ 63,933	\$ 57,194	\$ 56,727	\$ 50,486	\$ 50,997	\$ 46,326	\$ 41,921
Contributions in Relation to the Actuarially Determined Contributions	<u>76,954</u>	<u>63,933</u>	<u>57,194</u>	<u>56,727</u>	<u>50,486</u>	<u>50,997</u>	<u>46,326</u>	<u>41,921</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 1,231,264	\$ 1,065,543	\$ 994,678	\$ 1,008,474	\$ 917,932	\$ 927,215	\$ 842,285	\$ 779,921
Contributions as a Percentage of Town's Covered Employee Payroll	6.250%	6.000%	5.750%	5.625%	5.500%	5.500%	5.500%	5.375%

Notes to Schedule

Valuation Date: June 30, 2021

Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

TOWN OF BERLIN, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Special Revenue Funds	Capital Projects Fund <u>Bike Path Fund</u>	Total
<u>ASSETS</u>			
Cash	\$ 11,723	\$ 37,610	\$ 49,333
Due from Other Funds	1,280	0	1,280
Total Assets	\$ 13,003	\$ 37,610	\$ 50,613
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Restricted	13,003	0	13,003
Assigned	0	37,610	37,610
Total Fund Balances	13,003	37,610	50,613
Total Liabilities and Fund Balances	\$ 13,003	\$ 37,610	\$ 50,613

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF BERLIN, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds	Capital Projects Fund <u>Bike Path Fund</u>	Total
Revenues:			
Investment Income	\$ <u>1</u>	\$ <u>8</u>	\$ <u>9</u>
Total Revenues	<u>1</u>	<u>8</u>	<u>9</u>
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	1	8	9
Fund Balances - July 1, 2021	<u>13,002</u>	<u>37,602</u>	<u>50,604</u>
Fund Balances - June 30, 2022	\$ <u><u>13,003</u></u>	\$ <u><u>37,610</u></u>	\$ <u><u>50,613</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF BERLIN, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2022

	Asset Forfeiture Fund	Montpelier Filtration Fund	Total
<u>ASSETS</u>			
Cash	\$ 11,723	\$ 0	\$ 11,723
Due from Other Funds	0	1,280	1,280
Total Assets	\$ 11,723	\$ 1,280	\$ 13,003
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Restricted	11,723	1,280	13,003
Total Fund Balances	11,723	1,280	13,003
Total Liabilities and Fund Balances	\$ 11,723	\$ 1,280	\$ 13,003

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF BERLIN, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Asset Forfeiture Fund	Montpelier Filtration Fund	Total
Revenues:			
Investment Income	\$ <u>1</u>	\$ <u>0</u>	\$ <u>1</u>
Total Revenues	<u>1</u>	<u>0</u>	<u>1</u>
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	1	0	1
Fund Balances - July 1, 2021	<u>11,722</u>	<u>1,280</u>	<u>13,002</u>
Fund Balances - June 30, 2022	<u><u>\$ 11,723</u></u>	<u><u>\$ 1,280</u></u>	<u><u>\$ 13,003</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

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Jordan M. Plummer, CPA
VT Lic. #92-000180

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"

Selectboard
Town of Berlin, Vermont
108 Shed Road
Berlin, Vermont 05602

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Vermont, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Vermont's basic financial statements, and have issued our report thereon dated March 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Berlin, Vermont'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 of Berlin, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Berlin, Vermont's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses and another that we consider to be a significant deficiency.

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 Town of Berlin, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2022-01 through 2022-05 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2022-06 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Berlin, Vermont'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".

Town of Berlin, Vermont's Response to Findings

"Government Auditing Standards" requires the auditor to perform limited procedures on the Town of Berlin, Vermont's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Berlin, Vermont's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Town of Berlin, Vermont'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 Town of Berlin, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sullivan, Powers & Co.

March 10, 2023
Montpelier, Vermont
VT Lic. #92-000180

TOWN OF BERLIN, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2022

Deficiencies in Internal Control:

Material Weaknesses:

2022-01 Segregation of Duties - Cash

Criteria:

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the check signing and bank reconciliation functions.

Condition:

In the Town, the same person that reconciles the bank accounts also collects cash, posts to the journals, makes deposits and has check signing authority.

Cause:

The limit staff available in the office provides little opportunity to achieve an optimum separation of duties and responsibilities.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that the Town revise their procedures to ensure that the bank reconciliation function is delegated to an individual who does not have check signing authority. Otherwise, we recommend that, at a minimum, someone other than a check signer review all bank reconciliations, bank statements, cancelled checks and any debit memos.

2022-02 Long-term Debt/Forgiveness of Debt

Criteria:

Internal controls should be in place to ensure the Town records long-term debt proceeds in accordance with generally accepted accounting principles and the forgiveness of debt is recorded in the proper year.

Condition:

The Town did not have controls in place to ensure long-term debt proceeds are recorded in accordance with generally accepted accounting principles and the forgiveness of debt is recorded in the proper year.

TOWN OF BERLIN, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2022

Cause:

Unknown.

Effect:

Adjustments were required to correct the Town's debt transactions.

Recommendation:

We recommend that the Town implement controls to ensure that long-term debt proceeds are recorded in accordance with generally accepted accounting principles and any forgiveness of debt is recognized in the proper year.

2022-03 Grants Receivable

Criteria:

Internal controls should be in place to ensure that the grants receivable balances are recorded properly at year end.

Condition:

The grants receivable accounts were not reconciled to the actual balances at year end which resulted in various adjustments to revenue.

Cause:

Unknown.

Effect:

The Town's grants receivable and revenue balances were incorrect.

Recommendation:

We recommend that the Town reconcile the grants receivable balances to supporting documentation annually in order to detect and correct errors.

2022-04 Retainage on Construction Contracts

Criteria:

Internal controls should be in place to ensure that expenditures are recorded in the proper fiscal year. Expenditures should be recorded based on the timing of services provided or when goods are received.

TOWN OF BERLIN, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2022

Condition:

The Town did not have controls in place to ensure all retainage payable was recorded in the proper fiscal year. The Town did not record the retainage payable for work completed on a water project during the fiscal year.

Cause:

Unknown.

Effect:

The Town's capital assets and liabilities account balances were incorrect.

Recommendation:

We recommend that the Town implement controls that provide for a review of contractor's invoices for unpaid retainage to ensure that the Town's capital assets and liabilities account balances are accurately reported.

2022-05 True-Up of Wastewater Treatment Facility Costs

Criteria:

Internal controls should be in place to ensure that the amount paid to the City of Montpelier for their share of the wastewater treatment facility costs at year end are properly recorded.

Condition:

The Town did not have controls in place to ensure that the amount paid to the City of Montpelier for their share of the wastewater treatment facility costs at year end are properly recorded. The Town has an agreement with the City to contribute to the annual operating costs of the wastewater treatment facility. During the year, the Town pays monthly estimates which are trued-up after year end. The Town had not recorded the amount overpaid to the City of Montpelier based on the true-up of the previous year's activity or for the current fiscal year.

Cause:

Unknown.

Effect:

The Town's receivables and net position in the Sewer Fund and its business-type activities were understated resulting in a prior period adjustment of \$123,039 in the Sewer Fund and the business-type activities.

TOWN OF BERLIN, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2022

Recommendation:

We recommend that the Town implement controls to ensure that the amount paid to the City of Montpelier for their share of the wastewater treatment facility costs at year end is properly recorded.

Significant Deficiencies:

2022-06 Interfund Loan

Criteria:

Internal controls should be in place to ensure that all interfund loans are accurately recorded on the balance sheet of the funds in order to conform with generally accepted accounting principles.

Condition:

The Town treated the payments made on an interfund loan as transfers rather than a reduction of interfund balances.

Cause:

Unknown.

Effect:

An adjustment was required to remove the transfers in and out and correct the interfund balances.

Recommendation:

We recommend that the Town implement controls to ensure that interfund loans are accurately recorded on the balance sheet of the funds in order to conform with generally accepted accounting principles.



TOWN OF BERLIN, VERMONT

Washington County

Diane Isabelle
Treasurer

Municipal Office Building
108 Shed Road
Berlin, VT 05602-9049
802-229-9380
treasurer@berlinvt.gov

March 29, 2023

Response to Schedule of Findings and Deficiencies in Internal Control, June 30, 2022

Deficiencies in Internal Control:

Material Weaknesses:

2022-01 Segregation of Duties - Cash

Criteria:

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the check signing and bank reconciliation functions.

Condition:

In the Town, the same person that reconciles the bank accounts also collects cash, posts to the journals, makes deposits and has check signing authority.

Cause:

The limit staff available in the office provides little opportunity to achieve an optimum separation of duties and responsibilities.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Response to Schedule of Findings and Deficiencies in Internal Control, June 30, 2022

Recommendation:

We recommend that the Town revise their procedures to ensure that the bank reconciliation function is delegated to an individual who does not have check signing authority. Otherwise, we recommend that, at a minimum, someone other than a check signer review all bank reconciliations, bank statements, cancelled checks and any debit memos.

Answer: An Assistant Town Treasurer was hired in August 2022, the duties are being divided by the Treasurer and Assistant Treasurer to address the issue of only one individual handling money. The bank statements will not be completed by the individual posting payments.

2022-02 Long-term Debt/Forgiveness of Debt

Criteria:

Internal controls should be in place to ensure the Town records long-term debt proceeds in accordance with generally accepted accounting principles and the forgiveness of debt is recorded in the proper year.

Condition:

The Town did not have controls in place to ensure long-term debt proceeds are recorded in accordance with generally accepted accounting principles and the forgiveness of debt is recorded in the proper year.

Cause:

Unknown.

Effect:

Adjustments were required to correct the Town's debt transactions.

Recommendation:

We recommend that the Town implement controls to ensure that long-term debt proceeds are recorded in accordance with generally accepted accounting principles and any forgiveness of debt is recognized in the proper year.

Answer: The Town will implement a long-term debt proceeds control to record debt forgiveness in the proper year.

Response to Schedule of Findings and Deficiencies in Internal Control, June 30, 2022

2022-03 Grants Receivable

Criteria:

Internal controls should be in place to ensure that the grants receivable balances are recorded properly at year end.

Condition:

The grants receivable accounts were not reconciled to the actual balances at year end which resulted in various adjustments to revenue.

Cause:

Unknown.

Effect:

The Town's grants receivable and revenue balances were incorrect.

Recommendation:

We recommend that the Town reconcile the grants receivable balances to supporting documentation annually in order to detect and correct errors.

Answer: The Grants receivable balances will be reconciled through a spreadsheet to insure the grants receivable accounts are properly documented each year.

2022-04 Retainage on Construction Contracts

Criteria:

Internal controls should be in place to ensure that expenditures are recorded in the proper fiscal year. Expenditures should be recorded based on the timing of services provided or when goods are received.

Condition:

The Town did not have controls in place to ensure all retainage payable was recorded in the proper fiscal year. The Town did not record the retainage payable for work completed on a water project during the fiscal year.

Response to Schedule of Findings and Deficiencies in Internal Control, June 30, 2022

Cause:

Unknown.

Effect:

The Town's capital assets and liabilities account balances were incorrect.

Recommendation:

We recommend that the Town implement controls that provide for a review of contractor's invoices for unpaid retainage to ensure that the Town's capital assets and liabilities account balances are accurately reported.

Answer: The Town will implement a control to review contractor's invoices for unpaid retainage to ensure assets and liabilities account balances are accurate.

2022-05 True-Up of Wastewater Treatment Facility Costs

Criteria:

Internal controls should be in place to ensure that the amount paid to the City of Montpelier for their share of the wastewater treatment facility costs at year end are properly recorded.

Condition:

The Town did not have controls in place to ensure that the amount paid to the City of Montpelier for their share of the wastewater treatment facility costs at year end are properly recorded. The Town has an agreement with the City to contribute to the annual operating costs of the wastewater treatment facility. During the year, the Town pays monthly estimates which are trued-up after year end. The Town had not recorded the amount overpaid to the City of Montpelier based on the true-up of the previous year's activity or for the current fiscal year.

Cause:

Unknown.

Response to Schedule of Findings and Deficiencies in Internal Control, June 30, 2022

Recommendation:

We recommend that the Town implement controls to ensure that the amount paid to the City of Montpelier for their share of the wastewater treatment facility costs at year end is properly recorded.

Answer: The Town will request a True-Up report from the City of Montpelier prior to year end and make the necessary entry to balance the report to the Sewer Fund.

Significant Deficiencies: 2022-06 Interfund Loan

Criteria:

Internal controls should be in place to ensure that all interfund loans are accurately recorded on the balance sheet of the funds in order to conform with generally accepted accounting principles.

Condition:

The Town treated the payments made on an interfund loan as transfers rather than a reduction of interfund balances.

Cause:

Unknown.

Effect:

An adjustment was required to remove the transfers in and out and correct the interfund balances.

Recommendation:

We recommend that the Town implement controls to ensure that interfund loans are accurately recorded on the balance sheet of the funds in order to conform with generally accepted accounting principles.

Answer: The Town will implement a control to ensure interfund loans are properly recorded.