

**TOWN OF BERLIN, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS AND REQUIRED**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2014**



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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, 2014, 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, 2014, 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 10) and general fund budgetary comparison and certain pension information (located on pages 37 through 40) 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 21, 2015, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
April 21, 2015

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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, 2014.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$21,391,244 (net position). Of this amount, \$3,775,172 (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 \$1,026,449.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$2,191,610, or 19% of total general fund revenues and transfers in.
- The Town's total long-term debt decreased by \$219,658 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 11 - 12 of this report.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**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 13 - 16 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 17 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 18 - 36 of this report.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**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 37 - 40 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 \$21,391,244 at the close of the fiscal year and are summarized as follows:

	<b><i>Governmental Activities</i></b>	
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets.....	\$ 6,342,879	\$ 5,835,376
Noncurrent assets (excluding capital assets)...	1,430,557	1,548,339
Capital assets (net).....	<u>14,976,375</u>	<u>14,513,589</u>
Total assets.....	<u>22,749,811</u>	<u>21,897,304</u>
<b>Liabilities</b>		
Current liabilities (excluding debt).....	404,881	359,165
Current debt.....	214,658	219,658
Noncurrent debt.....	<u>739,028</u>	<u>953,686</u>
Total liabilities.....	<u>1,358,567</u>	<u>1,532,509</u>
<b>Net Position</b>		
Net investment in capital assets.....	14,091,589	13,418,803
Restricted.....	3,524,483	3,303,985
Unrestricted.....	<u>3,775,172</u>	<u>3,642,007</u>
Total net position.....	<u>\$ 21,391,244</u>	<u>\$ 20,364,795</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 (16.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (17.6% or \$3,775,172) may be used to meet the Town's ongoing obligations to citizens and creditors.

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



**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

***Changes in Net position***

The Town's total net position increased by \$1,026,449 during the current fiscal year and is summarized as follows:

	<b><i>Governmental Activities</i></b>	
	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services.....	\$ 719,108	\$ 545,024
Operating grants and contributions.....	1,837,699	1,903,321
Capital grants and contributions.....	199,749	247,153
<i>General Revenues:</i>		
Real estate and personal property taxes.....	9,377,903	8,605,641
Motor vehicle and other excise taxes.....	453,344	415,041
Penalties and interest on taxes.....	32,119	63,820
Payments in lieu of taxes.....	66,939	66,939
Grants and contributions not restricted to specific programs.....	215,636	170,528
Unrestricted investment income.....	9,437	10,203
Total revenues.....	<u>12,911,934</u>	<u>12,027,670</u>
<b>Expenses</b>		
General government.....	970,684	913,847
Public safety.....	1,987,334	1,811,762
Education.....	7,669,763	7,483,873
Public works.....	971,119	954,456
Health and human services.....	76,594	64,359
Culture and recreation.....	171,244	200,469
Debt service - interest.....	38,747	46,623
Total expenses.....	<u>11,885,485</u>	<u>11,475,389</u>
Change in net position.....	1,026,449	552,281
Net position - beginning of year.....	<u>20,364,795</u>	<u>19,812,514</u>
Net position - end of year.....	<u>\$ 21,391,244</u>	<u>\$ 20,364,795</u>

Governmental activities increased the Town's net position by \$1,026,449. In the prior year, governmental activities increased the Town's net position by \$552,281. The key element of this change relates to an increase in real estate and personal property tax revenue of approximately \$772,000 during fiscal year 2014.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

***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 \$5,204,959, an increase of \$510,468 in comparison with the prior year. \$2,191,610 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$257,476)
- Restricted (\$2,067,669)
- Committed (\$538,212)
- Assigned (\$149,992)

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 \$2,191,610, while total fund balance was \$2,888,234. 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 19% of total general fund revenues and transfers in, while total fund balance represents 25% of that same amount.

The fund balance of the Town's general fund increased by \$243,248 during fiscal year 2014. The Town anticipated utilizing approximately \$953,000 of reserves to fund the budget; however, the Town ultimately recognized a budgetary surplus of approximately \$981,000.

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

The fund balance of the conservation fund (special revenue) increased by \$135,032 during the current fiscal year. The fund recognized \$156,022 of departmental and other revenues and \$1,710 of investment income. The fund incurred expenditures of \$22,700.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**General Fund Budgetary Highlights**

The original general fund budget of \$10,898,357 was increased by \$74,200 (0.6%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Snow and ice removal.....	\$ 63,302	Unassigned fund balance
Library roof replacement.....	9,986	Unassigned fund balance
Highway department machinery.....	<u>912</u>	Unassigned fund balance
Total increase.....	<u>\$ 74,200</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 \$981,000.

**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 \$14,976,375 (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 \$462,786 (3.2%).

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

- Highway improvement (\$271,000)
- Land foreclosures (\$399,300)
- School boiler (\$136,000)

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

	<b><i>Governmental Activities</i></b>	
	<u>2014</u>	<u>2013</u>
Land.....	\$ 3,797,893	\$ 3,469,293
Land improvements.....	45,359	32,576
Buildings and improvements.....	7,786,608	7,770,942
Machinery, vehicles and equipment.....	1,122,046	1,177,761
Infrastructure.....	<u>2,224,469</u>	<u>2,063,017</u>
Total capital assets.....	<u>\$ 14,976,375</u>	<u>\$ 14,513,589</u>

Additional information on the Town's capital assets can be found in Note 5 on page 31 of this report.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Long-Term Debt**

At the end of the current fiscal year, total long-term debt outstanding was \$953,686, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i><b>Governmental Activities</b></i>	
	<u>2014</u>	<u>2013</u>
General obligation bonds.....	\$ 880,342	\$ 1,090,394
MWPAT notes.....	<u>73,344</u>	<u>82,950</u>
Total bonds and notes.....	<u>\$ 953,686</u>	<u>\$ 1,173,344</u>

The Town's total long-term debt decreased by \$219,658 (18.7%) 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 33 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Finance Committee ("Fincom") is recommending a \$10,684,519 FY15 budget which increases spending by \$434,007 or 4.23% over FY14. This increase is covered by an increase in state aid, lowered state obligations, but mostly from \$305,000 in increased revenue from planned construction at Highland Commons and Riverbridge. As these new developments come online, we will continue to see this pattern of increased spending on town services, coupled with increased revenue. We are optimistic that in FY16 increased expenses might also be covered via new growth with no increased taxing of existing tax payers.

**Notable changes in the FY15 recommended budget include:**

- Increased hours for Town Clerk, Treasurer, and Accountant
- Large (5.86%) increase in tax dollars for Berlin Memorial School
- Changes in job responsibilities and pay at Highway Department, Fire Department, and Assessors Office, which should decrease our reliance on outside contractors for town work
- Additional police officer, so the town police department is ready to handle the increased demand from the new commercial and residential developments
- Additional half time administrative support for town offices with six hours dedicated to filing and support of the Board of Health
- Salary adjustments for town accountant and clerk to bring us closer, but still below, what other towns of similar size pay those positions
- Increased investment in building maintenance so surprise large repairs and premature replacements are reduced

Fincom had many lively debates on how much to ramp up town services prior to the new developments being online. For example, a new officer might not be needed today, but there is a long lead time needed to recruit, train, and more importantly to incorporate them into town culture. With the cost coming from the new growth, we felt it was the right time to add this officer so they are ready by the time these new places open and the need is present.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Hotel & Meals Taxes**

While Fincom was unanimous in our support of a hotel tax, we are split on the need for a meals tax. Many towns have adopted meals taxes, it won't require any additional work for restaurant owners and at 0.75%, and you would hardly notice it on your restaurant bill. However we are not convinced it will bring in that much additional revenue, there is no need to act now as finances are flush and town residents will end up paying this when we support our town businesses. Taxing because we can did not sit well with some Fincom members. The meals tax should be a lively debate at town meeting next month.

**School Funding**

Fincom members strongly believe that a well funded school system is critical to sustained healthy town. But for the second year in a row, Fincom has been frustrated by the lack of clarity in funding requests from Berlin Memorial School and Tahanto. Fincom never received a clear budget outlining all revenue and all expenses with comparisons to previous years, like we got from Assabet in January. Numbers change too fast, with too little explanation, and too often don't add up. BMS leadership spoke of dramatic cuts in service even with a large increase in request from taxpayers. Over thirty concerned residents attend a Fincom meeting seeking their own explanations on why increased funding results in cuts at BMS and expressed their concern with the direction of the schools. The first request, via an article in the Clinton Item, sought an 11% increase in funding for BMS. In the end we supported a 5.86% increase in BMS funding, and hope for improved fiscal clarity for FY16.

**Looking Ahead to FY16**

New growth should more than cover any additional spending requests. Many large capital requests are likely whether they be for elevator for 1870 Town Hall, design plans for new highway building, or replacement ladder truck. With free cash below \$400,000, the finance committee has been exploring alternative funding options for some of these requests. We have levy limit room to "raise and spend", we can afford a short term borrowing without needing an override, and there are several mitigation funds which we could use.

**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  
YEAR ENDED JUNE 30, 2014**

<b>ASSETS</b>	Governmental Activities
Current Assets:	
Cash and Cash Equivalents	\$ 3,792,538
Restricted Cash and Cash Equivalents	1,463,868
Receivables, Net of Allowance for Uncollectible Amounts:	
Real Estate and Personal Property Taxes	112,071
Tax Liens	175,216
Motor Vehicle and Other Excise Taxes	60,215
Departmental and Other	64,029
Mall Mitigation	438,652
Intergovernmental	229,309
Loans	6,981
Total Current Assets	<u>6,342,879</u>
Noncurrent Assets:	
Receivables, Net of Allowance for Uncollectible Amounts:	
Real Estate Tax Deferrals	77,667
Mall Mitigation	650,000
Loans	65,971
Tax Foreclosures	636,919
Capital Assets not being Depreciated	3,797,893
Capital Assets, Net of Accumulated Depreciation	<u>11,178,482</u>
Total Noncurrent Assets	<u>16,406,932</u>
Total Assets	<u>22,749,811</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Warrants Payable	74,451
Accrued Payroll	291,804
Other Liabilities	38,626
Long-Term Bonds and Notes Payable	<u>214,658</u>
Total Current Liabilities	<u>619,539</u>
Noncurrent Liabilities:	
Long-Term Bonds and Notes Payable	<u>739,028</u>
Total Liabilities	<u>1,358,567</u>
<b>NET POSITION</b>	
Net Investments in Capital Assets	14,091,589
Restricted for:	
Loans	72,952
Debt Service	8,420
Conservation	1,398,003
Permanent Funds:	
Expendable	41,498
Nonexpendable	184,524
Other Specific Purposes	1,819,086
Unrestricted	<u>3,775,172</u>
Total Net Position	<u>\$ 21,391,244</u>

**TOWN OF BERLIN, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

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	\$ 970,684	\$ 49,299	\$ 106,831	\$ -	\$ (814,554)
Public Safety	1,987,334	447,853	146,923	-	(1,392,558)
Educaiton	7,669,763	108,766	1,238,402	-	(6,322,595)
Public Works	971,119	107,590	27,905	199,749	(635,875)
Health and Human Services	76,594	3,631	92,359	-	19,396
Culture and Recreation	171,244	1,969	225,279	-	56,004
Debt Service - Interest	38,747	-	-	-	(38,747)
Total Governmental Activities	<u>\$ 11,885,485</u>	<u>\$ 719,108</u>	<u>\$ 1,837,699</u>	<u>\$ 199,749</u>	<u>(9,128,929)</u>
<b>GENERAL REVENUES:</b>					
					9,377,903
					453,344
					32,119
					66,939
					215,636
					<u>9,437</u>
					<u>10,155,378</u>
<b>CHANGE IN NET POSITION</b>					
					1,026,449
					<u>20,364,795</u>
<b>NET POSITION - END OF YEAR</b>					
					<u>\$ 21,391,244</u>

**TOWN OF BERLIN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

<b>ASSETS</b>	<u>General</u>	<u>Conservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 3,200,557	\$ 591,981	\$ -	\$ 3,792,538
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	112,071	-	-	112,071
Real Estate Tax Deferrals	77,667	-	-	77,667
Tax Liens	175,216	-	-	175,216
Motor Vehicle and Other Excise Taxes	60,215	-	-	60,215
Departmental and Other	21,082	-	42,947	64,029
Mall Mitigation	-	806,022	282,630	1,088,652
Intergovernmental	2,804	-	226,505	229,309
Loans	-	-	72,952	72,952
Tax Foreclosures	636,919	-	-	636,919
Restricted Assets:				
Cash and Cash Equivalents	8,420	-	1,455,448	1,463,868
Total Assets	<u>\$ 4,294,951</u>	<u>\$ 1,398,003</u>	<u>\$ 2,080,482</u>	<u>\$ 7,773,436</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants Payable	\$ 63,823	\$ -	\$ 10,628	\$ 74,451
Accrued Payroll	272,397	-	19,407	291,804
Other Liabilities	38,501	-	125	38,626
Total Liabilities	<u>374,721</u>	<u>-</u>	<u>30,160</u>	<u>404,881</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	<u>1,031,996</u>	<u>806,022</u>	<u>325,578</u>	<u>2,163,596</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	257,476	257,476
Restricted	8,420	591,981	1,467,268	2,067,669
Committed	538,212	-	-	538,212
Assigned	149,992	-	-	149,992
Unassigned	2,191,610	-	-	2,191,610
Total Fund Balances	<u>2,888,234</u>	<u>591,981</u>	<u>1,724,744</u>	<u>5,204,959</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,294,951</u>	<u>\$ 1,398,003</u>	<u>\$ 2,080,482</u>	<u>\$ 7,773,436</u>



**TOWN OF BERLIN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2014**

	General	Conservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ 9,148,575	\$ -	\$ -	\$ 9,148,575
Motor Vehicle and Other Excise Taxes	449,239	-	-	449,239
Tax Liens	8,099	-	-	8,099
Payments in Lieu of Taxes	66,939	-	-	66,939
Charges for Services	-	-	216,282	216,282
Intergovernmental	1,161,892	-	650,355	1,812,247
Penalties and Interest on Taxes	32,119	-	-	32,119
Licenses and Permits	253,325	-	90,081	343,406
Fines and Forfeitures	38,980	-	-	38,980
Departmental and Other	26,734	156,022	397,367	580,123
Contributions	-	-	45,390	45,390
Investment Income	9,437	1,710	604	11,751
Total Revenues	<u>11,195,339</u>	<u>157,732</u>	<u>1,400,079</u>	<u>12,753,150</u>
<b>EXPENDITURES</b>				
Current:				
General Government	755,937	22,700	132,701	911,338
Public Safety	1,376,975	-	90,435	1,467,410
Education	6,116,507	-	570,894	6,687,401
Public Works	750,659	-	284,224	1,034,883
Health and Human Services	34,826	-	8,332	43,158
Culture and Recreation	137,118	-	14,234	151,352
Pension Benefits	725,345	-	-	725,345
Employee Benefits	837,596	-	-	837,596
Property and Liability Insurance	71,111	-	-	71,111
State and County Charges	51,330	-	-	51,330
Debt Service:				
Principal	219,658	-	-	219,658
Interest	42,100	-	-	42,100
Total Expenditures	<u>11,119,162</u>	<u>22,700</u>	<u>1,100,820</u>	<u>12,242,682</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>76,177</u>	<u>135,032</u>	<u>299,259</u>	<u>510,468</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	167,071	-	-	167,071
Transfers Out	-	-	(167,071)	(167,071)
Total Other Financing Sources (Uses)	<u>167,071</u>	<u>-</u>	<u>(167,071)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	243,248	135,032	132,188	510,468
Fund Balances - Beginning of year	<u>2,644,986</u>	<u>456,949</u>	<u>1,592,556</u>	<u>4,694,491</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,888,234</u>	<u>\$ 591,981</u>	<u>\$ 1,724,744</u>	<u>\$ 5,204,959</u>

**TOWN OF BERLIN, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND  
BALANCES TO THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2014**

Total Governmental Fund Balances (Page 13)	\$ 5,204,959
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	14,976,375
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	2,163,596
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	<u>(953,686)</u>
Net Position of Governmental Activities (Page 11)	<u>\$ 21,391,244</u>

**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, 2014**

Net Change in Fund Balances - Total Governmental Funds (Page 14)	\$ 510,468
<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	1,088,450
Depreciation	(625,664)
<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>	
	(169,816)
<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	219,658
<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>3,353</u>
Changes in Net Position of Governmental Activities (Page 12)	\$ <u><u>1,026,449</u></u>

**TOWN OF BERLIN, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014**

<b>ASSETS</b>	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 84,014
Receivables, Net of Allowance for Uncollectible Amounts:	
Departmental and Other	<u>19,132</u>
Total Assets	<u>103,146</u>
 <b>LIABILITIES</b>	
Accrued Payroll	1,208
Other Liabilities	19,132
Liabilities Due Depositors	<u>82,806</u>
Total Liabilities	<u>\$ 103,146</u>

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

**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 2014 Assessment</u>
Tahanto Regional Middle/High School	To provide educational services/capital funding	215 Main Street Boylston, MA 01505	\$ 3,060,306
Assabet Valley Vocational Regional School District	To provide vocational educational services	215 Fitchburg Street Marlborough, MA 01752	367,766

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

**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.

**C. Implementation of New Accounting Principles**

For the year ending June 30, 2014, the Town of Berlin implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statement No. 65 introduced the reporting of deferred inflows of resources, which represents the acquisition of net position/fund balance that apply to a future period(s) and so will not be recognized as an inflow of resources until that time.

The implementation of GASB Statement No.'s 66 and 70 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, 2014**

**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, 2014**

**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 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 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 fair value.



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

**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 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.

**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.

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

**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:

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

As of June 30, 2014, 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 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.

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

**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:

<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.

**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, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Deferred Inflows of Resources**

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 one item that qualifies for reporting in this category. It is as follows:

- Unavailable revenue 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.

**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, 2014.

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.

"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.

"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) (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.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Net position and Fund Balances (Continued)**

**Governmental Funds Financial Statements (Fund Balances) (Continued)**

*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, 2014.

**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.

**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.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2014, 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, 2014, 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.

**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.

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

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 2014 approved budget for the general fund authorized \$10,898,357 in appropriations and other amounts to be raised. During fiscal year 2014, supplemental appropriations totaling \$74,200 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.

#### **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, 2014, the Town's bank deposits totaling \$4,590,681 were not exposed to custodial credit risk.

#### **B. Investments Summary**

The Town's investments at June 30, 2014 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

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

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds.... \$	2,944,619	\$ 2,944,619
Repurchase agreements.....	700,192	700,192
External investment pools.....	<u>82,215</u>	<u>82,215</u>
Total debt securities..... \$	<u>3,727,026</u>	<u>\$ 3,727,026</u>

**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, 2014, Town's investments were not exposed to custodial credit risk.

**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, 2014, 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, 2014, the Town was not exposed to concentration of credit risk.



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

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2014, 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..	\$ 112,071	\$ -	\$ 112,071
Real estate tax deferrals.....	77,667	-	77,667
Tax liens.....	175,216	-	175,216
Motor vehicle and other excise taxes.....	60,215	-	60,215
Departmental and other.....	192,261	(109,100)	83,161
Mall mitigation.....	1,088,652	-	1,088,652
Intergovernmental.....	229,309	-	229,309
Loans.....	72,952	-	72,952
	<u>\$ 2,008,343</u>	<u>\$ (109,100)</u>	<u>\$ 1,899,243</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 2014, \$50,000 of mitigation payments were received from the Developer per the terms of the Agreement. Approximately \$700,000 will be received in future fiscal years, and such payments relate solely to open space acquisition and preservation. Accordingly, a \$700,000 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.

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, 2014, the Town was due approximately \$389,000, for which receivable and corresponding unavailable revenue was recorded.

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

**NOTE 5 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,469,293	\$ 399,300	\$ (70,700)	\$ 3,797,893
<u>Capital assets being depreciated:</u>				
Land improvements.....	77,806	17,101	-	94,907
Buildings and improvements.....	12,210,160	357,558	(23,280)	12,544,438
Machinery, vehicles and equipment.....	3,326,916	124,409	(39,293)	3,412,032
Infrastructure.....	2,547,436	277,078	-	2,824,514
Total capital assets being depreciated.....	18,162,318	776,146	(62,573)	18,875,891
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(45,230)	(4,318)	-	(49,548)
Buildings and improvements.....	(4,439,218)	(325,596)	6,984	(4,757,830)
Machinery, vehicles and equipment.....	(2,149,155)	(180,124)	39,293	(2,289,986)
Infrastructure.....	(484,419)	(115,626)	-	(600,045)
Total accumulated depreciation.....	(7,118,022)	(625,664)	46,277	(7,697,409)
Total capital assets being depreciated, net.....	11,044,296	150,482	(16,296)	11,178,482
Total governmental activities capital assets, net..	\$ 14,513,589	\$ 549,782	\$ (86,996)	\$ 14,976,375

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

	CY Depreciation
<b>Governmental Activities:</b>	
General government.....	\$ 49,923
Public safety.....	193,940
Education.....	202,458
Public works.....	174,562
Culture and recreation.....	4,781
Total depreciation expense - governmental activities...	\$ 625,664

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

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

	<u>Transfers In:</u>
<u>Transfers Out:</u>	<u>General Fund</u>
Nonmajor Governmental Funds....	\$ <u>167,071</u> (1)

- (1) Represents budgeted transfers from ambulance receipts (\$80,000), septic loan receipts reserved (\$9,617), cemetery receipts reserved (\$16,450), library dog receipts reserved (\$2,229), sale of lot receipts reserved (\$1,900), and Anna Hunt trust (\$50) special revenue funds to fund the fiscal year 2014 operating budget. Also represents non-budgeted transfers from transfer station receipts reserved (\$19,313), fire inspector receipts reserved (\$939), electrical inspector receipts reserved (\$16,000), and plumbing and gas inspector receipts reserved (\$1,090) special revenue funds to the general fund. Lastly, grant closeouts from FEMA snowstorm grant (\$18,483) and fiscal year 2010 EMPG grant (\$1,000) 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 2014, nor was there any short-term debt outstanding at June 30, 2014.

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

**NOTE 8 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

**Bonds and Notes Payable – Governmental Funds**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWPAT - Title V Loan.....	02/01/20	5.23%	\$ 52,196	\$ -	\$ (7,553)	\$ 44,643
MWPAT - Title V Loan.....	02/01/23	5.33%	21,148	-	(2,105)	19,043
General obligation refunding.....	06/15/19	2.25-5.00%	1,100,000	-	(210,000)	890,000
Total.....			<u>\$ 1,173,344</u>	<u>\$ -</u>	<u>\$ (219,658)</u>	<u>\$ 953,686</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
2015.....\$	214,658	\$ 40,037	\$ 254,695
2016.....	189,523	33,377	222,900
2017.....	184,523	25,664	210,187
2018.....	174,523	17,866	192,389
2019.....	174,523	9,350	183,873
2020.....	9,523	577	10,100
2021.....	2,105	266	2,371
2022.....	2,154	160	2,314
2023.....	<u>2,154</u>	<u>54</u>	<u>2,208</u>
Total..... \$	<u>953,686</u>	<u>\$ 127,351</u>	<u>\$ 1,081,037</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 2014, the Town's subsidy totaled approximately \$3,700. Future subsidies total approximately \$11,800. The amount of MWPAT bonds outstanding at June 30, 2014, totaled \$63,686.

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, 2014, the Town had no authorized and unissued debt.

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

**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.....	\$ -	\$ -	\$ 72,952	\$ 72,952
Permanent fund principal.....	-	-	184,524	184,524
Sub-total - Nonspendable.....	-	-	257,476	257,476
<b>Restricted:</b>				
Debt service.....	8,420	-	-	8,420
Conservation.....	-	591,981	-	591,981
Affordable housing.....	-	-	161,448	161,448
Ambulance receipts reserved.....	-	-	273,976	273,976
School choice.....	-	-	260,647	260,647
General government.....	-	-	30,647	30,647
Public safety.....	-	-	117,414	117,414
Education.....	-	-	111,991	111,991
Public works.....	-	-	23,732	23,732
Health and human services.....	-	-	204,575	204,575
Culture and recreation.....	-	-	278,549	278,549
School lunch.....	-	-	4,289	4,289
Sub-total - Restricted.....	8,420	591,981	1,467,268	2,067,669
<b>Committed:</b>				
General government.....	40,050	-	-	40,050
Education.....	44,200	-	-	44,200
Public works.....	33,764	-	-	33,764
Subsequent year's expenditures...	410,500	-	-	410,500
Other.....	9,698	-	-	9,698
Sub-total - Committed.....	538,212	-	-	538,212
<b>Assigned:</b>				
Education.....	68,520	-	-	68,520
Public works.....	31,951	-	-	31,951
Other.....	49,521	-	-	49,521
Sub-total - Assigned.....	149,992	-	-	149,992
<b>Unassigned.....</b>	<b>2,191,610</b>	<b>-</b>	<b>-</b>	<b>2,191,610</b>
Total fund balances.....	\$ <u>2,888,234</u>	\$ <u>591,981</u>	\$ <u>1,724,744</u>	\$ <u>5,204,959</u>

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

**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, 2014 totals \$989,224. This amount 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, 2014, 2013, and 2012 were \$260,604, \$269,330 and \$245,212, respectively, which equaled its required contribution for each fiscal year.

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

**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 \$464,741 for the fiscal year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and education expenditures.

**NOTE 14 COMMITMENTS**

The Town's significant commitments are the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$277,704 at June 30, 2014.

**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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2014.

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. 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.
- 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. 71, *Accounting Pension Transition for Contributions made Subsequent to the Measurement Date*, - an amendment of GASB Statement No. 68, which is required to be implemented during fiscal year 2015.

These pronouncements will be implemented by their respective implementation dates.

**TOWN OF BERLIN, MASSACHUSETTS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2014**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers
<b>REVENUES</b>			
Real Estate and Personal Property Taxes	\$ -	\$ 9,044,891	\$ -
Motor Vehicle and Other Excise Taxes	-	399,055	-
Tax Liens	-	-	-
Payments in Lieu of Taxes	-	66,940	-
Intergovernmental	-	646,265	-
Penalties and Interest on Taxes	-	48,230	-
Licenses and Permits	-	84,500	-
Fines and Forfeitures	-	39,830	-
Departmental and Other	-	24,329	-
Investment Income	-	6,780	-
Total Revenues	-	10,360,820	-
<b>EXPENDITURES</b>			
Current:			
General Government	163,739	854,891	(6,523)
Public Safety	118,285	1,341,299	-
Education	110,090	6,164,177	-
Public Works	101,129	713,991	70,650
Health and Human Services	10,155	40,138	-
Culture and Recreation	33,373	136,530	9,987
Pension Benefits	-	261,312	(708)
Employee Benefits	11,000	929,077	-
Property and Liability Insurance	-	75,000	-
State and County Charges	-	120,184	708
Debt Service:			
Principal	-	219,658	-
Interest	-	42,100	-
Total Expenditures	547,771	10,898,357	74,114
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(547,771)	(537,537)	(74,114)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	206,246	-
Transfers Out	-	-	(86)
Total Other Financing Sources (Uses)	-	206,246	(86)
<b>NET CHANGE IN FUND BALANCE</b>	(547,771)	(331,291)	(74,200)
Fund Balance - Beginning of Year	1,542,710	1,542,710	1,542,710
<b>FUND BALANCE - END OF YEAR</b>	\$ 994,939	\$ 1,211,419	\$ 1,468,510

See accompanying notes to required supplementary information.



Final Budget	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 9,044,891	\$ 9,117,614	\$ -	\$ 9,117,614	\$ 72,723
399,055	449,239	-	449,239	50,184
-	8,098	-	8,098	8,098
66,940	66,940	-	66,940	-
646,265	697,151	-	697,151	50,886
48,230	32,119	-	32,119	(16,111)
84,500	253,325	-	253,325	168,825
39,830	38,980	-	38,980	(850)
24,329	26,734	-	26,734	2,405
6,780	6,362	-	6,362	(418)
<u>10,360,820</u>	<u>10,696,562</u>	<u>-</u>	<u>10,696,562</u>	<u>335,742</u>
1,012,107	755,937	64,222	820,159	191,948
1,459,584	1,376,975	22,526	1,399,501	60,083
6,274,267	6,116,507	112,719	6,229,226	45,041
885,770	750,659	65,715	816,374	69,396
50,293	34,826	22	34,848	15,445
179,890	137,118	7,500	144,618	35,272
260,604	260,604	-	260,604	-
940,077	837,596	5,000	842,596	97,481
75,000	71,111	-	71,111	3,889
120,892	51,330	-	51,330	69,562
219,658	219,658	-	219,658	-
42,100	42,100	-	42,100	-
<u>11,520,242</u>	<u>10,654,421</u>	<u>277,704</u>	<u>10,932,125</u>	<u>588,117</u>
<u>(1,159,422)</u>	<u>42,141</u>	<u>(277,704)</u>	<u>(235,563)</u>	<u>923,859</u>
206,246	263,071	-	263,071	56,825
(86)	(86)	-	(86)	-
<u>206,160</u>	<u>262,985</u>	<u>-</u>	<u>262,985</u>	<u>56,825</u>
(953,262)	305,126	(277,704)	27,422	980,684
<u>1,542,710</u>	<u>1,542,710</u>	<u>-</u>	<u>1,542,710</u>	<u>-</u>
<u>\$ 589,448</u>	<u>\$ 1,847,836</u>	<u>\$ (277,704)</u>	<u>\$ 1,570,132</u>	<u>\$ 980,684</u>

**TOWN OF BERLIN, MASSACHUSETTS  
PENSION PLAN SCHEDULES  
YEAR ENDED JUNE 30, 2014**

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
2013	\$ 37,510,266	100%
2012	35,056,320	100%
2011	33,072,000	100%
2010	31,200,000	100%
2009	28,800,000	100%
2008	26,400,000	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 June 30,	ARC	Percentage of ARC Contributed	Town ARC as a Percentage of System ARC
2014	\$ 260,604	100%	0.7%
2013	269,330	100%	0.8%
2012	245,212	100%	0.7%
2011	211,329	100%	0.7%
2010	198,897	100%	0.7%

**TOWN OF BERLIN, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2014**

**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, 2014, 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.....	\$ 10,696,562	\$ 10,932,125	\$ 262,985	\$ 1,570,132
<u>Adjustments</u>				
To record 60-day receipts.....	20,861	-	-	51,174
To record tax refunds payable.....	10,100	-	-	-
To record activity for MTRS on-behalf payments.....	464,741	464,741	-	-
To record encumbrances and continuing appropriations.....	-	(277,704)	-	277,704
Reclassify stabilization fund to the general fund for GAAP.....	3,075	-	(95,914)	989,224
	<u>3,075</u>	<u>-</u>	<u>(95,914)</u>	<u>989,224</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>11,195,339</u>	\$ <u>11,119,162</u>	\$ <u>167,071</u>	\$ <u>2,888,234</u>