

TOWN OF BERLIN, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018



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**TOWN OF BERLIN, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Selectmen
Town of Berlin, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Honorable Board of Selectmen
Town of Berlin, Massachusetts

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Massachusetts, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 11) and general fund budgetary comparison and certain pension information (located on pages 45 through 49) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the Town of Berlin, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berlin, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
March 5, 2019

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As management of the Town of Berlin, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,424,696 (net position).
- The Town's total net position decreased by \$306,222 during the fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,844,286, or 14% of total general fund revenues and transfers in.
- The Town's total long-term debt increased by \$3,625,477 during the fiscal year; the Town issued \$3,800,000 of new long-term debt.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, repayment of long-term debt, etc.).

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The government-wide financial statements present functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest).

The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Fiduciary funds

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, conservation (special revenue), highway barn (capital projects), and firetruck (capital projects) funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 14 - 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for the government-wide financial statements.

The fiduciary funds provide separate information for the Town's agency funds. Agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the caption "agency funds".

The basic fiduciary fund financial statement can be found on page 18 of this report.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Notes to the Basic Financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 44 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be found on pages 45 - 49 of this report.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,424,696 at the close of the fiscal year and are summarized as follows:

| | Governmental Activities | |
|--|--------------------------------|----------------------|
| | <u>2018</u> | <u>2017</u> |
| Assets | | |
| Current assets | \$ 6,939,352 | \$ 10,934,412 |
| Noncurrent assets (excluding capital assets) | 1,239,886 | 1,295,337 |
| Capital assets (net) | <u>23,693,737</u> | <u>19,404,387</u> |
| Total assets | <u>31,872,975</u> | <u>31,634,136</u> |
| Deferred Outflows of Resources | <u>1,231,940</u> | <u>1,266,254</u> |
| Liabilities | | |
| Current liabilities (excluding debt) | 1,125,413 | 1,010,837 |
| Noncurrent liabilities (excluding debt) | 6,763,323 | 6,417,586 |
| Current debt | 764,665 | 4,550,590 |
| Noncurrent debt | <u>3,815,936</u> | <u>190,459</u> |
| Total liabilities | <u>12,469,337</u> | <u>12,169,472</u> |
| Deferred Inflows of Resources | <u>210,882</u> | <u>-</u> |
| Net Position | | |
| Net investment in capital assets | 19,361,370 | 17,791,567 |
| Restricted | 3,268,483 | 3,725,884 |
| Unrestricted | <u>(2,205,157)</u> | <u>(786,533)</u> |
| Total net position | <u>\$ 20,424,696</u> | <u>\$ 20,730,918</u> |

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The largest portion of the Town's net position reflects its net investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of the net pension liability.

Changes in Net Position

The Town's total net position decreased by \$306,222 during the current fiscal year and is summarized as follows:

| | Governmental Activities | |
|--|--------------------------------|-------------------|
| | 2018 | 2017 |
| Revenues | | |
| <i>Program Revenues:</i> | | |
| Charges for services | \$ 799,244 | \$ 698,798 |
| Operating grants and contributions | 2,412,268 | 2,131,725 |
| Capital grants and contributions | 227,800 | 193,256 |
| <i>General Revenues:</i> | | |
| Real estate and personal property taxes | 9,929,759 | 10,588,017 |
| Motor vehicle and other excise taxes | 518,501 | 518,344 |
| Hotel/motel taxes | 51,784 | 56,942 |
| Penalties and interest on taxes | 30,225 | 54,791 |
| Payments in lieu of taxes | 67,522 | 67,522 |
| Grants and contributions not restricted to specific programs | 220,850 | 193,850 |
| Unrestricted investment income | 26,828 | 21,274 |
| | 14,284,781 | 14,524,519 |
| Total revenues | | |
| Expenses | | |
| General government | 1,348,699 | 1,279,953 |
| Public safety | 3,052,589 | 2,928,370 |
| Education | 8,419,075 | 8,271,637 |
| Public works | 1,407,586 | 1,286,186 |
| Health and human services | 104,851 | 99,572 |
| Culture and recreation | 208,484 | 286,674 |
| Debt service - interest | 49,719 | 24,900 |
| | 14,591,003 | 14,177,292 |
| Total expenses | | |
| Change in net position | (306,222) | 347,227 |
| Net position - beginning of year | 20,730,918 | 20,383,691 |
| Net position - end of year | \$ 20,424,696 | \$ 20,730,918 |

Governmental activities decreased the Town's net position by \$306,222. In the prior year, governmental activities increased the Town's net position by \$347,227. The key element of the change related primarily to the decrease in the General Fund's budgetary surplus of approximately \$600,000.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Fund Financial Statement Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$4,795,392, a decrease of \$421,724 in comparison with the prior year. \$1,146,745 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$209,324)
- Restricted (\$2,610,038)
- Committed (\$673,685)
- Assigned (\$155,600)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$1,844,286, while total fund balance was \$2,675,253. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and transfers in. Unassigned fund balance represents 14% of total general fund revenues and transfers in, while total fund balance represents 21% of that same amount.

The fund balance of the Town's general fund decreased by \$801,635 during fiscal year 2018. The Town anticipated utilizing approximately \$1,838,000 of reserves to fund the budget; however, the Town ultimately recognized a budgetary surplus of approximately \$450,000.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the conservation fund (special revenue) decreased by \$513,449 during the current fiscal year. The fund recognized \$427,809 of departmental and other revenues and \$3,138 of investment income. The fund incurred expenditures of \$944,396.

The fund balance of the highway barn fund (capital projects) increased by \$1,297,993 during the current fiscal year. The fund received \$3,800,000 of proceeds of bonds and notes and incurred \$2,502,007 of expenditures.

The fund balance of the firetruck fund (capital projects) decreased by \$316,466 during the current fiscal year. The fund received \$112,000 of transfers in and incurred \$428,466 of expenditures.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

General Fund Budgetary Highlights

The original general fund budget of \$13,013,673 was increased by \$141,486 (1.1%) during the fiscal year. The following table summarizes the increase:

| Purpose of Increase | Amount | Funding Source |
|---------------------|-------------------|-----------------|
| Public buildings | \$ 125,000 | Available Funds |
| Unpaid bills | <u>16,486</u> | Available Funds |
| Total increase | <u>\$ 141,486</u> | |

During the year, general fund revenues and other financing sources were less than budgetary estimates, and expenditures, encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive overall budget to actual variance of approximately \$450,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities at the end of the fiscal year totaled \$23,693,737 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery, vehicles and equipment, infrastructure, and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled \$4,289,350 (22.1%).

Major capital asset events that occurred during the current fiscal year include the following:

- Conservation land purchases (\$430,000)
- Highway barn construction in progress (\$2,442,000)
- Public safety vehicles and equipment (\$1,050,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

| | Governmental Activities | |
|------------------------------------|--------------------------------|----------------------|
| | 2018 | 2017 |
| Land | \$ 5,225,208 | \$ 4,795,208 |
| Land improvements | 35,750 | 40,870 |
| Buildings and improvements | 7,080,772 | 7,111,831 |
| Machinery, vehicles, and equipment | 1,995,588 | 1,082,922 |
| Infrastructure | 4,488,237 | 4,194,701 |
| Construction in progress | <u>4,868,182</u> | <u>2,178,855</u> |
| Total capital assets | <u>\$ 23,693,737</u> | <u>\$ 19,404,387</u> |

Additional information on the Town's capital assets can be found in Note 5 of this report.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Long-Term Debt

At the end of the current fiscal year, total long-term debt outstanding was \$3,990,459, which is backed by the full faith and credit of the Town, and is summarized as follows:

| | <i>Governmental Activities</i> | |
|--------------------------|--------------------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| General obligation bonds | \$ 3,965,000 | \$ 330,000 |
| MCWT notes | <u>25,459</u> | <u>34,982</u> |
| Total bonds and notes | <u>\$ 3,990,459</u> | <u>\$ 364,982</u> |

The Town's total long-term debt increased by \$3,625,477 during the current fiscal year, with \$3,800,000 of new debt issued in the fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Finance Committee is recommending a total budget of \$13,026,080 which increases town spending by 5.4%. However, between increased taxes from new growth, plus several small increases in non-tax revenues, this budget represents a net 2.5% increase in total property tax revenue from existing tax payers.

Budget requests this year asked for over \$840k increases in spending. While all these requests had reasonable rationale behind them, the finance committee felt that the town could not afford such an increase. We were limited in what changes we could make as most of the increase came from contracted salary increases already agreed to by the Selectmen, increased debt payment on Tahanto construction, increases in health insurance and pension costs (which now account for over 10% the total budget), and an increased Assabet assessment due to more students now going there.

Notable Changes in FY19 Recommended Budget

Selectmen Expenses – We are allowing a one-time increase for employee search expenses related to hiring a new fire chief and treasurer/tax collector.

Data Systems Expenses – Data systems budget now includes phone costs, so while there is an increase here, the telephone lines later in the budget is reduced to zero.

Public Building Wages and Expenses – The wage line include six months to cover the manager for 1870 town hall, with the belief that by end of the calendar year the building is earning enough funds to pay for the position for the rest of the year. Building expenses are to recognize the added repair costs we are seeing on town buildings.

Fire/Rescue – As the town continues to move away from on-call to a fully staffed department, we are recommending an increase in Fire/Rescue budget of \$120,000. This will allow the department to increase the number of hours per week that are covered by paid staff.

Building Inspector Expenses – Includes the new ongoing costs of inspections software, which the finance committee has asked the Selectmen to increase building permit fees accordingly, so these costs are not born by tax payers.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Council on Aging – The transportation services provided by Council on Aging has been wildly successful. So much that the coordination of hours/rides now requires some paid staff hours. These increases allow for that funding, and more ability for the Council on Aging to support seniors continue to live independently.

Recreation – For many years the Recreation committee has been able to raise enough funds on field rentals to pay for all costs, but with fees down and maintenance costs higher, they now need more public funds to continue to provide a wide variety of recreation activities in this town.

Capital Planning and Notable Warrant Articles

This was the initial year for the Berlin Capital Planning Committee (CPC) of which one member is also a member to the Finance Committee. CPC collected the capital requests and summarized them, listing by Departments and Committees. Certain capital items were moved to future years as part of an initial five-year plan. The resulting FY 19 capital items were placed on the warrant.

We are recommending approval of all the capital spending articles except these two:

22 -Replacement Pumper Fire Truck – We feel it is too soon for this, we would like more years between purchases of expensive trucks and we just took ownership of a new truck recently.

23 – New UTV w/Trailer – We feel there are still grants to get this at a much lower cost, and in a year where we have so many requests, this is just not a current priority.

41 – Community Preservation Act – The Finance Committee asks that the Annual Town Meeting vote to place the Community Preservation Act (CPA) on the ballot in November 2018. CPA allows the town to place a 1-3% surcharge on residential and commercial property tax bills and to apply those funds toward open space preservation, historic preservation, the creation of affordable housing, and outdoor recreation. The state provides matching funds any town or city that raises money via CPA. Any rate lower than 3% receives a single round of matching money that amounts to about 25%. Fincom is recommending a 3% rate as that will maximize the state's contribution up to a 33-50% range. A 3% surcharge would cost an average Berlin homeowner \$12 per month. With matching funds, it would raise about \$300,000 per year for the purposes outlined above in the town.

Fincom proposes to make the first \$100,000 in value of residential homes and commercial properties exempt from the surcharge, and any homeowner eligible for state-subsidized senior housing or low-income housing would be totally exempt. This is a way for the town to create a savings account rather than using a credit card for projects involving open space, historic preservation, affordable housing, and recreation. CPA funds cannot be used without prior approval from voters at Town Meeting. The Finance Committee recommends this approach as a fiscally prudent, long-term strategy for the town to fund projects in the four areas mentioned.

Summary

Berlin is still in sound financial shape. While towns around us are needing Prop 2½ overrides to pay for schools and basic expense, Berlin could spend a little over \$1,000,000 more before needing an override. Finance Committee had recommended warrant articles to do an override where the citizens lower the cap on how much taxes the town can take without needing an override. Unfortunately, the selectmen have removed that from the warrant articles.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 23 Linden Street, Berlin, Massachusetts, 01503.

**TOWN OF BERLIN, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2018**

| | Primary Government |
|--|----------------------------|
| ASSETS | Governmental Activities |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 3,291,969 |
| Restricted Cash and Cash Equivalents | 3,082,559 |
| Receivables, Net of Allowance for Uncollectible Amounts: | |
| Real Estate and Personal Property Taxes | 170,405 |
| Tax Liens | 127,522 |
| Motor Vehicle and Other Excise Taxes | 51,680 |
| Departmental and Other | 145,621 |
| Mall Mitigation | 50,000 |
| Intergovernmental | 11,930 |
| Loans | 7,666 |
| | 6,939,352 |
| Total Current Assets | |
| Noncurrent Assets: | |
| Receivables, Net of Allowance for Uncollectible Amounts: | |
| Real Estate Tax Deferrals | 90,225 |
| Mall Mitigation | 341,667 |
| Loans | 25,520 |
| Tax Foreclosures | 782,474 |
| Capital Assets not being Depreciated | 10,093,390 |
| Capital Assets, Net of Accumulated Depreciation | 13,600,347 |
| | 24,933,623 |
| Total Noncurrent Assets | |
| Total Assets | 31,872,975 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to Pension | 1,231,940 |
| LIABILITIES | |
| Current Liabilities: | |
| Warrants Payable | 595,106 |
| Accrued Payroll | 294,508 |
| Tax Refunds Payable | 181,019 |
| Other Liabilities | 54,780 |
| Short-Term Notes Payable | 590,142 |
| Long-Term Bonds and Notes Payable | 174,523 |
| | 1,890,078 |
| Total Current Liabilities | |
| Noncurrent Liabilities: | |
| Long-Term Bonds and Notes Payable | 3,815,936 |
| Net Pension Liability | 6,763,323 |
| | 10,579,259 |
| Total Noncurrent Liabilities | |
| Total Liabilities | 12,469,337 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to Pension | 210,882 |
| NET POSITION | |
| Net Investment in Capital Assets | 19,361,370 |
| Restricted for: | |
| Loans | 33,186 |
| Debt Service | 1,682 |
| Conservation | 507,167 |
| Permanent Funds: | |
| Expendable | 39,955 |
| Nonexpendable | 209,324 |
| Other Specific Purposes | 2,477,169 |
| Unrestricted | (2,205,157) |
| | 20,424,696 |
| Total Net Position | \$ 20,424,696 |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| Functions/Programs | Program Revenues | | | | |
|-----------------------------------|-------------------------|--|--|------------------------------|-----------------|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense)/ Revenue | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 1,348,699 | \$ 159,829 | \$ 63,605 | \$ 217,800 | \$ (907,465) |
| Public Safety | 3,052,589 | 447,572 | 465,800 | - | (2,139,217) |
| Education | 8,419,075 | 78,088 | 1,391,848 | 10,000 | (6,939,139) |
| Public Works | 1,407,586 | 112,322 | 3,771 | - | (1,291,493) |
| Health and Human Services | 104,851 | 875 | 52,485 | - | (51,491) |
| Culture and Recreation | 208,484 | 558 | 434,759 | - | 226,833 |
| Debt Service-Interest | 49,719 | - | - | - | (49,719) |
| Total Governmental Activities | \$ 14,591,003 | \$ 799,244 | \$ 2,412,268 | \$ 227,800 | \$ (11,151,691) |
| GENERAL REVENUES: | | | | | |
| | | | | \$ 9,929,759 | |
| | | | | 518,501 | |
| | | | | 51,784 | |
| | | | | 30,225 | |
| | | | | 67,522 | |
| | | | | 220,850 | |
| | | | | 26,828 | |
| Total General Revenues | | | | 10,845,469 | |
| CHANGE IN NET POSITION | | | | | (306,222) |
| Net Position - Beginning of Year | | | | | 20,730,918 |
| NET POSITION - END OF YEAR | | | | | \$ 20,424,696 |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

| ASSETS | <u>General</u> | <u>Conservation</u> | <u>Highway Barn</u> | <u>Firetruck</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------|---------------------|------------------|--|---|
| Cash and Cash Equivalents | \$ 3,291,969 | \$ - | \$ - | \$ - | \$ - | \$ 3,291,969 |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | | | | |
| Real Estate and Personal Property Taxes | 170,405 | - | - | - | - | 170,405 |
| Real Estate Tax Deferrals | 90,225 | - | - | - | - | 90,225 |
| Tax Liens | 127,522 | - | - | - | - | 127,522 |
| Motor Vehicle and Other Excise Taxes | 51,680 | - | - | - | - | 51,680 |
| Departmental and Other | 22,488 | - | - | - | 123,133 | 145,621 |
| Mall Mitigation | - | 391,667 | - | - | - | 391,667 |
| Intergovernmental | - | - | - | - | 11,930 | 11,930 |
| Loans | - | - | - | - | 33,186 | 33,186 |
| Due from Other Funds | 218,908 | - | - | - | - | 218,908 |
| Tax Foreclosures | 782,474 | - | - | - | - | 782,474 |
| Restricted Assets: | | | | | | |
| Cash and Cash Equivalents | 1,682 | 115,500 | 217,599 | - | 2,747,778 | 3,082,559 |
| Total Assets | <u>\$ 4,757,353</u> | <u>\$ 507,167</u> | <u>\$ 217,599</u> | <u>\$ -</u> | <u>\$ 2,916,027</u> | <u>\$ 8,398,146</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Warrants Payable | \$ 428,140 | \$ - | \$ 159,959 | \$ - | \$ 7,007 | \$ 595,106 |
| Accrued Payroll | 265,070 | - | - | - | 29,438 | 294,508 |
| Tax Refunds Payable | 181,019 | - | - | - | - | 181,019 |
| Other Liabilities | 54,380 | - | - | - | 400 | 54,780 |
| Due to Other Funds | - | - | - | - | 218,908 | 218,908 |
| Short-Term Notes Payable | - | - | - | 464,067 | 126,075 | 590,142 |
| Total Liabilities | <u>928,609</u> | <u>-</u> | <u>159,959</u> | <u>464,067</u> | <u>381,828</u> | <u>1,934,463</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue | 1,153,491 | 391,667 | - | - | 123,133 | 1,668,291 |
| FUND BALANCES | | | | | | |
| Nonspendable | - | - | - | - | 209,324 | 209,324 |
| Restricted | 1,682 | 115,500 | 57,640 | - | 2,435,216 | 2,610,038 |
| Committed | 673,685 | - | - | - | - | 673,685 |
| Assigned | 155,600 | - | - | - | - | 155,600 |
| Unassigned | 1,844,286 | - | - | (464,067) | (233,474) | 1,146,745 |
| Total Fund Balances | <u>2,675,253</u> | <u>115,500</u> | <u>57,640</u> | <u>(464,067)</u> | <u>2,411,066</u> | <u>4,795,392</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 4,757,353</u> | <u>\$ 507,167</u> | <u>\$ 217,599</u> | <u>\$ -</u> | <u>\$ 2,916,027</u> | <u>\$ 8,398,146</u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2018**

| | General | Conservation | Highway Barn | Firetruck | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|--------------------|---------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Real Estate and Personal Property Taxes | \$ 9,845,529 | \$ - | \$ - | \$ - | \$ - | \$ 9,845,529 |
| Motor Vehicle and Other Excise Taxes | 536,912 | - | - | - | - | 536,912 |
| Hotel/Motel Tax | 51,784 | - | - | - | - | 51,784 |
| Tax Liens | 10,063 | - | - | - | - | 10,063 |
| Payments in Lieu of Taxes | 67,522 | - | - | - | - | 67,522 |
| Charges for Services | - | - | - | - | 262,299 | 262,299 |
| Intergovernmental | 1,357,184 | - | - | - | 623,209 | 1,980,393 |
| Penalties and Interest on Taxes | 30,225 | - | - | - | - | 30,225 |
| Licenses and Permits | 151,117 | - | - | - | 82,363 | 233,480 |
| Fines and Forfeitures | 38,903 | - | - | - | - | 38,903 |
| Departmental and Other | 151,937 | 427,809 | - | - | 531,628 | 1,111,374 |
| Contributions | - | - | - | - | 42,734 | 42,734 |
| Investment Income | 26,828 | 3,138 | - | - | 1,036 | 31,002 |
| Total Revenues | 12,268,004 | 430,947 | - | - | 1,543,269 | 14,242,220 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government | 1,381,577 | 944,396 | - | - | 255,148 | 2,581,121 |
| Public Safety | 2,251,657 | - | - | 428,466 | 82,899 | 2,763,022 |
| Education | 6,496,193 | - | - | - | 591,999 | 7,088,192 |
| Public Works | 697,174 | - | 2,502,007 | - | 88,811 | 3,287,992 |
| Health and Human Services | 47,814 | - | - | - | 7,878 | 55,692 |
| Culture and Recreation | 147,649 | - | - | - | 25,297 | 172,946 |
| Pension Benefits | 1,059,466 | - | - | - | - | 1,059,466 |
| Employee Benefits | 1,101,001 | - | - | - | - | 1,101,001 |
| Property and Liability Insurance | 86,528 | - | - | - | - | 86,528 |
| State and County Charges | 43,742 | - | - | - | - | 43,742 |
| Debt Service: | | | | | | |
| Principal | 174,523 | - | - | - | - | 174,523 |
| Interest | 49,719 | - | - | - | - | 49,719 |
| Total Expenditures | 13,537,043 | 944,396 | 2,502,007 | 428,466 | 1,052,032 | 18,463,944 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,269,039) | (513,449) | (2,502,007) | (428,466) | 491,237 | (4,221,724) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds of Bonds and Notes | - | - | 3,800,000 | - | - | 3,800,000 |
| Transfers In | 579,404 | - | - | 112,000 | 184,275 | 875,679 |
| Transfer Out | (112,000) | - | - | - | (763,679) | (875,679) |
| Total Other Financing Sources (Uses) | 467,404 | - | 3,800,000 | 112,000 | (579,404) | 3,800,000 |
| NET CHANGE IN FUND BALANCES | (801,635) | (513,449) | 1,297,993 | (316,466) | (88,167) | (421,724) |
| Fund Balances - Beginning of Year | 3,476,888 | 628,949 | (1,240,353) | (147,601) | 2,499,233 | 5,217,116 |
| FUND BALANCES - END OF YEAR | \$ 2,675,253 | \$ 115,500 | \$ 57,640 | \$ (464,067) | \$ 2,411,066 | \$ 4,795,392 |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND
BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

| | | |
|---|----|--------------------------|
| Total Governmental Fund Balances | \$ | 4,795,392 |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds | | 23,693,737 |
| Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds | | 1,668,291 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| Bonds and Notes Payable | | (3,990,459) |
| Net Pension Liability | | (6,763,323) |
| In the statement of net position, deferred outflows of resources are reported for amounts related to pensions | | 1,231,940 |
| In the statement of net position, deferred inflows of resources are reported for amounts related to pensions | | <u>(210,882)</u> |
| Net Position of Governmental Activities | \$ | <u><u>20,424,696</u></u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| | | |
|--|----|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (421,724) |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p> | | |
| Capital Outlays | | 5,217,451 |
| Depreciation | | (919,984) |
| <p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed</p> | | |
| | | (8,117) |
| <p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p> | | |
| | | 42,562 |
| <p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount represents the related activity of the current period:</p> | | |
| Proceeds of Bonds | | (3,800,000) |
| Bond Maturities | | 174,523 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. This amount represents the net change:</p> | | |
| Net Pension Liability | | (345,737) |
| <p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p> | | |
| | | (34,314) |
| <p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.</p> | | |
| | | <u>(210,882)</u> |
| Changes in Net Position of Governmental Activities | \$ | <u><u>(306,222)</u></u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018**

| ASSETS | <u>Agency Funds</u> |
|--|-------------------------|
| Cash and Cash Equivalents | \$ 62,392 |
| Receivables, Net of Allowance for Uncollectible Amounts: | |
| Departmental and Other | <u>24,494</u> |
| Total Assets | <u><u>\$ 86,886</u></u> |
| | |
| LIABILITIES | |
| Warrants Payable | 450 |
| Accrued Payroll | 8,642 |
| Other Liabilities | 24,494 |
| Liabilities Due Depositors | <u>53,300</u> |
| Total Liabilities | <u><u>\$ 86,886</u></u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Berlin, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in two joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the Town's joint ventures and related information:

| <u>Name</u> | <u>Purpose</u> | <u>Address</u> | <u>Fiscal Year 2018 Assessment</u> |
|--|--|---|--|
| Tahanto Regional Middle/High School | To provide educational services/capital funding | 215 Main Street Boylston, MA 01505 | \$ 3,119,438 |
| Assabet Valley Vocational Regional School District | To provide vocational educational services | 215 Fitchburg Street Marlborough, MA 01752 | 362,196 |
| Nashoba Valley Regional Dispatch District | To provide public safety dispatch services | 270 Barnum Road P.O. Box 2171 Devens, MA 01434 | 150,265 |

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Joint Venture (Continued)

The Tahanto Regional Middle/High School is governed by a six-member school committee consisting of three elected representatives from the Town. The Town is indirectly liable for the Tahanto Regional Middle/High School's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer at the address identified above.

The Assabet Valley Vocational Regional School District is governed by an eight-member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the Assabet Valley Vocational Regional School District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the address identified above.

The Nashoba Valley Regional Dispatch District is governed by an eight-member board consisting of one elected representative from the Town. The Town is indirectly liable for the Nashoba Valley Regional Dispatch District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Executive Director at the address identified above.

C. Implementation of New Accounting Principles

For the year ending June 30, 2018, the Town of Berlin implemented the following pronouncements issued by the GASB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The implementation of these GASB pronouncements had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement activities) report information on all non-fiduciary activities of the primary government.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting, and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment
- Grants and other contributions that are restricted to meeting the capital requirements of a specific function or segment

Taxes and other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The following major governmental funds are reported:

- The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.
- The *conservation fund* is a special revenue fund used to account for the accumulation of resources that can be used for open space acquisition and preservation purposes.
- The *highway barn fund* is a capital projects fund used to account for the expenditures related to the construction of a town highway building.
- The *firetruck fund* is a capital projects fund used to account for the expenditures related to the purchase of a firetruck.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

- *Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- *Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
- *Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

Fiduciary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund type is reported:

- The *agency funds* are used to account for assets held in a custodial capacity. Such assets primarily consist of performance bonds and police detail activity. Agency funds do not present the results of operations or have a measurement focus.

F. Deposits and Investments

Government-Wide and Fund Financial Statements

Cash is considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at amortized cost.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on November 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed approximately six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Departmental and Other

Departmental and other receivables consist primarily of ambulance, property damage and police detail charges and are recorded as receivables in the fiscal year accrued.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

Mall Mitigation

In conjunction with the development of the Solomon Pond Mall, the Town entered into an agreement with the Developer to receive annual payments for the purpose of mitigating traffic, environmental, public safety, growth management and other impacts arising from the development of the Mall.

Loans

The Town administers various loan programs to residents that provide assistance to comply with Title V (related to septic systems) requirements. Loans are recorded as receivables upon issuance.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle excise taxes
- Departmental and other

As of June 30, 2018, the allowance for uncollectible amounts for personal property and motor vehicle excise tax receivables are immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- Loans

Intergovernmental and Mall Mitigation receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories consist of supplies and small equipment and are not material in total to the government-wide and fund financial statements and therefore are not reported.

J. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

K. Capital Assets

Government-Wide Financial Statements

Capital assets, which consist of land, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure (e.g., roads and similar items), are reported in the governmental activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

All individual purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Government-Wide Financial Statements (Continued)

Depreciable capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

| Capital Asset Type | Estimated Useful Life (in years) |
|-----------------------------------|---|
| Land improvements | 20 |
| Buildings and improvements | 7 - 40 |
| Machinery, vehicles and equipment | 5 - 20 |
| Infrastructure | 20 - 50 |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Funds Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

L. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between funds.

Government-Wide Financial Statements

Transfers between governmental funds are eliminated from the governmental activities in the statement of activities.

Fund Financial Statements

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows 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 statement 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/expenditure) until that time.

The government has deferred outflows of resources related to pensions which are reported in the government-wide financial statement of net position.

O. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports 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.

The government has unavailable revenue that is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

The government has deferred inflows of resources related to pensions which are reported in the government-wide financial statement of net position.

P. Net position and Fund Balances

Government-Wide Financial Statements (Net Position)

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and/or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net position has been "restricted" for the following:

"Loans" represents outstanding septic loans receivable; of which proceeds are to be used to service outstanding Title V septic loans due to the Massachusetts Clean Water Trust.

"Debt service" represents amounts accumulated from the issuance of refunding bonds for future payment of long-term debt service costs associated with Town Hall renovations.

"Conservation" represents amounts accumulated for open space resource purposes.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances) (Continued)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded through actions approved by Town Meeting.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Q. Long-Term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. No unamortized bond premiums or discounts are reported at June 30, 2018.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Permanent fund investment income is allocated based on individual trust fund agreements.

S. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred. At June 30, 2018, the liability for accrued vacation and sick pay was not material to the basic financial statements and therefore is not reported.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (WRRS) and Massachusetts Teachers' Retirement System (MTRS) and additions to/deductions from WRRS's and MTRS's fiduciary net position have been determined on the same basis as they are reported by WRRS and MTRS. 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.

U. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

V. Total Column

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority approval via Special Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the legal level of control (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2018 approved budget for the general fund authorized \$13,013,673 in appropriations and other amounts to be raised. During fiscal year 2018, supplemental appropriations totaling \$141,486 were authorized.

The Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The budgetary comparison schedule presented in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results and encumbrances and continuing appropriations carried forward to the ensuing fiscal year. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

B. Fund Deficits

At June 30, 2018, the following temporary fund deficits exist:

| Fund | Amount | Funding Source |
|-------------------------------|------------|----------------------------|
| Firetruck | \$ 464,067 | Issuance of Long-Term Debt |
| Saphire School Grant - Boiler | 230,613 | State Grant |
| Federal Fire Grant | 2,000 | Federal Grant |
| Teacher Quality Grant | 861 | Federal Grant |
| | \$ 697,541 | |

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, expenditures exceeded appropriations for state and county charges.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States Government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer’s investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the amortized cost of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments.

A. Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits may not be recovered. The Town’s policy is to rely on FDIC and DIF insurance coverage. As of June 30, 2018, \$1,454,398 of the Town’s bank deposits totaling \$5,829,333 were exposed to custodial credit risk.

B. Investments Summary

The Town’s investments at June 30, 2018, reported as cash and cash equivalents, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

| Investment Type | Total Amount | Investment Maturities (Years) <u>Less</u> <u>Than 1</u> |
|---------------------------|-----------------|---|
| <u>Debt Securities:</u> | | |
| Money market mutual funds | \$ 1,430,463 | \$ 1,430,463 |
| Repurchase agreements | 648,495 | 648,495 |
| External investment pools | 84,800 | 84,800 |
| Total debt securities | \$ 2,163,758 | \$ 2,163,758 |

C. Investment – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

D. Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s policy is to fully insure their investments. As of June 30, 2018, Town’s investments were not exposed to custodial credit risk.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

E. Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2018, the Town's investments were unrated by a national credit rating organization.

F. Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2018, the Town was not exposed to concentration of credit risk.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2018, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes | \$ 170,405 | \$ - | \$ 170,405 |
| Real estate tax deferrals | 90,225 | - | 90,225 |
| Tax liens | 127,522 | - | 127,522 |
| Motor vehicle and other excise taxes | 51,680 | - | 51,680 |
| Departmental and other | 358,064 | (187,949) | 170,115 |
| Mall mitigation | 391,667 | - | 391,667 |
| Intergovernmental | 11,930 | - | 11,930 |
| Loans | 33,186 | - | 33,186 |
| | <u>\$ 1,234,679</u> | <u>\$ (187,949)</u> | <u>\$ 1,046,730</u> |

Mall Mitigation

In conjunction with the development of the Solomon Pond Mall (Mall), the Town entered into an agreement (Agreement) with the Developer to receive annual payments for the purpose of mitigating traffic, as well as environmental, public safety, growth management and other impacts arising from the development of the Mall. During fiscal year 2018, \$50,000 of mitigation payments were received from the Developer per the terms of the Agreement. \$391,667 will be received in future fiscal years, and such payments relate solely to open space acquisition and preservation. Accordingly, a \$391,667 receivable and corresponding unavailable revenue have been reported in the governmental funds financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land | \$ 4,795,208 | \$ 430,000 | \$ - | \$ 5,225,208 |
| Construction in progress | <u>2,178,855</u> | <u>2,960,861</u> | <u>(271,534)</u> | <u>4,868,182</u> |
| Total capital assets not being depreciated | <u>6,974,063</u> | <u>3,390,861</u> | <u>(271,534)</u> | <u>10,093,390</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements | 104,907 | - | - | 104,907 |
| Buildings and improvements | 12,984,834 | 362,670 | - | 13,347,504 |
| Machinery, vehicles and equipment | 3,498,734 | 1,179,624 | (161,761) | 4,516,597 |
| Infrastructure | <u>5,418,585</u> | <u>555,830</u> | <u>-</u> | <u>5,974,415</u> |
| Total capital assets being depreciated | <u>22,007,060</u> | <u>2,098,124</u> | <u>(161,761)</u> | <u>23,943,423</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements | (64,037) | (5,120) | - | (69,157) |
| Buildings and improvements | (5,873,003) | (393,729) | - | (6,266,732) |
| Machinery, vehicles and equipment | (2,415,812) | (258,841) | 153,644 | (2,521,009) |
| Infrastructure | <u>(1,223,884)</u> | <u>(262,294)</u> | <u>-</u> | <u>(1,486,178)</u> |
| Total accumulated depreciation | <u>(9,576,736)</u> | <u>(919,984)</u> | <u>153,644</u> | <u>(10,343,076)</u> |
| Total capital assets being depreciated, net | <u>12,430,324</u> | <u>1,178,140</u> | <u>(8,117)</u> | <u>13,600,347</u> |
| Total governmental activities capital assets, net | <u>\$ 19,404,387</u> | <u>\$ 4,569,001</u> | <u>\$ (279,651)</u> | <u>\$ 23,693,737</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|-------------------|
| Governmental Activities: | |
| General government | \$ 86,431 |
| Public safety | 240,163 |
| Education | 236,572 |
| Public works | 346,962 |
| Health and human services | 5,179 |
| Culture and recreation | <u>4,677</u> |
| Total depreciation expense - governmental activities | <u>\$ 919,984</u> |

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2018, are summarized as follows:

| Transfers Out: | Transfers In: | | | |
|-----------------------------|-------------------|-------------------|-------------------|--------------------|
| | General Fund | Nonmajor Funds | Firetruck Fund | Total |
| General Fund | \$ - | \$ - | \$ 112,000 | \$ 112,000 (1) |
| Nonmajor Governmental Funds | <u>579,404</u> | <u>184,275</u> | <u>-</u> | <u>763,679 (2)</u> |
| | <u>\$ 579,404</u> | <u>\$ 184,275</u> | <u>\$ 112,000</u> | <u>\$ 875,679</u> |

- (1) Represents budgeted transfer from the general fund to the firetruck fund for a BAN paydown.
(2) Represents budgeted transfers from various special revenue funds to the general fund (\$566,073) as well as unbudgeted transfers from various special revenue funds to the general fund (\$13,331). Also represents a transfer from the Special Revenue Revolving Fund to the Special Revenue Receipts Reserved for Appropriation Fund (\$184,275).

NOTE 7 SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2018 is as follows:

Bonds and Notes Payable – Governmental Funds

| Type | Description | Origination Date | Maturity Date | Interest Rate | Balance at 6/30/2017 | Increases | Decreases | Balance at 6/30/2018 |
|-------|---------------------|------------------|---------------|---------------|----------------------|---------------------|-----------------------|----------------------|
| BAN | Highway Barn | 11/01/16 | 11/01/17 | 0.89% | \$ 2,000,000 | \$ - | \$ (2,000,000) | \$ - |
| BAN | Fire truck | 11/01/16 | 11/01/17 | 0.89% | 576,067 | - | (576,067) | - |
| BAN | Highway Barn | 05/15/17 | 11/01/17 | 1.24% | 1,800,000 | - | (1,800,000) | - |
| BAN | Highway Barn | 11/01/17 | 11/01/18 | 1.23% | - | 3,800,000 | (3,800,000) | - |
| BAN | Firetruck | 11/01/17 | 11/01/18 | 1.23% | - | 464,067 | - | 464,067 |
| GAN | Oberg Land Purchase | 06/01/18 | 08/01/18 | 2.00% | - | 126,075 | - | 126,075 |
| Total | | | | | <u>\$ 4,376,067</u> | <u>\$ 4,390,142</u> | <u>\$ (8,176,067)</u> | <u>\$ 590,142</u> |

Subsequent Events

On August 1, 2018, the Town repaid \$126,075 of GAN's.

On November 1, 2018, the Town repaid \$117,000 of firetruck BAN's and renewed \$347,067 of the BAN's with an interest rate of 2.60% and a maturity date of November 1, 2019.

On November 1, 2018, the Town issued \$3,800,000 of general obligation bonds which were used to retire BAN's outstanding at June 30, 2018. Accordingly, \$3,800,000 of BAN's have been reclassified to long-term debt at June 30, 2018.

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2018:

| | Balance June 30, 2017 | Increases | Decreases | Balance June 30, 2018 | Current Portion |
|---------------------------------|-----------------------|---------------------|---------------------|-----------------------|-------------------|
| Governmental Activities: | | | | | |
| Bonds and notes payable | <u>\$ 364,982</u> | <u>\$ 3,800,000</u> | <u>\$ (174,523)</u> | <u>\$ 3,990,459</u> | <u>\$ 174,523</u> |

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2018, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

| Project | Maturity Date | Interest Rate | Outstanding at June 30, 2017 | Issued | Redeemed | Outstanding at June 30, 2018 |
|------------------------------|---------------|---------------|------------------------------|----------------------------|----------------------------|------------------------------|
| MCWT - Title V Loan | 07/15/19 | 5.23% | \$ 22,254 | \$ - | \$ (7,418) | \$ 14,836 |
| MCWT - Title V Loan | 07/15/22 | 5.33% | 12,728 | - | (2,105) | 10,623 |
| General obligation refunding | 06/15/19 | 2.25-5.00% | 330,000 | - | (165,000) | 165,000 |
| Highway Barn | 10/15/38 | 3.00-5.00% | - | 3,800,000 | - | 3,800,000 |
| Total | | | <u>\$ 364,982</u> | <u>\$ 3,800,000</u> | <u>\$ (174,523)</u> | <u>\$ 3,990,459</u> |

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

| Fiscal Year | Principal | Interest | Total |
|--------------|----------------------------|----------------------------|----------------------------|
| 2019..... | \$ 174,523 | \$ 9,350 | \$ 183,873 |
| 2020..... | 199,523 | 203,341 | 402,864 |
| 2021..... | 192,105 | 128,040 | 320,145 |
| 2022..... | 192,154 | 118,435 | 310,589 |
| 2023..... | 192,154 | 108,830 | 300,984 |
| 2024..... | 190,000 | 101,176 | 291,176 |
| 2025..... | 190,000 | 95,476 | 285,476 |
| 2026..... | 190,000 | 89,775 | 279,775 |
| 2027..... | 190,000 | 84,074 | 274,074 |
| 2028..... | 190,000 | 78,375 | 268,375 |
| 2029..... | 190,000 | 72,675 | 262,675 |
| 2030..... | 190,000 | 66,856 | 256,856 |
| 2031..... | 190,000 | 60,919 | 250,919 |
| 2032..... | 190,000 | 54,625 | 244,625 |
| 2033..... | 190,000 | 47,975 | 237,975 |
| 2034..... | 190,000 | 41,325 | 231,325 |
| 2035..... | 190,000 | 34,200 | 224,200 |
| 2036..... | 190,000 | 26,600 | 216,600 |
| 2037..... | 190,000 | 19,000 | 209,000 |
| 2038..... | 190,000 | 11,400 | 201,400 |
| 2039..... | 190,000 | 3,800 | 193,800 |
| Total | <u>\$ 3,990,459</u> | <u>\$ 1,456,247</u> | <u>\$ 5,446,706</u> |

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. The amount of MCWT bonds outstanding at June 30, 2018, totaled \$25,459.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2018, the Town had no authorized and unissued debt.

NOTE 10 FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

| | General | Conservation | Highway Barn | Firetruck | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------|---------------------|-------------------|------------------|---------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | | | |
| Permanent fund principal | \$ - | \$ - | \$ - | \$ - | \$ 209,324 | \$ 209,324 |
| Restricted: | | | | | | |
| Debt service | 1,682 | - | - | - | - | 1,682 |
| Conservation | - | 115,500 | - | - | - | 115,500 |
| Loans | - | - | - | - | 33,186 | 33,186 |
| Affordable housing | - | - | - | - | 191,978 | 191,978 |
| Ambulance receipts reserved | - | - | - | - | 335,993 | 335,993 |
| School choice | - | - | - | - | 330,058 | 330,058 |
| General government | - | - | - | - | 495,569 | 495,569 |
| Public safety | - | - | - | - | 280,871 | 280,871 |
| Education | - | - | - | - | 326,718 | 326,718 |
| Public works | - | - | 57,640 | - | 32,508 | 90,148 |
| Health and human services | - | - | - | - | 154,431 | 154,431 |
| Culture and recreation | - | - | - | - | 246,372 | 246,372 |
| School lunch | - | - | - | - | 7,532 | 7,532 |
| Sub-total - Restricted | <u>1,682</u> | <u>115,500</u> | <u>57,640</u> | <u>-</u> | <u>2,435,216</u> | <u>2,610,038</u> |
| Committed: | | | | | | |
| Subsequent year's expenditures | 264,500 | - | - | - | - | 264,500 |
| Continuing appropriations | 409,185 | - | - | - | - | 409,185 |
| Sub-total - Committed | <u>673,685</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>673,685</u> |
| Assigned: | | | | | | |
| General government | 45,478 | - | - | - | - | 45,478 |
| Public safety | 9,839 | - | - | - | - | 9,839 |
| Education | 73,090 | - | - | - | - | 73,090 |
| Public works | 26,778 | - | - | - | - | 26,778 |
| Other | 415 | - | - | - | - | 415 |
| Sub-total - Assigned | <u>155,600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>155,600</u> |
| Unassigned | <u>1,844,286</u> | <u>-</u> | <u>-</u> | <u>(464,067)</u> | <u>(233,474)</u> | <u>1,146,745</u> |
| Total fund balances | <u>\$ 2,675,253</u> | <u>\$ 115,500</u> | <u>\$ 57,640</u> | <u>\$ (464,067)</u> | <u>\$ 2,411,066</u> | <u>\$ 4,795,392</u> |

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 STABILIZATION FUNDS

The Town maintains a general stabilization fund that was established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization fund require two-thirds vote of Town meeting. Investment income is retained by the fund.

The balance of the stabilization fund at June 30, 2018 totals \$982,373. This amount is reported as unassigned fund balance in the general fund.

NOTE 12 RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

NOTE 13 PENSION PLAN

General Information about the Pension Plan

Plan description. Employees of the Town deemed eligible by the Worcester Regional Retirement Board are provided with pensions through the WRRS - a cost-sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. Membership in the WRRS is mandatory immediately upon the commencement of employment for all permanent employees (except for school department employees who serve in a teaching capacity) working a minimum of 20 hours per week. The WRRS issues a publicly available financial report that can be obtained by contacting the WRRS located at 23 Midstate Drive, Suite 106, Auburn, Massachusetts, 01501.

Benefits provided. Benefit provisions and state law establishes contribution requirements of the System. Members of the System become vested after 10 years of creditable service. Normal retirement occurs at age 65 (age 67 if hired on or after April 2, 2012), except for certain public safety employees and other special situations.

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period. A member's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

For employees hired on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%. A member's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five years of creditable service prior to retirement.

Employees may elect early retirement after 20 years of service or at any time after attaining age 55 (age 60 if hired on or after April 2, 2012) with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of service and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

Under MGL, c.32 Section 3(8)(c), members leaving a member employer to work for other Massachusetts governmental units requires the System transfer their accumulated account balances and creditable service to the retirement system of their new employer. Other such retirement systems are in turn required to make comparable transfers to the System for employees coming to work at a member employer of the System. Per statute, the PERAC actuary shall consider length of service as well as acceptance of military service credit and salary cap provisions if applicable in calculating the liability.

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Active plan members contribute between 5 and 9% of their gross regular compensation. The contribution rate is based on the date plan membership commences. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Employees in Group 1 hired on or after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Employers are required to pay into the System its share of the system-wide actuarial determined contribution, in accordance with Chapter 32, Section 22D of MGL, apportioned among the employers based on annual employer normal cost and amortization payments to pay the unfunded actuarial accrued liability. Contributions to the pension plan from the Town were \$419,681 for the year ended June 30, 2018.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$6,763,323 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2017, the Town proportion was 0.829%; compared to a proportion of 0.766% as of December 31, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$1,010,615. At June 30, 2018, the Town reported deferred outflows of resources related to pensions due to net differences between expected and actual experience of \$44,992, assumption changes of \$644,525, and the change in allocated proportion of \$542,423; which totaled \$1,231,940 in the aggregate. For the year ended June 30, 2018, the Town reported deferred inflows of resources related to pensions due to the net difference between projected and actual investment earnings of \$210,882.

The amount reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | |
|----------------------------|---------------------|
| 2019 | \$ 291,073 |
| 2020 | 290,441 |
| 2021 | 290,439 |
| 2022 | 141,456 |
| 2023 | 7,649 |
| Total | <u>\$ 1,021,058</u> |

Actuarial assumptions. The total pension liability was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation rate: | 3.00% per year (3.5% per for the actuarial valuation as of January 1, 2014) |
| Salary increases | Group 1: 4.20-6.00%, based on service (3.00% for the actuarial valuation as of January 1, 2014) Group 4: 4.75%-7.00%, based on service (3.00% for the actuarial valuation as of January 1, 2014) |
| Mortality Rates: | Based on the RP-2000 Mortality Table (based on year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB. |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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 December 31, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|--------------------------|---|
| Global Equity | 40.00% | 4.91% |
| Fixed Income | 22.00% | 2.04% |
| Private Equity | 11.00% | 6.50% |
| Real Estate | 10.00% | 3.70% |
| Timber/Natural Resources | 4.00% | 3.25% |
| Hedge Funds | <u>13.00%</u> | 3.40% |
| Totals | <u>100.00%</u> | |

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| Town's Proportionate Share of the Net Pension Liability | \$ 8,243,034 | \$ 6,763,323 | \$ 5,513,695 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued WRRS financial report.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts of Massachusetts' (Commonwealth of Massachusetts) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth of Massachusetts's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

Benefits provided. MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Contributions. The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2018. The Commonwealth of Massachusetts's net pension liability associated with the Town was \$6,129,799.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The MTRS' net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$639,785 associated with MTRS and revenue of the same amount for support provided by the Commonwealth of Massachusetts.

Actuarial assumptions. The MTRS' total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

| | |
|---------------------------|--|
| Investment rate of return | 7.50% |
| Salary increases | Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service |
| Mortality Rates: | Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct) Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct) Disability - assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years |
| Other | 3.50% interest rate credited to the annuity savings fund 3.00% cost of living increase per year |

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return 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 rates of return by the target asset allocation percentage.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|------------------------------|---|
| Global Equity | 40.00% | 5.00% |
| Portfolio Completion Strategies | 13.00% | 3.60% |
| Core Fixed Income | 12.00% | 1.10% |
| Private Equity | 11.00% | 6.60% |
| Real Estate | 10.00% | 3.80% |
| Value Added Fixed Income | 10.00% | 3.60% |
| Timber/Natural Resources | 4.00% | 3.20% |
| Hedge Funds | 0.00% | 3.60% |
| Totals | <u>100.00%</u> | |

Discount rate. The discount rate used to measure the MTRS' total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Pension plan fiduciary net position. Detailed information about the MTRS' fiduciary net position is available in the Commonwealth of Massachusetts's audited financial statements.

NOTE 15 COMMITMENTS

The Town's significant commitments are the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$564,785 at June 30, 2018.

NOTE 16 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2018.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 CONTINGENCIES (CONTINUED)

The Town participates in a number of federal award programs. The programs are subject to financial and compliance audits. 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.

**TOWN OF BERLIN, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018**

| | Prior Year Encumbrances and Continuing Appropriations | Original Budget | Supplemental Appropriations and Transfers | Final Budget |
|--|--|---------------------|---|---------------------|
| REVENUES | | | | |
| Real Estate and Personal Property Taxes | \$ - | \$ 10,004,392 | \$ - | \$ 10,004,392 |
| Motor Vehicle and Other Excise Taxes | - | 552,475 | - | 552,475 |
| Hotel/Motel Tax | - | - | - | - |
| Tax Liens | - | - | - | - |
| Payments in Lieu of Taxes | - | 67,520 | - | 67,520 |
| Intergovernmental | - | 712,553 | - | 712,553 |
| Penalties and Interest on Taxes | - | 30,490 | - | 30,490 |
| Licenses and Permits | - | 245,715 | - | 245,715 |
| Fines and Forfeitures | - | 27,640 | - | 27,640 |
| Departmental and Other | - | 39,424 | - | 39,424 |
| Investment Income | - | 18,795 | - | 18,795 |
| Total Revenues | <u>-</u> | <u>11,699,004</u> | <u>-</u> | <u>11,699,004</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 603,191 | 1,188,414 | 84,158 | 1,875,763 |
| Public Safety | 33,194 | 2,042,337 | 50,585 | 2,126,116 |
| Education | 259,858 | 6,436,422 | - | 6,696,280 |
| Public Works | 14,737 | 848,970 | 1,355 | 865,062 |
| Health and Human Services | - | 62,520 | 415 | 62,935 |
| Culture and Recreation | 23,809 | 203,220 | - | 227,029 |
| Pension Benefits | - | 419,681 | - | 419,681 |
| Employee Benefits | 12,650 | 1,093,588 | 4,973 | 1,111,211 |
| Property and Liability Insurance | - | 87,501 | - | 87,501 |
| State and County Charges | - | 41,943 | - | 41,943 |
| Debt Service: | | | | |
| Principal | - | 174,523 | - | 174,523 |
| Interest | - | 52,554 | - | 52,554 |
| Total Expenditures | <u>947,439</u> | <u>12,651,673</u> | <u>141,486</u> | <u>13,740,598</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(947,439)</u> | <u>(952,669)</u> | <u>(141,486)</u> | <u>(2,041,594)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 566,073 | - | 566,073 |
| Transfers Out | - | (362,000) | - | (362,000) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>204,073</u> | <u>-</u> | <u>204,073</u> |
| NET CHANGE IN FUND BALANCE | (947,439) | (748,596) | (141,486) | (1,837,521) |
| Fund Balance - Beginning of Year | <u>2,867,359</u> | <u>2,867,359</u> | <u>2,867,359</u> | <u>2,867,359</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,919,920</u> | <u>\$ 2,118,763</u> | <u>\$ 2,725,873</u> | <u>\$ 1,029,838</u> |

See accompanying Notes to Required Supplementary Information.

**TOWN OF BERLIN, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2018**

| Actual | Current Year Encumbrances and Continuing Appropriations | Actual and Encumbrances and Continuing Appropriations | Variance Positive/ (Negative) |
|---------------------|--|--|-------------------------------------|
| \$ 9,816,243 | \$ - | \$ 9,816,243 | \$ (188,149) |
| 536,912 | - | 536,912 | (15,563) |
| 51,784 | - | 51,784 | 51,784 |
| 10,063 | - | 10,063 | 10,063 |
| 67,522 | - | 67,522 | 2 |
| 717,399 | - | 717,399 | 4,846 |
| 30,225 | - | 30,225 | (265) |
| 151,117 | - | 151,117 | (94,598) |
| 38,903 | - | 38,903 | 11,263 |
| 151,937 | - | 151,937 | 112,513 |
| 22,987 | - | 22,987 | 4,192 |
| <u>11,595,092</u> | <u>-</u> | <u>11,595,092</u> | <u>(103,912)</u> |
| 1,381,577 | 242,249 | 1,623,826 | 251,937 |
| 1,989,747 | 14,525 | 2,004,272 | 121,844 |
| 6,496,193 | 152,186 | 6,648,379 | 47,901 |
| 697,174 | 78,320 | 775,494 | 89,568 |
| 47,814 | 3,696 | 51,510 | 11,425 |
| 147,649 | 73,809 | 221,458 | 5,571 |
| 419,681 | - | 419,681 | - |
| 1,101,001 | - | 1,101,001 | 10,210 |
| 86,528 | - | 86,528 | 973 |
| 43,742 | - | 43,742 | (1,799) |
| 174,523 | - | 174,523 | - |
| 49,719 | - | 49,719 | 2,835 |
| <u>12,635,348</u> | <u>564,785</u> | <u>13,200,133</u> | <u>540,465</u> |
| <u>(1,040,256)</u> | <u>(564,785)</u> | <u>(1,605,041)</u> | <u>436,553</u> |
| 579,404 | - | 579,404 | 13,331 |
| (362,000) | - | (362,000) | - |
| <u>217,404</u> | <u>-</u> | <u>217,404</u> | <u>13,331</u> |
| (822,852) | (564,785) | (1,387,637) | 449,884 |
| <u>2,867,359</u> | <u>-</u> | <u>2,867,359</u> | <u>-</u> |
| <u>\$ 2,044,507</u> | <u>\$ (564,785)</u> | <u>\$ 1,479,722</u> | <u>\$ 449,884</u> |

See accompanying Notes to Required Supplementary Information.

**TOWN OF BERLIN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018 AND THREE YEARS PRIOR**

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
WORCESTER REGIONAL RETIREMENT SYSTEM (1)(2)**

| | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|
| Town's proportion of the net pension liability | 0.829% | 0.766% | 0.764% | 0.708% |
| Town's proportionate share of the net pension liability | \$ 6,763,323 | \$ 6,417,586 | \$ 5,425,381 | \$ 4,213,746 |
| Town's covered payroll | \$ 1,809,105 | \$ 2,239,569 | \$ 1,758,464 | \$ 1,690,831 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 373.85% | 286.55% | 308.53% | 249.21% |
| Plan fiduciary net position as a percentage of the total pension liability | 46.40% | 42.00% | 44.52% | 47.94% |

- (1) Amounts presented were determined as of December 31 of the fiscal year.
(2) Data is being accumulated annually to present 10 years of the reported information.

**SCHEDULE OF TOWN CONTRIBUTIONS
WORCESTER REGIONAL RETIREMENT SYSTEM (1)(2)**

| | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|
| Actuarially Required Contribution | \$ 419,681 | \$ 372,177 | \$ 343,849 | \$ 279,839 |
| Contributions in Relation to the Actuarially Required Contribution | (419,681) | (372,177) | (343,849) | (279,839) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - |
| Town's Covered Payroll | \$ 1,809,105 | \$ 2,239,569 | \$ 1,758,464 | \$ 1,690,831 |
| Contributions as a Percentage of Covered Payroll | 23.20% | 16.62% | 19.55% | 16.55% |

- (3) Amounts presented were determined as of December 31 of the fiscal year.
(4) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF BERLIN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018 AND THREE YEARS PRIOR**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1)(2)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Town's proportion of the net pension liability | 0.000% | 0.000% | 0.000% | 0.000% |
| Town's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - |
| Commonwealth's proportionate share of the net pension liability associated with the Town | <u>6,129,799</u> | <u>5,775,621</u> | <u>5,459,745</u> | <u>4,526,343</u> |
| Total | <u>\$ 6,129,799</u> | <u>\$ 5,775,621</u> | <u>\$ 5,459,745</u> | <u>\$ 4,526,343</u> |
| Town's covered payroll | \$ 1,818,827 | \$ 1,699,206 | \$ 1,689,060 | \$ 1,745,882 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 54.25% | 52.73% | 55.38% | 61.64% |

(1) Amounts presented were determined as of June 30 of the previous fiscal year.

(2) Data is being accumulated annually to present 10 years of the reported information.

TOWN OF BERLIN, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE A BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2018, is presented below:

| | <u>Revenues</u> | <u>Expenditures</u> | <u>Other Financing Sources (Uses)</u> | <u>Fund Balance</u> |
|---|-----------------------------|-----------------------------|---|-----------------------------|
| Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual | \$ 11,595,092 | \$ 13,200,133 | \$ 217,404 | \$ 1,479,722 |
| <u>Adjustments and Reclassifications</u> | | | | |
| Reclassification of stabilization fund activities | 3,842 | - | 250,000 | 982,373 |
| To record 60-day receipts | (26,696) | - | - | 91,302 |
| To record tax refunds payable | 55,981 | - | - | (181,019) |
| Net change in recording other expenditures | - | 261,910 | - | (261,910) |
| To record activity for MTRS on-behalf payments | 639,785 | 639,785 | - | - |
| To record encumbrances and continuing appropriations | - | (564,785) | - | 564,785 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances | <u>\$ 12,268,004</u> | <u>\$ 13,537,043</u> | <u>\$ 467,404</u> | <u>\$ 2,675,253</u> |

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

