

**TOWN OF BERLIN, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



**TOWN OF BERLIN, MASSACHUSETTS**  
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**BASIC FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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# *Independent Auditors' Report*

## 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, 2013, 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.

### *Auditor's Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Massachusetts, as of June 30, 2013, 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 4 through 12) and general fund budgetary comparison and certain pension information (located on pages 39 through 43) 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 April 8, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berlin, Massachusetts' internal control over financial reporting and compliance.

**CliftonLarsonAllen**



Boston, Massachusetts  
April 8, 2014

## *Management's Discussion and Analysis*



TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

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, 2013.

***Financial Highlights***

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$20,364,795 (net position). Of this amount, \$3,642,007 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$552,281.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,642,541, or 15.3 percent of total general fund expenditures and transfers out.
- The Town's total long-term debt decreased by \$229,606 during the fiscal year; no new debt was issued.

***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.).

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 14 - 15 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

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.

The Town maintains 22 individual governmental funds. 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 and conservation (special revenue) funds, each of which are considered to be major funds. Data from the other 20 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 16 - 19 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 20 of this report.

**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 21 - 38 of this report.

TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

**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 39 - 43 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 exceeded liabilities by \$20,364,795 at the close of the fiscal year and are summarized as follows:

	<b><i>Governmental Activities</i></b>	
	2013	2012
<b>Assets</b>		
Current assets.....	\$ 5,835,376	\$ 5,659,402
Noncurrent assets (excluding capital assets).....	1,548,339	1,463,865
Capital assets (net).....	<u>14,513,589</u>	<u>14,462,595</u>
Total assets.....	<u>21,897,304</u>	<u>21,585,862</u>
<b>Liabilities</b>		
Current liabilities (excluding debt).....	359,165	370,398
Current debt.....	219,658	229,606
Noncurrent debt.....	<u>953,686</u>	<u>1,173,344</u>
Total liabilities.....	<u>1,532,509</u>	<u>1,773,348</u>
<b>Net Position</b>		
Net investment in capital assets.....	13,418,803	13,147,809
Restricted.....	3,303,985	3,028,813
Unrestricted.....	<u>3,642,007</u>	<u>3,635,892</u>
Total net assets.....	<u>\$ 20,364,795</u>	<u>\$ 19,812,514</u>

The largest portion of the Town's net position (65.9%) 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 (16.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (17.9% or \$3,642,007) may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

At the end of the current fiscal year, the Town reports positive balances in all three categories of net position.

Changes in Net position

The Town's total net position increased by \$552,281 during the current fiscal year and is summarized as follows:

	<i>Governmental Activities</i>	
	2013	2012
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services.....	\$ 545,024	\$ 615,138
Operating grants and contributions.....	1,903,321	1,711,341
Capital grants and contributions.....	247,153	1,194,977
<i>General Revenues:</i>		
Real estate and personal property taxes.....	8,605,641	8,200,969
Motor vehicle and other excise taxes.....	415,041	375,231
Penalties and interest on taxes.....	63,820	38,602
Payments in lieu of taxes.....	66,939	55,577
Grants and contributions not restricted to specific programs.....	170,528	158,198
Unrestricted investment income.....	10,203	14,964
Total revenues.....	<u>12,027,670</u>	<u>12,364,997</u>
<b>Expenses</b>		
General government.....	913,847	871,024
Public safety.....	1,811,762	1,781,716
Education.....	7,483,873	7,042,359
Public works.....	954,456	880,524
Health and human services.....	64,359	96,572
Culture and recreation.....	200,469	208,145
Debt service - interest.....	46,623	57,535
Total expenses.....	<u>11,475,389</u>	<u>10,937,875</u>
Change in net assets.....	552,281	1,427,122
Net assets - beginning of year.....	<u>19,812,514</u>	<u>18,385,392</u>
Net assets - end of year.....	<u>\$ 20,364,795</u>	<u>\$ 19,812,514</u>

Governmental activities increased the Town's net position by \$552,281. In the prior year, governmental activities increased the Town's net position by \$1,427,122. The key element of this change relates to a decrease in capital grants and contributions of approximately \$948,000 during fiscal year 2013.

TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

*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 \$4,694,491, an increase of \$3,162 in comparison with the prior year. \$1,642,541 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$257,639)
- Restricted (\$1,801,970)
- Committed (\$851,578)
- Assigned (\$140,763)

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 \$1,642,541, while total fund balance was \$2,644,986. 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 expenditures and transfers out. Unassigned fund balance represents 15.3% of total general fund expenditures and transfers out, while total fund balance represents 24.7% of that same amount.

The fund balance of the Town's general fund increased by \$23,675 during fiscal year 2013. The Town anticipated utilizing approximately \$919,000 of reserves to fund the budget; however, the Town ultimately recognized a budgetary surplus of approximately \$1,043,443 (before encumbrances and continuing appropriations).

Financial highlights of the Town's other major governmental fund is as follows:

The fund balance of the conservation fund (special revenue) increased by \$48,622 during the current fiscal year. The fund recognized \$50,000 of mall mitigation revenues and \$1,416 of investment income. The fund incurred expenditures of \$2,794.

General Fund Budgetary Highlights

The original general fund budget of \$10,589,161 was increased by \$235,091 (2.2%) during the fiscal year. The following table summarizes the increase:

TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Purpose of Increase	Amount	Funding Source
Snow and salt expenditures.....	\$ 63,132	Unassigned fund balance
Replace equipment storage building.....	57,790	Transfer from special revenue fund
Police vehicles expenditures.....	36,500	Unassigned fund balance
Town offices building roof repairs.....	27,500	Unassigned fund balance
Road resurfacing.....	25,503	Transfer from special revenue fund
Police details.....	10,000	Unassigned fund balance
ATB settlement.....	7,344	Unassigned fund balance
Outdoor air economizer.....	7,322	Unassigned fund balance
Total increase.....	\$ <u>235,091</u>	

During the year, general fund revenues and other financing sources exceeded budgetary estimates, and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive overall budget to actual variance of approximately \$496,000.

***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 \$14,513,589 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$50,994 (0.4%).

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

- Infrastructure (\$295,364)
- Highway land (\$200,000)
- Purchase of a pick-up truck (\$64,665)

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

	<b><i>Governmental Activities</i></b>	
	2013	2012
Land.....	\$ 3,469,293	\$ 3,216,493
Land improvements.....	32,576	36,466
Buildings and improvements.....	7,770,942	8,071,939
Machinery, vehicles and equipment.....	1,177,761	1,269,150
Infrastructure.....	2,063,017	1,868,547
Total capital assets.....	\$ <u>14,513,589</u>	\$ <u>14,462,595</u>

Additional information on the Town's capital assets can be found in Note 5 on page 33 of this report.

TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

Long-Term Debt

At the end of the current fiscal year, total long-term debt outstanding was \$1,173,344, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	2013	2012
General obligation bonds.....	\$ 1,100,000	\$ 1,320,000
MWPAT notes.....	<u>73,344</u>	<u>82,950</u>
Total bonds and notes.....	<u>\$ 1,173,344</u>	<u>\$ 1,402,950</u>

The Town's total long-term debt decreased by \$229,606 (16.4%) during the current fiscal year, with no new debt issued in the fiscal year.

Additional information on the Town's long-term debt can be found in Note 8 on page 35 of this report.

*Economic Factors and Next Year's Budgets and Rates*

It appears that the worst of the great recession is behind us, and the fiscal year 2014 budget is balanced. New growth in town is up slightly from last year, and state aid appears to be slightly above last year. Both of these have given the Town a bit of breathing room. Department heads continue doing a good job controlling costs, as many budgets came in near fiscal year 2013 levels. Still, the Finance Committee (Fincom), being mindful of spending, did scale back several requests for increases.

The FY14 Budget represents an overall increase in spending of \$465,846 or 4.72%.

A majority of the increase is from added debt to finish the Tahanto school building, school spending and health insurance (increases of approximately \$67,000, \$197,000 and 63,000, respectively). With this budget we have increases related to adding some water storage and pumping at the community gardens, temporary labor for some overdue file organizing with the health department, increase in the percent of time firefighters spend at required trainings where they get paid, increase in hours of children's programming at the library, separating the emergency management role from the rescue department head, increase the hours and thus total pay for the rescue department head, increase in expenses for the highway department for new road railing and road striping regulations and a one percent cost of living increase for Town employees.

School Spending

Fiscal year 2014 sees the sixth grade move to the new Tahanto school building. There were a lot of unknowns on how this would impact the budget. In the end, the combined Berlin Memorial and Tahanto school budgets went up by less than \$200,000. This is one of the smallest increases in years.

TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

Fire Department Ladder Truck

This was the most time consuming topic at Fincom (and I believe Financial Advisory Committee too). How to fund something this large has many dimensions. We discussed source and size of down payment, pro/con of lease versus borrow, and pro/con of funding it inside budget or via a prop 2 ½ override. All of this while there were constant rumors of possible fiscal year 2014 mitigation funds. What we ended up putting in the budget was an idea from the fire department for renting a used, older ladder truck for a year or so to allow mitigation funds to come in and for more time to work out funding options. So \$25,000 was put in the fire department expense budget and for the fiscal year 2014, Fincom did not recommend buying a new ladder truck.

Repayment of Stabilization for last Fire Truck Purchase

In fiscal year 2012, the Town agreed to pay for a new fire truck using free cash and \$250,000 from stabilization with the understanding that the town would repay stabilization in fiscal year 2013 and fiscal year 2014, but did not happen. With the bad economy we had less money in free cash and many other needed warrant articles. That did not leave enough to repay stabilization. Stabilization fund levels are still considered good for a town of our size. Our plan is still to repay the money. The hope is that in the next few years we might be able to use some mitigation funds to repay this amount.

Future Warrant Articles

The original fiscal year 2014 warrant requests totaled more money than free cash and stabilization combined. While department heads kindly withdrew many, those unmet requests still exist. In the coming years the Town will likely see requests for a new dump truck, a new ladder truck, upgrades and replacement equipment at Berlin Memorial, a new Town Barn, and a new elevator for the 1870 Town Hall on top of all of the regular requests. Even with mitigation funds, we might not be able to afford all of these requests. As these requests come up, we should navigate between carefully being tight on short term cash with the best long term solution for the Town, our history, safety, and culture. These will be delicate and tough decisions.

Looking ahead to fiscal year 2015

Even as they start construction, developments at Riverbridge and Highland Commons already are requiring resources from our small Town departments. Fiscal year 2015 will focus heavily on how to properly build Town government resources in a responsible manner during this growth. Mitigation funding will start flowing this year, but these need to be carefully managed to cover many differed requests mentioned above. Fincom will continue to balance legitimate requests of departments with our ability to pay for them during the budget process.

*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



## *Basic Financial Statements*

TOWN OF BERLIN, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents.....	\$ 3,395,687
Restricted cash and cash equivalents.....	1,529,145
Receivables, net of allowance for uncollectible amounts:	
Real estate and personal property taxes.....	149,801
Tax liens.....	164,313
Motor vehicle and other excise taxes.....	56,110
Departmental and other.....	81,849
Mall mitigation.....	437,381
Intergovernmental.....	14,443
Loans.....	6,647
Total current assets.....	<u>5,835,376</u>
Noncurrent assets:	
Receivables, net of allowance for uncollectible amounts:	
Real estate tax deferrals.....	65,409
Mall mitigation.....	700,000
Loans.....	74,068
Tax foreclosures.....	708,862
Capital assets not being depreciated.....	3,469,293
Capital assets, net of accumulated depreciation.....	<u>11,044,296</u>
Total noncurrent assets.....	<u>16,061,928</u>
Total assets.....	<u>21,897,304</u>
<b>LIABILITIES</b>	
Current liabilities:	
Warrants payable.....	114,133
Accrued payroll.....	196,096
Tax refunds payable.....	10,100
Other liabilities.....	35,483
Accrued interest.....	3,353
Long-term bonds and notes payable.....	<u>219,658</u>
Total current liabilities.....	<u>578,823</u>
Noncurrent liabilities:	
Long-term bonds and notes payable.....	<u>953,686</u>
Total liabilities.....	<u>1,532,509</u>
<b>NET POSITION</b>	
Net investment in capital assets.....	13,418,803
Restricted for:	
Loans.....	80,715
Debt service.....	10,104
Conservation.....	1,312,970
Permanent funds:	
Expendable.....	42,344
Nonexpendable.....	176,924
Other specific purposes.....	1,680,928
Unrestricted.....	<u>3,642,007</u>
Total net position.....	<u>\$ 20,364,795</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BERLIN, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
General government.....	\$ 913,847	\$ 47,068	\$ 36,584	\$ 52,800	\$ (777,395)
Public safety.....	1,811,762	271,235	97,824	-	(1,442,703)
Education.....	7,483,873	109,365	1,373,430	-	(6,001,078)
Public works.....	954,456	77,370	29,927	194,353	(652,806)
Health and human services.....	64,359	37,911	82,517	-	56,069
Culture and recreation.....	200,469	2,075	283,039	-	84,645
Debt service - interest.....	46,623	-	-	-	(46,623)
Total governmental activities.....	<u>\$ 11,475,389</u>	<u>\$ 545,024</u>	<u>\$ 1,903,321</u>	<u>\$ 247,153</u>	<u>(8,779,891)</u>
General revenues:					
	Real estate and personal property taxes.....				8,605,641
	Motor vehicle and other excise taxes.....				415,041
	Penalties and interest on taxes.....				63,820
	Payments in lieu of taxes.....				66,939
	Grants and contributions not restricted to specific programs.....				170,528
	Unrestricted investment income.....				10,203
	Total general revenues.....				<u>9,332,172</u>
	Change in net position.....				552,281
	Net position - beginning of year.....				<u>19,812,514</u>
	Net position - end of year.....				\$ 20,364,795

The accompanying notes are an integral part of the financial statements.

TOWN OF BERLIN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013

ASSETS	General	Conservation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 2,938,738	\$ 456,949	\$ -	\$ 3,395,687
Receivables, net of allowance for uncollectible amounts:				
Real estate and personal property taxes.....	149,801	-	-	149,801
Real estate tax deferrals.....	65,409	-	-	65,409
Tax liens.....	164,313	-	-	164,313
Motor vehicle and other excise taxes.....	56,110	-	-	56,110
Departmental and other.....	21,760	-	60,089	81,849
Mall mitigation.....	28,596	856,021	252,764	1,137,381
Intergovernmental.....	-	-	14,443	14,443
Loans.....	-	-	80,715	80,715
Tax foreclosures.....	708,862	-	-	708,862
Restricted assets:				
Cash and cash equivalents.....	10,104	-	1,519,041	1,529,145
TOTAL ASSETS.....	<u>\$ 4,143,693</u>	<u>\$ 1,312,970</u>	<u>\$ 1,927,052</u>	<u>\$ 7,383,715</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 99,957	\$ -	\$ 14,176	\$ 114,133
Accrued payroll.....	188,755	-	7,341	196,096
Tax refunds payable.....	10,100	-	-	10,100
Other liabilities.....	35,357	-	126	35,483
Deferred revenue.....	1,164,538	856,021	312,853	2,333,412
TOTAL LIABILITIES.....	<u>1,498,707</u>	<u>856,021</u>	<u>334,496</u>	<u>2,689,224</u>
FUND BALANCES:				
Nonspendable.....	-	-	257,639	257,639
Restricted.....	10,104	456,949	1,334,917	1,801,970
Committed.....	851,578	-	-	851,578
Assigned.....	140,763	-	-	140,763
Unassigned.....	1,642,541	-	-	1,642,541
TOTAL FUND BALANCES.....	<u>2,644,986</u>	<u>456,949</u>	<u>1,592,556</u>	<u>4,694,491</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 4,143,693</u>	<u>\$ 1,312,970</u>	<u>\$ 1,927,052</u>	<u>\$ 7,383,715</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BERLIN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Conservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ 8,546,598	\$ -	\$ -	\$ 8,546,598
Motor vehicle and other excise taxes.....	399,057	-	-	399,057
Tax liens.....	103,075	-	-	103,075
Payments in lieu of taxes.....	66,939	-	-	66,939
Charges for services.....	-	-	227,710	227,710
Intergovernmental .....	1,196,898	-	625,743	1,822,641
Penalties and interest on taxes.....	63,820	-	-	63,820
Licenses and permits.....	84,504	-	41,339	125,843
Fines and forfeitures.....	39,834	-	-	39,834
Departmental and other.....	36,176	50,000	160,484	246,660
Contributions.....	-	-	51,488	51,488
Investment income.....	10,203	1,416	1,494	13,113
<b>TOTAL REVENUES.....</b>	<b>10,547,104</b>	<b>51,416</b>	<b>1,108,258</b>	<b>11,706,778</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	687,190	2,794	63,516	753,500
Public safety.....	1,221,326	-	63,365	1,284,691
Education.....	5,718,993	-	523,398	6,242,391
Public works.....	943,509	-	279,617	1,223,126
Health and human services.....	28,987	-	4,508	33,495
Culture and recreation.....	120,880	-	44,777	165,657
Pension benefits.....	706,183	-	-	706,183
Employee benefits.....	825,564	-	-	825,564
Property and liability insurance.....	66,551	-	-	66,551
State and county charges.....	125,802	-	-	125,802
Debt service:				
Principal.....	229,606	-	-	229,606
Interest.....	47,050	-	-	47,050
<b>TOTAL EXPENDITURES.....</b>	<b>10,721,641</b>	<b>2,794</b>	<b>979,181</b>	<b>11,703,616</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(174,537)</b>	<b>48,622</b>	<b>129,077</b>	<b>3,162</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	198,212	-	-	198,212
Transfers out.....	-	-	(198,212)	(198,212)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>198,212</b>	<b>-</b>	<b>(198,212)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>23,675</b>	<b>48,622</b>	<b>(69,135)</b>	<b>3,162</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>2,621,311</b>	<b>408,327</b>	<b>1,661,691</b>	<b>4,691,329</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,644,986</b>	<b>\$ 456,949</b>	<b>\$ 1,592,556</b>	<b>\$ 4,694,491</b>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

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Total governmental fund balances (page 16).....	\$ 4,694,491
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	14,513,589
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....	2,333,412
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....	(3,353)
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.....	(1,173,344)
Net position of governmental activities (page 14).....	\$ <u>20,364,795</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Net change in fund balances - total governmental funds (page 17).....	\$ 3,162
<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.....	646,833
Depreciation.....	(595,839)
<p>Revenues in the statement of activities that do not provide current financial resources are deferred in the statement of revenues, expenditures and changes in fund balances. 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 revenue.....</p>	
	268,092
<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. This amount represents the related activity of the current period.</p>	
Bond maturities.....	229,606
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>	
	<u>427</u>
Changes in net position of governmental activities (page 15).....	<u>\$ 552,281</u>

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013

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ASSETS	Agency Funds
	<hr/>
Cash and cash equivalents.....	\$ 68,997
Receivables, net of allowance for uncollectible amounts:	
Departmental and other.....	<hr/> 21,185
Total assets.....	<hr/> 90,182
<b>LIABILITIES</b>	
Accrued payroll.....	4,256
Other liabilities.....	21,185
Liabilities due depositors.....	<hr/> 64,741
Total liabilities.....	\$ <hr/> <hr/> 90,182

The accompanying notes are an integral part of the financial statements.



TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**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 2013 Assessment</u>
Tahanto Regional Middle/High School	To provide educational services/capital funding	215 Main Street Boylston, MA 01505	\$ 2,691,462
Assabet Valley Vocational Regional School District	To provide vocational educational services	215 Fitchburg Street Marlborough, MA 01752	365,030

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.

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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.

***C. Implementation of New Accounting Principles***

For the year ending June 30, 2013, the Town of Berlin implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements, by renaming net assets to net position and defining net position to incorporate the effect of deferred outflows and inflows.

The implementation of GASB Statement No.'s 60, 61 and 62 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 THE FINANCIAL STATEMENTS  
JUNE 30, 2013

*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 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.

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.

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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 fund* is 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 and cash equivalents are 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 fair value.

#### ***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 1<sup>st</sup> 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 1<sup>st</sup> and May 1<sup>st</sup> 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.

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**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.

In conjunction with the development of the Highland Mall, the Town entered into an agreement with the Developer to receive payments based on the square footage occupancy 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.

***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, 2013, 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

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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 fair market 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.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
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.

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

***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 net position.

Fund Financial Statements

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

***N. Deferred Revenue***

Deferred revenue at the fund financial statement level 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. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

***O. 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. The Town had no deferred outflows or inflows at June 30, 2013. Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been "restricted" for the following:

"Loans" represents outstanding septic loans receivable.

"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. This amount will be amortized over the next 6 fiscal years.

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

“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.

Governmental Funds Financial Statements (Fund Balances)

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.

***P. 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, 2013.



TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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, as well as issuance costs, 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.

***Q. 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.

***R. 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, 2013, 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. At June 30, 2013, no such amounts are reported.

***S. 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.

***T. 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 THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**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 2013 approved budget for the general fund authorized \$10,589,161 in appropriations and other amounts to be raised. During fiscal year 2013, supplemental appropriations totaling \$235,091 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.

**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 fair value of pool shares.

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

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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, 2013, the Town's bank deposits totaling \$4,163,145 were not exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2013 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years) <u>Less Than 1</u>
<u>Debt Securities:</u>		
Repurchase agreements.....	\$ 818,863	\$ 818,863
External investment pools.....	<u>82,061</u>	<u>82,061</u>
Total debt securities.....	<u><u>\$ 900,924</u></u>	<u><u>\$ 900,924</u></u>

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, 2013, Town's investments were not exposed to custodial credit risk.

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, 2013, the Town's investments were unrated by a national credit rating organization.

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, 2013, the Town was not exposed to concentration of credit risk.

**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2013, 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:

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 149,801	\$ -	\$ 149,801
Real estate tax deferrals.....	65,409	-	65,409
Tax liens.....	164,313	-	164,313
Motor vehicle and other excise taxes.....	56,110	-	56,110
Departmental and other.....	186,278	(83,244)	103,034
Mall mitigation.....	1,137,381	-	1,137,381
Intergovernmental.....	14,443	-	14,443
Loans.....	80,715	-	80,715
	<u>\$ 1,854,450</u>	<u>\$ (83,244)</u>	<u>\$ 1,771,206</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 2013, \$50,000 of mitigation payments were received from the Developer per the terms of the Agreement. Approximately \$750,000 will be received in future fiscal years, and such payments relate solely to open space acquisition and preservation. Accordingly, a \$750,000 receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In conjunction with the development of the Highland Mall (Mall), the Town entered into an agreement (Agreement) with the Developer to receive payments based on square footage occupancy for the purpose of mitigating traffic, environmental, public safety, growth management and other impacts arising from the development of the Mall. Subsequent to year end, the Agreement was modified to pay the Town mitigation payments, pro-rata, based on square footage occupancy. As of June 30, 2013, the Town was due approximately \$387,000, for which receivable and corresponding deferred revenue was recorded.

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Conservation	Other Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes....	\$ 119,488	\$ -	\$ -	\$ 119,488
Real estate tax deferrals.....	65,409	-	-	65,409
Tax liens.....	164,313	-	-	164,313
Motor vehicle and other excise taxes.....	56,110	-	-	56,110
Departmental and other.....	21,760	-	60,089	81,849
Mall mitigation.....	28,596	856,021	252,764	1,137,381
Tax foreclosures.....	708,862	-	-	708,862
	<u>\$ 1,164,538</u>	<u>\$ 856,021</u>	<u>\$ 312,853</u>	<u>\$ 2,333,412</u>

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,216,493	\$ 252,800	\$ -	\$ 3,469,293
<u>Capital assets being depreciated:</u>				
Land improvements.....	77,806	-	-	77,806
Buildings and improvements.....	12,204,760	5,400	-	12,210,160
Machinery, vehicles and equipment.....	3,286,647	93,269	(53,000)	3,326,916
Infrastructure.....	2,252,072	295,364	-	2,547,436
Total capital assets being depreciated.....	17,821,285	394,033	(53,000)	18,162,318
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(41,340)	(3,890)	-	(45,230)
Buildings and improvements.....	(4,132,821)	(306,397)	-	(4,439,218)
Machinery, vehicles and equipment.....	(2,017,497)	(184,658)	53,000	(2,149,155)
Infrastructure.....	(383,525)	(100,894)	-	(484,419)
Total accumulated depreciation.....	(6,575,183)	(595,839)	53,000	(7,118,022)
Total capital assets being depreciated, net.....	11,246,102	(201,806)	-	11,044,296
Total governmental activities capital assets, net...	\$ 14,462,595	\$ 50,994	\$ -	\$ 14,513,589

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

<b>Governmental Activities:</b>	
General government.....	\$ 39,676
Public safety.....	196,094
Education.....	192,784
Public works.....	162,879
Culture and recreation.....	4,406
Total depreciation expense - governmental activities.....	\$ 595,839

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
	General Fund
Nonmajor Governmental Funds....	\$ <u>198,212</u> (1)

- (1) Represents budgeted transfers from ambulance receipts (\$80,000), highway shed receipts reserved (\$57,790), property damage revolving (\$25,503), septic loan receipts reserved (\$9,617), cemetery receipts reserved (\$7,925), library dog receipts reserved (\$1,933), sale of lot receipts reserved (\$1,000), and Anna Hunt trust (\$50) special revenue funds to fund the fiscal year 2013 operating budget. Also represents non-budgeted transfers from transfer station receipts reserved (\$12,327), fire inspector receipts reserved (\$773), electrical inspector receipts reserved (\$768), and plumbing and gas inspector receipts reserved (\$526) special revenue funds to the general fund.

**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.

The Town did not issue or retire any short-term debt during fiscal year 2013, nor was there any short-term debt outstanding at June 30, 2013.

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 8 - LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

***Bonds and Notes Payable - Governmental Funds***

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013	Due Within One Year
MWPAT - Title V Loan.....	02/01/20	5.23%	\$ 59,749	\$ -	\$ (7,553)	\$ 52,196	\$ 7,553
MWPAT - Title V Loan.....	02/01/23	5.33%	23,201	-	(2,053)	21,148	2,105
General obligation refunding.....	06/15/19	2.25-5.00%	1,320,000	-	(220,000)	1,100,000	210,000
Total.....			<u>\$ 1,402,950</u>	<u>\$ -</u>	<u>\$ (229,606)</u>	<u>\$ 1,173,344</u>	<u>\$ 219,658</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
2014..... \$	219,658	\$ 45,919	\$ 265,577
2015.....	214,658	40,148	254,806
2016.....	189,523	33,485	223,008
2017.....	184,523	25,769	210,292
2018.....	174,523	18,237	192,760
2019.....	174,523	9,455	183,978
2020.....	9,523	683	10,206
2021.....	2,105	373	2,478
2022.....	2,154	266	2,420
2023.....	<u>2,154</u>	<u>106</u>	<u>2,260</u>
Total..... \$	<u>1,173,344</u>	<u>\$ 174,441</u>	<u>\$ 1,347,785</u>

The Town receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT). Interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2013, the Town's subsidy totaled approximately \$4,200. Future subsidies total approximately \$15,500. The amount of MWPAT bonds outstanding at June 30, 2013, totaled \$73,344.

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, 2013, the Town had no authorized and unissued debt.

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 9 - FUND BALANCES**

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

	General	Conservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Loans.....	\$ -	\$ -	\$ 80,715	\$ 80,715
Permanent fund principal.....	-	-	176,924	176,924
Sub-total - Nonspendable.....	-	-	257,639	257,639
<b>Restricted:</b>				
Debt service.....	10,104	-	-	10,104
Conservation.....	-	456,949	-	456,949
Affordable housing.....	-	-	153,746	153,746
Ambulance receipts reserved.....	-	-	267,374	267,374
School choice.....	-	-	386,165	386,165
General government.....	-	-	44,011	44,011
Public safety.....	-	-	18,739	18,739
Education.....	-	-	124,974	124,974
Public works.....	-	-	37,635	37,635
Health and human services.....	-	-	147,078	147,078
Culture and recreation.....	-	-	146,901	146,901
School lunch.....	-	-	8,294	8,294
Sub-total - Restricted.....	10,104	456,949	1,334,917	1,801,970
<b>Committed:</b>				
Subsequent year's expenditures.....	444,570	-	-	444,570
General government.....	128,634	-	-	128,634
Public safety.....	93,121	-	-	93,121
Public works.....	87,390	-	-	87,390
Other.....	97,863	-	-	97,863
Sub-total - Committed.....	851,578	-	-	851,578
<b>Assigned:</b>				
General government.....	35,102	-	-	35,102
Education.....	54,410	-	-	54,410
Other.....	51,251	-	-	51,251
Sub-total - Assigned.....	140,763	-	-	140,763
<b>Unassigned.....</b>	<b>1,642,541</b>	<b>-</b>	<b>-</b>	<b>1,642,541</b>
Total fund balances.....	\$ 2,644,986	\$ 456,949	\$ 1,592,556	\$ 4,694,491



TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 10 – 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, 2013 totals \$1,082,063. Of this amount, \$96,000 is reported as general fund committed fund balance and \$986,063 is reported as unassigned fund balance in the general fund.

**NOTE 11 – 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 12 – PENSION PLAN**

*Plan Description* – The Town contributes to the Worcester Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts’ Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the System and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at the Worcester County Court House, Worcester, Massachusetts, 01608.

*Funding Policy* – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town’s contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$269,330, 245,212 and \$211,329, respectively, which equaled its required contribution for each fiscal year.

**NOTE 13 – MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$431,672 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and education expenditures.

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 14 - COMMITMENTS**

The Town's significant commitments are the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$547,771 at June 30, 2013.

**NOTE 15 - 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2013.

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.

**NOTE 16 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 65, Items Previously Reported as Assets and Liabilities, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25, which is required to be implemented during fiscal year 2014. Management has determined that the implementation of this Statement will not impact the basic financial statements.
- Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information. The Town has not determined the effect of this statement on its financial statements.
- Statement No. 69, Government Combinations and Disposals of Government Operations, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

This information is an integral part of the accompanying financial statements.

## *Required Supplementary Information*

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGETARY BASIS  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ -	\$ 8,558,644	\$ -	\$ 8,558,644
Motor vehicle and other excise taxes.....	-	375,960	-	375,960
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	55,575	-	55,575
Intergovernmental .....	-	750,042	-	750,042
Penalties and interest on taxes.....	-	37,080	-	37,080
Licenses and permits.....	-	90,480	-	90,480
Fines and forfeitures.....	-	42,230	-	42,230
Departmental and other.....	-	23,274	-	23,274
Investment income.....	-	9,380	-	9,380
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>9,942,665</b>	<b>-</b>	<b>9,942,665</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	120,273	821,754	16,814	958,841
Public safety.....	37,328	1,315,472	46,461	1,399,261
Education.....	90,703	5,764,302	(969)	5,854,036
Public works.....	25,161	908,061	154,342	1,087,564
Health and human services.....	9,504	29,257	4,500	43,261
Culture and recreation.....	34,063	120,052	572	154,687
Pension benefits.....	-	275,201	(690)	274,511
Employee benefits.....	4,000	858,705	12,300	875,005
Property and liability insurance.....	-	70,000	-	70,000
State and county charges.....	-	149,701	690	150,391
Debt service:				
Principal.....	-	229,606	-	229,606
Interest.....	-	47,050	-	47,050
<b>TOTAL EXPENDITURES.....</b>	<b>321,032</b>	<b>10,589,161</b>	<b>234,020</b>	<b>11,144,213</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(321,032)</b>	<b>(646,496)</b>	<b>(234,020)</b>	<b>(1,201,548)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	-	200,525	83,293	283,818
Transfers out.....	-	-	(1,071)	(1,071)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>200,525</b>	<b>82,222</b>	<b>282,747</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(321,032)</b>	<b>(445,971)</b>	<b>(151,798)</b>	<b>(918,801)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>1,418,068</b>	<b>1,418,068</b>	<b>1,418,068</b>	<b>1,418,068</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 1,097,036</b>	<b>\$ 972,097</b>	<b>\$ 1,266,270</b>	<b>\$ 499,267</b>

See accompanying notes to required supplementary information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	8,552,056	\$ -	\$ 8,552,056	\$ (6,588)
	399,057	-	399,057	23,097
	103,075	-	103,075	103,075
	66,939	-	66,939	11,364
	765,226	-	765,226	15,184
	63,820	-	63,820	26,740
	84,504	-	84,504	(5,976)
	39,834	-	39,834	(2,396)
	36,176	-	36,176	12,902
	6,783	-	6,783	(2,597)
	<u>10,117,470</u>	<u>-</u>	<u>10,117,470</u>	<u>174,805</u>
	687,190	163,739	850,929	107,912
	1,221,326	118,285	1,339,611	59,650
	5,718,993	110,090	5,829,083	24,953
	943,509	101,129	1,044,638	42,926
	28,987	10,155	39,142	4,119
	120,880	33,373	154,253	434
	274,511	-	274,511	-
	825,564	11,000	836,564	38,441
	66,551	-	66,551	3,449
	125,802	-	125,802	24,589
	229,606	-	229,606	-
	47,050	-	47,050	-
	<u>10,289,969</u>	<u>547,771</u>	<u>10,837,740</u>	<u>306,473</u>
	<u>(172,499)</u>	<u>(547,771)</u>	<u>(720,270)</u>	<u>481,278</u>
	298,212	-	298,212	14,394
	<u>(1,071)</u>	<u>-</u>	<u>(1,071)</u>	<u>-</u>
	<u>297,141</u>	<u>-</u>	<u>297,141</u>	<u>14,394</u>
	124,642	(547,771)	(423,129)	495,672
	<u>1,418,068</u>	<u>-</u>	<u>1,418,068</u>	<u>-</u>
\$	<u><u>1,542,710</u></u>	<u><u>(547,771)</u></u>	<u><u>994,939</u></u>	<u><u>\$ 495,672</u></u>

## PENSION PLAN SCHEDULES

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

### SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/12	\$ 436,671,982	\$ 982,796,782	\$ 546,124,800	44.4%	\$ 238,952,079	228.5%
01/01/10	413,976,785	863,002,067	449,025,282	48.0%	241,992,607	185.6%
01/01/07	389,758,785	692,768,325	303,009,540	56.3%	211,581,755	143.2%
01/01/04	350,879,900	552,773,549	201,893,649	63.5%	170,669,442	118.3%
01/01/01	316,389,108	426,280,953	109,891,845	74.2%	145,000,347	75.8%
01/01/99	248,967,040	374,455,997	125,488,957	66.5%	119,857,640	104.7%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2007	\$ 22,997,682	100
2008	26,400,000	100
2009	28,800,000	100
2010	31,200,000	100
2011	33,072,000	100
2012	35,056,320	100

The following schedule provides information related to the Town's portion of the System's ARC:

### TOWN SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2008	\$ 156,465	100	0.7%
2009	181,998	100	0.7%
2010	198,897	100	0.7%
2011	211,329	100	0.7%
2012	245,212	100	0.7%
2013	269,330	100	0.8%

TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

**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, 2013, 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.....	\$ 10,117,470	\$ 10,837,740	\$ 297,141	\$ 994,939
<u>Adjustments</u>				
To record 60-day receipts.....	(5,221)	-	-	30,313
To record tax refunds payable.....	(237)	-	-	(10,100)
To record activity for MTRS on-behalf payments.....	431,672	431,672	-	-
To record encumbrances and continuing appropriations.....	<u>-</u>	<u>(547,771)</u>	<u>-</u>	<u>547,771</u>
Total on GAAP basis of accounting.....	10,543,684	10,721,641	297,141	1,562,923
<u>Reclassifications</u>				
Stabilization fund to the general fund for GAAP purposes.....	<u>3,420</u>	<u>-</u>	<u>(98,929)</u>	<u>1,082,063</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 10,547,104</u>	<u>\$ 10,721,641</u>	<u>\$ 198,212</u>	<u>\$ 2,644,986</u>

**NOTE B - PENSION PLAN**

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2012
Actuarial cost method:	Individual entry age normal
Amortization method:	4.5% increasing for the 2002 and 2003 ERI and 4.0% increasing for the remaining unfunded liability
Remaining amortization period:	16 years remaining for the 2002 and 2003 ERI liability and 28 years for remaining unfunded liability
Asset valuation method:	4 year smoothing of realized and unrealized investment earnings greater than or less than the expected return

Actuarial assumptions:

Investment rate of return:	8.00%
Projected salary increases:	3.00%
Cost of living adjustment:	3.00% of the lesser of the pension amount and \$420 per year