

TOWN OF BERLIN, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020



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**TOWN OF BERLIN, MASSACHUSETTS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES	12
GOVERNMENTAL FUNDS – BALANCE SHEET	13
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION	14
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	16
FIDUCIARY FUNDS – STATEMENT OF FIDUCIARY NET POSITION	17
NOTES TO BASIC FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)	43
PENSION PLAN SCHEDULES	45
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION	47



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INDEPENDENT AUDITORS' REPORT

Honorable Select Board
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, 2020, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2020, 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 and general fund budgetary comparison and certain pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021, on our consideration of the Town of Berlin, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berlin, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
March 9, 2021

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$21,728,002 (net position).
- The Town's total net position increased by \$434,965 during the fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$3,062,963, or 20% of total general fund revenues and transfers in.
- The Town's total long-term debt decreased by \$199,523 during the fiscal year.

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 nonfiduciary 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
JUNE 30, 2020**

Fund Financial Statements

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

1. Governmental funds
2. Fiduciary funds

Governmental Funds

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

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

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

The basic governmental funds financial statements can be found on pages 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.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 – 42 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be found on pages 43 – 47 of this report.

Government-Wide Financial Analysis

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,728,002 at the close of the fiscal year and are summarized as follows:

	Governmental Activities	
	2020	2019
Assets		
Current assets	\$ 9,133,612	\$ 8,095,855
Noncurrent assets (excluding capital assets)	1,077,149	1,183,467
Capital assets (net)	23,053,154	23,666,578
Total assets	33,263,915	32,945,900
Deferred Outflows of Resources	689,984	1,191,222
Liabilities		
Current liabilities (excluding debt)	836,500	1,107,007
Noncurrent liabilities (excluding debt)	7,062,815	7,512,781
Current debt	423,483	546,590
Noncurrent debt	3,424,308	3,616,413
Total liabilities	11,747,106	12,782,791
Deferred Inflows of Resources	478,791	61,294
Net Position		
Net investment in capital assets	19,211,776	19,524,687
Restricted	3,693,730	3,472,019
Unrestricted	(1,177,504)	(1,703,669)
Total net position	\$ 21,728,002	\$ 21,293,037

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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

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

Changes in Net Position

The Town's total net position increased by \$434,965 during the current fiscal year and is summarized as follows:

	<i>Governmental Activities</i>	
	<u>2020</u>	<u>2019</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 788,689	\$ 1,165,046
Operating grants and contributions	1,589,132	2,360,544
Capital grants and contributions	416,010	419,963
<i>General Revenues:</i>		
Real estate and personal property taxes	12,084,742	11,140,856
Motor vehicle and other excise taxes	572,168	542,451
Hotel/motel taxes	166,227	58,660
Penalties and interest on taxes	67,398	32,840
Payments in lieu of taxes	77,146	69,614
Community preservation surcharges	290,392	-
Grants and contributions not restricted to specific programs	263,157	219,653
Unrestricted investment income	37,465	47,071
Total revenues	<u>16,352,526</u>	<u>16,056,698</u>
Expenses		
General government	1,863,235	1,488,652
Public safety	3,531,863	3,341,714
Education	8,581,636	8,633,934
Public works	1,440,600	1,186,367
Health and human services	134,143	139,559
Culture and recreation	228,551	234,609
Debt service - interest	<u>137,533</u>	<u>163,522</u>
Total expenses	<u>15,917,561</u>	<u>15,188,357</u>
Change in net position	434,965	868,341
Net position - beginning of year	<u>21,293,037</u>	<u>20,424,696</u>
Net position - end of year	<u><u>\$ 21,728,002</u></u>	<u><u>\$ 21,293,037</u></u>

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Governmental activities increased the Town's net position by \$434,965. In the prior year, governmental activities increased the Town's net position by \$868,341. The key element of the change related primarily to the decrease in Education grants and contributions due to this year's regionalization of the Town's school system within the Berlin-Boylston Regional School District.

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 \$7,607,479, an increase of \$1,304,753 in comparison with the prior year. \$2,807,585 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$220,124)
- Restricted (\$3,066,085)
- Committed (\$1,430,011)
- Assigned (\$83,674)

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 \$3,062,963, while total fund balance was \$4,576,648. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and transfers in. Unassigned fund balance represents 20% of total general fund revenues and transfers in, while total fund balance represents 30% of that same amount.

The fund balance of the Town's general fund increased by \$948,150 during fiscal year 2020. The Town anticipated utilizing approximately \$1,247,000 of reserves to fund the budget; however, the Town ultimately recognized a budgetary surplus of approximately \$987,000.

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

The fund balance of the conservation fund (special revenue) decreased by \$91,876 during the current fiscal year. The fund recognized \$56,400 of departmental and other revenues and \$1,232 of investment income. The fund incurred expenditures of \$149,508.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

General Fund Budgetary Highlights

There were no increases to the original general fund budget of \$14,682,487 during the fiscal year.

During the year, general fund revenues and other financing sources were greater than budgetary estimates, and expenditures, encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive overall budget to actual variance of approximately \$987,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities at the end of the fiscal year totaled \$23,053,154 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery, vehicles and equipment, infrastructure, and construction in progress. The total decrease in the investment in capital assets for the current fiscal year totaled \$613,424.

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

- Land purchased for conservation (\$141,000)
- EMS radio sets (\$81,000)
- Highway vehicles and equipment (\$65,000)

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

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Land	\$ 5,366,100	\$ 5,225,208
Land improvements	25,760	30,755
Buildings and improvements	7,368,274	7,840,693
Machinery, vehicles, and equipment	2,006,582	2,031,815
Infrastructure	8,120,292	8,486,168
Construction in progress	<u>166,146</u>	<u>51,939</u>
Total capital assets	<u>\$ 23,053,154</u>	<u>\$ 23,666,578</u>

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

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Long-Term Debt

At the end of the current fiscal year, total long-term debt outstanding was \$3,616,413, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 3,610,000	\$ 3,800,000
MCWT notes	<u>6,413</u>	<u>15,936</u>
Total bonds and notes	<u>\$ 3,616,413</u>	<u>\$ 3,815,936</u>

The Town's total long-term debt decreased by \$199,523 during the current fiscal year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Finance Committee revised recommendations for a FY2021 budget with the goal to maintain town spending level in most areas at or below FY2020. The Finance Committee anticipated property tax revenue to be raised from existing tax payers under this budget to be well within the 2.5% Levy Limit and, to the extent permitted under legal and contractual obligations, expenditures would remain level with FY2020. The Finance Committee expected projected New Growth and 2020 re-evaluation of market value assessments to increase the basis for calculating the Levy Limit, although to a lesser degree than the historic level we experienced in FY2020. In view of financial disruptions arising from the COVID-19 Virus pandemic, the Finance Committee's recommendations continued to change as we gained clarity as to the impact of this crisis on Town finances up until the Annual Town Meeting.

Notable Changes in FY2021 Recommended Budget

Regional School District – FY2021 is the first year all budgeted Berlin expenses are presented as Assessments and Capital Assessments within the Town's Intergovernmental Expenditures rather than as Warrant Articles. Assabet, Berlin Memorial and Tahanto School Assessments and Capital Assessments are presented as separate line items. All State Chapter 70 and 30B funds now are paid directly to the School Districts rather than the Town.

Public Safety – Police and Fire Departments anticipate increased service requests as Riverbridge apartments now under construction become occupied. The ongoing Fire & EMS Department transition to professional services is reflected in budgeted expenses. A portion of public safety mitigation funds are allocated to fund personnel costs in support of this transition and new real estate development. EMS mandated Advanced Life Saving contracted services cost increased approximately 500%.

Transfer station – Market conditions have driven up recycling costs significantly, the most notable condition being the decision by China to no longer accept recycled materials. FY2021 sticker and user fees have been increased to offset operating expenses projected to increase about 25% over FY2020.

**TOWN OF BERLIN, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Data Systems – Microsoft has discontinued support for Windows 7 systems and this change has necessitated an upgrade of Town computers and switch to Windows 10 systems. The Town is moving to leased computer equipment and IT maintenance by a contracted service provider.

Town Clerk – Costs of the 2020 Federal and Massachusetts primary and election polling are reflected in increases in FY2021 Town Clerk and election expenses.

Stabilization Fund – The Finance Committee continues to support allocation of prudent funds into the stabilization fund.

Summary

It has been an exceptional year for the Town of Berlin and the Finance Committee—beyond the challenges posed by the recent public health crisis. Most notably, the Finance Committee would like to welcome and express thanks to our new Town Administrator, Margaret Nartowicz, whose experience and dedication have enabled us to implement guidelines for developing operating budget and capital plans and for decision making in areas such as use of Free Cash and Public Safety Mitigation Funds, enhancing consistency of purpose and goals in our deliberations. Her guidance has been particularly valuable in light of membership changes to the Finance Committee and Buzz Harris' temporary incapacity to continue in his role as Chair.

REQUESTS FOR INFORMATION

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

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

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 5,163,987
Restricted Cash and Cash Equivalents	3,283,444
Receivables, Net of Allowance for Uncollectible Amounts:	
Real Estate and Personal Property Taxes	233,268
Tax Liens	145,757
Motor Vehicle and Other Excise Taxes	68,450
Community Preservation Surcharges	3,631
Departmental and Other	130,601
Mall Mitigation	50,000
Intergovernmental	48,601
Loans	5,873
Total Current Assets	<u>9,133,612</u>
Noncurrent Assets:	
Receivables, Net of Allowance for Uncollectible Amounts:	
Real Estate Tax Deferrals	42,934
Mall Mitigation	241,667
Loans	9,674
Tax Foreclosures	782,874
Capital Assets not being Depreciated	5,532,246
Capital Assets, Net of Accumulated Depreciation	<u>17,520,908</u>
Total Noncurrent Assets	<u>24,130,303</u>
Total Assets	<u>33,263,915</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	<u>689,984</u>
LIABILITIES	
Current Liabilities:	
Warrants Payable	184,883
Accrued Payroll	152,989
Tax Refunds Payable	431,441
Other Liabilities	38,618
Accrued Interest	28,569
Short-Term Notes Payable	231,378
Long-Term Bonds and Notes Payable	<u>192,105</u>
Total Current Liabilities	<u>1,259,983</u>
Noncurrent Liabilities:	
Long-Term Bonds and Notes Payable	3,424,308
Net Pension Liability	<u>7,062,815</u>
Total Noncurrent Liabilities	<u>10,487,123</u>
Total Liabilities	<u>11,747,106</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Pension	<u>478,791</u>
NET POSITION	
Net Investment in Capital Assets	19,211,776
Restricted for:	
Loans	15,547
Conservation	478,719
Community Preservation	290,535
Permanent Funds:	
Expendable	40,563
Nonexpendable	220,124
Other Specific Purposes	2,648,242
Unrestricted	<u>(1,177,504)</u>
Total Net Position	<u>\$ 21,728,002</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues					Net (Expense)/ Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government:						
Governmental Activities:						
General Government	\$ 1,863,235	\$ 167,284	\$ 69,164	\$ 66,010	\$	(1,560,777)
Public Safety	3,531,863	511,619	640,460	350,000		(2,029,784)
Education	8,581,636	-	811,696	-		(7,769,940)
Public Works	1,440,600	107,920	9,509	-		(1,323,171)
Health and Human Services	134,143	1,498	37,679	-		(94,966)
Culture and Recreation	228,551	368	20,624	-		(207,559)
Debt Service-Interest	137,533	-	-	-		(137,533)
Total Governmental Activities	<u>\$ 15,917,561</u>	<u>\$ 788,689</u>	<u>\$ 1,589,132</u>	<u>\$ 416,010</u>	<u>\$</u>	<u>(13,123,730)</u>
GENERAL REVENUES:						
Real Estate and Personal Property Taxes					\$	12,084,742
Motor Vehicle and Other Excise Taxes						572,168
Hotel/Motel Taxes						166,227
Penalties and Interest on Taxes						67,398
Payments in Lieu of Taxes						77,146
Community Preservation Surcharges						290,392
Grants and Contributions not Restricted to Specific Programs						263,157
Unrestricted Investment Income						37,465
Total General Revenues						<u>13,558,695</u>
CHANGE IN NET POSITION						434,965
Net Position - Beginning of Year						<u>21,293,037</u>
NET POSITION - END OF YEAR						<u>\$ 21,728,002</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

ASSETS	<u>General</u>	<u>Conservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 5,163,988	\$ -	\$ -	\$ 5,163,988
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	233,268	-	-	233,268
Real Estate Tax Deferrals	42,934	-	-	42,934
Tax Liens	145,757	-	-	145,757
Motor Vehicle and Other Excise Taxes	68,450	-	-	68,450
Community Preservation Surcharges	-	-	3,631	3,631
Departmental and Other	18,378	-	112,223	130,601
Mall Mitigation	-	291,667	-	291,667
Intergovernmental	-	-	48,601	48,601
Loans	-	-	15,547	15,547
Tax Foreclosures	782,874	-	-	782,874
Restricted Assets:				
Cash and Cash Equivalents	-	187,052	3,096,392	3,283,444
Total Assets	<u>\$ 6,455,649</u>	<u>\$ 478,719</u>	<u>\$ 3,276,394</u>	<u>\$ 10,210,762</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Warrants Payable	\$ 139,400	\$ -	\$ 45,483	\$ 184,883
Accrued Payroll	113,089	-	39,901	152,990
Tax Refunds Payable	431,441	-	-	431,441
Other Liabilities	38,618	-	-	38,618
Short-Term Notes Payable	-	-	231,378	231,378
Total Liabilities	<u>722,548</u>	<u>-</u>	<u>316,762</u>	<u>1,039,310</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>1,156,453</u>	<u>291,667</u>	<u>115,853</u>	<u>1,563,973</u>
FUND BALANCES				
Nonspendable	-	-	220,124	220,124
Restricted	-	187,052	2,879,033	3,066,085
Committed	1,430,011	-	-	1,430,011
Assigned	83,674	-	-	83,674
Unassigned	<u>3,062,963</u>	<u>-</u>	<u>(255,378)</u>	<u>2,807,585</u>
Total Fund Balances	<u>4,576,648</u>	<u>187,052</u>	<u>2,843,779</u>	<u>7,607,479</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,455,649</u>	<u>\$ 478,719</u>	<u>\$ 3,276,394</u>	<u>\$ 10,210,762</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF BERLIN, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND
BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Governmental Fund Balances	\$ 7,607,479
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	23,053,154
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	1,563,973
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	(28,569)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and Notes Payable	(3,616,413)
Net Pension Liability	(7,062,815)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions	689,984
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions	<u>(478,791)</u>
Net Position of Governmental Activities	<u>\$ 21,728,002</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2020**

	General	Conservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real Estate and Personal Property Taxes	\$ 12,038,010	\$ -	\$ -	\$ 12,038,010
Motor Vehicle and Other Excise Taxes	562,391	-	-	562,391
Hotel/Motel Tax	166,227	-	-	166,227
Tax Liens	58,863	-	-	58,863
Payments in Lieu of Taxes	77,146	-	-	77,146
Community Preservation Surcharges	-	-	286,761	286,761
Charges for Services	-	-	347,525	347,525
Intergovernmental	1,105,011	-	183,501	1,288,512
Penalties and Interest on Taxes	67,398	-	-	67,398
Licenses and Permits	185,303	-	136,245	321,548
Fines and Forfeitures	18,693	-	-	18,693
Departmental and Other	61,742	56,400	653,028	771,170
Contributions	-	-	369,584	369,584
Investment Income	37,465	1,232	1,373	40,070
Total Revenues	14,378,249	57,632	1,978,017	16,413,898
EXPENDITURES				
Current:				
General Government	1,102,172	149,508	187,014	1,438,694
Public Safety	2,416,502	-	142,785	2,559,287
Education	6,977,866	-	474,741	7,452,607
Public Works	790,443	-	87,862	878,305
Health and Human Services	62,795	-	9,673	72,468
Culture and Recreation	153,577	-	9,401	162,978
Pension Benefits	1,297,202	-	-	1,297,202
Employee Benefits	722,260	-	-	722,260
Property and Liability Insurance	72,631	-	-	72,631
State and County Charges	41,402	-	-	41,402
Debt Service:				
Principal	199,523	-	-	199,523
Interest	211,788	-	-	211,788
Total Expenditures	14,048,161	149,508	911,476	15,109,145
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	330,088	(91,876)	1,066,541	1,304,753
OTHER FINANCING SOURCES (USES)				
Transfers In	733,751	-	115,689	849,440
Transfer Out	(115,689)	-	(733,751)	(849,440)
Total Other Financing Sources (Uses)	618,062	-	(618,062)	-
NET CHANGE IN FUND BALANCES	948,150	(91,876)	448,479	1,304,753
Fund Balances - Beginning of Year	3,628,498	278,928	2,395,300	6,302,726
FUND BALANCES - END OF YEAR	<u>\$ 4,576,648</u>	<u>\$ 187,052</u>	<u>\$ 2,843,779</u>	<u>\$ 7,607,479</u>

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,304,753
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.	
Capital Outlays	527,564
Depreciation	(1,140,988)
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.	(61,373)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount represents the related activity of the current period:	
Bond Maturities	199,523
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	74,255
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. This amount represents the net change:	
Net Pension Liability	449,966
In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.	(501,238)
In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.	(417,497)
Changes in Net Position of Governmental Activities	\$ <u><u>434,965</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 75,594
Receivables, Net of Allowance for Uncollectible Amounts:	
Departmental and Other	<u>27,159</u>
Total Assets	<u><u>\$ 102,753</u></u>
LIABILITIES	
Accrued Payroll	\$ 3,541
Other Liabilities	27,159
Liabilities Due Depositors	<u>72,053</u>
Total Liabilities	<u><u>\$ 102,753</u></u>

See accompanying Notes to Basic Financial Statements.

TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 Select Board.

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 three 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 2020 Assessment</u>
Berlin-Boylston Regional School District	To provide educational services/capital funding	215 Main Street Boylston, MA 01505	\$ 6,483,101
Assabet Valley Vocational Regional School District	To provide vocational educational services	215 Fitchburg Street Marlborough, MA 01752	413,889
Nashoba Valley Regional Dispatch District	To provide public safety dispatch services	270 Barnum Road P.O. Box 2171 Devens, MA 01434	185,983

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Joint Venture (Continued)

The Berlin-Boylston Regional School District is governed by a six-member school committee consisting of three elected representatives from the Town. The Town is indirectly liable for the Berlin-Boylston 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 Director of Finance and Operations at the address identified above.

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

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

C. Implementation of New Accounting Principles

For the year ending June 30, 2020, the Town implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; which postponed the implementation dates of certain GASB Statements.

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 nonfiduciary 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, 2020**

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 when eligibility requirements are met for accrual. 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, 2020**

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

F. Deposits and Investments

Government-Wide and Fund Financial Statements

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

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 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 and May 1 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.

Community Preservation Surcharges

Community preservation surcharges are levied annually and at a rate of 3% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax on November 1 and May 1 and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

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 nonexpenditure 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.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

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, 2020, 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, construction in progress, 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.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Government-Wide Financial Statements (Continued)

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

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

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 to 40
Machinery, vehicles, and equipment	5 to 20
Infrastructure	20 to 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.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

N. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

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

O. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

P. Net Position and Fund Balances

Government-Wide Financial Statements (Net Position)

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

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

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Government-Wide Financial Statements (Net Position) (Continued)

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

“Conservation” represents amounts accumulated for open space resource purposes.

“Community Preservation” represents amounts restricted for conservation, recreational, and affordable housing projects.

“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 noncontractual 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.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-Term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. No unamortized bond premiums or discounts are reported at June 30, 2020.

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.

R. Investment Income

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

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

S. Compensated Absences

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

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred. At June 30, 2020, the liability for accrued vacation and sick pay was not material to the basic financial statements and therefore is not reported.

Governmental Fund Financial Statements

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

T. Pensions

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

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Use of Estimates

Government-Wide and Fund Financial Statements

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

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 noncontinuing 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 and final fiscal year 2020 approved budget for the general fund authorized \$14,682,487 in appropriations and other amounts to be raised.

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

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

B. Fund Deficits

At June 30, 2020, the following fund deficits exist in the governmental funds:

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Description	Amount	Funding Source
Ladder/Quint Truck	\$ 231,378	Available Funds
COVID-19 CARES	24,000	Federal Grant
	<u>\$ 255,378</u>	

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

A. Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy is to rely on FDIC and DIF insurance coverage. As of June 30, 2020, \$1,353,978 of the Town's bank deposits totaling \$5,665,368 were exposed to custodial credit risk.

B. Investments Summary

The Town's investments at June 30, 2020, reported as cash and cash equivalents, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (Years) <u>Less</u> Than 1
<u>Debt Securities:</u>		
Money market mutual funds	\$ 1,787,417	\$ 1,787,417
Repurchase agreements	2,796,600	2,796,600
External investment pools	<u>88,380</u>	<u>88,380</u>
Total debt securities	<u>\$ 4,672,397</u>	<u>\$ 4,672,397</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.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020, 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, 2020, 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, 2020, the Town was not exposed to concentration of credit risk.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2020, 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	\$ 233,268	\$ -	\$ 233,268
Real estate tax deferrals	42,934	-	42,934
Tax liens	145,757	-	145,757
Motor vehicle and other excise taxes	68,450	-	68,450
Community preservation surcharges	3,631	-	3,631
Departmental and other	313,907	(156,147)	157,760
Mall mitigation	291,667	-	291,667
Intergovernmental	48,601	-	48,601
Loans	15,547	-	15,547
Total	<u>\$ 1,163,762</u>	<u>\$ (156,147)</u>	<u>\$ 1,007,615</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 2020, \$50,000 of mitigation payments were received from the Developer per the terms of the Agreement. \$291,667 will be received in future fiscal years, and such payments relate solely to open space acquisition and preservation. Accordingly, a \$291,667 receivable and corresponding unavailable revenue have been reported in the governmental funds financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 5,225,208	\$ 140,892	\$ -	\$ 5,366,100
Construction in progress	51,939	114,207	-	166,146
Total capital assets not being depreciated	<u>5,277,147</u>	<u>255,099</u>	<u>-</u>	<u>5,532,246</u>
<u>Capital assets being depreciated:</u>				
Land improvements	104,907	-	-	104,907
Buildings and improvements	14,528,832	-	-	14,528,832
Machinery, vehicles and equipment	4,747,840	272,465	(68,335)	4,951,970
Infrastructure	10,289,454	-	-	10,289,454
Total capital assets being depreciated	<u>29,671,033</u>	<u>272,465</u>	<u>(68,335)</u>	<u>29,875,163</u>
<u>Less accumulated depreciation for:</u>				
Land improvements	(74,152)	(4,995)	-	(79,147)
Buildings and improvements	(6,688,139)	(472,419)	-	(7,160,558)
Machinery, vehicles and equipment	(2,716,025)	(297,698)	68,335	(2,945,388)
Infrastructure	(1,803,286)	(365,876)	-	(2,169,162)
Total accumulated depreciation	<u>(11,281,602)</u>	<u>(1,140,988)</u>	<u>68,335</u>	<u>(12,354,255)</u>
Total capital assets being depreciated, net	<u>18,389,431</u>	<u>(868,523)</u>	<u>-</u>	<u>17,520,908</u>
Total governmental activities capital assets, net	<u>\$ 23,666,578</u>	<u>\$ (613,424)</u>	<u>\$ -</u>	<u>\$ 23,053,154</u>

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

Governmental Activities:	
General government	\$ 186,183
Public safety	201,145
Education	289,471
Public works	454,731
Health and human services	5,179
Culture and recreation	<u>4,279</u>
Total depreciation expense - governmental activities	<u>\$ 1,140,988</u>

TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2020, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 115,689	\$ 115,689 (1)
Nonmajor Governmental Funds	<u>733,751</u>	<u>-</u>	<u>733,751 (2)</u>
	<u>\$ 733,751</u>	<u>\$ 115,689</u>	<u>\$ 849,440</u>

(1) Represents budgeted transfer from the general fund to the firetruck nonmajor capital projects fund for a BAN paydown.

(2) Represents budgeted transfers from various special revenue funds to the general fund (\$686,223) as well as unbudgeted transfers from various special revenue funds to the general fund (\$47,528).

NOTE 7 SHORT-TERM FINANCING

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

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

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

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2020 is as follows:

Bonds and Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2019	Increases	Decreases	Balance at 6/30/2020
BAN	Ladder Truck	11/01/18	11/01/19	2.60%	\$ 347,067	\$ -	\$ (347,067)	\$ -
BAN	Ladder Truck	11/01/19	11/01/20	1.83%	-	231,378	-	231,378
Total					<u>\$ 347,067</u>	<u>\$ 231,378</u>	<u>\$ (347,067)</u>	<u>\$ 231,378</u>

Subsequent Event

On October 30, 2020, the Town repaid the firetruck BAN.

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Governmental Activities:					
Bonds and notes payable	<u>\$ 3,815,936</u>	<u>\$ -</u>	<u>\$ (199,523)</u>	<u>\$ 3,616,413</u>	<u>\$ 192,105</u>

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
MCWT - Title V Loan*	07/15/19	5.23%	\$ 7,418	\$ -	\$ (7,418)	\$ -
MCWT - Title V Loan*	07/15/22	5.33%	8,518	-	(2,105)	6,413
Highway Barn	10/15/38	3.00-5.00%	3,800,000	-	(190,000)	3,610,000
Total			<u>\$ 3,815,936</u>	<u>\$ -</u>	<u>\$ (199,523)</u>	<u>\$ 3,616,413</u>

*Notes from direct borrowings

The Massachusetts Clean Water Trust (MCWT) operates a water pollution abatement bond program for community owned water systems. For each community approved for the project, financial assistance received from the MCWT consists of subsidized interest-bearing loans payable in annual installments. At June 30, 2020, the outstanding principal amount of these loans totaled \$6,413.

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

Fiscal Year	Bonded Debt		Notes from Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 190,000	\$ 127,774	\$ 2,105	\$ 266	\$ 192,105	\$ 128,040
2022	190,000	118,275	2,154	160	192,154	118,435
2023	190,000	108,776	2,154	54	192,154	108,830
2024	190,000	101,176	-	-	190,000	101,176
2025	190,000	95,476	-	-	190,000	95,476
2026	190,000	89,775	-	-	190,000	89,775
2027	190,000	84,074	-	-	190,000	84,074
2028	190,000	78,375	-	-	190,000	78,375
2029	190,000	72,675	-	-	190,000	72,675
2030	190,000	66,856	-	-	190,000	66,856
2031	190,000	60,919	-	-	190,000	60,919
2032	190,000	54,625	-	-	190,000	54,625
2033	190,000	47,975	-	-	190,000	47,975
2034	190,000	41,325	-	-	190,000	41,325
2035	190,000	34,200	-	-	190,000	34,200
2036	190,000	26,600	-	-	190,000	26,600
2037	190,000	19,000	-	-	190,000	19,000
2038	190,000	11,400	-	-	190,000	11,400
2039	190,000	3,800	-	-	190,000	3,800
Total	<u>\$ 3,610,000</u>	<u>\$ 1,243,076</u>	<u>\$ 6,413</u>	<u>\$ 480</u>	<u>\$ 3,616,413</u>	<u>\$ 1,243,556</u>

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. The amount of MCWT bonds outstanding at June 30, 2020 totaled \$6,413.

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, 2020, the Town had no authorized and unissued debt.

NOTE 10 FUND BALANCES

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

	<u>General</u>	<u>Conservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Permanent fund principal	\$ -	\$ -	\$ 220,124	\$ 220,124
Restricted:				
Conservation	-	187,052	-	187,052
Loans	-	-	15,547	15,547
Affordable housing	-	-	191,478	191,478
Ambulance receipts reserved	-	-	395,967	395,967
General government	-	-	437,072	437,072
Public safety	-	-	1,090,456	1,090,456
Education	-	-	21,642	21,642
Public works	-	-	13,053	13,053
Health and human services	-	-	172,922	172,922
Culture and recreation	-	-	253,992	253,992
Community preservation	-	-	286,904	286,904
Subtotal - Restricted	-	187,052	2,879,033	3,066,085
Committed:				
Public safety	445,949	-	-	445,949
Public works	183,588	-	-	183,588
Other continuing appropriations	455,374	-	-	455,374
Subsequent year's expenditures	345,100	-	-	345,100
Subtotal - Committed	1,430,011	-	-	1,430,011
Assigned:				
General government	8,824	-	-	8,824
Public safety	6,700	-	-	6,700
Public works	18,000	-	-	18,000
Health and human services	50	-	-	50
Employee benefits	50,100	-	-	50,100
Subtotal - Assigned	83,674	-	-	83,674
Unassigned	3,062,963	-	(255,378)	2,807,585
Total fund balances	\$ 4,576,648	\$ 187,052	\$ 2,843,779	\$ 7,607,479

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 STABILIZATION FUNDS

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

The balance of the stabilization fund at June 30, 2020 totals \$1,198,697. This amount is reported as unassigned fund balance in the general fund.

NOTE 12 RISK FINANCING

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

NOTE 13 PENSION PLAN

General Information about the Pension Plan

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

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

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

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

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

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

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

Contributions. Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Active plan members contribute between 5 and 9% of their gross regular compensation. The contribution rate is based on the date plan membership commences. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Employees in Group 1 hired on or after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Employers are required to pay into the System its share of the system-wide actuarial determined contribution, in accordance with Chapter 32, Section 22D of MGL, apportioned among the employers based on annual employer normal cost and amortization payments to pay the unfunded actuarial accrued liability. Contributions to the pension plan from the Town were \$483,121 for the year ended June 30, 2020.

At June 30, 2020, the Town reported a liability of \$7,062,815 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2019, the Town proportion was 0.793%; compared to a proportion of 0.829% as of December 31, 2018.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$951,890. At June 30, 2020, the Town reported deferred outflows of resources related to pensions and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,740	\$ 42,316
Changes of assumptions	394,756	-
Change in allocated proportion	274,488	242,483
Net difference between projected and actual earnings on investments	-	193,992
	<hr/>	<hr/>
Total	\$ 689,984	\$ 478,791
	<hr/>	<hr/>

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

<u>Year Ending June 30</u>	
2021	\$ 213,259
2022	93,832
2023	51,460
2024	(126,392)
2025	(20,966)
Total	<hr/> \$ 211,193 <hr/>

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

Inflation rate:	2.4% per year (3.00% per for the actuarial valuation as of January 1, 2016)
Salary increases	Group 1: 4.25-6.00%, based on service (4.20-6.00% for the actuarial valuation as of January 1, 2016) Group 4: 4.75-7.00%, based on service (4.75-7.00% for the actuarial valuation as of January 1, 2016)
Mortality Rates:	Based on the RP-2000 Mortality Table (based on year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 PENSION PLAN (CONTINUED)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.00 %	4.68 %
Fixed Income	23.00	1.90
Private Equity	13.00	8.50
Real Estate	10.00	3.70
Timber/Natural Resources	4.00	4.30
Portfolio Completion Strategies	11.00	3.40
Totals	<u>100.00 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Town's Proportionate Share of the Net Pension Liability	\$ 8,618,475	\$ 7,062,815	\$ 5,749,107

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

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

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

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

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

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2020. The Commonwealth of Massachusetts's net pension liability associated with the Town was \$6,713,110.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

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

The MTRS' net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$814,081 associated with MTRS and revenue of the same amount for support provided by the Commonwealth of Massachusetts.

Actuarial assumptions. The MTRS' total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

Investment rate of return	7.25%
Salary increases	Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service
Mortality Rates:	Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct) Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct) Disability - assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct)
Other	3.50% interest rate credited to the annuity savings fund 3.00% cost of living increase per year

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

**TOWN OF BERLIN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

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

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.00 %	4.90 %
Core Fixed Income	15.00	1.30
Private Equity	13.00	8.20
Portfolio Completion Strategies	11.00	3.90
Real Estate	10.00	3.60
Value Added Fixed Income	8.00	4.70
Timber/Natural Resources	4.00	4.10
Totals	100.00 %	

Discount rate. The discount rate used to measure the MTRS' total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 15 COMMITMENTS

The Town's significant commitments are the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$1,168,585 at June 30, 2020.

NOTE 16 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2020.

The Town participates in a number of federal award programs. The programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**TOWN OF BERLIN, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2020**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 12,154,106	\$ -	\$ 12,154,106
Motor Vehicle and Other Excise Taxes	-	617,535	-	617,535
Hotel/Motel Tax	-	-	-	-
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	69,613	-	69,613
Intergovernmental	-	251,390	-	251,390
Penalties and Interest on Taxes	-	29,500	-	29,500
Licenses and Permits	-	222,065	-	222,065
Fines and Forfeitures	-	28,250	-	28,250
Departmental and Other	-	41,080	-	41,080
Investment Income	-	38,515	-	38,515
Total Revenues	-	13,452,054	-	13,452,054
EXPENDITURES				
Current:				
General Government	135,768	1,340,538	(35,065)	1,441,241
Public Safety	86,958	3,040,124	22,900	3,149,982
Education	182,413	6,896,990	-	7,079,403
Public Works	143,826	897,862	12,165	1,053,853
Health and Human Services	2,780	103,834	-	106,614
Culture and Recreation	151,291	269,878	-	421,169
Pension Benefits	-	483,121	-	483,121
Employee Benefits	-	846,196	-	846,196
Property and Liability Insurance	-	106,150	-	106,150
State and County Charges	-	41,707	-	41,707
Debt Service:				
Principal	-	199,523	-	199,523
Interest	-	211,788	-	211,788
Total Expenditures	703,036	14,437,711	-	15,140,747
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(703,036)	(985,657)	-	(1,688,693)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	686,223	-	686,223
Transfers Out	-	(244,776)	-	(244,776)
Total Other Financing Sources (Uses)	-	441,447	-	441,447
NET CHANGE IN FUND BALANCE	(703,036)	(544,210)	-	(1,247,246)
Fund Balance - Beginning of Year	2,766,057	2,766,057	2,766,057	2,766,057
FUND BALANCE - END OF YEAR	\$ 2,063,021	\$ 2,221,847	\$ 2,766,057	\$ 1,518,811

See accompanying Notes to Required Supplementary Information.

**TOWN OF BERLIN, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2020**

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
REVENUES				
Real Estate and Personal Property Taxes	\$ 12,135,247	\$ -	\$ 12,135,247	\$ (18,859)
Motor Vehicle and Other Excise Taxes	562,391	-	562,391	(55,144)
Hotel/Motel Tax	166,227	-	166,227	166,227
Tax Liens	58,863	-	58,863	58,863
Payments in Lieu of Taxes	77,146	-	77,146	7,533
Intergovernmental	290,927	-	290,927	39,537
Penalties and Interest on Taxes	67,398	-	67,398	37,898
Licenses and Permits	185,303	-	185,303	(36,762)
Fines and Forfeitures	18,693	-	18,693	(9,557)
Departmental and Other	61,742	-	61,742	20,662
Investment Income	29,340	-	29,340	(9,175)
Total Revenues	<u>13,653,277</u>	<u>-</u>	<u>13,653,277</u>	<u>201,223</u>
EXPENDITURES				
Current:				
General Government	1,102,172	130,160	1,232,332	208,909
Public Safety	2,416,502	452,649	2,869,151	280,831
Education	6,977,866	88,523	7,066,389	13,014
Public Works	790,443	201,588	992,031	61,822
Health and Human Services	62,795	712	63,507	43,107
Culture and Recreation	153,577	244,853	398,430	22,739
Pension Benefits	483,121	-	483,121	-
Employee Benefits	722,260	50,100	772,360	73,836
Property and Liability Insurance	72,631	-	72,631	33,519
State and County Charges	41,402	-	41,402	305
Debt Service:				
Principal	199,523	-	199,523	-
Interest	211,788	-	211,788	-
Total Expenditures	<u>13,234,080</u>	<u>1,168,585</u>	<u>14,402,665</u>	<u>738,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>419,197</u>	<u>(1,168,585)</u>	<u>(749,388)</u>	<u>939,305</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	733,751	-	733,751	47,528
Transfers Out	(244,776)	-	(244,776)	-
Total Other Financing Sources (Uses)	<u>488,975</u>	<u>-</u>	<u>488,975</u>	<u>47,528</u>
NET CHANGE IN FUND BALANCE	<u>908,172</u>	<u>(1,168,585)</u>	<u>(260,413)</u>	<u>986,833</u>
Fund Balance - Beginning of Year	<u>2,766,057</u>	<u>-</u>	<u>2,766,057</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,674,229</u>	<u>\$ (1,168,585)</u>	<u>\$ 2,505,644</u>	<u>\$ 986,833</u>

See accompanying Notes to Required Supplementary Information.

**TOWN OF BERLIN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND FIVE YEARS PRIOR**

PENSION PLAN SCHEDULES

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

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

	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.793%	0.829%	0.829%	0.766%	0.764%	0.708%
Town's proportionate share of the net pension liability	\$ 7,062,815	\$ 7,512,781	\$ 6,763,323	\$ 6,417,586	\$ 5,425,381	\$ 4,213,746
Town's covered payroll	\$ 2,278,623	\$ 2,142,491	\$ 1,809,105	\$ 2,239,569	\$ 1,758,464	\$ 1,690,831
Town's proportionate share of the net pension liability as a percentage of its covered payroll	309.96%	350.66%	373.85%	286.55%	308.53%	249.21%
Plan fiduciary net position as a percentage of the total pension liability	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

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

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

	2020	2019	2018	2017	2016	2015
Actuarially Required Contribution	\$ 483,121	\$ 461,279	\$ 419,681	\$ 372,177	\$ 343,849	\$ 279,839
Contributions in Relation to the Actuarially Required Contribution	(483,121)	(461,279)	(419,681)	(372,177)	(343,849)	(279,839)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	2,833,583	3,050,796	2,878,108	2,884,165	2,548,911	2,384,200
Contributions as a Percentage of Covered Payroll	17.05%	15.12%	14.58%	12.90%	13.49%	16.55%

- (1) Amounts presented were determined for the fiscal year ended June 30.
(2) Data is being accumulated annually to present 10 years of the reported information.

See accompanying Notes to Required Supplementary Information.

**TOWN OF BERLIN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND FIVE YEARS PRIOR**

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

	2020	2019	2018	2017	2016	2015
Town's proportionate share of the net pension liability	\$ 6,713,110	\$ 6,626,245	\$ 6,129,799	\$ 5,775,621	\$ 5,459,745	\$ 4,526,343
Commonwealth's proportionate share of the Town's net pension liability	6,713,110	6,626,245	6,129,799	5,775,621	5,459,745	4,526,343
Town's net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's expense and revenue recognized for Commonwealth's support	\$ 814,081	\$ 671,474	\$ 639,785	\$ 589,151	\$ 442,834	\$ 314,467
Plan fiduciary net position as a percentage of the total pension liability	53.95%	54.84%	54.25%	52.73%	55.38%	61.64%

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

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

See accompanying Notes to Required Supplementary Information.

TOWN OF BERLIN, MASSACHUSETTS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

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, 2020 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	\$ 13,653,277	\$ 14,402,665	\$ 488,975	\$ 2,505,644
<u>Adjustments and Reclassifications</u>				
Reclassification of stabilization fund activities	8,129	-	129,087	1,198,697
To record 60-day receipts	61,313	-	-	135,163
To record tax refunds payable	(158,551)	-	-	(431,441)
Net change in recording other expenditures	-	-	-	-
To record activity for MTRS on-behalf payments	814,081	814,081	-	-
To record encumbrances and continuing appropriations	<u>-</u>	<u>(1,168,585)</u>	<u>-</u>	<u>1,168,585</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 14,378,249</u>	<u>\$ 14,048,161</u>	<u>\$ 618,062</u>	<u>\$ 4,576,648</u>

