

# Final Official Statement Dated May 5, 2016

**NEW MONEY: Book-Entry-Only**

**RATINGS: Standard & Poor's Corporation: "AA+" / "SP-1+"**

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds and Notes is not included in gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code, and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds and Notes may be includable in the calculation of certain taxes under the Code, including adjusted current earnings for purposes of calculating the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and Notes is excluded from taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See Appendix B – "Form of Opinions of Bond Counsel and Tax Exemption" herein.



## Town of Berlin, Connecticut \$16,770,000 General Obligation Bonds, Issue of 2016

**Dated: Date of Delivery**

**Due: Serially December 1, 2017-2035  
as detailed below:**

Interest on the Bonds will be payable December 1, 2016 and semiannually thereafter on June 1 and December 1 in each year until maturity. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. The beneficial owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest payments on, the Bonds will be made by the Town of Berlin, Connecticut (the "Town") to The Depository Trust Company, New York, New York ("DTC"), or its nominee as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry-Only Transfer System" herein.)

The Bonds are subject to redemption prior to maturity as more fully described under "Redemption Provisions" herein.

| Year  | Principal   | Coupon | Yield  | CUSIP     | Year  | Principal | Coupon | Yield  | CUSIP     |
|-------|-------------|--------|--------|-----------|-------|-----------|--------|--------|-----------|
| 2017  | \$1,040,000 | 2.000% | 0.610% | 084851VK7 | 2027  | \$810,000 | 2.000% | 2.000% | 084851VV3 |
| 2018  | 1,040,000   | 3.000% | 0.720% | 084851VL5 | 2028  | 805,000   | 2.000% | 2.150% | 084851VW1 |
| 2019  | 1,035,000   | 4.000% | 0.840% | 084851VM3 | 2029  | 805,000   | 2.250% | 2.300% | 084851VX9 |
| 2020  | 1,035,000   | 3.000% | 0.940% | 084851VN1 | 2030  | 805,000   | 2.375% | 2.450% | 084851VY7 |
| 2021  | 1,030,000   | 4.000% | 1.060% | 084851VP6 | 2031* | 690,000   | 3.000% | 2.500% | 084851VZ4 |
| 2022  | 1,030,000   | 4.000% | 1.190% | 084851VQ4 | 2032* | 690,000   | 3.000% | 2.600% | 084851WA8 |
| 2023  | 1,030,000   | 4.000% | 1.310% | 084851VR2 | 2033* | 685,000   | 3.000% | 2.650% | 084851WB6 |
| 2024* | 1,030,000   | 4.000% | 1.430% | 084851VS0 | 2034* | 685,000   | 3.000% | 2.700% | 084851WC4 |
| 2025* | 1,030,000   | 2.000% | 1.700% | 084851VT8 | 2035* | 685,000   | 3.000% | 2.800% | 084851WD2 |
| 2026* | 810,000     | 2.000% | 1.900% | 084851VU5 |       |           |        |        |           |

\* Priced assuming redemption on December 1, 2023; however, any such redemption is at the option of the Town.

## JANNEY MONTGOMERY SCOTT

**\$900,000**

### General Obligation Bond Anticipation Notes

**Dated: May 19, 2016**  
**Rate: 2.00%**  
**Yield: 0.60%**

**Due: September 19, 2016**  
**CUSIP: 084851VJ0**  
**Underwriter: Eastern Bank**

The Notes will be issued in book-entry-only form and will be registered in the name of Cede & Co., as noteowner and nominee for DTC, New York, New York. (See "Book-Entry-Only Transfer System" herein.) The Notes are not subject to redemption prior to maturity.

The Bonds and Notes will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and the interest on the Bonds and Notes when due. (See "Security and Remedies" herein.)

The Registrar, Transfer Agent, Certifying Agent and Paying Agent will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23<sup>rd</sup> Floor, Hartford, Connecticut 06103.

The Bonds and Notes are offered for delivery when, as and if issued, subject to the approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut and certain other conditions. It is expected that delivery of the Bonds and Notes in book-entry-only form will be made to DTC on or about May 19, 2016.

No dealer, broker, salesman or other person has been authorized by the Town of Berlin, Connecticut (the “Town”) to give any information or to make any representations other than that contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds or the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and Notes and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds or the Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

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## Table of Contents

|  | <u>Page</u> |  | <u>Page</u> |
|--|-------------|--|-------------|
| <b>Bond Issue Summary</b> .....                        | 1           | <b>IV. Tax Base Data</b> .....   | 26          |
| <b>Note Issue Summary</b> .....                        | 2           | Property Tax - Assessments.....  | 26          |
| <b>I. Bond and Note Information</b> .....              | 3           | Levy.....  | 26          |
| Introduction.....                                      | 3           | Comparative Assessed Valuations.....                                       | 27          |
| Financial Advisor.....                                 | 3           | Exempt Property.....   | 27          |
| Description of the Bonds.....                          | 4           | Property Tax Levies and Collections.....                                   | 28          |
| Redemption Provisions.....                             | 4           | Ten Largest Taxpayers.....   | 28          |
| Description of the Notes.....                          | 5           | <b>V. Debt Summary</b> .....   | 29          |
| Authorization and Purpose.....                         | 5           | Principal Amount of Indebtedness.....                                      | 29          |
| Use of Proceeds.....                                   | 5           | Short Term Debt.....   | 29          |
| Book-Entry-Only Transfer System.....                   | 5           | Annual Bonded Debt Maturity Schedule.....                                  | 30          |
| DTC Practices.....                                     | 7           | Overlapping Debt.....  | 30          |
| Replacement Bonds and Notes.....                       | 7           | Mattabassett District.....   | 30          |
| Security and Remedies.....                             | 7           | Underlying Debt.....   | 31          |
| Qualification for Financial Institutions.....          | 8           | Debt Statement.....  | 31          |
| Availability of Continuing Information.....            | 8           | Current Debt Ratios.....   | 31          |
| Ratings.....   | 8           | Bond Authorization.....  | 32          |
| Insurance.....   | 8           | Temporary Financing.....   | 32          |
| <b>II. The Issuer</b> .....                            | 9           | Debt Management Policy.....  | 32          |
| Description of the Municipality.....                   | 9           | Limitation of Indebtedness.....  | 32          |
| Economic Development.....                              | 9           | Statement of Debt Limitation.....  | 33          |
| Government Organization.....                           | 10          | Authorized But Unissued Debt.....  | 33          |
| Town Officials.....                                    | 11          | Principal Amount of Outstanding Debt.....                                  | 34          |
| Town Council Members.....                              | 11          | Ratios of Net Long-Term Debt to Valuation                                  |             |
| Municipal Services.....                                | 12          | Population and Income.....   | 34          |
| Principal Public Facilities.....                       | 14          | Ratio of Total General Fund Debt Service                                   |             |
| Educational Services.....                              | 15          | Expenditures To Total General Fund Expenditures.....                       | 34          |
| School Enrollment.....                                 | 15          | <b>VI. Financial Administration</b> .....                                  | 35          |
| School Facilities.....                                 | 15          | Fiscal Year.....   | 35          |
| Employee Relations and Collective Bargaining.....      | 16          | Basis of Accounting.....   | 35          |
| Municipal Employees.....                               | 16          | Budget Procedure.....  | 35          |
| Employee Relations.....                                | 16          | Capital Improvement Plan.....  | 35          |
| Binding Arbitration.....                               | 16          | Audit.....   | 35          |
| <b>III. Economic and Demographic Information</b> ..... | 17          | Liability Insurance.....   | 35          |
| Economic Condition & Outlook.....                      | 17          | Certificate of Achievement.....  | 36          |
| Major Economic Initiatives.....                        | 17          | Pensions.....  | 36          |
| Population and Density.....                            | 20          | Other Post Employment Benefits.....  | 36          |
| Age Distribution of the Population.....                | 20          | Compensated Absences.....  | 36          |
| Income Distribution.....                               | 20          | Risk Management.....   | 37          |
| Income Levels.....                                     | 21          | Enterprise Fund.....   | 37          |
| Educational Attainment.....                            | 21          | Investment Policy.....   | 37          |
| Major Employers.....                                   | 21          | General Fund Revenues and Expenditures.....                                | 38          |
| Employment by Industry.....                            | 22          | Analysis of General Fund Balance.....                                      | 38          |
| Employment Data.....                                   | 22          | <b>VII. Legal and Other Information</b> .....                              | 39          |
| Age Distribution of Housing.....                       | 23          | Litigation.....  | 39          |
| Commute to Work.....                                   | 23          | Documents Furnished at Delivery.....                                       | 39          |
| Housing Inventory.....                                 | 23          | Concluding Statement.....  | 40          |
| Housing Vacancy Rates.....                             | 24          | <b>Appendix A: 2015 Financial Statements Excerpted from</b>                |             |
| Owner Occupied Housing Values.....                     | 24          | <b>the Town's Comprehensive Annual Financial Report</b>                    |             |
| Building Permits.....                                  | 25          | <b>Appendix B-1: Opinion of Bond Counsel and Tax Exemption - The Bonds</b> |             |
| Land Use Breakdown.....                                | 25          | <b>Appendix B-2: Opinion of Bond Counsel and Tax Exemption - The Notes</b> |             |
|  |             | <b>Appendix C-1: Form of Continuing Disclosure Agreement - The Bonds</b>   |             |
|  |             | <b>Appendix C-2: Form of Continuing Disclosure Agreement - The Notes</b>   |             |
|  |             | <b>Appendix D: Notice of Sale and Bid Forms</b>                            |             |

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## **Bond Issue Summary**

*The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.*

|  |  |
|--|--|
| <b>Date of Sale:</b>   | Thursday, May 5, 2016 at 11:30 A.M. (E.D.T.).  |
| <b>Location of Sale:</b>   | Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, CT 06037.   |
| <b>Issuer:</b>   | Town of Berlin, Connecticut (the "Town").  |
| <b>Issue:</b>  | \$16,770,000 General Obligation Bonds, Issue of 2016 (the "Bonds").  |
| <b>Dated Date:</b>   | May 19, 2016.  |
| <b>Interest Due:</b>   | December 1, 2016 and semiannually thereafter on June 1 and December 1, in each year until maturity.  |
| <b>Principal Due:</b>  | Principal due serially December 1, 2017 through December 1, 2035.  |
| <b>Purpose:</b>  | The Bond proceeds will be used to fund various general purpose and school capital projects. See "Authorization and Purpose" herein.  |
| <b>Redemption:</b>   | The Bonds are subject to redemption prior to maturity.   |
| <b>Security:</b>   | The Bonds will be general obligations of the Town of Berlin, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.  |
| <b>Credit Rating:</b>  | The Bonds received a rating of "AA+" from Standards & Poor's Corporation.  |
| <b>Bond Insurance:</b>   | The Town does not expect to direct purchase a credit enhancement facility.   |
| <b>Tax Exemption:</b>  | See "Tax Matters" herein.  |
| <b>Bank Qualification:</b>   | The Bonds shall <u>NOT</u> be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.  |
| <b>Continuing Disclosure:</b>  | In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-1 to this Official Statement. |
| <b>Registrar, Transfer Agent, Certifying Agent and Paying Agent:</b> | U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.  |
| <b>Financial Advisor:</b>  | Phoenix Advisors, LLC, of Milford, Connecticut will act as Financial Advisor. Telephone: (203) 878-4945.   |
| <b>Legal Opinion:</b>  | Joseph Fasi LLC, of Hartford, Connecticut will act as Bond Counsel.  |
| <b>Delivery and Payment:</b>   | It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about May 19, 2016. Delivery of the Bonds will be made against payment in Federal Funds.  |
| <b>Issuer Official:</b>  | Questions concerning the Official Statement should be addressed to Mr. Jim Wren, Finance Director, Berlin Town Hall, 240 Kensington Road, Berlin, CT 06037. Telephone (860) 828-7044.  |

## **Note Issue Summary**

*The information in this Note Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.*

|   |  |
|---|--|
| <b>Date of Sale:</b>  | Thursday, May 5, 2016 at 11:00 A.M. (E.D.T.).  |
| <b>Location of Sale:</b>  | Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, CT 06037.   |
| <b>Issuer:</b>  | Town of Berlin, Connecticut (the "Town").  |
| <b>Issue:</b>   | \$900,000 General Obligation Bond Anticipation Notes (the "Notes").  |
| <b>Dated Date:</b>  | May 19, 2016.  |
| <b>Principal and Interest Due:</b>                                    | At maturity.   |
| <b>Purpose:</b>   | The Note proceeds will be used to finance various general purpose and school projects.   |
| <b>Redemption:</b>  | The Notes are NOT subject to redemption prior to maturity.   |
| <b>Security:</b>  | The Notes will be general obligations of the Town of Berlin, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.  |
| <b>Credit Rating:</b>   | The Notes received a rating of "SP-1+" from Standards & Poor's Corporation.  |
| <b>Bond Insurance:</b>  | The Town does not expect to direct purchase a credit enhancement facility.   |
| <b>Tax Exemption:</b>   | See "Tax Matters" herein.  |
| <b>Bank Qualification:</b>  | The Notes shall <u>NOT</u> be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Notes.  |
| <b>Continuing Disclosure:</b>   | In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, notices of material events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-2 to this Official Statement. |
| <b>Registrar, Transfer Agent, Certifying Agent, and Paying Agent:</b> | U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.  |
| <b>Financial Advisor:</b>   | Phoenix Advisors, LLC, of Milford, Connecticut will act as Financial Advisor. Telephone: (203) 878-4945.   |
| <b>Legal Opinion:</b>   | Joseph Fasi LLC, of Hartford, Connecticut will act as Bond Counsel.  |
| <b>Delivery and Payment:</b>  | It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about May 19, 2016. Delivery of the Notes will be made against payment in Federal Funds.  |
| <b>Issuer Official:</b>   | Questions concerning the Official Statement should be addressed to Mr. Jim Wren, Finance Director, Berlin Town Hall, 240 Kensington Road, Berlin, CT 06037. Telephone (860) 828-7044.  |

## ***I. Bond & Note Information***

### ***Introduction***

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Berlin, Connecticut (the "Town"), in connection with the original issuance and sale of \$16,770,000 General Obligation Bonds, Issue of 2016 (the "Bonds") and \$900,000 General Obligation Bond Anticipation Notes (the "Notes") of the Town.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds or the Notes. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

The Bonds and Notes are being offered for sale through public bidding. A Notice of Sale dated April 28, 2016 has been furnished to prospective bidders and is included herein as Appendix D for the Bonds and for the Notes. Reference is made to the Notice of Sale for the terms and conditions of the bidding.

U.S. Bank National Association, will certify and act as Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds and for the Notes.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

The independent auditors for the Town are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in their opinion in Appendix A – Financial Statements excerpted from the Town's 2015 Annual Financial Report), and they make no representation that they have independently verified the same. The Auditors have not been engaged nor performed audit procedures regarding the past audit period nor reviewed the Official Statement. The Auditors have not provided their written consent to use their Independent Auditors Report.

Bond Counsel is not passing on and does not assume any responsibility for the sufficiency, accuracy or completeness of the statements made or financial information presented in this Official Statement, other than matters expressly set forth as its opinion, and makes no representation that they have independently verified the same.

The Town deems this Official Statement to be "final" for purpose of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

The Town currently files its official statements for primary offerings with the Municipal Securities Rulemaking Board. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data with respect to the Bonds and the Notes and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed in substantially the form of Appendix C to this Official Statement.

### ***Financial Advisor***

Phoenix Advisors, LLC, of Milford, Connecticut has served as Financial Advisor to the Town with respect to the issuance of the Bonds and the Notes (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **The Bonds**

### **Description of the Bonds**

The Bonds will be dated May 19, 2016 and will bear interest at the rates per annum specified on the front cover page, payable semiannually on June 1 and December 1 in each year until maturity, commencing December 1, 2016. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of May and November in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank National Association. The Bonds will be issued as fully registered in denominations of \$5,000 or any integral multiple thereof.

The legal opinion for the Bonds will be rendered by Joseph Fasi LLC in substantially the form set forth in Appendix B-1 to this Official Statement.

### **Redemption Provisions**

The Bonds maturing on or before December 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after December 1, 2023, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price or prices (expressed as a percentage of the principal amount of the Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

| <u>Redemption Dates</u>               | <u>Redemption Prices</u> |
|---------------------------------------|--------------------------|
| December 1, 2023 and thereafter ..... | 100%                     |

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner at the address of such registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of the Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine, provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amount of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.



## The Notes

### Description of the Notes

The Notes will be dated May 19, 2016 and will be due and payable as to both principal and interest at maturity, September 19, 2016. The Notes are not subject to redemption prior to maturity and will bear interest, calculated on the basis of a 360-day year consisting of twelve 30-day months, at the rate or rates per annum specified by the successful bidder or bidders. A book-entry system will be employed, evidencing ownership of Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership affected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry-Only Transfer System" herein.) The Registrar, Transfer Agent, Certifying Agent and Paying Agent will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.

The legal opinion for the Notes will be rendered by Joseph Fasi LLC in substantially the form set forth in Appendix B-2 to this Official Statement.

## The Bonds and Notes

### Authorization and Purpose

The Bonds and Notes are issued pursuant to Title 7, Chapter 109, Sections 7-369 et seq. of the Connecticut General Statutes, as amended, the Charter of the Town of Berlin, and bond resolutions approved by the Town's Board of Finance and Town Council. (See "Use of Proceeds" herein.)

### Use of Proceeds

Subject to the Issuer's election to reallocate proceeds among its bond authorized projects to meet its capital cash flow needs, the proceeds of the Bonds and Notes are expected to finance the following projects.

| Project                                 | Amount Authorized    | Notes Due:<br>5/19/2016 | New Money/<br>(Paydowns) | This Issue        |                      |
|---|----------------------|-------------------------|--------------------------|-------------------|----------------------|
|   |                      |                         |                          | The Notes:        | Bonds:               |
| Firefighting/Rescue Vehicles (2006).... | \$ 3,520,000         | \$ -                    | \$ 920,000               | \$ -              | \$ 920,000           |
| Road Improvements.....                  | 6,000,000            | 2,000,000               | -                        | -                 | 2,000,000            |
| Emergency Preparedness.....             | 700,000              | 440,000                 | -                        | 440,000           | -                    |
| Sidewalks and Bridges (2012).....       | 300,000              | 200,000                 | -                        | 200,000           | -                    |
| High School Renovations.....            | 84,950,000           | -                       | 12,500,000               | -                 | 12,500,000           |
| Bridge Improvements (2013).....         | 400,000              | 260,000                 | -                        | 260,000           | -                    |
| Griswold Roof Replacement.....          | 1,530,000            | -                       | 650,000                  | -                 | 650,000              |
| Fire Vehicles (2016).....               | 700,000              | -                       | 700,000                  | -                 | 700,000              |
| <b>Total</b> .....                      | <b>\$ 98,100,000</b> | <b>\$ 2,900,000</b>     | <b>\$ 14,770,000</b>     | <b>\$ 900,000</b> | <b>\$ 16,770,000</b> |

### Book-Entry-Only Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and the Notes (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. For the Bonds, one fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity and will be deposited with DTC. For the Notes, one fully-registered Security certificate will be issued for each interest rate of the Security.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed

Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds and Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds and the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds or Notes may wish to ascertain that the nominee holding the Bonds or Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, principal and interest and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, principal and interest and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

### ***DTC Practices***

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds or Notes act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

### ***Replacement Bonds and Notes***

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds or Notes, and the Town fails to identify another qualified securities depository for the Bonds or the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds or the Notes, the Town is authorized to issue fully registered Bond or Note certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds or Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds or Notes.

### ***Security and Remedies***

The Bonds and the Notes will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds and the Notes when due.

Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues of the Town. The Town has the power under Connecticut statutes to levy ad valorem taxes on all property subject to taxation by the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income and of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds and the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds and the Notes, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation debt and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. A Court of competent jurisdiction also has the power in appropriate proceedings to order a payment of a judgment on such Bonds and Notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds and the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights heretofore or, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy under Chapter 9 of Title 11 of the United States Code without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State of Connecticut having the power to levy taxes and issue bonds or other obligations.

**Qualification for Financial Institutions**

The Bonds and the Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds and the Notes.

**Availability of Continuing Information**

The Town prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management on an annual basis. The Town provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into Continuing Disclosure Agreements with respect to the Bonds and Notes, substantially in the form attached as Appendix C to this Official Statement (the “Continuing Disclosure Agreements”). The winning bidders’ obligation to purchase the Bonds and Notes shall be conditioned upon their receiving, at or prior to the delivery of the Bonds and Notes, an executed copy of the respective Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and event notices pursuant to the Rule. To date, the Town has not failed to substantially comply with its undertakings under such agreements.

**Ratings**

The Town received a rating of “AA+” and “SP-1+” from Standards & Poor’s Corporation (“S&P”) on the Bonds and the Notes, respectively. The Town furnished S&P with certain information and materials, some of which may not have been included in this Official Statement.

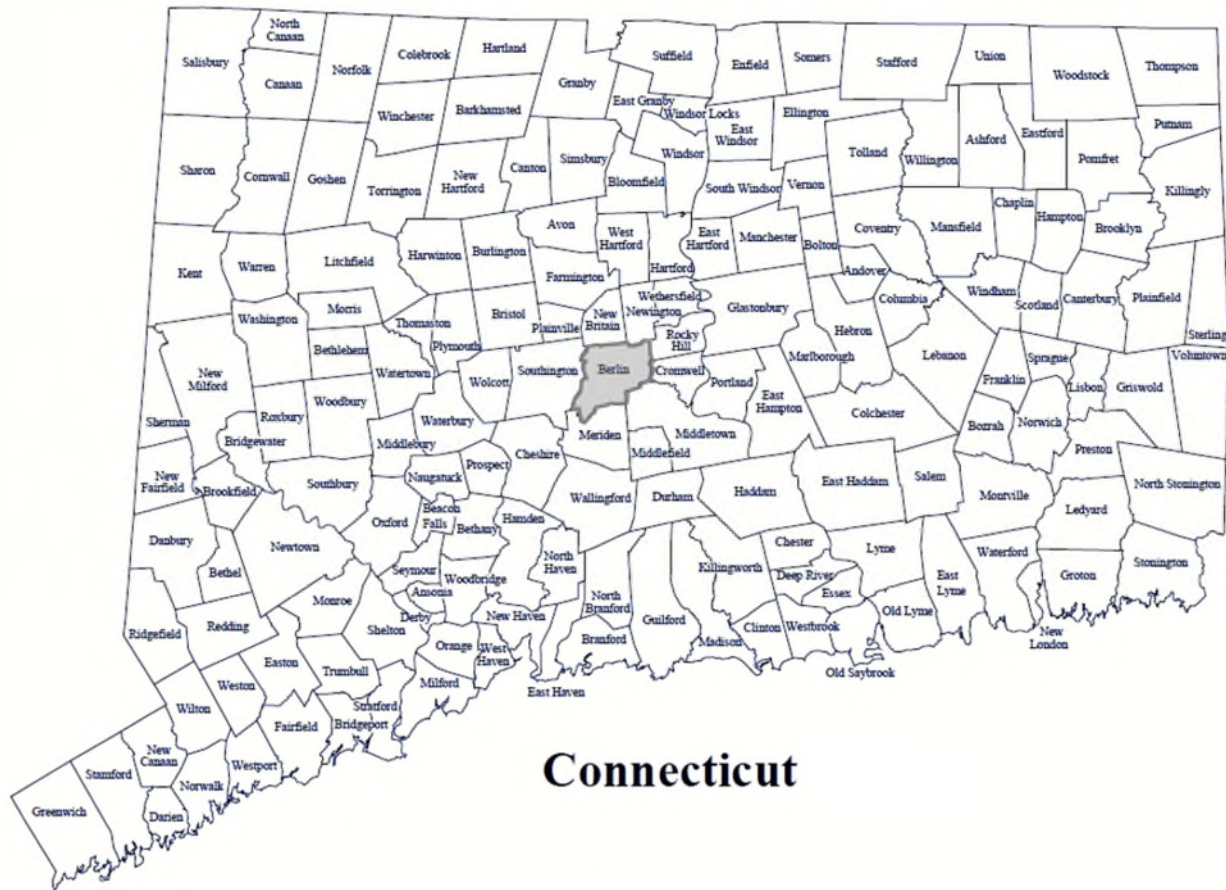
The ratings reflect only the views of the S&P and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an effect on the market price of the Bonds.

**Insurance**

The Town does not expect to direct purchase a credit enhancement facility.

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## II. The Issuer



### **Description of the Municipality**

The Town of Berlin was incorporated as a town in 1785 from parts of Farmington, Middletown, and Wethersfield. The Town, which covers an area of 27.0 square miles, is located in the geographic center of the state in Hartford County. Berlin is eleven miles south of the City of Hartford and is bordered on the north by the City of New Britain, on the northeast by the Town of Newington, on the east by the Towns of Rocky Hill, Cromwell, and Middletown, on the south by the City of Meriden, and on the west by the Town of Southington.

The Town seal is that of a Yankee peddler outfitted in revolutionary dress with a basket under his arm and a pack on his back full of tin ware. This image comes from the Patterson brothers who started their business on West Street (now Lower Lane). For 20 years, until 1760, the family sold tin wares from a basket. As their business grew, they took in apprentices and engaged peddlers to travel throughout the colonies to sell their products.

U.S. Route 5, a multi-lane divided highway, runs north-south through Berlin parallel to Interstate Route 91, connecting Meriden and Wethersfield. Central Connecticut Expressway Corridor (Routes 9 and 72) serves as a connector between Interstates 84 and 91. State Routes 15, 71, 71A, 160 and 372 also serve the Town. Amtrak provides passenger and freight service, and bus lines provide local and intrastate passenger transportation service. Air passenger and freight service is available at Bradley International Airport in Windsor Locks, approximately twenty-five miles from Berlin.

Within the Town, there are six reservoirs belonging to surrounding municipalities, three post offices, and four separate fire departments. The Berlin Fairgrounds are located in the eastern section of town where once a year the Berlin Fair is held. The grounds are utilized for several other events during the year. The Town has two golf courses, one public and one private. There are also two private schools, the Mooreland Hill School and St. Paul School, as well as fire companies and approximately 125 small- to medium-sized businesses in Town.

The Town is a member of the Bristol Resource Recovery Authority, which provides trash disposal services, and The Mattabassett District, which provides sewer treatment services to its member Towns of Berlin and Cromwell and the Cities of New Britain and Middletown. There are two separate tax districts or coterminous entities within the territorial limits of the Town of Berlin. The Worthington Fire District, organized in 1920, and the Kensington Fire District, organized in 1922, provide water and sewer services to their respective sections of Berlin.

**Government Organization**

Under the Town Charter, adopted November 4, 1973 and most recently amended November 5, 2002, the Town Council acts as the legislative body. A new Charter Revision Commission was appointed on April 5, 2016. The Town Council consists of seven members elected biennially for terms of two years each. On the second Tuesday following Election Day, members of the Town Council elect one of their members to serve as Mayor who shall preside at Town Council meetings. The Town Council appoints a Town Manager, who is the chief executive officer of the Town. The Town Manager and the Town Council are responsible for the administration of all Town matters, with the exception of the education system, Kensington and Worthington Fire Districts and the Water Control Commission, the Mattabassett District and the Police Department.

The Town Council is the budget-making authority and is responsible for financial and taxation matters, presenting the annual budget to the Annual Town Budget Referendum for its approval, and establishing the tax rate.

**Board of Education**

The Board of Education is the policy-making body for grades pre-kindergarten through twelve. See “Educational System” herein.

**Fire Districts**

The Kensington and Worthington Fire Districts provide water and sewer services to their respective sections of Berlin. Members of the Fire Districts’ governing board are elected by the public and have the sole responsibility for the hiring and firing of employees, the purchase of equipment, the administration of fiscal operations, and establishment of the tax rate, assessments, and service charges. The Fire Districts are empowered to issue bonds and notes in their own name and credit.

**Mattabassett District**

The Mattabassett District (the “District”) is a quasi-municipal district established by Special Act of the State legislature. The District provides sewer treatment services for the Constituent Towns of Berlin and Cromwell and the Constituent Cities of New Britain and Middletown, and contractually to the Metropolitan District and the Town of Farmington. In June 2011, the state statutes creating the Mattabassett District were amended to allow the City of Middletown to become a Constituent Community. The Middletown admission process was completed in February 2014. As a result, the Mattabassett Board of Directors representation is now as follows: New Britain – five members, Middletown – four members, Berlin and Cromwell – three members each. The Board of Directors is responsible for the hiring and firing of employees, purchasing, budget adoption, and the administration of fiscal operations. See “Summary of Municipal Services, Water and Sewers” and “Summary of Overlapping Debt” herein.

**Police Commissioners**

The Board of Police Commissioners has the general management and control of the Police Department and has the sole responsibility for the hiring and firing of employees and purchase of apparatus, supplies or property necessary for the Police Department. Said Board shall prepare an itemized budget for submission to the Town Manager.

**Municipal Joint Ventures**

The Town was a participant in two joint ventures. The Tunxis Recycling Operating Committee (“TROC”) had a membership of 14 cities and towns, including the Town of Berlin. The TROC was responsible for the development, operations, and management of a solid waste recycling program for all participating communities. On August 18, 2014, TROC voted to release and transfer monies remaining in the Special Revenue Fund to the Town’s other joint venture – the Bristol Resource Recovery Facility Operating Committee (“BRRFOC”) which will continue to serve the ten municipalities participating in the program, including the Town of Berlin. In April 2015, TROC voted along with BRRFOC to combine their respective financial statements, assets and liabilities. TROC has ceased to operate as a separate legal entity.

The BRRFOC had a membership of 14 cities and towns. The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of contracting municipalities dealing with the trash to energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.). In December 2012, the Bristol Facility Policy Board was formed pursuant to a Municipal Solid Waste Disposal and Recycling Services

Agreement (the “Service Agreement”) by and among the member towns and cities. The Policy Board is the successor entity to BRRFOC. In 2014, tonnage commitments were revised under a new Service Agreement such that the overall minimum for the fourteen communities is aggregated and no shortfall will occur if these municipalities, in total, reach the required threshold. In conjunction with the transition to the new Service Agreement, BRRFOC’s administrative functions were significantly reduced and some of the remaining funds were distributed to member municipalities. Please refer to “Auditor’s Section, Notes to Financial Statements, Note 13” and “Summary of Municipal Services – Service Contract, Solid Waste Disposal” herein.

### **Town Officials**

| <b>Office</b>                                    | <b>Name</b>                   | <b>Manner of Selection</b> | <b>Term</b> | <b>Date Of Hire</b> |
|--|-------------------------------|----------------------------|-------------|---------------------|
| Assessor.....                                    | Joseph C. Ferraro             | Appointed                  | Indefinite  | 07/10/00            |
| Building Official.....                           | Frank Van Linter              | Appointed                  | Indefinite  | 12/02/13            |
| Chief of Police.....                             | Paul D. Fitzgerald            | Appointed                  | Indefinite  | 07/01/03            |
| Corporation Counsel.....                         | Robert Weber <sup>2</sup>     | Appointed                  | Indefinite  | 11/18/03            |
| Economic Development Director.....               | Chris Edge                    | Appointed                  | Indefinite  | 01/29/15            |
| Human Resources Director.....                    | Denise Parsons                | Appointed                  | Indefinite  | 07/27/09            |
| Information Technology Director.....             | Barbara Sagan                 | Appointed                  | Indefinite  | 07/08/81            |
| Finance Director.....                            | James Wren, Jr.               | Appointed                  | Indefinite  | 12/14/09            |
| Library Director.....                            | Helen Malinka                 | Appointed                  | Indefinite  | 09/27/10            |
| Public Works Director.....                       | John Healy                    | Appointed                  | Indefinite  | 11/03/15            |
| Revenue Collector.....                           | David Kluczowski              | Appointed                  | Indefinite  | 12/19/12            |
| School Business Manager.....                     | Eva Gallupe                   | Appointed                  | Indefinite  | 07/13/15            |
| Superintendent of Schools.....                   | David Erwin                   | Appointed                  | Indefinite  | 05/01/10            |
| Town Clerk.....                                  | Kathryn J. Wall               | Appointed                  | Indefinite  | 01/10/02            |
| Town Manager.....                                | Denise M. McNair <sup>1</sup> | Appointed                  | Indefinite  | 11/10/93            |
| Development Services Director.....               | Hellyn Riggins                | Appointed                  | Indefinite  | 03/03/03            |
| Purchasing Agent.....                            | Adam Tulin                    | Appointed                  | Indefinite  | 10/06/14            |
| Treasurer.....                                   | Nancy L. Lockwood             | Appointed                  | Indefinite  | 11/15/89            |
| Community, Parks<br>and Recreation Director..... | James Capodiece               | Appointed                  | Indefinite  | 01/13/14            |

<sup>1</sup> Ms. McNair served from November 1993 until November 2008 as Revenue Collector.

<sup>2</sup> Town Attorney Services went out to bid. Mr. Weber’s term currently extended through May 2016.

Source: Town of Berlin

### **Town Council Members**

| <b>Name</b>                          | <b>Manner of Selection</b> | <b>Term</b>            |
|--------------------------------------|----------------------------|------------------------|
| Mark H. Kaczynski, Mayor.....        | Elected / 2 years          | 1 st term              |
| Brenden Luddy, Deputy Mayor.....     | Elected / 2 years          | 2nd term               |
| David K. Evans.....                  | Elected / 2 years          | 4th term               |
| Rachel J. Rochette..... <sup>1</sup> | Elected / 2 years          | 5th term               |
| Charles R. Paonessa.....             | Elected / 2 years          | 2nd term               |
| Kristin Campanelli.....              | Elected / 2 years          | 1 st term              |
| Peter A. Rosso.....                  | Elected / 2 years          | 1 st term <sup>2</sup> |

<sup>1</sup> Ms. Rachel J. Rochette was previously Mayor for one term.

<sup>2</sup> First full term. Mr. Rosso finished out term of previous council member who resigned.

## **Municipal Services**

**Police:** The Police Department is headed by a five-member Board of Police Commissioners elected biennially for four-year staggered terms – three at one election, two at the next. The Department is headed by a chief and staffed with one deputy chief, two lieutenants, eight sergeants, and one detective. There are 42 authorized sworn positions including 29 police officers. Currently one officer position is vacant and in process of being filled. In addition, there is a support staff of 13.

The Berlin Police Department is a State and Internationally Accredited law enforcement agency. The department has been accredited by the Commission on Accreditation for Law Enforcement Agencies, Inc. since March 1996. It is one of only 16 agencies in the State to be so recognized. The Police Officers Standards and Training Council also awarded State accreditation to the Berlin Police Department in November of 2004.

**Fire:** A volunteer force of approximately 76 volunteers and 24 officers, organized into four separately incorporated companies housed in four fire stations, provides fire protection. Each company is headed by a chief, an assistant chief, a captain, and two lieutenants. A Fire Administrator is responsible for preparing the budget, reporting documentation, incentives and capital purchases. A Board of Fire Commissioners consisting of the chief from each company is responsible for establishing operating procedures and determining necessary training courses. Present equipment includes seven Class-A pumpers, one 100-foot aerial ladder truck, one 100-foot tower ladder, one tanker truck and one heavy-duty rescue truck. Dispatching is accomplished through the Berlin Police Department, employing both radio and siren alert systems.

**Ambulance:** The Town contracts with Hunter's Ambulance Service to provide services to Town residents.

**Water and Sewers:** Berlin's water and sewer services are spread among the Town's Water Control Commission, the Kensington Fire District, and the Worthington Fire District. Both the Kensington Fire District and the Worthington Fire District (the "Fire Districts") were established under Special Act of the Connecticut Legislature in 1922. The City of New Britain and the Cromwell Fire District supply 45% of the water to the Town, and 55% is supplied by the Town's Elton well field.

The Town's Water Control Commission presently serves 2,560 water accounts and 2,493 sanitary sewer accounts. The Worthington Fire District serves 1,205 water accounts and 1,107 sanitary sewer accounts. The Kensington Fire District has 3,123 water accounts and 2,859 sanitary sewer accounts. Approximately 75% of the population is presently connected to the sanitary sewer systems of the Town or one of the Fire Districts. Approximately 25% of the Town's population is served by well and septic.

Approximately 99.23 miles of sewer mains and 72 miles of water mains have been installed by the Town of Berlin and the Kensington and Worthington Fire Districts. Water produced by the Elton Wells #1A and #2A supplies the Water Control Commission and the Worthington Fire District with 55% of their water needs. The remaining 45% is purchased from the New Britain Water Department and Cromwell Fire District. The Kensington Fire District does not produce water and purchases 100% of its needs from the New Britain Water Department. Existing water storage for Berlin consists of two two-million-gallon storage tanks. The Atkins Street 300,000-gallon reservoir is presently not being used. The Water Control Commission purchases approximately 19,000,000 gallons annually from the Cromwell Fire District at a connection on Mill Street in East Berlin at the Cromwell town line. The supply of water is determined to be adequate to serve anticipated growth.

The Mattabassett District, the fifth largest sewage disposal district in the State of Connecticut, serves the towns of Berlin, Cromwell, Farmington, Middletown, and New Britain, and portions of the Metropolitan District Commission. Berlin pays the District annually July 1<sup>st</sup> based upon metered flows, fixed operating costs, and amortization of plant, trunk sewers, and debt. Berlin's present usage equates to 18.53% of Mattabassett's capacity, which is also the Town's share of Mattabassett's annual operating expenses. The Town's share of operating capital expenses is based upon current reserved plant capacity, which is 14.35%.

The District is empowered to issue bonds and notes in its own name. The District is authorized to issue general obligation bonds secured by the full faith and credit of the District and its constituent municipalities, or revenue bonds secured from revenue derived from the sewer system. General obligation bonds require referendum approval of each constituent municipality. To date the District has not issued general obligation bonds. The District levies its annual assessment upon each member, including the Town of Berlin to pay its expenses including debt. The Town in turn establishes sewer use rates in an amount sufficient to pay the District annual assessment. In the event a town fails to pay its annual assessment, the District may levy, collect and enforce payment from individual District facility users in such town. The Town of Berlin is not liable for payment of District debt. The Mattabassett District has never



defaulted on its bond and note liabilities. See “Government Organization–Mattabasset District” and “Overlapping Debt” herein.

Subsequent to a comprehensive 1999 study, the Mattabasset District embarked on a plan to upgrade and expand treatment capabilities in order to meet the stricter Department of Energy and Environmental Protection requirements for the removal of nitrogen and sewage sludge incinerator emissions as well as to provide for the additional flow capacity needs of the member communities. The project has recently been completed. Total construction costs are approximately \$100 million. A grant from the Department of Environmental Protection Clean Water Fund will cover approximately 23% of the cost. The remainder of the costs are being financed with a 2% 20-year Clean Water Fund loan to the extent not funded by additional grants. The cost of the project will be borne by sewer fee increases spread across the member towns. The 2016 budget includes a 12% sewer rate increase which is projected to grow to an 85-100% overall rate increase in future years in order to cover the capital costs of the upgrade project. The capital costs of the upgrade project will be spread out over 20 years and will peak at approximately \$600,000–\$750,000 per year. The Town’s share of project cost is equal to its percent of future plant reserved capacity, estimated to be 14.35%.

The Town pays for all sewage flow, including that of the Fire Districts, to the Mattabasset District for treatment. Each of the Fire Districts makes payments to the Town of Berlin predicated on metered flow. A \$3 million inflow and infiltration program has been completed by the Town with construction abating a portion of infiltration and inflow (clean water) flowing from the Town to the Mattabasset District. An additional report identifying another potential area of significant infiltration has been drafted by the Town’s consultant and is under review by the State of Connecticut Department of Energy and Environmental Protection. Currently, the second phase of the project is being considered at an estimated cost of \$2,000,000 to further reduce infiltration along the Belcher Brook interceptor.

**Community Services, Parks and Recreation:** The Town operates and maintains 2,163 acres of parks and open space, including 101 acres of school property, five parks, two public swimming pools, one community center, one municipal golf course, and one Senior Center. In 2013, the Parks and Recreation Division was combined with the Community Services and Senior Center divisions under one manager.

**Open Space:** The Town owns 2,375 acres of land including 1,770 acres of open space, which is available primarily for passive recreation and natural resource protection. The largest Town-owned open space is within the Ragged Mountain Reserve, a 587-acre parcel located in the northwest corner of the Town. Major recent open space acquisitions include the 452 acre Blue Hills Conservation Area property that extends south of Orchard Road to the Meriden Town line, the 488 acre Hatchery Brook Conservation Area and Bicentennial Park area in the block bounded by Orchard Road, Chamberlain Highway, Norton Road and Kensington Road and 77 acres of the former Pistol Creek Golf Course. The Hatchery Brook Conservation Area was expanded by the purchase of 71 acres of the “Chotkowski family” property in March 2015. Berlin also contains many other publicly owned open spaces and watershed lands including major holdings of the New Britain and Meriden Water Departments, part of Lamentation Mountain State Park, Silver Lake State Park, and the New Britain-owned Willowbrook Park, and Hungerford Park.

**Libraries:** There are three libraries in town. Two of the libraries are privately operated. The Berlin–Peck Library is a Town-operated facility which has approximately 115,000 volumes in its collection.

**Service Contract, Solid Waste Disposal:** Covanta Bristol, Inc., a Connecticut corporation (the “Company”), operates a 650-ton-per-day mass-burn solid waste disposal, electric power generation, and resource recovery facility at 229 Technology Park. The commercial operation date was April of 1988.

The Company is a subsidiary of Covanta Energy Corporation, a Delaware corporation. The Company was formed in 1984 for the purpose of owning, designing, constructing, and operating the facility for the processing and disposal of acceptable solid waste from the Cities of Bristol, Meriden and New Britain, and the Towns of Berlin, Branford, Burlington, Hartland, Morris, Plainville, Plymouth, Prospect, Seymour, Southington, Warren, Washington, and Wolcott (16 municipalities collectively referred to as the “Contracting Communities”). The Contracting Communities Agreement operating under the Bristol Resource Recovery Facility Operating Committee (“BRRFOC”) expired in 2014 and each municipality has contracted with Covanta through a collective agreement through 2034.

The facility design provides for two furnaces designed to process acceptable waste, each with a rated capacity of 325 tons per day. The Company has guaranteed, pursuant to the service agreement, that the yearly facility capacity will be 197,630 tons per year to the Contracting Communities, which represents an availability factor of 83.3%. The furnaces produce steam that is used to generate electricity for sale, pursuant to an agreement with Northeast Utilities. The facility has a net output of 13.2 megawatts. A dry scrubber and baghouse is utilized for the removal of acid gas

and particulates from stack flue gas emissions. The facility was designed using technology developed and owned by Martin GmbH of Munich, Germany.

Waste disposal service by the Company is provided through the operation of the facility or by any other alternative disposal method reasonably acceptable to the Contracting Communities, including permitted sanitary landfills. The service fee payable by each Contracting Community for such waste disposal service is its pro-rata share, based on its respective tonnage deliveries of acceptable waste, of the sum for each period of (1) an amount equal to debt service on the bonds issued for the project, (2) the operation and maintenance expenses, and (3) pass-through costs, including certain taxes, insurance and utility costs, less a credit equal to 90% of all energy revenues and with an adjustment with respect to recovered ferrous metals. The Town pays a tipping fee per ton of refuse. In addition, the Town currently pays no tipping fee for recyclables.

If the facility is temporarily or permanently shut down and partially or completely unable to receive and process acceptable waste, the Company is obligated to provide waste disposal services by alternative disposal methods. The Company is obligated under the service agreement to seek to mitigate the effect of any shutdown, and the operation and maintenance expenses are to be adjusted to the extent the facility is unable to receive and process acceptable waste, to reflect the Company’s actual direct costs of alternative disposal. Should the facility be shut down for an extended time, the cost of alternative disposal will depend upon transportation costs and tipping fees at the alternative disposal site.

The Contracting Communities are obligated to pay the service fee to the Company, whether or not the Contracting Communities deliver acceptable waste to the facility and whether or not the Company disposes of such acceptable waste through the facility. This obligation is absolute and unconditional, is not subject to any rights of set-off, recoupment or counterclaim any Contracting Community may have against the Company, the trustee, or any other person, and may not be suspended or discontinued for any purpose. In the event of payment default under the service agreement by any one or more of the Contracting Communities, the non-defaulting Contracting Communities are jointly and severally liable to pay such defaulted amount. The Contracting Communities have pledged their full faith and credit to pay all amounts due.

The Contracting Communities’ obligation to pay the service fee ceases if the service agreement is terminated. If the service agreement is terminated due to a default by any Contracting Community, the Contracting Communities are obligated to pay amounts sufficient to defease the bonds or pay amounts sufficient to make timely payments of principal and interest on the bonds. If the service agreement is terminated due to a default by the Company, the Company is generally obligated to defease the bonds or to continue to make timely payments of principal and interest on the bonds.

### ***Principal Public Facilities***

| <b><i>School</i></b>                                | <b><i>Date of Construction<br/>(Additions, Remodeling)</i></b> | <b><i>Type of<br/>Construction</i></b> |
|---|--|--|
| Town Hall Complex.....                              | 1975 (1995,2016) <sup>1</sup>                                  | Masonry                                |
| Berlin–Peck Memorial Library/Community Center....   | 1985 (2000,2016) <sup>2</sup>                                  | Masonry                                |
| Senior Citizens Center.....                         | 1955 (1985,2009)   | Wood Frame                             |
| Golf Course Facility.....                           | 1970 (2008,2015)   | Wood Frame                             |
| Fire Station #1, Berlin Vol. Fire Dept.....         | 1946 (1980, 1995)  | Masonry/Frame                          |
| Fire Station #2, East Berlin Vol. Fire Dept.....    | 1960 (1972, 1990)  | Masonry                                |
| Fire Station #3, Kensington Vol. Fire Dept.....     | 1968 (1976, 1995)  | Masonry                                |
| Fire Station #4, So. Kensington Vol. Fire Dept..... | Unknown (1973, 1994)   | Masonry                                |
| Animal Control Facility.....                        | 2009   | Masonry                                |

<sup>1</sup> 2016 updates include soffit, fascia and gutter repair, IAQ improvements including new fan coils, air handlers and high efficiency boilers.

<sup>2</sup> 2016 updates include repairs and remodeling due to water damage. Also added new exterior doors and hardware including access control system.

Source: Town of Berlin

## Educational Services

The Town's school system services grades pre-kindergarten through twelve and is governed by the local Board of Education. Berlin has a nine-member Board of Education elected to three-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which policies are set include curriculum, budget requests and submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The Town has five schools for grades pre-kindergarten through twelve. Enrollment in grades pre-kindergarten through twelve as of October 1, 2015 was 2,863. The rated capacity of the system facilities is 3,769.

### School Enrollment

| School Year | Historical |       |       |        | Total |
|-------------|------------|-------|-------|--------|-------|
|             | Pre-K      | K-5   | 6 - 8 | 9 - 12 |       |
| 2006-2007   | 57         | 1,405 | 767   | 1,048  | 3,277 |
| 2007-2008   | 48         | 1,380 | 777   | 1,063  | 3,268 |
| 2008-2009   | 52         | 1,386 | 741   | 1,028  | 3,207 |
| 2009-2010   | 68         | 1,337 | 735   | 1,027  | 3,167 |
| 2010-2011   | 48         | 1,332 | 722   | 1,021  | 3,123 |
| 2011-2012   | 38         | 1,273 | 735   | 980    | 3,026 |
| 2012-2013   | 53         | 1,245 | 717   | 966    | 2,981 |
| 2013-2014   | 52         | 1,275 | 691   | 932    | 2,950 |
| 2014-2015   | 52         | 1,225 | 702   | 919    | 2,898 |
| 2015-16     | 57         | 1,181 | 672   | 953    | 2,863 |
| School Year | Projected  |       |       |        | Total |
|             | Pre-K      | K-5   | K - 8 | 9 - 12 |       |
| 2016-2017   | 57         | 1,118 | 705   | 904    | 2,784 |
| 2017-2018   | 57         | 1,115 | 660   | 887    | 2,719 |
| 2018-2019   | 57         | 1,107 | 641   | 888    | 2,693 |

Source: Town of Berlin, Board of Education

### School Facilities

| School                     | Grades  | Date of Construction<br>(Additions, Remodeling) | Number of<br>Classrooms | 10/1/2015<br>Enrollment | Rated<br>Capacity |
|----------------------------|---------|---|-------------------------|-------------------------|-------------------|
| Hubbard School .....       | Pre-K-5 | 1965 (1993)                                     | 20                      | 295                     | 325               |
| Willard School .....       | K-5     | 1955 (2013)                                     | 36                      | 446                     | 720               |
| Griswold School .....      | K-5     | 1963 (1992)                                     | 31                      | 497                     | 600               |
| Catherine McGee School ... | 6-8     | 1969 (2010)                                     | 58                      | 672                     | 924               |
| Berlin High School .....   | 9-12    | 1953 (2013-2016)                                | 68                      | 953                     | 1,200             |
| <b>Total.....</b>          |         |   | 213                     | 2,863                   | 3,769             |

Source: Town of Berlin, Board of Education

**Employee Relations and Collective Bargaining**

**Municipal Employees**

The following table reflects total Town employment for the past five fiscal years:

|                               | <b>2016<sup>1</sup></b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|-------------------------------|-------------------------|-------------|-------------|-------------|-------------|
| General Government.....       | 183                     | 184         | 181         | 181         | 181         |
| Board of Education.....       | 448                     | 449         | 445         | 445         | 442         |
| Water Control Commission..... | 6                       | 5           | 5           | 5           | 5           |
| <b>Total.....</b>             | <b>637</b>              | <b>638</b>  | <b>631</b>  | <b>631</b>  | <b>628</b>  |

<sup>1</sup> Full-time equivalent.

Source: Town of Berlin

**Employee Relations**

| <b>Employees</b>   | <b>Board of Education Groups</b>  | <b>Positions Covered</b> | <b>Current Contract Expiration Date</b> |
|--|---|--------------------------|---|
| Administrators.....  | Association of Berlin Administrators  | 16                       | 6/30/2018                               |
| Teachers.....  | Berlin Education Association – Local Chapter of Connecticut Education Association | 280                      | 6/30/2016                               |
| Custodians.....  | Berlin Custodial Employees, Local 222   | 21                       | 6/30/2016                               |
| Clerical.....  | Berlin Clerical Employees, Local 1278   | 20                       | 6/30/2016 <sup>1</sup>                  |
| Cafeteria.....   | Berlin Cafeteria Employees, Local 424   | 11                       | 6/30/2017                               |
| Cook Managers.....   | Berlin Cook Managers, Local 424   | 5                        | 6/30/2017                               |
| Aides.....   | Berlin Aides Employees, Local 1303-276  | 95                       | 6/30/2018                               |
| <b>Total Unionized Board of Education Employees.....</b>                     |   | <b>448</b>               |   |
| <b>General Government</b>  |   |                          |   |
| Police.....  | Fraternal Order of Police Lodge 056   | 40                       | 6/30/2015 <sup>1</sup>                  |
| Highway, Garage, Park, Water & Sewer, Golf Course, Building Maintenance..... | Connecticut Independent Labor Union   | 50                       | 6/30/2015 <sup>1</sup>                  |
| Clerical.....  | Connecticut Independent Labor Union   | 34                       | 6/30/2017                               |
| Nursing.....   | Connecticut Health Care Associates  | 18                       | 6/30/2018                               |
| Supervisors.....   | Berlin Middle Management Association  | 40                       | 6/30/2016                               |
| <b>Total Unionized General Government Employees.....</b>                     |   | <b>182</b>               |   |
| Non-Union. (Town and Board of Education).....                                |   | 44                       |   |
| <b>Total Union/Non-Union Employees.....</b>                                  |   | <b>674</b>               |   |

<sup>1</sup> In negotiations.

Source: Town of Berlin

**Binding Arbitration**

Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teacher's contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

### **III. Economic and Demographic Information**

#### **Economic Condition and Outlook**

The Town has continued to implement an economic development strategy to bolster the tax base and to create local job opportunities. The Town's Plan of Conservation and Development (the "Master Plan") was adopted in 2013. Many proposals included in the Plan of Conservation and Development have been implemented including significant amendments to the Town's commercial and industrial zones to expand those zones at the margins in certain areas and to create uses in zones that better fit local conditions and market opportunities. There has been progress toward the creation of a Town Center and a significant amount of open space has been acquired. Since September 1999, the Town Council adopted ordinances authorizing \$6.5 million in bonds for the acquisition of real property for open space. In addition, \$5.625 million was approved for the acquisition of 77 acres of the former Pistol Creek golf course for uses including open space in June 2008. 850 acres of open space has been acquired since late 2005 and the authorized open space acquisition funds are not yet depleted. To encourage maintenance of private open space, preferential tax treatment was also extended to open space parcels to add to the farm and forest protection incentives already provided pursuant to Public Act 490.

There are over 100 industrial firms, producing a wide range of products, located in the Town. Among its largest taxpayers are Eversource and its subsidiaries (the Connecticut Light & Power Company and Yankee Gas), Corbin Russwin, Assa Abloy, Comcast Cable, TIGHITCO, B&F Machine, Stop & Shop, Home Depot, TOMZ Corporation and Parker Hannifin.

#### **Major Economic Initiatives**

The Town of Berlin entered the recent economic downturn in a good condition with very high commercial/industrial occupancy rates and ongoing commercial and residential development projects across the Town. Since then, the pace of development slowed and the Town experienced some business closings, but most of these properties have already been sold or leased to new Berlin businesses. Notable new businesses include Fosdick Fulfillment (replacing Hartford Direct), Okay Industries (replacing Bayer-Sheffield Plastics), The Fletcher Terry Company (replacing Reliance Automotive), Kohl's Department Store and Michael's Arts & Crafts (developed at the former Sam's Club site). Northeast Utilities completed a merger with NSTAR on April 10, 2012, creating one of the nation's largest utilities with six regulated electric and natural gas utilities serving 3.6 million customers in three states. The combined company has been renamed Eversource. Subsidiaries of Eversource include Connecticut Light & Power and Yankee Gas, both of which are also headquartered in Berlin.

In 2014, 2015 and early 2016, the trend line for Berlin's economy has continued to be positive. Berlin continues to welcome and encourage business expansion. TOMZ Corporation's \$4,000,000 expansion was completed including the acquisition of 5 acres to accommodate future growth and Ocean State Job Lot purchased the Webster Square Shopping Center and doubled its store to 46,000 square feet. Also, Brickyard Shopping Plaza completed the redevelopment of the Plaza by demolishing vacant space and building a 21,970 square foot Michael's retail store and 30,411 square feet of additional retail space. Construction was completed on the Depot Crossing project across from the Train Station to create first floor commercial space as well as sixteen apartments. Also, Stick Village which is a six building, 23,000 square foot retail and office development project on Webster Square Road, was approved. To date, one building is complete and fully occupied and the second building is near completion.

Following is a summary of the short- and medium-term development activity in Berlin.

Eversource acquired a 100,000 square foot warehouse for its transmission group and built a \$12 million, 18,500-square-foot office addition and completed an expansion to its aerial device facility at its Berlin campus.

Berlin Commerce Park, a planned office/industrial park, has four buildings that occupy 208,000 square feet, including a 50,000-square-foot building added in 2001.

River Bend Business Park has six buildings completed with a total of 174,000 square feet. Fifty-five thousand square feet of this total has been completed since 1999. There are tentative plans for at least one company to construct a new building on a remaining lot in the Park.

Route 15, also known as the Berlin Turnpike, is a multi-lane divided roadway running through Berlin from Meriden to Newington. Age-restricted apartment complexes completed on or near the Berlin Turnpike include Orchard Ridge (120 units) on Webster Street, Stonebridge (194 units) on Deming Road and Sage Pond Place (84 units) on the Turnpike. Toll Brothers has finished a 95-unit age restricted condominium project, and construction has

been completed on the 70-unit Westview condominium project. Comcast's facility on New Park Drive has undergone several renovations, and it is now the Western New England Regional headquarters with nearly 500 employees. A 53-room Best Western Motel was completed in 2003 on a site on the Turnpike south of New Park Drive. Silver Lake of Berlin, an 18-unit townhouse condominium community located on Silver Lake, was completed in 2005. Completed retail projects on the corridor include Top Kat Plaza, a 10,000-square-foot building on Deming Road; Spruce Brook Plaza, a 17,500-square-foot development south of Spruce Brook; Camden Way, a 12,000-square-foot development south of Route 9; and a 7,500-square-foot plaza at the south end of the Turnpike. Also, an Irving gas station/car wash/convenience store combination was redeveloped on a formerly underutilized site; a new 6,000-plus-square-foot office building was developed on the Turnpike near Worthington Ridge; Nadeau Brothers has been expanding its development including construction of 10,000-plus square feet of additional flex space completed in 2008; and Woodlawn Road Associates built a 38,000-square-foot flex building known as Berlin Tech Center at the corner of Woodlawn Road and Fuller Way. Also on the Berlin Turnpike, a 29,000 square foot Acura dealership has been approved (with an additional 17,000 square feet of retail). Construction is expected to begin in June of this year.

Farmington Avenue continues to be a focus for the Town. New buildings completed since 1998 now house CVS Pharmacy, Rite Aid, Walgreens, BankNorth, Park Place, 1176 Farmington Avenue, the Ratchford Eye Care Center and Farmington Bank. Legion Square LLC built a 74,000-square-foot retail plaza anchored by a Super Stop & Shop store that opened in late 2005. The Town is also making many public investments in the Farmington Avenue area. The first phase of Berlin Veterans Memorial Park and streetscape improvements are complete. Phase 2 of the Veterans Memorial Park project and a second streetscape project will both be finished by mid-2016. The Town has also been actively working on the redevelopment of the area of the Berlin Train Station. The Town has transferred this federally-funded project to renovate the train station and parking lot to the State Department of Transportation ("DOT"). DOT has awarded a \$20 million+ construction contract and work is underway to complete the Town-initiated Station renovation and to expand the Train Station parking lot. In addition, they will construct an "up and over" to access the second track being installed to accommodate the planned New Haven/Hartford/Springfield commuter rail service scheduled to begin in 2018. Other redevelopment near the Train Station includes the aforementioned Depot Crossing Project, the redevelopment of a nearby Town-foreclosed property at 889 Farmington Avenue that will be assisted by \$1,382,500 in State clean-up and redevelopment grants and an additional \$500,000 grant to construct a boulevard through the site to the Train Station. The Town is now working with the Corporation for Independent Living ("CIL") on a Memo of Understanding on the 889 Farmington Avenue site in order to construct 20 apartment units. Additional work in the Farmington Avenue corridor includes the redevelopment of the former Kensington Furniture properties at 903 and 913 Farmington Avenue that were acquired by the Town for construction of a new Police Station (bonding for construction of the new Police Station was not approved at referendum so the Town has downsized the project and solicited design-build proposals that are now under review); a state-funded façade grant program that is beginning to uplift the area; a grant to construct approximately 7,000 linear feet of sidewalks to better connect the Train Station and Kensington Village Center to surrounding neighborhoods and to the Town Hall complex; as well as a significant State Transit-Oriented Development Planning Grant that will evaluate strategies to capitalize on the expanded commuter rail services to revitalize the Train Station and Kensington Village Center area.

Christian Lane Industrial Park East and West are projects being undertaken by the same developer. To date over 57,000 square feet of space has been built including an additional 7,200 square feet finished in 2013. The owner has been approved for two additional buildings totaling 30,000 square feet; these buildings have not yet been constructed. Also on Christian Lane, a 40,000-square-foot building was completed for Precision Punch in 2003, Tech Air built a 10,000-square-foot facility in 2005, Colossale Construction built 10,000 square feet in 2008, and Bodycote completed a \$5 million investment in its facility and equipment in 2009.

Cornerstone Business Park on Four Rod Road is another project under development. The second building in the Park was completed in the summer of 2002, and expanded in 2008. This 28,000-square-foot building is occupied by Cambridge Specialties. The last lot is now being developed into an eight-building, 41,000-square-foot industrial condominium complex and the first eight buildings are now complete and occupied.

Sportika, Erection & Welding Contractors, Fenn-Torin, Ocean State Star Transportation, DVFlora, Tyler Equipment, TIGHITCO, Czepiga and Daley LLC, and Jacunski Humes Architects are a few of the other firms moving into new or existing facilities in Berlin.

Expansion of existing companies is a significant source of economic growth in Berlin. Among the businesses that have expanded recently are: The Music People, EDRO Corporation, AMCO, TOMZ Corp., Sirois Tool, Budney Overhaul & Repair, B&F Machine and Assa Abloy. In 2015, Assa Abloy brought production of their Yale Lock and McKinney Hinge lines into their Berlin facility bringing jobs and opportunities to Town. In total, businesses have added over 100,000 square feet of building space. Also, Parker Hannifin - Fluid Control Division invested \$5.6 million in renovations to its 150,000-square-foot facility located at 95 Edgewood Avenue. The modernization of the building

completed in 2005 included the renovation of the general offices, engineering and test labs and manufacturing floor area, transforming the property to a current state-of-the-art operation.

In addition to the age-restricted apartments already mentioned, other age-restricted condominium projects in development are the 20-unit Sunny Ledge project on New Britain Road, the 24-unit Silver Island project, the 21-unit Hatchery Brook Homes, and the 194-unit Beckley Farms. The 21-unit Hatchery Brook Homes age-restricted condominium project on Four Rod Road, two Workforce Housing projects on Deming Road –Fieldstone Crossing (72 units) and Rivers Edge (16 units) – and the renovation of the former Sherwood Tool complex into the “Lofts at Sherwood Falls,” a 71-unit (non age-restricted) condominium complex.

Stick Village, a 6 building office complex was approved on Webster Square Road and construction is underway. Two buildings have been completed with building 1 fully occupied and building 2 to soon have tenants. Buildings 3 thru 6 have been proposed, but will not break ground until later in 2016 or early 2017. Acura of Berlin, has been approved to relocate and expand in town. They will be constructing a 29,000 square foot dealership with an adjacent 17,000 square foot retail building. We expect it to be an investment of over \$10 million. Eversource, our largest taxpayer, is in the process of selling a property in the next town over. This will bring employees and a small training center to Berlin. A new industrial subdivision is now being contemplated on a utility-owned parcel in town. The concept would be to subdivide this large parcel into between 5 and 8 smaller parcels. This will allow growing firms to have a location to build new and modern facilities in Berlin. The State of Connecticut and AMTRAK are now underway on the reconstruction of our historic Train Station as well as adding an “up and over” to the station. This will allow riders to access trains going both southbound and northbound. The plan is for 15 trains to come each way between New Haven and Springfield, Massachusetts by early 2018. The Town has been working with a developer to construct a 20-unit apartment building on a town-owned parcel next to that Train Station to help bring young professionals to the area.

In summary, Berlin has continued to be an attractive location for a diverse mix of projects including office, industrial, commercial and age restricted residential developments and significant projects are proceeding in all areas of Town with the necessary zoning and infrastructure. At the same time Berlin has added 825 acres of open space to continue to provide a balanced community including areas that maintain the Town’s rural heritage.

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## Population and Density

| Year              | Population <sup>1</sup> | % Increase<br>(Decrease) | Density <sup>2</sup> |
|-------------------|-------------------------|--------------------------|----------------------|
| 2014 <sup>3</sup> | 20,352                  | 2.4%                     | 753.8                |
| 2010              | 19,866                  | 9.1%                     | 735.8                |
| 2000              | 18,215                  | 8.5%                     | 674.6                |
| 1990              | 16,787                  | 11.0%                    | 621.7                |
| 1980              | 15,121                  | 6.9%                     | 560.0                |
| 1970              | 14,149                  | --                       | 524.0                |

<sup>1</sup> 1970-2010, U.S. Department of Commerce, Bureau of Census

<sup>2</sup> Per square mile: 27.0 square miles

<sup>3</sup> American Community Survey 2010-2014

## Age Distribution of the Population

| Age                     | Town of Berlin |               | State of Connecticut |               |
|-------------------------|----------------|---------------|----------------------|---------------|
|                         | Number         | Percent       | Number               | Percent       |
| Under 5 years .....     | 1,023          | 5.0%          | 194,338              | 5.4%          |
| 5 to 9 years .....      | 1,152          | 5.7           | 217,491              | 6.1           |
| 10 to 14 years .....    | 1,393          | 6.8           | 234,666              | 6.6           |
| 15 to 19 years .....    | 1,013          | 5.0           | 255,499              | 7.1           |
| 20 to 24 years .....    | 975            | 4.8           | 234,482              | 6.6           |
| 25 to 34 years .....    | 1,852          | 9.1           | 433,145              | 12.1          |
| 35 to 44 years .....    | 2,502          | 12.3          | 459,130              | 12.8          |
| 45 to 54 years .....    | 3,804          | 18.7          | 563,772              | 15.8          |
| 55 to 59 years .....    | 1,540          | 7.6           | 253,952              | 7.1           |
| 60 to 64 years .....    | 1,334          | 6.6           | 214,499              | 6.0           |
| 65 to 74 years .....    | 2,039          | 10.0          | 280,541              | 7.8           |
| 75 to 84 years .....    | 1,180          | 5.8           | 162,971              | 4.6           |
| 85 years and over ..... | 545            | 2.7           | 87,567               | 2.5           |
| <b>Total.....</b>       | <b>20,352</b>  | <b>100.0%</b> | <b>3,574,097</b>     | <b>100.0%</b> |

Median Age (Years) 2014..... 45.7 40.3

Median Age (Years) 2010.<sup>1</sup>..... 45.5 40.0

<sup>1</sup> U.S. Department of Commerce, Bureau of Census, 2010.

Source: American Community Survey 2010-2014

## Income Distribution

|                           | Town of Berlin |               | State of Connecticut |               |
|---------------------------|----------------|---------------|----------------------|---------------|
|                           | Families       | Percent       | Families             | Percent       |
| Less than \$10,000.....   | 177            | 2.3%          | 30,584               | 3.4%          |
| \$10,000 to \$14,999..... | 182            | 2.3           | 18,591               | 2.1           |
| \$15,000 to \$24,999..... | 644            | 8.2           | 46,537               | 5.2           |
| \$25,000 to \$34,999..... | 549            | 7.0           | 56,473               | 6.3           |
| \$35,000 to \$49,999..... | 666            | 8.5           | 85,206               | 9.5           |
| \$50,000 to \$74,999..... | 950            | 12.1          | 140,776              | 15.6          |
| \$75,000 to \$99,999..... | 1,235          | 15.8          | 129,656              | 14.4          |
| \$100,000 to \$149,999... | 1,860          | 23.8          | 184,327              | 20.5          |
| \$150,000 to \$199,999... | 841            | 10.8          | 93,100               | 10.3          |
| \$200,000 or more.....    | 718            | 9.2           | 114,307              | 12.7          |
| <b>Total.....</b>         | <b>7,822</b>   | <b>100.0%</b> | <b>899,557</b>       | <b>100.0%</b> |

Source: American Community Survey 2010-2014



### Income Levels

|                                    | <b>Town of<br/>Berlin</b> | <b>State of<br/>Connecticut</b> |
|------------------------------------|---------------------------|---------------------------------|
| Per Capita Income, 2014.....       | \$40,172                  | \$38,480                        |
| Median Family Income, 2014.....    | \$108,294                 | \$88,217                        |
| Median Household Income, 2014..... | \$87,518                  | \$69,899                        |

*Source: American Community Survey 2010-2014*

### Educational Attainment Years of School Completed Age 25 and Over

|  | <b>Town of Berlin</b> |                | <b>State of Connecticut</b> |                |
|--|-----------------------|----------------|-----------------------------|----------------|
|  | <b>Number</b>         | <b>Percent</b> | <b>Number</b>               | <b>Percent</b> |
| Less than 9th grade.....                         | 488                   | 4.2%           | 106,784                     | 4.4%           |
| 9th to 12th grade, no diploma.....               | 466                   | 5.8            | 150,227                     | 6.1            |
| High School graduate (includes equivalency)..... | 4,037                 | 26.7           | 677,887                     | 27.5           |
| Some college, no degree.....                     | 2,734                 | 18.1           | 431,807                     | 17.8           |
| Associate degree.....                            | 1,477                 | 8.7            | 180,321                     | 7.4            |
| Bachelor's degree.....                           | 3,452                 | 20.3           | 506,662                     | 20.5           |
| Graduate or professional degree.....             | 2,142                 | 16.3           | 401,889                     | 16.4           |
| <b>Total.....</b>                                | <b>14,796</b>         | <b>100.0%</b>  | <b>2,455,577</b>            | <b>100.0%</b>  |
| Percent high school graduate or higher.....      |                       | 93.6%          |                             | 89.5%          |
| Percent bachelor's degree or higher.....         |                       | 37.8%          |                             | 37.0%          |

*Source: American Community Survey 2010-2014*

### Major Employers As of March 2016

| <b>Employer</b>            | <b>Type of Business</b>     | <b>Approximate<br/>Number of<br/>Employees</b> |
|----------------------------|-----------------------------|--|
| Eversource.....            | Utility                     | 1,169  |
| Town of Berlin.....        | Municipal Government        | 674  |
| Comcast Cable Systems..... | Cable TV                    | 490  |
| Assa Abloy.....            | Locks and security devices  | 350  |
| B&F Machine.....           | Aerospace parts             | 210  |
| Parker Hannafin.....       | Solenoid Valves             | 186  |
| Budney Industries.....     | Aerospace parts             | 175  |
| Stop and Shop.....         | Retail                      | 150  |
| TOMZ Corporation.....      | Medical and aerospace parts | 142  |
| The Home Depot.....        | Retail                      | 120  |

*Source: Town of Berlin Economic Development.*

**Employment by Industry**  
**Employed Persons 16 Years and Over**

| <b>Sector</b>   | <b>Town of Berlin</b> |                | <b>State of Connecticut</b> |                |
|---|-----------------------|----------------|-----------------------------|----------------|
|   | <b>Number</b>         | <b>Percent</b> | <b>Number</b>               | <b>Percent</b> |
| Agriculture, forestry, fishing and hunting,<br>and mining.....                    | 25                    | 0.2%           | 7,413                       | 0.4%           |
| Construction.....   | 650                   | 6.1            | 97,974                      | 5.5            |
| Manufacturing.....  | 1,009                 | 9.4            | 191,057                     | 10.8           |
| Wholesale trade.....  | 444                   | 4.1            | 44,195                      | 2.5            |
| Retail trade.....   | 1,144                 | 10.7           | 191,267                     | 10.8           |
| Transportation warehousing, and utilities....                                     | 536                   | 5.0            | 65,068                      | 3.7            |
| Information.....  | 309                   | 2.9            | 41,905                      | 2.4            |
| Finance, insurance, real estate, and leasing..                                    | 1,141                 | 10.6           | 161,926                     | 9.2            |
| Professional, scientific, management,<br>administrative, and waste management.... | 959                   | 8.9            | 197,880                     | 11.2           |
| Education, health and social services.....  | 2,922                 | 27.2           | 467,574                     | 26.5           |
| Arts, entertainment, recreation,<br>accommodation and food services.....          | 482                   | 4.5            | 154,005                     | 8.7            |
| Other services (except public admin.).....  | 433                   | 4.0            | 80,179                      | 4.5            |
| Public Administration.....  | 673                   | 6.3            | 66,491                      | 3.8            |
| <b>Total Labor Force, Employed.....</b>   | <b>10,727</b>         | <b>100.0%</b>  | <b>1,766,934</b>            | <b>100.0%</b>  |

Source: American Community Survey 2010-2014

**Employment Data**  
**By Place of Residence**

The following table presents employment data (not seasonally adjusted) for the Town, the Hartford Labor Market and the State of Connecticut.

| <b>Period</b>         | <b>Town of Berlin</b> |                   | <b>Percentage Unemployed</b> |                              |                             |
|-----------------------|-----------------------|-------------------|------------------------------|------------------------------|-----------------------------|
|                       | <b>Employed</b>       | <b>Unemployed</b> | <b>Town of Berlin</b>        | <b>Hartford Labor Market</b> | <b>State of Connecticut</b> |
| March 2016.....       | 11,106                | 637               | 5.4                          | 6.2                          | 6.2                         |
| <b>Annual Average</b> |                       |                   |                              |                              |                             |
| 2015.....             | 11,211                | 543               | 4.6                          | 5.6                          | 5.6                         |
| 2014.....             | 10,764                | 639               | 5.6                          | 6.7                          | 6.7                         |
| 2013.....             | 10,550                | 713               | 6.9                          | 7.9                          | 7.9                         |
| 2012.....             | 10,298                | 760               | 7.6                          | 8.4                          | 8.3                         |
| 2011.....             | 10,488                | 864               | 7.7                          | 8.9                          | 8.8                         |
| 2010.....             | 10,785                | 898               | 7.0                          | 9.1                          | 9.0                         |
| 2009.....             | 10,876                | 818               | 4.6                          | 8.3                          | 8.2                         |
| 2008.....             | 11,006                | 534               | 3.7                          | 5.9                          | 5.8                         |
| 2007.....             | 10,891                | 423               | 3.8                          | 4.7                          | 4.6                         |
| 2006.....             | 10,694                | 419               | 4.3                          | 4.4                          | 4.3                         |

Source: Department of Labor, State of Connecticut

### Age Distribution of Housing

| <b>Year Built</b>               | <b>Town of Berlin</b> |                | <b>State of Connecticut</b> |                |
|---------------------------------|-----------------------|----------------|-----------------------------|----------------|
|                                 | <b>Units</b>          | <b>Percent</b> | <b>Units</b>                | <b>Percent</b> |
| 1939 or earlier.....            | 1,152                 | 14.0%          | 334,290                     | 22.4%          |
| 1940 to 1969.....               | 2,752                 | 33.5           | 536,618                     | 36.0           |
| 1970 to 1979.....               | 1,174                 | 14.3           | 200,288                     | 13.4           |
| 1980 to 1989.....               | 975                   | 11.9           | 193,794                     | 13.0           |
| 1990 to 1999.....               | 921                   | 11.2           | 113,875                     | 7.6            |
| 2000 or 2009.....               | 1,172                 | 14.3           | 104,093                     | 7.0            |
| 2010 or later.....              | 72                    | 0.9            | 7,423                       | 0.5            |
| <b>Total Housing Units.....</b> | <b>8,218</b>          | <b>100.0%</b>  | <b>1,490,381</b>            | <b>100.0%</b>  |

Source: American Community Survey 2010-2014

### Commute to Work

|                                  | <b>Town of Berlin</b> |                | <b>State of Connecticut</b> |                |
|----------------------------------|-----------------------|----------------|-----------------------------|----------------|
|                                  | <b>Number</b>         | <b>Percent</b> | <b>Number</b>               | <b>Percent</b> |
| Drove alone.....                 | 9,394                 | 88.0%          | 1,364,472                   | 78.7%          |
| Car Pools.....                   | 557                   | 5.2            | 142,105                     | 8.2            |
| Using Public Transportation..... | 75                    | 0.7            | 81,585                      | 4.7            |
| Walked.....                      | 131                   | 1.2            | 52,655                      | 3.0            |
| Other Means.....                 | 166                   | 1.6            | 20,514                      | 1.2            |
| Worked at Home.....              | 356                   | 3.3            | 73,467                      | 4.2            |
| <b>Total.....</b>                | <b>10,679</b>         | <b>100.0%</b>  | <b>1,734,798</b>            | <b>100.0%</b>  |

Mean Travel to Work (minutes)..... 21.4 25.1

Source: American Community Survey 2010-2014

### Housing Inventory

| <b>Housing Units</b>        | <b>Town of Berlin</b> |                | <b>State of Connecticut</b> |                |
|-----------------------------|-----------------------|----------------|-----------------------------|----------------|
|                             | <b>Units</b>          | <b>Percent</b> | <b>Units</b>                | <b>Percent</b> |
| 1-unit, detached.....       | 6,271                 | 76.3%          | 882,955                     | 59.2%          |
| 1-unit, attached.....       | 230                   | 2.8            | 79,922                      | 5.4            |
| 2 units.....                | 697                   | 8.5            | 120,070                     | 8.1            |
| 3 or 4 units.....           | 180                   | 2.2            | 133,452                     | 9.0            |
| 5 to 9 units.....           | 228                   | 2.8            | 81,574                      | 5.5            |
| 10 to 19 units.....         | 152                   | 1.8            | 55,609                      | 3.7            |
| 20 or more units.....       | 366                   | 4.5            | 124,683                     | 8.4            |
| Mobile home.....            | 94                    | 1.1            | 11,819                      | 0.8            |
| Boat, RV, van, etc.....     | -                     | -              | 297                         | 0.0            |
| <b>Total Inventory.....</b> | <b>8,218</b>          | <b>100.0%</b>  | <b>1,490,381</b>            | <b>100.0%</b>  |

Source: American Community Survey 2010-2014

## Housing Vacancy Rates

| <b>Housing Units</b>         | <b>Town of Berlin</b> |                | <b>State of Connecticut</b> |                |
|------------------------------|-----------------------|----------------|-----------------------------|----------------|
|                              | <b>Units</b>          | <b>Percent</b> | <b>Units</b>                | <b>Percent</b> |
| Occupied housing units ..... | 7,822                 | 95.2%          | 1,356,206                   | 91.0%          |
| Vacant housing units .....   | 396                   | 4.8%           | 134,175                     | 9.0%           |
| <b>Total units</b> .....     | <b>8,218</b>          | <b>100.0%</b>  | <b>1,490,381</b>            | <b>100.0%</b>  |
| Homeowner vacancy rate ..... | –                     | 1.1            | –                           | 1.7            |
| Rental vacancy rate .....    | –                     | 3.4            | –                           | 6.9            |

Source: American Community Survey 2010-2014

## Owner Occupied Housing Values

| <b>Specified Owner-Occupied Units</b> | <b>Town of Berlin</b> |                | <b>State of Connecticut</b> |                |
|---------------------------------------|-----------------------|----------------|-----------------------------|----------------|
|                                       | <b>Number</b>         | <b>Percent</b> | <b>Number</b>               | <b>Percent</b> |
| Less than \$50,000.....               | 264                   | 4.0%           | 24,122                      | 2.6%           |
| \$50,000 to \$99,999.....             | 52                    | 0.8            | 26,438                      | 2.9            |
| \$100,000 to \$149,999.....           | 178                   | 2.7            | 72,756                      | 8.0            |
| \$150,000 to \$199,999.....           | 443                   | 6.6            | 137,797                     | 15.1           |
| \$200,000 to \$299,999.....           | 2,816                 | 42.2           | 257,364                     | 28.2           |
| \$300,000 to \$499,999.....           | 2,487                 | 37.3           | 243,882                     | 26.7           |
| \$500,000 to \$999,999.....           | 425                   | 6.4            | 109,918                     | 12.0           |
| \$1,000,000 or more.....              | 7                     | 0.1            | 40,766                      | 4.5            |
| <b>Total</b> .....                    | <b>6,672</b>          | <b>100.0%</b>  | <b>913,043</b>              | <b>100.0%</b>  |
| <b>Median Value</b> .....             | \$286,800             |                | \$274,500                   |                |

Source: American Community Survey 2010-2014

## Owner Occupied Housing Values

| <b>Household Characteristics</b>         | <b>Town of Berlin</b> |                | <b>State of Connecticut</b> |                |
|--|-----------------------|----------------|-----------------------------|----------------|
|  | <b>Number</b>         | <b>Percent</b> | <b>Number</b>               | <b>Percent</b> |
| Persons in households .....              | 20,271                | –              | 3,472,533                   | –              |
| Persons per household (average) ....     | 2.59                  | –              | 2.56                        | –              |
| Persons per family (average) .....       | 3.14                  | –              | 3.15                        | –              |
| Family households .....                  | 5,579                 | 71.3%          | 899,557                     | 66.3%          |
| Non-family households .....              | 2,243                 | 28.7%          | 456,649                     | 33.7%          |
| <b>All households</b> .....              | <b>7,822</b>          | <b>100.0%</b>  | <b>1,356,206</b>            | <b>100.0%</b>  |
| <b>Family households by type</b>         |                       |                |                             |                |
| Married couple .....                     | 4,761                 | 85.3%          | 664,328                     | 73.9%          |
| Female householders, no spouse ...       | 547                   | 9.8%           | 175,928                     | 19.6%          |
| Other .....                              | 271                   | 4.9%           | 59,301                      | 6.6%           |
| <b>Total family households</b> .....     | <b>5,579</b>          | <b>100.0%</b>  | <b>899,557</b>              | <b>100.0%</b>  |
| <b>Non-family households by type</b>     |                       |                |                             |                |
| Householders living alone .....          | 1,893                 | 84.4%          | 378,669                     | 82.9%          |
| Other .....                              | 350                   | 15.6%          | 77,980                      | 17.1%          |
| <b>Total non-family households</b> ..... | <b>2,243</b>          | <b>100.0%</b>  | <b>456,649</b>              | <b>100.0%</b>  |

Source: American Community Survey 2010-2014

## **Building Permits**

The following is a schedule of building permits and their estimated values over the last ten years:

| <b>Fiscal<br/>Year</b> | <b>Residential</b> |              | <b>Comm./Industrial</b> |              | <b>Total</b> |              |
|------------------------|--------------------|--------------|-------------------------|--------------|--------------|--------------|
|                        | <b>No.</b>         | <b>Value</b> | <b>No.</b>              | <b>Value</b> | <b>No.</b>   | <b>Value</b> |
| 2016 <sup>1</sup>      | 1,067              | \$13,396,948 | 72                      | \$ 3,992,036 | 1,139        | \$17,388,984 |
| 2015                   | 1,187              | 14,361,700   | 84                      | 3,953,939    | 1,271        | 18,315,639   |
| 2014                   | 978                | 9,747,508    | 191                     | 21,093,246   | 1,169        | 30,840,754   |
| 2013                   | 1,538              | 15,589,159   | 218                     | 35,421,484   | 1,756        | 51,010,643   |
| 2012                   | 1,225              | 14,141,099   | 232                     | 4,172,238    | 1,457        | 18,313,337   |
| 2011                   | 1,545              | 24,557,342   | 206                     | 3,177,935    | 1,751        | 27,735,277   |
| 2010                   | 1,154              | 17,840,671   | 149                     | 19,334,044   | 1,303        | 37,174,715   |
| 2009                   | 1,014              | 12,358,509   | 210                     | 6,657,253    | 1,224        | 19,015,762   |
| 2008                   | 1,171              | 17,772,792   | 258                     | 10,147,352   | 1,429        | 27,920,144   |
| 2007                   | 1,323              | 25,843,052   | 218                     | 7,742,104    | 1,541        | 33,585,156   |

<sup>1</sup> Represents July 1, 2015 through March 31, 2016.

Source: Town of Berlin, Building Official

## **Land Use Breakdown**

| <b>Land Use<br/>Category</b> | <b>Total Area</b> |                | <b>Developed</b> |                | <b>Undeveloped</b> |                |
|------------------------------|-------------------|----------------|------------------|----------------|--------------------|----------------|
|                              | <b>Acres</b>      | <b>Percent</b> | <b>Acres</b>     | <b>Percent</b> | <b>Acres</b>       | <b>Percent</b> |
| Residential.....             | 15,175            | 86.2%          | 13,043           | 90.0%          | 2,132              | 68.8%          |
| Commercial/Industrial....    | 2,425             | 13.8%          | 1,457            | 10.0%          | 968                | 31.2%          |
| <b>Total.....</b>            | <b>17,600</b>     | <b>100.0%</b>  | <b>14,500</b>    | <b>100.0%</b>  | <b>3,100</b>       | <b>100.0%</b>  |

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## **IV. Tax Base Data**

### **Property Tax**

#### **Assessments**

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Generally, the law requires a revaluation every five years and a physical inspection once every ten years. The most recent revaluation occurred for the assessment year commencing October 1, 2012. The Town last performed a revaluation based on physical observation for the assessment year commencing October 1, 2007 and the next one will be for the assessment year commencing October 1, 2017. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically.

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions is then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Town of Berlin has not approved the use of Section 12-124a of the Connecticut General Statutes, which permits a municipality, upon approval of its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income.

Effective July 1, 2016, the State of Connecticut has imposed a cap of 32 mills on motor vehicles. Berlin's current mill rate falls under this cap.

#### **Levy**

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Taxes are payable on July 1 following the levy date, although a 30-day grace period is provided. Motor vehicle supplemental bills are payable on January 1. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes that are deemed to be uncollectible.

### Comparative Assessed Valuations

The following table sets forth the Town's Taxable Grand List by component:

| <b>Grand List As Of 10/1</b> | <b>Real Property (%)</b> | <b>Personal Property (%)</b> | <b>Motor Vehicles (%)</b> | <b>Gross Taxable Grand List (000's)</b> | <b>Exemptions, Veterans Relief and Disabled (000's)</b> | <b>Net Taxable Grand List (000's)</b> | <b>Percent Growth</b> |
|------------------------------|--------------------------|------------------------------|---------------------------|---|---|---------------------------------------|-----------------------|
| 2015                         | 82.3                     | 8.9                          | 8.8                       | \$ 2,281,430                            | \$ 88,825   | \$ 2,192,605                          | 0.7%                  |
| 2014                         | 83.1                     | 8.2                          | 8.7                       | 2,263,253                               | 86,098  | 2,177,155                             | -0.4%                 |
| 2013                         | 79.6                     | 11.6                         | 8.7                       | 2,264,651                               | 78,522  | 2,186,129                             | 1.4%                  |
| 2012 <sup>1</sup>            | 80.4                     | 10.9                         | 8.7                       | 2,233,650                               | 77,752  | 2,155,898                             | -8.3%                 |
| 2011                         | 82.6                     | 9.6                          | 7.9                       | 2,431,933                               | 81,345  | 2,350,588                             | 1.5%                  |
| 2010                         | 85.4                     | 7.5                          | 7.1                       | 2,389,156                               | 73,995  | 2,315,161                             | 1.6%                  |
| 2009                         | 83.4                     | 9.3                          | 7.3                       | 2,341,485                               | 62,090  | 2,279,395                             | 1.5%                  |
| 2008                         | 84.3                     | 8.6                          | 7.0                       | 2,305,171                               | 59,849  | 2,245,322                             | 0.9%                  |
| 2007 <sup>1</sup>            | 84.7                     | 8.2                          | 7.1                       | 2,268,402                               | 42,713  | 2,225,689                             | 30.4%                 |
| 2006                         | 80.4                     | 10.6                         | 9.1                       | 1,744,326                               | 37,354  | 1,706,972                             | -                     |

<sup>1</sup> Revaluation.

Source: Town of Berlin, Assessor's Office.

### Exempt Property

| <b>Public</b>                                 | <b>Assessed Value<sup>1</sup></b> |
|---|-----------------------------------|
| Regular Veterans.....                         | \$ 2,496,005                      |
| Additional Veterans.....                      | 364,165                           |
| Additional Veterans (1/2).....                | 640,510                           |
| 100% Disabled and Blind.....                  | 190,400                           |
| Local Option Veterans (non-reimbursed).....   | 704,905                           |
| Public buildings/property.....                | -                                 |
| <b>Sub-Total Public.....</b>                  | <b>\$ 4,395,985</b>               |
| <b>Private</b>                                |                                   |
| Agricultural or Horticultural.....            | \$ -                              |
| Manufacturing machinery.....                  | 72,357,430                        |
| Enterprise zone.....                          | -                                 |
| Miscellaneous.....                            | -                                 |
| <b>Sub-Total Private.....</b>                 | <b>72,357,430</b>                 |
| <b>Total Exempt Property.....</b>             | <b>\$ 76,753,415</b>              |
| Percent Compared to Net Taxable Grand List... | 3.5%                              |

<sup>1</sup> Based on the Net Taxable Grand List of October 1, 2015 of \$2,192,605,000.

Source: Town of Berlin, Assessor's Office

### Property Tax Levies and Collections

| <b>Grand List of 10/1</b> | <b>Fiscal Year Ending 6/30</b> | <b>Net Taxable Grand List (000's)</b> | <b>Mill Rate</b> | <b>Adjusted Annual Levy (000's)</b> | <b>Percent of Annual Levy Collected at End of Fiscal Year</b> | <b>Percent of Annual Levy Uncollected at End of Fiscal Year</b> | <b>Percent of Annual Levy Uncollected as of 6/30/2015</b> |
|---------------------------|--------------------------------|---------------------------------------|------------------|-------------------------------------|---|---|---|
| 2014                      | 2016                           | \$ 2,091,066                          | 30.35            | \$ 66,620                           |   | <i>In Collection</i>  |   |
| 2013                      | 2015                           | 2,186,129                             | 28.92            | 63,641                              | 98.9%   | 1.1%  | 1.1%  |
| 2012 <sup>1</sup>         | 2014                           | 2,155,898                             | 28.77            | 60,927                              | 98.9%   | 1.1%  | 0.4%  |
| 2011                      | 2013                           | 2,350,588                             | 25.15            | 59,324                              | 98.7%   | 1.3%  | 0.3%  |
| 2010                      | 2012                           | 2,315,161                             | 24.50            | 57,082                              | 98.5%   | 1.5%  | 0.2%  |
| 2009                      | 2011                           | 2,279,395                             | 23.65            | 54,154                              | 98.6%   | 1.4%  | 0.1%  |
| 2008                      | 2010                           | 2,245,322                             | 22.69            | 51,125                              | 98.4%   | 1.6%  | 0.2%  |
| 2007 <sup>1</sup>         | 2009                           | 2,225,689                             | 22.69            | 50,792                              | 98.4%   | 1.6%  | 0.3%  |
| 2006                      | 2008                           | 1,706,972                             | 28.74            | 49,550                              | 98.9%   | 1.1%  | 0.1%  |

<sup>1</sup> Revaluation.

Source: Town of Berlin, Tax Collector

### Ten Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town according to most recent Grand List:

| <b>Name of Taxpayer</b>            | <b>Nature of Business</b> | <b>Taxable Valuation</b> | <b>Percent of Net Taxable Grand List<sup>1</sup></b> |
|------------------------------------|---------------------------|--------------------------|--|
| Rocky River Realty Company.....    | Utility                   | \$ 189,020,400           | 8.62%  |
| Corbin Russwin.....                | Hardware                  | 32,271,990               | 1.47%  |
| Cedar Brickyard LLC.....           | Shopping center           | 18,559,250               | 0.85%  |
| Tomz Corporation.....              | Medical/aerospace parts   | 11,101,430               | 0.51%  |
| B & F Machine Inc.....             | Manufacturer              | 9,347,510                | 0.43%  |
| Stonebridge Berlin Associates..... | Apartments                | 8,663,300                | 0.40%  |
| Connecticut Natural Gas Corp.....  | Utility                   | 8,141,000                | 0.37%  |
| Legion Square Associates LLC.....  | Shopping center           | 6,679,600                | 0.30%  |
| Berlin Commerce Park.....          | Industrial park           | 5,743,000                | 0.26%  |
| Orchard Ridge Associates.....      | Senior housing            | 5,290,500                | 0.24%  |
| <b>Total.....</b>                  |                           | <b>\$ 294,817,980</b>    | <b>13.45%</b>  |

<sup>1</sup> Based on the Net Taxable Grand List of October 1, 2015 of \$2,192,605,000.

Source: Town of Berlin, Assessor's Office.

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**V. Debt Summary**  
**Principal Amount of Indebtedness**  
**As of May 19, 2016**  
**(Pro Forma)**

**Long-Term Debt:**

| <i>Date</i>                               | <i>Purpose</i>            | <i>Interest Rate %</i> | <i>Original Issue</i> | <i>Amount Outstanding<sup>1</sup></i> | <i>Fiscal Year of Maturity</i> |
|---|---------------------------|------------------------|-----------------------|---------------------------------------|--------------------------------|
| 2009                                      | General Purpose.....      | 2.00–3.625             | \$ 5,231,575          | \$ 2,651,225                          | 2025                           |
| 2009                                      | Schools.....              | 2.00–3.625             | 2,963,425             | 2,393,775                             | 2020                           |
| 2011                                      | General Purpose.....      | 3.00–5.00              | 8,440,000             | 7,177,302                             | 2026                           |
| 2011                                      | Schools.....              | 3.00–5.00              | 8,170,000             | 6,947,698                             | 2026                           |
| 2013                                      | General Purpose.....      | 2.25–4.00              | 2,480,000             | 2,310,000                             | 2033                           |
| 2013                                      | Schools.....              | 2.25–4.00              | 6,015,000             | 5,675,000                             | 2033                           |
| 2014                                      | General Purpose.....      | 3.00–5.00              | 1,855,000             | 1,720,000                             | 2034                           |
| 2014                                      | Schools.....              | 3.00–5.00              | 16,500,000            | 15,625,000                            | 2034                           |
| 2015                                      | Sewers - CWF 212-CSL..... | 2.00                   | 2,236,514             | 2,059,457                             | 2035                           |
| 2015                                      | General Purpose.....      | 2.00–4.00              | 720,000               | 720,000                               | 2035                           |
| 2015                                      | Schools.....              | 2.00–4.00              | 13,000,000            | 13,000,000                            | 2035                           |
| <b>Total Outstanding Bonded Debt.....</b> |                           |                        | <b>\$ 67,611,514</b>  | <b>\$ 60,279,457</b>                  |                                |
| <b>This Issue</b>                         |                           |                        |                       |                                       |                                |
| 2016                                      | General Purpose.....      | 2.00–4.00              | \$ 3,620,000          | \$ 3,620,000                          | 2036                           |
| 2016                                      | Schools.....              | 2.00–4.00              | 13,150,000            | 13,150,000                            | 2036                           |
| <b>Total This Issue.....</b>              |                           |                        | <b>\$ 16,770,000</b>  | <b>\$ 16,770,000</b>                  |                                |
| <b>Grand Total.....</b>                   |                           |                        | <b>\$84,381,514</b>   | <b>\$ 77,049,457</b>                  |                                |

<sup>1</sup> Excludes bonds refunded or defeased.

**Short-Term Debt**  
**As of May 19, 2016**  
**(Pro Forma)**

| <i>Project</i>                    | <i>Amount Authorized</i> | <i>The Notes: Due 9/19/16</i> |
|-----------------------------------|--------------------------|-------------------------------|
| Emergency Preparedness.....       | \$ 700,000               | \$ 440,000                    |
| Sidewalks and Bridges (2012)..... | 300,000                  | 200,000                       |
| Bridge Improvements (2013).....   | 400,000                  | 260,000                       |
| <b>Total .....</b>                | <b>\$ 1,400,000</b>      | <b>\$ 900,000</b>             |

**Annual Bonded Debt Maturity Schedule  
As of May 19, 2016  
(Pro Forma)**

| Fiscal<br>Year<br>Ended<br>6/30 | Principal<br>Payments | Interest<br>Payments | Total<br>Debt<br>Service | This Issue          |                      | Total<br>Principal   | Cumulative<br>Principal<br>Retired % |
|---------------------------------|-----------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|--------------------------------------|
|                                 |                       |                      |                          | General<br>Purpose  | Schools              |                      |                                      |
| 2016 <sup>1</sup>               | \$ 1,283,638          | \$ 979,637           | \$ 2,263,274             | \$ -                | \$ -                 | \$ 1,283,638         | 1.67%                                |
| 2017                            | 4,511,826             | 2,034,241            | 6,546,067                | -                   | -                    | 4,511,826            | 7.52%                                |
| 2018                            | 4,531,826             | 1,873,774            | 6,405,599                | 345,000             | 695,000              | 5,571,826            | 14.75%                               |
| 2019                            | 4,531,826             | 1,687,656            | 6,219,482                | 345,000             | 695,000              | 5,571,826            | 21.98%                               |
| 2020                            | 4,566,826             | 1,496,768            | 6,063,594                | 340,000             | 695,000              | 5,601,826            | 29.26%                               |
| 2021                            | 4,071,826             | 1,314,639            | 5,386,465                | 340,000             | 695,000              | 5,106,826            | 35.88%                               |
| 2022                            | 3,806,826             | 1,138,909            | 4,945,734                | 335,000             | 695,000              | 4,836,826            | 42.16%                               |
| 2023                            | 3,846,826             | 974,460              | 4,821,285                | 335,000             | 695,000              | 4,876,826            | 48.49%                               |
| 2024                            | 3,881,826             | 838,732              | 4,720,558                | 335,000             | 695,000              | 4,911,826            | 54.87%                               |
| 2025                            | 3,926,826             | 718,599              | 4,645,425                | 335,000             | 695,000              | 4,956,826            | 61.30%                               |
| 2026                            | 3,696,826             | 610,453              | 4,307,279                | 335,000             | 695,000              | 4,726,826            | 67.43%                               |
| 2027                            | 2,331,826             | 498,607              | 2,830,433                | 115,000             | 695,000              | 3,141,826            | 71.51%                               |
| 2028                            | 2,321,826             | 431,091              | 2,752,916                | 115,000             | 695,000              | 3,131,826            | 75.58%                               |
| 2029                            | 2,211,826             | 364,284              | 2,576,110                | 115,000             | 690,000              | 3,016,826            | 79.49%                               |
| 2030                            | 2,081,826             | 300,998              | 2,382,824                | 115,000             | 690,000              | 2,886,826            | 83.24%                               |
| 2031                            | 2,081,826             | 238,671              | 2,320,496                | 115,000             | 690,000              | 2,886,826            | 86.98%                               |
| 2032                            | 2,081,826             | 175,321              | 2,257,147                | -                   | 690,000              | 2,771,826            | 90.58%                               |
| 2033                            | 2,076,826             | 111,126              | 2,187,952                | -                   | 690,000              | 2,766,826            | 94.17%                               |
| 2034                            | 1,691,826             | 51,224               | 1,743,049                | -                   | 685,000              | 2,376,826            | 97.26%                               |
| 2035                            | 742,956               | 11,712               | 754,668                  | -                   | 685,000              | 1,427,956            | 99.11%                               |
| 2036                            | -                     | -                    | -                        | -                   | 685,000              | 685,000              | 100.00%                              |
| <b>Total.....</b>               | <b>\$ 60,279,457</b>  | <b>\$ 15,850,902</b> | <b>\$ 76,130,359</b>     | <b>\$ 3,620,000</b> | <b>\$ 13,150,000</b> | <b>\$ 77,049,457</b> |                                      |

<sup>1</sup> Excludes principal payments of \$2,862,057 and interest payments of \$1,229,412 made between July 1, 2015 and May 19, 2016.

**Overlapping Debt**

The Town of Berlin, along with the Cities of New Britain and Middletown and the Town of Cromwell, is a member of The Mattabassett District, which was organized under a Special Act of the 1961 Session of the Connecticut General Assembly. The constituent municipalities approved the District's charter dated May 1963. The function of the District is to operate and maintain a water pollution control system, and it is governed by a District Board composed of fifteen members appointed by the constituent municipalities. As of June 30, 2015 the District currently has approximately \$81,696,000 debt outstanding to finance its sewage treatment plant expansion and upgrade (the "Project") consisting of an Interim Funding Obligation of approximately \$79,002,000 and a Project Loan Obligation of approximately \$2,694,000. It is estimated that, based on future treatment plant reserved capacity, the Town's annual assessment from the District will include 14.35% of Clean Water Fund debt service. The responsibility for payment of District expenses, including debt service, is ultimately the individual sewer user.

See "Clean Water Fund Program," "Summary of Municipal Services," and "Water and Sewers" herein.

**Mattabassett District  
Statement of Overlapping Debt  
As of May 19, 2016**

|  |              |
|--|--------------|
| Berlin's Percent of Overlapping Debt .....         | 14.35%       |
| Berlin's Share of Overlapping Debt (6/30/15) ..... | \$11,723,330 |

## Underlying Debt

The Kensington Fire District and the Worthington Fire District were both chartered in the early 1920s to provide municipal services to the residents living within their boundaries. Such services included water, sewerage, street lighting, and refuse collection, all of which have since been taken over by the Town, except for water and sewer service. As independent municipal corporations within the Town, the Fire Districts have the power to levy taxes and issue debt which constitutes underlying debt of the Town. No funds or services are provided by the Town of Berlin. As of June 30, 2015, the Kensington Fire District had \$825,000 and the Worthington Fire District had \$418,000 in long-term debt outstanding.

### **THE TOWN OF BERLIN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES**

#### **Debt Statement As of May 19, 2016 (Pro Forma)**

**Long-Term Debt Outstanding:** <sup>1</sup>

|   |                      |
|---|----------------------|
| General Purpose (Includes this issue).....                              | \$ 17,478,527        |
| Schools (Includes this issue).....                                      | 43,791,473           |
| Sewers.....   | 2,059,457            |
| <b>Total Long-Term Debt</b> .....                                       | <b>63,329,457</b>    |
| <b>Short-Term Debt (The Notes)</b> .....                                | <b>900,000</b>       |
| <b>Direct Debt</b> .....  | <b>64,229,457</b>    |
| <b>Overlapping Debt - Mattabasset District</b> ..... <sup>2</sup>       | <b>11,723,330</b>    |
| <b>Underlying Debt - Fire Districts</b> .....                           | <b>1,243,000</b>     |
| <b>Total Overall Debt</b> .....   | <b>77,195,787</b>    |
| Less: School Construction Grants Receivable (As of June 30, 2015) ..... | -                    |
| <b>Total Overall Net Debt</b> .....                                     | <b>\$ 77,195,787</b> |

<sup>1</sup> Excludes a \$10.3 million Qualified Energy Conservation Bond lease, to be repaid using guaranteed energy savings. See "Energy Efficiency Projects" herein.

<sup>2</sup> See Overlapping Debt.

#### **Current Debt Ratios As of May 19, 2016 (Pro Forma)**

|   |                 |          |
|---|-----------------|----------|
| Population (2014) <sup>1</sup> .....              |                 | 20,352   |
| Net Taxable Grand List (10/1/15) .....            | \$2,192,605,000 |          |
| Estimated Full Value (70%).....                   | \$3,132,292,857 |          |
| Equalized Grand List (10/1/13) <sup>2</sup> ..... | \$3,189,552,820 |          |
| Money Income per Capita (2014) <sup>1</sup> ..... |                 | \$40,172 |

|   | <b>Total<br/>Overall Debt</b> | <b>Total Overall<br/>Net Debt</b> |
|---|-------------------------------|-----------------------------------|
| Per Capita.....                                       | \$3,793.03                    | \$3,793.03                        |
| Ratio to Net Taxable Grand List.....                  | 3.52%                         | 3.52%                             |
| Ratio to Estimated Full Value.....                    | 2.46%                         | 2.46%                             |
| Ratio to Equalized Grand List.....                    | 2.42%                         | 2.42%                             |
| Debt per Capita to Money Income per Capita (2014).... | 9.44%                         | 9.44%                             |

<sup>1</sup> American Community Survey 2010-2014

<sup>2</sup> Office of Policy and Management, State of Connecticut.

**Bond Authorization**

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes is authorized upon adoption of an ordinance by the Town Council. Notice of passage of the bond ordinance shall be provided by newspaper publication. Adoption of the bond ordinance shall be subject to referendum approval by a majority of those voting if petitioned not later than 14 days from publication by at least three percent of the total number of qualified electors whose names appear on the last voting list with the Town Clerk.

**Temporary Financing**

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by no later than the end of the third and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes may be funded beyond ten years from the initial borrowing if a written commitment exists for State and/or Federal grants, for terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

**Debt Management Policy**

On July 13, 1999, the Town Council adopted a comprehensive Debt Management Policy, setting forth the parameters for issuing debt. The policy outlines the complete capital planning process and the planning and structuring of Town indebtedness. The policy establishes standards regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used, and, if recommended, structural features that may be incorporated. The standards do not bind debt management decisions.

**Limitation of Indebtedness**

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

|                                 |  |
|---------------------------------|--|
| General Purposes:               | 2.25 times annual receipts from taxation |
| School Purposes:                | 4.50 times annual receipts from taxation |
| Sewer Purposes:                 | 3.75 times annual receipts from taxation |
| Urban Renewal Purposes:         | 3.25 times annual receipts from taxation |
| Unfunded Past Pension Purposes: | 3.00 times annual receipts from taxation |

“Annual receipts from taxation” (the “base”) are defined as total tax collections (including interest and penalties) and state payments for revenue losses under CGS Section 12-129d and P.A. 87-584, Sections 3 and 4. In no case shall total indebtedness exceed seven times the base.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement, for indebtedness issued in anticipation of the receipt of proceeds from State or federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds, for indebtedness issued for certain water pollution control projects, and for refunding indebtedness.

**Statement of Debt Limitation  
As of May 19, 2016  
(Pro Forma)**

|   |                      |
|---|----------------------|
| Total Tax Collections (including tax district collections, interest and lien fees)<br>received by the Treasurer for the year ended June 30, 2015..... | \$ 65,817,000        |
| Reimbursement For Revenue Loss (Tax relief for elderly).....  | 116,000              |
| <b>Base for Debt Limitation Computation.....</b>  | <b>\$ 65,933,000</b> |

|                                   | <u>General Purpose</u> | <u>Schools</u>        | <u>Sewers</u>         | <u>Urban Renewal</u>  | <u>Unfunded Pension</u> |
|-----------------------------------|------------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| <b>Debt Limitation:</b>           |                        |                       |                       |                       |                         |
| 2 1/4 times base.....             | \$ 148,349,250         | \$ -                  | \$ -                  | \$ -                  | \$ -                    |
| 4 1/2 times base.....             | -                      | 296,698,500           | -                     | -                     | -                       |
| 3 3/4 times base.....             | -                      | -                     | 247,248,750           | -                     | -                       |
| 3 1/4 times base.....             | -                      | -                     | -                     | 214,282,250           | -                       |
| 3 times base.....                 | -                      | -                     | -                     | -                     | 197,799,000             |
| <b>Total Debt Limitation.....</b> | <b>\$ 148,349,250</b>  | <b>\$ 296,698,500</b> | <b>\$ 247,248,750</b> | <b>\$ 214,282,250</b> | <b>\$ 197,799,000</b>   |

|   |                       |                        |                           |                       |                       |
|---|-----------------------|------------------------|---------------------------|-----------------------|-----------------------|
| <b>Indebtedness:</b> <sup>3</sup>                                     |                       |                        |                           |                       |                       |
| Bonds Outstanding .....   | \$ 13,858,527         | \$ 30,641,473          | \$ 2,059,457 <sup>1</sup> | \$ -                  | \$ -                  |
| Bonds – This Issue.....   | 3,620,000             | 13,150,000             | -                         | -                     | -                     |
| Notes – This Issue.....   | 900,000               | -                      | -                         | -                     | -                     |
| Overlapping/Underlying Debt.....                                      | 1,243,000             | -                      | 11,723,330 <sup>2</sup>   | -                     | -                     |
| Debt Authorized But Unissued.....                                     | 4,851,443             | 1,399,134 <sup>4</sup> | 2,263,486                 | -                     | -                     |
| <b>Total Net Indebtedness.....</b>                                    | <b>24,472,970</b>     | <b>45,190,607</b>      | <b>16,046,273</b>         | <b>-</b>              | <b>-</b>              |
| <b>DEBT LIMITATION IN EXCESS<br/>OF OUTSTANDING INDEBTEDNESS.....</b> | <b>\$ 123,876,280</b> | <b>\$ 251,507,893</b>  | <b>\$ 231,202,477</b>     | <b>\$ 214,282,250</b> | <b>\$ 197,799,000</b> |

<sup>1</sup> Includes Clean Water Fund Project Loan Obligation.

<sup>2</sup> Based on Town's 14.35% share of Mattabassett District's currently outstanding CWF project funding; included for illustrative purposes only. See Overlapping Debt.

<sup>3</sup> Excludes a \$10.3 million Qualified Energy Conservation Bond lease. See "Energy Efficiency Projects" herein.

<sup>4</sup> Takes into account \$6.037 million of expected grants. See "Authorized but Unissued Debt" herein.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$461,531,000

**Authorized but Unissued Debt  
As of May 19, 2016  
(Pro Forma)**

| Project                                 | Amount<br>Authorized  | Previously<br>Bonded/<br>CWF Loan | Appropriations,<br>Transfers & Grants<br>Received | Notes Due:<br>5/19/2016 | Expected<br>Grants  | This Issue:               |                      | Authorized<br>But Unissued<br>Debt |
|---|-----------------------|-----------------------------------|---|-------------------------|---------------------|---------------------------|----------------------|------------------------------------|
|   |                       |                                   |   |                         |                     | The Notes:<br>Due 9/19/16 | The Bonds            |                                    |
| Bradley Land Acquisition.....           | \$ 1,500,000          | \$ 615,000                        | \$ 210,000  | \$ -                    | \$ -                | \$ -                      | \$ -                 | \$ 675,000                         |
| Open Space (2003).....                  | 2,000,000             | 1,050,000                         | 350,000   | -                       | -                   | -                         | -                    | 600,000                            |
| Firefighting/Rescue Vehicles (2006).... | 3,520,000             | 2,600,000                         | -   | -                       | -                   | -                         | 920,000              | -                                  |
| Open Space (2006).....                  | 2,000,000             | 790,000                           | -   | -                       | -                   | -                         | -                    | 1,210,000                          |
| Public Works Storage Yard.....          | 300,000               | -                                 | 115,000   | -                       | -                   | -                         | -                    | 185,000                            |
| Beckley Bridge.....                     | 500,000               | -                                 | 307,000   | -                       | -                   | -                         | -                    | 193,000                            |
| Road Improvements.....                  | 6,000,000             | 3,960,000                         | 40,000  | 2,000,000               | -                   | -                         | 2,000,000            | -                                  |
| Police Station.....                     | 2,000,000             | 990,000                           | 21,557  | -                       | -                   | -                         | -                    | 988,443                            |
| Emergency Preparedness.....             | 700,000               | -                                 | 260,000   | 440,000                 | -                   | 440,000                   | -                    | -                                  |
| Sidewalks and Bridges (2012).....       | 300,000               | -                                 | 100,000   | 200,000                 | -                   | 200,000                   | -                    | -                                  |
| High School Renovations.....            | 84,950,000            | 34,500,000                        | 32,251,698  | -                       | 5,500,000           | -                         | 12,500,000           | 198,302                            |
| Infiltration/Inflow (2013).....         | 4,500,000             | 2,236,514                         | -   | -                       | -                   | -                         | -                    | 2,263,486                          |
| Bridge Improvements (2013).....         | 400,000               | -                                 | 140,000   | 260,000                 | -                   | 260,000                   | -                    | -                                  |
| Bridge Improvements (2016).....         | 1,000,000             | -                                 | -   | -                       | -                   | -                         | -                    | 1,000,000                          |
| Griswold Roof Replacement.....          | 1,530,000             | -                                 | 442,168   | -                       | 22,000              | -                         | 650,000              | 415,832                            |
| Fire Vehicles (2016).....               | 700,000               | -                                 | -   | -                       | -                   | -                         | 700,000              | -                                  |
| Hubbard School Roof.....                | 1,300,000             | -                                 | -   | -                       | 515,000             | -                         | -                    | 785,000                            |
| <b>Total.....</b>                       | <b>\$ 113,200,000</b> | <b>\$ 46,741,514</b>              | <b>\$ 34,237,423</b>                              | <b>\$ 2,900,000</b>     | <b>\$ 6,037,000</b> | <b>\$ 900,000</b>         | <b>\$ 16,770,000</b> | <b>\$ 8,514,063</b>                |

**Principal Amount of Outstanding Debt  
Last Five Fiscal Years**

| <b>Long-Term Debt<sup>1</sup></b>  | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Bonds.....                         | \$ 60,905        | \$ 49,450        | \$ 34,020        | \$ 27,215        | \$ 28,835        |
| CWF .....                          | -                | -                | -                | -                | -                |
| <b>Sub-Total Long-Term Debt...</b> | <b>60,905</b>    | <b>49,450</b>    | <b>34,020</b>    | <b>27,215</b>    | <b>28,835</b>    |
| <b>Short-Term Debt</b>             |                  |                  |                  |                  |                  |
| Bond Anticipation Notes.....       | 1,180            | 1,259            | 1,325            | 9,426            | 6,317            |
| CWF IFO.....                       | -                | 2,042            | -                | -                | -                |
| <b>Sub-Total Short-Term Debt..</b> | <b>1,180</b>     | <b>3,301</b>     | <b>1,325</b>     | <b>9,426</b>     | <b>6,317</b>     |
| <b>Grand Total.....</b>            | <b>\$ 62,085</b> | <b>\$ 52,751</b> | <b>\$ 35,345</b> | <b>\$ 36,641</b> | <b>\$ 35,152</b> |

<sup>1</sup> Does not include Water debt, compensated absences or capital lease obligations.

Source: Town of Berlin Audited Financial Reports 2011-2015.

**Ratios of Net Long-Term Debt to Valuation, Population and Income**

| <b>Fiscal Year Ended 6/30</b> | <b>Net Assessed Value</b> | <b>Estimated Full Value</b> | <b>Net Long-Term Debt<sup>1</sup></b> | <b>Ratio of Net Long-Term Debt to Assessed Value (%)</b> | <b>Ratio of Net Long-Term Debt to Estimated Full Value (%)</b> | <b>Population<sup>2</sup></b> | <b>Net Long-Term Debt per Capita</b> | <b>Ratio of Net Long-Term Debt per Capita to Per Capita Income<sup>3</sup></b> |
|-------------------------------|---------------------------|-----------------------------|---------------------------------------|--|--|-------------------------------|--------------------------------------|--|
| 2015                          | \$2,091,066               | \$2,987,237                 | \$60,905                              | 2.91%  | 2.04%  | 20,352                        | 2.99                                 | 0.01%  |
| 2014                          | 2,186,129                 | 3,123,041                   | 49,450                                | 2.26%  | 1.58%  | 20,352                        | 2.43                                 | 0.01%  |
| 2013                          | 2,155,898                 | 3,079,854                   | 34,020                                | 1.58%  | 1.10%  | 20,352                        | 1.67                                 | 0.00%  |
| 2012                          | 2,350,588                 | 3,357,983                   | 27,215                                | 1.16%  | 0.81%  | 20,352                        | 1.34                                 | 0.00%  |
| 2011                          | 2,315,161                 | 3,307,373                   | 28,835                                | 1.25%  | 0.87%  | 20,352                        | 1.42                                 | 0.00%  |

<sup>1</sup> Long-Term debt does not include Water debt, compensated absences, capital lease obligations, or State of Connecticut Clean Water Fund Debt.

<sup>2</sup> Bureau of Census.

<sup>3</sup> American Community Survey (2010-2014), Money Income Per Capita \$40,172.

Source: Town of Berlin Audited Financial Reports 2011-2015.

**Ratio of Total General Fund Debt Service Expenditures  
To Total General Fund Expenditures and Transfers Out  
Last Five Fiscal Years**

| <b>Fiscal Year Ended 6/30</b> | <b>Total Debt Service</b> | <b>Total General Fund Expenditures<sup>1</sup></b> | <b>Ratio of Total Debt Service To General Fund Expenditures</b> |
|-------------------------------|---------------------------|--|---|
| 2016 (Est.)                   | \$ 6,205,849              | \$ 80,594,668                                      | 7.70%   |
| 2015                          | 4,191,375                 | 81,575,994   | 5.14%   |
| 2014                          | 4,233,698                 | 80,272,358   | 5.27%   |
| 2013                          | 2,835,086                 | 75,999,553   | 3.73%   |
| 2012                          | 2,816,529                 | 74,712,363   | 3.77%   |
| 2011                          | 1,666,540                 | 70,220,067   | 2.37%   |

<sup>1</sup> Includes transfers out.

Source: Town of Berlin Finance Department.

## VI. Financial Administration

### Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

### Basis of Accounting

See footnote number 1 in "Notes to Financial Statements."

### Budget Procedure

In accordance with the Town Charter, all departments, boards, commissions, committees and agencies submit budget requests, including revenue estimates, to the Town Manager. The Town Manager prepares a proposed Town budget and presents said budget together with the budget of the Board of Education as submitted along with whatever analysis or comments desired to the Town Council. The Town Council prepares and recommends the total Town budget to the annual budget hearing to be held no later than the second Tuesday in April. Following the annual budget hearing, the Town Council determines the Town budget to be recommended for adoption at the Annual Town Budget Referendum. The Annual Town Budget Referendum is held on the last Tuesday in April. Should the budget not be adopted by that referendum vote, the budget is returned to the Town Council which shall further consider and adopt an annual Town budget for the ensuing fiscal year, provided that such budget is adopted no later than May 10th.

### Capital Improvement Plan

A 5-year Capital Improvement Plan is adopted by the Town Council each year. The most recently adopted Capital Improvement Plan is set forth below. The Town expects to finance the capital projects through debt, grants and various Town resources.

| <i>Purpose</i>                | <i>Fiscal</i><br>2015-16 | <i>Fiscal</i><br>2016-17 | <i>Fiscal</i><br>2017-18 | <i>Fiscal</i><br>2018-19 | <i>Fiscal</i><br>2019-20 | <i>Total</i>          |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-----------------------|
| Townwide.....                 | \$ 50,000                | \$ 100,000               | \$ 1,100,000             | \$ 100,000               | \$ 100,000               | \$ 1,450,000          |
| Technology.....               | 80,221                   | 50,039                   | 133,687                  | 103,639                  | 22,600                   | 390,186               |
| Nursing.....                  | 29,003                   | 29,057                   | 24,411                   | 16,543                   | 17,372                   | 116,386               |
| Revaluation.....              | -                        | -                        | -                        | -                        | -                        | -                     |
| Economic Development.....     | -                        | 220,000                  | 1,550,000                | 1,125,000                | 100,000                  | 2,995,000             |
| Public Safety.....            | 1,731,000                | 26,588,500               | 852,500                  | 611,500                  | 1,760,000                | 31,543,500            |
| Public works.....             | 597,806                  | 2,951,378                | 10,652,731               | 9,190,000                | 11,520,000               | 34,911,915            |
| Recreation.....               | -                        | 7,000                    | 110,000                  | 18,504,300               | -                        | 18,621,300            |
| Libraries.....                | 13,000                   | 7,500                    | 30,000                   | 1,000,000                | -                        | 1,050,500             |
| Public Grounds.....           | 135,000                  | 714,509                  | 1,224,500                | 6,027,500                | 1,581,000                | 9,682,509             |
| Golf Course.....              | 53,291                   | 2,230,821                | 103,121                  | 27,219                   | 27,219                   | 2,441,671             |
| Education.....                | 2,241,751                | 3,030,000                | 3,610,864                | 1,264,990                | 1,524,931                | 11,672,536            |
| Water Control Commission..... | 958,362                  | 1,554,000                | 954,000                  | 909,000                  | 1,004,000                | 5,379,362             |
| <b>Total .....</b>            | <b>\$ 5,889,434</b>      | <b>\$ 37,482,804</b>     | <b>\$ 20,345,814</b>     | <b>\$ 38,879,691</b>     | <b>\$ 17,657,122</b>     | <b>\$ 120,254,865</b> |

| <i>Funding</i>                    | <i>Fiscal</i><br>2014-15 | <i>Fiscal</i><br>2015-16 | <i>Fiscal</i><br>2016-17 | <i>Fiscal</i><br>2017-18 | <i>Fiscal</i><br>2018-19 | <i>Total</i>          |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-----------------------|
| Town – Capital.....               | \$ 1,046,313             | \$ 1,300,245             | \$ 6,293,755             | \$ 2,698,244             | \$ 2,544,718             | \$ 13,883,275         |
| Town – Operational.....           | 142,759                  | 128,559                  | 272,059                  | 198,147                  | 113,404                  | 854,928               |
| Bonds and Notes.....              | 3,700,000                | 34,095,000               | 12,381,000               | 34,779,300               | 13,700,000               | 98,655,300            |
| Grants.....                       | -                        | 405,000                  | 445,000                  | 295,000                  | 295,000                  | 1,440,000             |
| Capital Non-Recurring Fund.....   | 42,000                   | -                        | -                        | -                        | -                        | 42,000                |
| Water and Sewer Funds.....        | 958,362                  | 1,554,000                | 954,000                  | 909,000                  | 1,004,000                | 5,379,362             |
| <b>Total Funding Sources.....</b> | <b>\$ 5,889,434</b>      | <b>\$ 37,482,804</b>     | <b>\$ 20,345,814</b>     | <b>\$ 38,879,691</b>     | <b>\$ 17,657,122</b>     | <b>\$ 120,254,865</b> |

### Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the Town Charter, the Town is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management. The Town is in full compliance with said provisions.

### Liability Insurance

See footnote number 12 in "Notes to Financial Statements."

## ***Certificate of Achievement***

The Town's Comprehensive Annual Financial Report ("CAFR") for the year ended June 30, 2015 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for the thirtieth consecutive year. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

## ***Pensions***

The Town sponsors and administers a single-employer Public Employee Retirement System (PERS). It covers all full-time employees who have elected to participate in the Plan except certified teachers who are eligible to participate in the State Teachers' Retirement System. The PERS was authorized by vote of the Town Meeting held October 1, 1961. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. A separate stand-alone report is not issued.

In 1987-88 the Town renegotiated the pension plan with all employee groups. All new participating employees are enrolled in a defined contribution retirement plan. Employees employed prior to March 17, 1987 will receive the higher of the defined contribution or the defined benefit plan (which was in force prior to this new plan). The Berlin Police Department remained in the defined benefit plan until July 1, 2000. After this date, new police officers are enrolled in the defined contribution plan. Police officers employed prior to July 1, 2000 receive the higher of the two plans. The Town of Berlin hybrid type plan necessitates the presentation of the retirement program in two parts: defined contribution and defined benefit, each of which are described herein.

The Town implemented Government Accounting Standards Board ("GASB") Statement No. 67 in fiscal year 2015. The pension plan has a net pension liability of \$4,541,463 as of the July 1, 2014 valuation date which represents a decrease of approximately \$800,000 from the net pension liability as of the July 1, 2013 valuation. This liability reflects a reduction in the pre-retirement expected rate of return from 7% to 6%. There are approximately 19 members still in active service who participate in the defined benefit plan. 16 of the remaining 19 defined benefit plan participants are expected to retire over the next ten years and to request the lump sum benefit payment option available under the plan. The Town anticipates the timing of the lump sum claims may exhaust available pension assets. In addition to the authority to finance the net pension liability with bonds under the general statutes, the Town is pursuing state legislation to authorize it to finance these claims with pension obligation bonds or notes in the event the timing of the claims cause plan assets to exceed required payments. The Town intends to continue to fund the plan from its annual budget irrespective of the pension obligation authorization. The pension liability continues to represent a relatively low percentage of the budget.

## ***Other Post-Employment Benefits***

The Town makes available health insurance and other benefits to certain eligible retirees and their spouses according to various collective bargaining agreements. Retired program members and beneficiaries currently receiving benefits are required to contribute 100% towards the cost of receiving those benefits under the Town's self-insured medical benefits program. The Town's liability is solely from the implicit rate subsidy calculation, and the net OPEB obligation for fiscal year ending June 30, 2015 was \$1,221,116.

## ***Compensated Absences***

Accumulated unpaid vacation time is accrued by the Town and Board of Education. Town employees are required to use vacation time by June 30 of each year; however, employees may request to have their time extended by the Town Manager past June 30 to October 31. The total value of accrued vacation, sick and compensatory time at June 30, 2015 is \$415,280.

The accrued vacation, sick, and separation pay amounts are reported in the government-wide statement of net assets. The General Fund and the Water/Sewer Enterprise Fund are used to liquidate the compensated absence liabilities.



## ***Energy Efficiency Projects***

During 2015 and 2016, the Town entered into two energy-savings project agreements. The first agreement was with NORESCO. This agreement allows for the funding of energy efficiency projects in both town and school facilities. The second agreement was with Tanko Lighting. Under this agreement, the Town purchased certain streetlights from the local utility Eversource. The lights will be replaced with more energy-efficient LED lights. These projects were financed by issuance of a \$10,340,341 twenty-year loan through Banc of America Public Capital Corp. The loan will be repaid using guaranteed energy savings.

## ***Risk Management***

The Town maintains two insurance funds: the General Insurance Fund (fully insured) and the Medical and Health Insurance Fund (self-insured). Both of these funds are reported as Internal Service Funds.

The General Insurance Fund receives funds from various funds and departments. The fund purchases insurance and provides ancillary services for the administration of this fund and accumulates reserves. Other than agreed-upon deductibles, claims have not exceeded insurance coverage in any of the past three years. Worker's Compensation coverage, which makes up the largest component of the general insurance needs, is provided by insurance through the Connecticut Interlocal Risk Management Association. The Town examines the coverage annually.

The Medical and Health Insurance Fund also receives funds from various funds and departments. The funds are used to purchase medical and health insurance and provide ancillary services. This fund is used to pay claims and administrative fees directly to Anthem Blue Cross/Blue Shield. The Town does not have to pay the State insurance premium tax to the State, since a self-insurance fund is not subject to this tax. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. These liabilities amounted to \$590,445 in the Medical and Health Insurance Fund at June 30, 2015.

## ***Enterprise Fund***

The Town maintains an enterprise fund for its Water and Sewer operations, which is intended to be self-supporting through user fees charged to their customers. As of June 30, 2015, the increase in net position after transfers for the Water and Sewer Fund was \$1,385,238.

## ***Investment Policy***

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an "out of state bank," as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan. The Pension Trust Fund operates under a trust agreement, and investments are allowed in fixed-income securities; e.g., notes, bills, bonds and insurance contracts. Investments in the Deferred Compensation Plan held by ICMA are in various mutual funds.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund ("STIF"). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**General Fund Revenues and Expenditures**  
**Five Year Summary of Audited Revenues and Expenditures (GAAP Basis)**  
**and Adopted Budgets (Budgetary Basis)**

| <b>Revenues:</b>   | <b>Adopted<br/>Budget <sup>1</sup><br/>2015-16</b> | <b>Actual<br/>2014-15</b> | <b>Actual<br/>2013-14</b> | <b>Actual<br/>2012-13</b> | <b>Actual<br/>2011-12</b> | <b>Actual<br/>2010-11</b> |
|--|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Property Taxes .....   | \$ 66,740,717                                      | \$ 63,867,121             | \$ 62,265,408             | \$ 59,750,689             | \$ 57,384,370             | \$ 54,508,377             |
| Intergovernmental .....  | 8,035,292  | 12,386,029                | 13,429,655                | 12,927,657                | 13,319,574                | 11,406,083                |
| Income on Investments.....   | 155,000  | 163,694                   | 80,383                    | 175,858                   | 274,415                   | 188,976                   |
| Other (including Charges for Services) *.....  | 5,585,159  | 3,883,396                 | 4,065,775                 | 4,204,254                 | 4,234,717                 | 4,513,243                 |
| <b>Total Revenues</b> .....  | <b>80,516,168</b>                                  | <b>80,300,240</b>         | <b>79,841,221</b>         | <b>77,058,458</b>         | <b>75,213,076</b>         | <b>70,616,679</b>         |
| <b>Expenditures:</b>   |  |                           |                           |                           |                           |                           |
| General government .....   | 4,769,167  | 4,730,669                 | 3,841,598                 | 3,996,715                 | 3,517,629                 | 3,297,025                 |
| Public Safety .....  | 8,701,531  | 8,497,146                 | 8,222,571                 | 7,766,822                 | 7,550,786                 | 7,107,339                 |
| Health and Welfare .....   | 2,521,278  | 2,256,886                 | 2,186,004                 | 2,047,903                 | 2,089,463                 | 2,118,226                 |
| Physical Services .....  | 7,909,417  | 7,893,401                 | 7,670,479                 | 7,424,137                 | 8,021,028                 | 7,147,149                 |
| Parks & Recreation, and Libraries .....  | 3,984,358  | 3,961,074                 | 3,692,196                 | 3,732,289                 | 3,776,977                 | 3,774,532                 |
| Community Development .....  | 793,063  | 726,617                   | 703,639                   | 720,613                   | 732,681                   | 724,713                   |
| Education .....  | 44,368,692   | 47,885,291                | 48,175,177                | 46,108,451                | 45,044,221                | 42,974,081                |
| Debt Service .....   | 6,205,849  | 4,191,395                 | 4,233,698                 | 2,835,086                 | 2,816,529                 | 1,666,540                 |
| Capital Outlays .....  | 1,046,313  | 442,615                   | 269,685                   | 330,400                   | 115,966                   | 497,144                   |
| <b>Total Expenditures</b> .....  | <b>80,299,668</b>                                  | <b>80,585,094</b>         | <b>78,995,047</b>         | <b>74,962,416</b>         | <b>73,665,280</b>         | <b>69,306,749</b>         |
| Revenues over (under) expenditures .....   | 216,500  | (284,854)                 | 846,174                   | 2,096,042                 | 1,547,796                 | 1,309,930                 |
| <b>Other Financing Sources Uses:</b>   |  |                           |                           |                           |                           |                           |
| Issuance of Refunding Bonds.....   | -  | -                         | -                         | -                         | -                         | -                         |
| Payments to Escrow Agents.....   | -  | -                         | -                         | -                         | -                         | -                         |
| Issuance of Capital Leases.....  | -  | 442,615                   | 269,685                   | 330,400                   | 112,188                   | 497,144                   |
| Operating Transfers In .....   | 78,500   | 272,540                   | 73,544                    | 103,959                   | 317,390                   | 395,549                   |
| Operating Transfers (Out) .....  | (295,000)  | (990,900)                 | (1,277,311)               | (1,037,137)               | (1,047,083)               | (913,318)                 |
| <b>Total other Financing Sources (uses) ....</b>   | <b>(216,500)</b>                                   | <b>(275,745)</b>          | <b>(934,082)</b>          | <b>(602,778)</b>          | <b>(617,505)</b>          | <b>(20,625)</b>           |
| <b>Revenues and other financing sources over (under) expenditures and other financing (uses) .....</b> |  |                           |                           |                           |                           |                           |
|  | \$ -   | \$ (560,599)              | \$ (87,908)               | \$ 1,493,264              | \$ 930,291                | \$ 1,289,305              |

\* Includes \$1,800,000 assignment of fund balance.

**Analysis of General Fund Equity**

|                                | <b>Adopted<br/>Budget <sup>1</sup><br/>2015-16</b> | <b>Actual<br/>2014-15</b> | <b>Actual<br/>2013-14</b> | <b>Actual<br/>2012-13</b> | <b>Actual<br/>2011-12</b> | <b>Actual<br/>2010-11</b> |
|--------------------------------|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Nonspendable.....              | N/A  | \$ -                      | \$ -                      | \$ -                      | \$ -                      | \$ -                      |
| Committed.....                 | N/A  | 327,968                   | 328,093                   | 289,973                   | 368,642                   | 295,251                   |
| Assigned.....                  | N/A  | 1,800,000                 | 2,600,000                 | 1,800,000                 | 1,550,000                 | 1,550,000                 |
| Unassigned.....                | N/A  | 10,014,792                | 9,775,266                 | 10,701,294                | 9,379,361                 | 8,522,461                 |
| <b>Total Fund Balance.....</b> | <b>N/A</b>   | <b>\$ 12,142,760</b>      | <b>\$ 12,703,359</b>      | <b>\$ 12,791,267</b>      | <b>\$ 11,298,003</b>      | <b>\$ 10,367,712</b>      |

<sup>1</sup> Budgetary basis, subject to audit.

## **VII. Legal and Other Information**

### **Litigation**

The Town of Berlin, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. Town Officials believe, after consulting with the Town Attorney, that such pending litigation will not be finally determined, individually or in the aggregate, so as to result in final judgments against the Town which would have a material adverse effect on the Town's financial position.

### **Documents Furnished At Delivery**

The original purchasers of the Bonds and Notes will be furnished the following documentation when the Bonds and Notes are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and Notes or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the Town, signed by the Mayor, Town Manager, Treasurer and Finance Director which will be dated the date of delivery, which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds and Notes were accepted the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds and Notes.
4. The approving opinions of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, substantially in the forms of Appendices B-1 and B-2 attached hereto.
5. Executed Continuing Disclosure Agreements for the Bonds and Notes in substantially the forms of Appendix C attached hereto.
6. The Issuer will provide to the winning bidder of the Bonds 50 copies of the Official Statement and to the winning bidder of the Notes 15 copies of the Official Statement, prepared for this Bond and Note issue at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidders at their own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the principal office of the Certifying Agent, U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103 and may be examined upon reasonable request.

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## **Concluding Statement**

This Official Statement is submitted only in connection with the sale of the Bonds and Notes by the Town and may not be reproduced or used in whole or in part for any other purpose.

The following officials, in their capacity as officers of the Town, and in the name and on behalf of the Town, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

### **TOWN OF BERLIN, CONNECTICUT**

By: /S/ Mark H. Kaczynski  
MARK H. KACZYNSKI, *Mayor*

By: /S/ Denise M. McNair  
DENISE M. MCNAIR, *Town Manager*

By: /S/ Nancy L. Lockwood  
NANCY L. LOCKWOOD, *Treasurer*

By: /S/ James Wren, Jr.  
JAMES WREN, JR., *Finance Director*

Dated: May 5, 2016

## ***Appendix A***

### ***2015 Financial Statements Excerpted from the Town's Annual Financial Report***

The following includes the General Purpose Financial Statements of the Town of Berlin, Connecticut for the fiscal year ended June 30, 2015. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors LLC, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 878-4945.

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## Independent Auditors' Report

To the Town Council  
Town of Berlin, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Connecticut's 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 of 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 auditors consider 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Connecticut, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As discussed in Note 18 to the financial statements, during the fiscal year ended June 30, 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Town has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, the budgetary comparison information on pages 61 through 69 and the pension schedules on pages 70 through 73 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berlin, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Berlin, Connecticut, as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated November 17, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2014 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of the Town of Berlin, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berlin, Connecticut's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 8, 2015

**TOWN OF BERLIN, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

This discussion and analysis of the Town of Berlin, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read this Management Discussion and Analysis (MD&A) in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX. All amounts are expressed in thousands unless otherwise noted.

**FINANCIAL HIGHLIGHTS**

- The Town's total net position increased by \$13,961 or 13.6%, as a result of this year's operations. Net position of the Town's governmental activities increased by \$12,575, or 14.5%, and net position of the Town's business-type activities increased by \$1,386 or 8.8%. It should be noted that fiscal year 2014 net position of government activities was restated due to the requirements of GASB Statement No. 68. The above variances are calculated using the restated numbers.
- During the year, the Town had governmental program expenses that were \$12,575 less than the \$99,317 generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, expenses were \$1,386 less than the \$4,712 generated in charges for services and other revenues.
- The total cost of all of the Town's programs increased by \$3,210, or 3.7% to \$90,068 with no new programs added this year. This compares to an increase of 6% in the prior year. General Government, Education, Public Safety and Interest on Long Term Debt are the main drivers, accounting for a majority of the increase. Some of the major drivers of these increases include costs associated with the major Berlin High School renovation project underway, including associated debt-related costs (Education); use of contingency funds related to the severe winter weather conditions; and addition of new personnel including a Purchasing Agent and an additional School Resource Officer.
- The General Fund reported a total fund balance this year of \$12,143, a decrease of \$560, or 4.4%, from the previous year. The decrease is due to the use of \$800 in assigned fund balance to make a double contribution to the defined benefit pension plan in fiscal year 2015. The unassigned portion of fund balance increased by a total of \$240, or 2.5% due to positive operating results mainly due to sound expense management.
- Expenditures were kept at or below spending limits.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III through IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

***Government-Wide Financial Statements***

The analysis of the Town as a whole begins with Exhibits I and II. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. The Town's net position (i.e. the difference between assets and liabilities) is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, we divide the Town into two types of activities:

- *Governmental activities* - Most of the Town's basic services are reported here, including education, public safety, community development, physical services, parks, recreation and libraries, health and human services, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water and Sewer Enterprise Fund is reported here.

### **Fund Financial Statements**

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by Charter. However, the Town Council establishes many other funds to help control and manage financial activities for particular purposes (such as the Water and Sewer Enterprise Fund) or to show that it is meeting legal responsibilities for using grants and other money (such as grants received from the State of Connecticut or the federal government). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental funds (Exhibit III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibit V, VI and VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities—such as the Town's General Insurance and Medical and Health Insurance internal service funds.
- *Fiduciary funds (Exhibit VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of net position - fiduciary funds and changes in net position - fiduciary fund. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position increased from \$102,673 (as restated) to \$116,634. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

**Table 1**  
**Net Position**  
**(in thousands)**

|  | Governmental<br>Activities |                  | Business-Type<br>Activities |                  | Total             |                   |
|--|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|
|  | 2015                       | 2014             | 2015                        | 2014             | 2015              | 2014              |
| Current and other assets   | \$ 35,438                  | \$ 37,441        | \$ 6,566                    | \$ 5,752         | \$ 42,004         | \$ 43,193         |
| Capital assets, net of<br>accumulated depreciation                           | 140,183                    | 114,534          | 12,935                      | 12,116           | 153,118           | 126,650           |
| Total assets   | <u>175,621</u>             | <u>151,975</u>   | <u>19,501</u>               | <u>17,868</u>    | <u>195,122</u>    | <u>169,843</u>    |
| Deferred charge on refunding   |                            | 16               |                             |                  |                   | 16                |
| Changes of pension actuarial assumptions<br>actual                           | 555                        |                  |                             |                  | 555               |                   |
| earnings on pension plan investments   | 33                         |                  |                             |                  | 33                |                   |
| Total deferred outflows of resources   | <u>588</u>                 | <u>16</u>        | <u>-</u>                    | <u>-</u>         | <u>588</u>        | <u>16</u>         |
| Long-term debt outstanding   | 70,534                     | 59,360           | 2,237                       |                  | 72,771            | 59,360            |
| Other liabilities  | 5,637                      | 5,508            | 137                         | 2,127            | 5,774             | 7,635             |
| Total liabilities  | <u>76,171</u>              | <u>64,868</u>    | <u>2,374</u>                | <u>2,127</u>     | <u>78,545</u>     | <u>66,995</u>     |
| Differences between expected and actual<br>pension plan actuarial experience | 419                        |                  |                             |                  | 419               | -                 |
| Advance property tax collections   | 112                        | 191              |                             |                  | 112               | 191               |
| Total deferred inflows of resources  | <u>531</u>                 | <u>191</u>       |                             |                  | <u>531</u>        | <u>191</u>        |
| Net Position:  |                            |                  |                             |                  |                   |                   |
| Net investment in capital assets   | 75,761                     | 60,219           | 12,739                      | 10,074           | 88,500            | 70,293            |
| Restricted   | 147                        | 147              |                             |                  | 147               | 147               |
| Unrestricted   | <u>23,599</u>              | <u>26,566</u>    | <u>4,388</u>                | <u>5,667</u>     | <u>27,987</u>     | <u>32,233</u>     |
| Total Net Position   | <u>\$ 99,507</u>           | <u>\$ 86,932</u> | <u>\$ 17,127</u>            | <u>\$ 15,741</u> | <u>\$ 116,634</u> | <u>\$ 102,673</u> |

Net position of the Town's governmental activities increased by 14.5%. Unrestricted governmental net position (i.e. the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased from \$26,566 at June 30, 2014 to \$23,599 at the end of this year.

The increase in net position is driven by the increase in net investment in capital assets from \$60,219 (as restated) at June 30, 2014 to \$75,761 at June 30, 2015. This increase occurred because the value of capital assets added (including construction in progress on the \$84,950 renovate-as-new project at Berlin High School, major roadway and bridge improvements, school roof replacement projects, and major infrastructure improvements in the water/sewer systems) exceeded additional debt issued during the year. Please refer to Notes 5 and 6 in the Notes to Financial Statements for further detail. These increases were partially offset by the negative impacts to unrestricted net position due to the implementation of GASB Statement 68, which requires the Town to include the defined benefit pension liability in the financial statements.

Authorized General Fund budget appropriations for operating expenses of approximately \$2.1 million remained unspent at year end; this is the result of prioritizing needs and funding only the most critical of these needs throughout the fiscal year. In addition, expenses were lower than normal mainly due to salary and benefit reductions for positions that were either unfilled or were unexpectedly vacated and replaced with new staff at lower salary and benefit levels. The most significant example is the Police Department, where several positions were in process of being filled. In addition, savings were realized on refuse disposal, which is one of the Town's largest operating expenses, due to increased efficiencies in recycling. Finally, the Town continued several efforts to control expenses such as: minimizing use of overtime where possible; prohibiting most air travel for conferences; constantly rolling out efforts to reduce the cost of employee benefits through wellness initiatives, higher employee cost shares and increased participation in a high-deductible health savings account; and managing the financial effects of unexpected events such as the extreme winter season during 2014-15 through the use of internal resources and budgeted contingency. In addition, continued maintenance of historically low interest rates by the Federal Reserve has helped to keep debt service interest expenses under budget.

On the revenue side, results varied depending on type of revenue. Most notably, tax revenues, especially related to motor vehicle taxes and collection of delinquent taxes and related interest, have continued to be better than expected, despite the difficult economy. The Town completed tax sales during fiscal year 2015 and this resulted in collection of taxes that were delinquent for many years. During fiscal year 2015, \$215 in delinquent tax revenue was collected from the tax sales. The Town has been able to continue to maintain a very high tax collection ratio of 98.87% in the current fiscal year which is greater than the 98.5% collection assumption used in the budget.

The 2013 Grand List, which applies to fiscal year 2015, increased by 1.82% from the previous year. It should be noted that the prior year showed a large decrease in real estate values due to state-mandated property revaluation. In the 2013 Grand List, all segments showed increases: real estate values increased by .87%, personal property values increased by 9.13% and motor vehicle values increased by 3.83% over the previous year's Grand List.

In addition, due to the volatility of the information available from the State of Connecticut while the Governor's budget was being developed, the Town continued to budget very conservatively for all state grants. The Town was fortunate that the State maintained current levels of Education Cost Sharing funding with a slight increase from the prior year; these funds account for the vast majority of funds received from the State. Although many operational state grants (as reported in Schedule RSI-1) were at or above prior year levels, one notable exception is the municipal revenue sharing grant (no longer funded by the state). The Town had accrued a receivable for \$50 for the last portion of the grant that was to be paid in fiscal year 2015; subsequently, the state redirected these funds for other purposes which required the reversal of the receivable. Although Excess Cost and Police Overtime funds were lower than the prior year, these two items are budget neutral as only the amount received is spent. It should also be noted that the state shifted some of the operational grant funding to Local Capital Improvement projects and Public Works projects which are accounted for in the Capital Projects Fund. Finally, in the current fiscal year the Town was awarded Federal Emergency Management Agency funds for reimbursement of a long-term project related to Tropical Storm Irene back in 2011. Therefore, although operational grants are lower than in the prior year, total operational and capital grants are actually higher than in the prior year.

Total charges for services revenues increased from the prior year, most notably due to a large increase in sewer rates to cover capital improvement and an increase in water consumption. These changes were partially offset by the following: a reduction in public health nursing services revenue primarily due to reductions in Medicare reimbursements at the federal level as well as some internal billing issues; and a decline in golf course greens and cart fees due to an early closing and late opening related to a longer than average winter.

Finally, investment earnings have improved over the prior year although overall interest rates are still being held at historically low levels by the Federal Reserve. The Town's management continues to try to invest funds at various financial institutions offering the highest possible interest rates. The Town is somewhat limited in its investment choices by state statutes regarding investment of public funds. Please see the narrative following Table 2 for a more specific discussion of revenue variations by category.

**Table 2**  
**Changes in Net Position**  
**(in thousands)**

|  | Governmental<br>Activities |                  | Business-Type<br>Activities |                  | Total             |                   |
|--|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|
|  | 2015                       | 2014             | 2015                        | 2014             | 2015              | 2014              |
| Revenues:  |                            |                  |                             |                  |                   |                   |
| Program revenues:  |                            |                  |                             |                  |                   |                   |
| Charges for services   | \$ 4,221                   | \$ 4,359         | \$ 4,680                    | \$ 3,597         | \$ 8,901          | \$ 7,956          |
| Operating grants and contributions                           | 14,784                     | 16,091           |                             |                  | 14,784            | 16,091            |
| Capital grants and contributions                             | 15,726                     | 12,066           |                             |                  | 15,726            | 12,066            |
| General revenues:  |                            |                  |                             |                  |                   |                   |
| Property taxes   | 63,685                     | 62,660           |                             |                  | 63,685            | 62,660            |
| Grants and contributions not restricted to specific programs | 158                        | 279              |                             |                  | 158               | 279               |
| Unrestricted investment earnings                             | 165                        | 81               | 32                          | 31               | 197               | 112               |
| Other general revenues                                       | 578                        | 693              |                             |                  | 578               | 693               |
| Total revenues   | <u>99,317</u>              | <u>96,229</u>    | <u>4,712</u>                | <u>3,628</u>     | <u>104,029</u>    | <u>99,857</u>     |
| Program expenses:  |                            |                  |                             |                  |                   |                   |
| General government   | 5,416                      | 4,192            |                             |                  | 5,416             | 4,192             |
| Community development  | 1,135                      | 850              |                             |                  | 1,135             | 850               |
| Public safety  | 9,580                      | 8,747            |                             |                  | 9,580             | 8,747             |
| Physical services  | 8,670                      | 9,778            |                             |                  | 8,670             | 9,778             |
| Parks, recreation and libraries                              | 4,205                      | 4,172            |                             |                  | 4,205             | 4,172             |
| Health and human services                                    | 2,440                      | 2,617            |                             |                  | 2,440             | 2,617             |
| Schools  | 53,394                     | 52,398           |                             |                  | 53,394            | 52,398            |
| Interest on long-term debt                                   | 1,907                      | 1,257            |                             |                  | 1,907             | 1,257             |
| Water  |                            |                  | 1,298                       | 1,195            | 1,298             | 1,195             |
| Sewers   |                            |                  | 2,023                       | 1,652            | 2,023             | 1,652             |
| Total program expenses                                       | <u>86,747</u>              | <u>84,011</u>    | <u>3,321</u>                | <u>2,847</u>     | <u>90,068</u>     | <u>86,858</u>     |
| Excess before transfers                                      | 12,570                     | 12,218           | 1,391                       | 781              | 13,961            | 12,999            |
| Transfers  | <u>5</u>                   | <u>9</u>         | <u>(5)</u>                  | <u>(9)</u>       | <u>-</u>          | <u>-</u>          |
| Increase in Net Position                                     | 12,575                     | 12,227           | 1,386                       | 772              | 13,961            | 12,999            |
| Net Position at Beginning of Year, as Restated               | <u>86,932</u>              | <u>74,705</u>    | <u>15,741</u>               | <u>14,969</u>    | <u>102,673</u>    | <u>89,674</u>     |
| Net Position at End of Year                                  | <u>\$ 99,507</u>           | <u>\$ 86,932</u> | <u>\$ 17,127</u>            | <u>\$ 15,741</u> | <u>\$ 116,634</u> | <u>\$ 102,673</u> |

The Town's total revenues (governmental and business-type) were \$104,029. The total cost of all programs and services (governmental and business-type) was \$90,068. The analysis below separately considers the operations of governmental and business-type activities.

## **Governmental Activities**

The largest source of revenues was derived from property taxes at 64.13%, followed by 15.84% from capital grants and contributions, 14.88% from operating grants and contributions, and 4.25% from charges for services. Major revenue factors include:

- Property tax revenues recorded for fiscal year 2015 reflect a tax rate of 28.92 mills, an increase of .15 mill over the rate used in the previous fiscal year. The tax collection rate remained very strong at 98.87% especially considering the difficult economy; this is due in part to more aggressive collection procedures including the enforcement of an ordinance to collect taxes from Town vendors and the conducting of tax sales on very delinquent properties. The Grand List increased by 1.82% after declining in the prior year due to state-mandated property revaluation on the 2012 Grand List; as noted above, there were increases in all property categories on the 2013 Grand List.
- Unrestricted governmental investment earnings increased from \$81 in the prior fiscal year to \$165 in the current year. The increase in investment earnings is the result of slightly improved interest rates and to the recognition of investment earnings on short term CD's which was not accrued in the prior year.
- Combined revenue from capital and operating grants and contributions increased from the prior fiscal year by \$2,342, or 8.3%. The primary reasons for this increase are school construction grants received for the state's share of the Berlin High School Project and school roof projects as well as grants for bridge improvements and a reimbursement grant from the Federal Emergency Management Agency related to a long term culvert project required due to damage from Tropical Storm Irene back in 2011. In addition the State of Connecticut on-behalf contribution to the State Teachers' Retirement Fund decreased by \$1,068 (note that this affects both revenues and expenditures, so it has no net impact).

Major expense factors include:

- The Town continued to employ various cost control methods to keep expenditures as low as possible. These involve regular monthly review of all town expenditures as compared to budget; Town Manager review of all purchase order requests valued at \$2,500 and above; active review and reevaluation of positions as people retire or leave town employment and; purchasing used or discounted supplies and furniture where possible. Although the winter of 2014-15 was extremely difficult and the Town received excessive rain during the spring of 2015, all expenses related to these events were paid from budgeted contingency or covered by insurance and, therefore, did not have a major impact on financial results. In addition, the Police Department continued to experience turnover and have unfilled positions during the fiscal year which resulted in lower than normal expenses in that department which were partially offset by additional overtime costs. Finally, through renegotiation of the pension consortium with all unions other than Police, the 200% defined contribution match by the Town was reduced to a 100% match for all employees hired after January 1, 2015; this change will have a positive impact on future expenses.
- In the Capital Projects Fund, \$30,222 was expended for asset acquisition and improvements, most notably for major renovations to Berlin High School; roadway and bridge improvements; business continuity and disaster recovery initiatives; purchase of open space; and a roof replacement at Griswold School. These capital expenses were funded through a combination of intergovernmental grants and bond and bond anticipation note proceeds (including \$13,720 bond and \$1,180 note issuance in May 2015 and a \$1,900 note issuance in September 2014).
- For governmental activities, 61.6% of the Town's expenses are for education, 11.1% for public safety, 10% for physical services, 6.3% for general government, 4.9% for parks and recreation and libraries, 2.8% for health and human services, 2.2% for interest on long-term debt and 1.1% for Community Development. These percentages are fairly consistent with the prior year; however, interest on long-term debt has increased in the current year due to the increase in debt levels related to the Berlin High School renovation project.

- There were increases in employee wages as a result of negotiated step and general wage increases; however, contractual increases were limited to a maximum of 2% for the Town and 2.5% for the Board of Education. Only one Town union contract was renegotiated at the beginning of fiscal year 2015 and received a two-year agreement with 2% increases in each year. All unions have taken a zero percent increase at some point over the past five years. Four Town union contracts expired on June 30, 2015, so there will be significant negotiations next year. On the Board of Education side, two contracts expired on June 30, 2015; one is settled the other is in process of final settlement. Any increases as a result of these contract negotiations will be budgeted starting in fiscal year 2016 or 2017, as applicable.
- One new full time Town position was added during fiscal year 2015. This position is a Purchasing Agent who reports through the Finance Department; adding this position has already saved the Town time and money through having the bid process coordinated by one person; this allows other managers to focus on their core areas and also allows for bids to be done more regularly. For the Board of Education, there was a net gain of 3 certified positions.
- Town employee benefit costs were well-managed due to benefits that continue to be realized from the consolidation of the separate insurance plans previously offered to each bargaining unit into one standard plan and also having insurance and pension benefits negotiated as coalition agreements separate from the main bargaining unit contracts. The Town continues to take measures to control the level of medical insurance costs through the following: implementation of wellness incentives; the hiring of a new insurance broker to assist the Town and Board of Education in performing a competitive review of major insurance companies in order to obtain the lowest possible cost; and the offering a high-deductible HSA plan which is currently voluntary for both the Town and Board of Education. In addition, the employee share of medical insurance costs has been increasing over the past several years.
- The cost of education services increased over the prior year, due mainly to contractual wage obligations, employee health benefits and the provision of state and federal mandated services. Capital expenditures related to education also increased due to school construction projects (specifically, the high school renovation and Griswold School roof projects.)
- The policy of budgeting for contingencies continues to have a favorable impact to the Town's financial results as the Town is not forced to use general fund balance to cover unanticipated expenses. During fiscal year 2015, nearly all of the Town's \$350 budgeted contingency funds were used to cover expenses associated with the difficult winter of 2014-15 as well as other contingencies that arose during the year.
- Cost of issuing new debt continues to be low due to the Federal Reserve's policy of maintaining low interest rates. Debt service expenses will continue to increase in the coming years (starting in fiscal year 2016) due to principal payments on debt related to the Berlin High School renovation project beginning to come due as well as potential future bond issuances for the building of a new police station (this project, with an estimated cost of \$21 million was defeated at referendum in November 2014 and is being revisited). As of June 30, 2015, about 75% of the Town's \$47 million share of the Berlin High School project has been bonded. The first impact of the debt service principal payments on this project will be felt in fiscal year 2016. These increases will be partially offset by debt service payments expiring in fiscal year 2016.



Table 3 presents the cost of each of the Town's five largest programs - general government; public safety; physical services; parks, recreation and library; and schools - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**  
*(in thousands)*

|                               | <b>Total Cost of Services</b> |             | <b>Net Cost of Services</b> |             |
|-------------------------------|-------------------------------|-------------|-----------------------------|-------------|
|                               | <b>2015</b>                   | <b>2014</b> | <b>2015</b>                 | <b>2014</b> |
| General government            | \$ 5,416                      | \$ 4,192    | \$ 4,170                    | \$ 3,393    |
| Public safety                 | 9,580                         | 8,747       | 8,888                       | 8,265       |
| Physical services             | 8,670                         | 9,778       | 5,704                       | 8,196       |
| Parks, recreation and library | 4,205                         | 4,172       | 2,790                       | 2,400       |
| Schools                       | 53,394                        | 52,398      | 26,067                      | 26,065      |

**Business-Type Activities**

Revenues of the Town's business-type activities (see Table 2) increased by 30% and expenses (including transfers) increased by 16.6%.

The major factors contributing to the increase in revenues are: an increase in charges for services due to a 29% sewer rate increase in October 2014. This rate increase is the first in a series to fund major capital improvements as outlined below and in the Notes to the Financial Statements. The next rate increase will be implemented in October 2015 and is approximately 23%.

The increase in expenses and transfers of the Town's business-type activities is mainly due to the following major capital project:

Currently, the Mattabassett District (presently including the towns of Berlin, Cromwell and the Cities of New Britain and Middletown) is performing a major upgrade for nitrogen removal, increased capacity to accommodate increased flows and related required improvements to meet federal Environmental Protection Agency and state Department of Energy and Environmental Protection nitrogen removal requirements as well as the EPA's sewage sludge incinerator emissions requirements. This is a three year construction project that began during fiscal year 2013 and is about 99% complete as of June 30, 2015. The Town will be annually assessed for a 14.35% share of the associated debt.

Please refer to the Notes to Financial Statements for further information on these projects.

**TOWN FUNDS FINANCIAL ANALYSIS**

**Governmental Funds**

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$22,416, which is a 4.3% decrease from last year's total of \$23,425. This decrease is due in part to the use of \$800 in general fund balance to make an additional defined benefit contribution as well as a lower bond issuance in 2015 than in 2014.

Included in this year's total change in governmental fund balance is a decrease of \$561 in the Town's General Fund, compared to a decrease of \$88 in the prior year. The primary reason for the General Fund balance's decrease is the use of \$800 of the \$2,600 assigned fund balance during fiscal year 2015. This \$800 was specifically used to make an additional defined benefit pension contribution of \$700 (in addition to the \$700 budgeted) in order to begin to address the long-term liability; the

additional \$100 was used to partially offset the pension expenditure so as to reduce the mill rate. This reduction was partially offset by favorable general fund results due to expenditures coming in below budget for fiscal year 2015 mainly due to savings achieved in refuse disposal and in salaries and benefits due to open positions or positions filled with new staff at lower salary levels.

**Proprietary Funds**

As the Town completed the year, its business-type proprietary funds (as presented in the balance sheet - Exhibit V) reported combined net position of \$17,127 which is an increase of \$1,385 or 8.8% from the previous year's total of \$15,741. As mentioned previously, there was a 29% rate increase implemented during fiscal year 2015 to help offset the cost of large capital projects that are in process.

**Internal Service Funds**

In the internal service funds, the insurance funds experienced a combined decrease in net position of \$800, or 14.6% as compared to the prior year. The major driver of the decrease in net position is a large increase in claims in the Medical and Health Insurance fund, due to unfavorable experience as well as administrative costs increases related to the Affordable Care Act. In addition, the General Insurance Fund also experienced a reduction in net position due mainly to increasing Heart & Hypertension claims for police officers who were grandfathered under this now repealed state mandate as well as an increase in workers' compensation rates due to unfavorable experience. It should be noted that medical claim experience would have been more unfavorable if the Town did not maintain a \$150,000 stop-loss plan, so that any claims above this amount are paid by the insurer. The Town is taking numerous initiatives to reverse this negative medical claim experience including: introduction and promotion of a High-Deductible Health Savings Account plan for both Town and Board of Education employees; a change in the Town's insurance broker who is aggressively pursuing a competitive analysis on the remaining health insurance companies; the pursuit of wellness initiatives and promotion of preventative care; and the pursuit of a regional stop-loss insurance program that may reduce costs through a pooling arrangement.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the Town had \$153,118 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines (see Table 4). This amount represents a net increase (including additions and deductions) of \$26,468 or 20.9%, over last year.

**Table 4**  
**Capital Assets at Year-End (Net of Depreciation)**  
**(in thousands)**

|                            | Governmental Activities |            | Business-Type Activities |           | Total      |            |
|----------------------------|-------------------------|------------|--------------------------|-----------|------------|------------|
|                            | 2015                    | 2014       | 2015                     | 2014      | 2015       | 2014       |
| Land                       | \$ 23,195               | \$ 21,944  | \$ 993                   | \$ 993    | \$ 24,188  | \$ 22,937  |
| Land improvements          | 1,541                   | 1,642      |                          |           | 1,541      | 1,642      |
| Buildings and improvements | 31,869                  | 33,243     | 833                      | 501       | 32,702     | 33,744     |
| Equipment                  | 6,331                   | 5,709      | 218                      | 242       | 6,549      | 5,951      |
| Construction in progress   | 56,870                  | 32,029     | 3,771                    | 4,073     | 60,641     | 36,102     |
| Infrastructure             | 20,377                  | 19,967     | 7,120                    | 6,307     | 27,497     | 26,274     |
| Totals                     | \$ 140,183              | \$ 114,534 | \$ 12,935                | \$ 12,116 | \$ 153,118 | \$ 126,650 |

This year's major additions included (in thousands):

|                                   |           |
|-----------------------------------|-----------|
| Berlin High School Renovation     | \$ 23,646 |
| Chamberlain Highway Land Purchase | 1,200     |
| Street Resurfacing                | 1,037     |
| Griswold Roof                     | 499       |
| Park Drive Bridge                 | 480       |

The Town's fiscal-year 2015-16 approved capital budget calls for it to spend another \$1,049 for capital projects funded in the General Fund operating budget, principally for building renovations, various tools and equipment (including technology equipment), trucks, vans, police and highway vehicles and equipment, playground improvements, school building improvements, and golf equipment leases. Bond anticipation notes of \$1,180 were outstanding at June 30, 2015 for the following projects: General Bridge Repair and Disaster Recovery/Business Continuity Initiatives. More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

### ***Long-Term Debt***

At June 30, 2015, the Town had \$60,905 in bonds outstanding versus \$49,450 last year, an increase of \$11,455. The increase was the result of a bond issuance of \$13,720 in May 2015 to fund Berlin High School renovations and purchase of open space. This issuance was partially offset by repayment of existing debt per the Town's debt repayment schedule. The Town maintains a five-year Capital Improvement Plan as well as a Debt Issuance Plan to track projects that need to be completed and the funding for such projects.

Debt service expenditures will continue to increase over the next several years as the Town moves forward on the \$84,950 renovation of Berlin High School, anticipated construction of the new police station and other improvements to the Town's infrastructure. The Berlin High School renovation project is now in the construction phase and is anticipated to be completed in 2016, so additional bonds and notes will need to be issued to fund the expenditures according to the cash flow statement for the project. As of June 30, 2015, approximately 25% of the Town's obligation still needs to be bonded.

Standard & Poor's Rating Services reaffirmed its general obligation bond rating of AA+ in fiscal year 2015 due mainly to sound financial management. The Town's Bond Anticipation Notes are rated SP-1+ with Standard & Poor's Rating Services. In order to reduce bond issuance costs, the Town did not request a rating by Moody's during fiscal year 2015.

The State of Connecticut limits the amount of general obligation debt that towns can issue based on a formula determined under State Statutes which considers the type of debt and tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit of \$461,531.

Other long-term obligations include accrued compensated absences (vacation pay and sick leave), a net pension obligation, capital lease obligations and a liability for other post-employment benefits. More detailed information about these long-term liabilities is presented in Note 7 to the financial statements.

Finally, on April 9, 2013, the Town entered into a twenty-year 2% loan with the State of Connecticut Department of Energy and Environmental Protection's Clean Water Fund in order to fund the inflow and infiltration project described under the "Business-Type Activities" section above. This project was completed during fiscal year 2015 and, on March 30, 2015, the interim funding obligation ("IFO") was converted to a Project Loan Obligation ("PLO") of \$2,236 which will be repaid in equal installments over twenty years. Per state requirement, the Town Council authorized \$4,500 for this project; however, no bonds have been issued nor are any expected to be issued for this project. This project is accounted for in the water and sewer enterprise fund.

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

For the fiscal year budget 2015-2016, General Fund appropriations total \$80,595. This is an increase of approximately 2.83% over 2014-2015 and resulted in a tax mill rate increase of 1.43 to 30.35 mills. This mill rate increase is higher than that in recent years mainly due to a large increase in debt service generated by the Berlin High School renovation project. The 2014 Grand List decreased .29% compared to the 2013 Grand List; the decrease was driven by the personal property category and was due to the correction of an error by a large taxpayer in their personal property declaration. The 2015-16 General Fund budget includes \$1,800 (a decrease of \$800 over the previous year when an extra contribution to the defined benefit pension plan was included) of assigned General Fund fund balance in order to mitigate the tax increase needed.

For the business-type activities, the Town, in conjunction with the Water Control Commission, has set related fees to offset the cost of operations. As described in detail in Note 12 as well as in the "Business-Type Activities" section above, the Mattabassett District, of which the Town is a member, is performing a major upgrade for nitrogen removal, increased capacity and improvements required by state and federal regulation. The district has borrowed approximately \$82 million to fund the cost of this project. This cost will be shared among the member cities and towns with Berlin's share currently estimated at 14.35%. Future sewer rate increases will continue to be impacted by these projects; there will be a 23% increase implemented in October 2015. Also, as noted in the previous section, the Town has entered into a clean water fund loan agreement with the state to fund an inflow and infiltration (i.e. clean water) project; this loan will be repaid over twenty years and the loan repayments will also impact future rates.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate and business-type fees for the 2015-16 fiscal year. The Town desires a stable level of service delivery and adopted a mill rate that reflects stable service delivery. The adverse economic conditions at the state and federal level continue to have a significant impact on the budget process. Like most surrounding towns, Berlin experienced a decrease in real estate property values as a result of its most recent state-mandated property revaluation which reflected the impacts of the adverse real estate market over the past several years. The Town will be continually challenged in the future to match growing expenses with limited Grand List growth.

In addition, the Town faces the challenge of dealing with the continued budget instability occurring at the state and federal levels. To date, the Town has been fortunate overall in avoiding major reductions in state aid; however, with the State of Connecticut facing large projected budget deficits over the next several years, it will be increasingly difficult for the State to maintain municipal aid at its current levels. In September 2015, state budget rescissions were issued related to the fiscal year 2016 budget and this resulted in the Town losing approximately \$24 in budgeted state aid. Since approximately 10% of 2016 budgeted General Fund revenues are anticipated to be generated from operational intergovernmental grants, the sustainability of this revenue stream is a significant concern for the Town. The Town has so far been spared a major reduction in Education Cost Sharing ("ECS") funds, which represent approximately 78.6% of the 2016 grant revenue budget and 7.9% of the total revenue budget. In the Governor's biennial budget for fiscal years 2016-17, ECS is flat-funded through fiscal year 2017. Therefore, although education costs are increasing, there will be no increases in state aid. Most other state grants are either held constant or have slight increases through fiscal year 2017. The state is also continuing its initiative to make substantial changes to the motor vehicle tax; the Town will continue to monitor this situation as major changes could have a significant budgetary impact to the Town. Finally, continued budgetary issues at the Federal level and the slow economic recovery from the 2008 recession will continue to impact the Town.

Overall, financial results were better than planned for fiscal year 2015 due to successful expense management efforts as well as positive results in tax revenues; the Town did not have to use any of the \$1.8 million assigned fund balance. Over the previous years, the Town has maintained a relatively strong level of General Fund fund balance, which has assisted the Town in dealing with the unfavorable economic climate as well as addressing contingencies such as large weather events while keeping tax increases relatively low compared to surrounding communities. Over the next few years, the Town will face continued growth in debt service due to large capital projects. The Town will be challenged to come up with creative ways to save money to offset these expenses. One such initiative is currently underway involving an energy audit that the Town has completed; this audit has made recommendations for updating infrastructure to significantly reduce energy costs. In the early years of the project, the savings will be used to pay for the infrastructure and then the Town will recognize long-term savings on energy costs. It will be necessary to continue to identify projects such as these with sustained savings.

The growth in General Fund fund balance over the last few years allowed the Town to make an additional contribution to its defined benefit plan in fiscal year 2015 to strategically address the long-term liability. The Town's defined benefit plan has been completely closed for 15 years and is a very unique type of plan that offers the higher of the defined benefit or defined contribution calculation. As many of the remaining active participants are starting to retire and choose lump sum contributions, the Town made the strategic decision to use assigned fund balance to make a supplemental contribution in 2015, while still maintaining a strong unassigned fund balance. The Town will continue to evaluate ways to lower the long-term liability.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, 240 Kensington Road, Town of Berlin, Connecticut 06037.

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# **Basic Financial Statements**

**TOWN OF BERLIN, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| Assets:   |                                    |                                     |                       |
| Cash and cash equivalents   | \$ 30,934,340                      | \$ 4,867,595                        | \$ 35,801,935         |
| Receivables, net  | 4,467,724                          | 1,633,006                           | 6,100,730             |
| Internal balances   | 605                                | (605)                               | -                     |
| Inventory   | 35,060                             |                                     | 35,060                |
| Capital assets not subject to depreciation  | 80,064,598                         | 4,764,358                           | 84,828,956            |
| Capital assets - depreciable, net of<br>accumulated depreciation                    | 60,118,337                         | 8,170,673                           | 68,289,010            |
| Other   |                                    | 65,828                              | 65,828                |
| Total assets  | <u>175,620,664</u>                 | <u>19,500,855</u>                   | <u>195,121,519</u>    |
| Deferred Outflows of Resources:   |                                    |                                     |                       |
| Changes of pension actuarial assumptions  | 555,354                            |                                     | 555,354               |
| Net difference between projected and actual<br>earnings on pension plan investments | <u>33,432</u>                      |                                     | <u>33,432</u>         |
| Total deferred outflows of resources  | <u>588,786</u>                     | <u>-</u>                            | <u>588,786</u>        |
| Liabilities:  |                                    |                                     |                       |
| Accounts and other payables   | 4,237,686                          | 137,690                             | 4,375,376             |
| Unearned revenue  | 219,695                            |                                     | 219,695               |
| Bond anticipation and clean water notes   | 1,180,000                          |                                     | 1,180,000             |
| Noncurrent liabilities:   |                                    |                                     |                       |
| Due within one year   | 4,593,916                          | 195,695                             | 4,789,611             |
| Due in more than one year   | <u>65,939,986</u>                  | <u>2,040,819</u>                    | <u>67,980,805</u>     |
| Total liabilities   | <u>76,171,283</u>                  | <u>2,374,204</u>                    | <u>78,545,487</u>     |
| Deferred Inflows of Resources:  |                                    |                                     |                       |
| Differences between expected and actual<br>pension plan actuarial experience        | 418,739                            |                                     | 418,739               |
| Advance property tax collections  | <u>112,385</u>                     |                                     | <u>112,385</u>        |
| Total deferred inflows of resources   | <u>531,124</u>                     | <u>-</u>                            | <u>531,124</u>        |
| Net Position:   |                                    |                                     |                       |
| Net investment in capital assets  | 75,761,406                         | 12,739,336                          | 88,500,742            |
| Restricted for:   |                                    |                                     |                       |
| Trust purposes:   |                                    |                                     |                       |
| Expendable  | 32,693                             |                                     | 32,693                |
| Nonexpendable   | 114,691                            |                                     | 114,691               |
| Unrestricted  | <u>23,598,253</u>                  | <u>4,387,315</u>                    | <u>27,985,568</u>     |
| Total Net Position  | <u>\$ 99,507,043</u>               | <u>\$ 17,126,651</u>                | <u>\$ 116,633,694</u> |

The accompanying notes are an integral part of the financial statements



**TOWN OF BERLIN, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

| Functions/Programs   | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                 |
| Governmental activities:                                     |                      |                      |                                    |                                  |   |                          |                       |
| General government   | \$ 5,415,509         | \$ 714,730           | \$ 72,630                          | \$ 458,100                       | \$ (4,170,049)                                    | \$                       | \$ (4,170,049)        |
| Community development  | 1,134,822            | 4,765                |                                    |                                  | (1,130,057)                                       |                          | (1,130,057)           |
| Public safety  | 9,579,660            | 445,831              | 137,110                            | 108,539                          | (8,888,180)                                       |                          | (8,888,180)           |
| Physical services  | 8,670,289            | 100,089              | 739,604                            | 2,126,577                        | (5,704,019)                                       |                          | (5,704,019)           |
| Parks, recreation and libraries                              | 4,205,001            | 1,372,237            | 43,027                             |                                  | (2,789,737)                                       |                          | (2,789,737)           |
| Health and human services                                    | 2,440,168            | 953,990              | 128,186                            |                                  | (1,357,992)                                       |                          | (1,357,992)           |
| Schools  | 53,393,569           | 629,809              | 13,663,362                         | 13,033,017                       | (26,067,381)                                      |                          | (26,067,381)          |
| Interest on long-term debt                                   | 1,907,325            |                      |                                    |                                  | (1,907,325)                                       |                          | (1,907,325)           |
| Total governmental activities                                | <u>86,746,343</u>    | <u>4,221,451</u>     | <u>14,783,919</u>                  | <u>15,726,233</u>                | <u>(52,014,740)</u>                               | <u>-</u>                 | <u>(52,014,740)</u>   |
| Business-type activities:                                    |                      |                      |                                    |                                  |   |                          |                       |
| Water services   | 1,298,066            | 1,679,265            |                                    |                                  |   | 381,199                  | 381,199               |
| Sewer services   | 2,022,760            | 3,000,452            |                                    |                                  |   | 977,692                  | 977,692               |
| Total business-type activities                               | <u>3,320,826</u>     | <u>4,679,717</u>     | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>1,358,891</u>         | <u>1,358,891</u>      |
| Total  | <u>\$ 90,067,169</u> | <u>\$ 8,901,168</u>  | <u>\$ 14,783,919</u>               | <u>\$ 15,726,233</u>             | <u>(52,014,740)</u>                               | <u>1,358,891</u>         | <u>(50,655,849)</u>   |
| General revenues:  |                      |                      |                                    |                                  |   |                          |                       |
| Property taxes   |                      |                      |                                    |                                  | 63,684,396  | 1,491                    | 63,685,887            |
| Grants and contributions not restricted to specific programs |                      |                      |                                    |                                  | 157,991   |                          | 157,991               |
| Unrestricted investment earnings                             |                      |                      |                                    |                                  | 164,724   | 29,356                   | 194,080               |
| Other  |                      |                      |                                    |                                  | 578,442   |                          | 578,442               |
| Transfers  |                      |                      |                                    |                                  | 4,500   | (4,500)                  | -                     |
| Total general revenues and transfers                         |                      |                      |                                    |                                  | <u>64,590,053</u>                                 | <u>26,347</u>            | <u>64,616,400</u>     |
| Change in net position                                       |                      |                      |                                    |                                  | 12,575,313  | 1,385,238                | 13,960,551            |
| Net Position at Beginning of Year, as Restated               |                      |                      |                                    |                                  | <u>86,931,730</u>                                 | <u>15,741,413</u>        | <u>102,673,143</u>    |
| Net Position at End of Year                                  |                      |                      |                                    |                                  | <u>\$ 99,507,043</u>                              | <u>\$ 17,126,651</u>     | <u>\$ 116,633,694</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF BERLIN, CONNECTICUT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015**

|   | <u>General</u>       | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|-----------------------------|--|---|
| <b>ASSETS</b>   |                      |                             |  |   |
| Cash and cash equivalents   | \$ 13,515,626        | \$ 11,797,930               | \$ 704,200                                 | \$ 26,017,756                           |
| Receivables, net  | 3,212,321            | 1,200,258                   | 55,145                                     | 4,467,724                               |
| Due from other funds  | 605                  |                             |  | 605                                     |
| Inventories   |                      |                             | 35,060                                     | 35,060                                  |
| Total Assets  | <u>\$ 16,728,552</u> | <u>\$ 12,998,188</u>        | <u>\$ 794,405</u>                          | <u>\$ 30,521,145</u>                    |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>   |                      |                             |  |   |
| Liabilities:  |                      |                             |  |   |
| Accounts and other payables   | \$ 1,133,534         | \$ 2,201,147                | \$ 14,257                                  | \$ 3,348,938                            |
| Due to other funds  | 377,543              |                             |  | 377,543                                 |
| Unearned revenue  | 95,317               | 40,265                      | 84,113                                     | 219,695                                 |
| Bond anticipation notes   |                      | 1,180,000                   |  | 1,180,000                               |
| Total liabilities   | <u>1,606,394</u>     | <u>3,421,412</u>            | <u>98,370</u>                              | <u>5,126,176</u>                        |
| Deferred inflows of resources:  |                      |                             |  |   |
| Unavailable revenue - property taxes                                  | 2,867,013            |                             |  | 2,867,013                               |
| Advance property tax collections                                      | 112,385              |                             |  | 112,385                                 |
| Total deferred inflows of resources                                   | <u>2,979,398</u>     | <u>-</u>                    | <u>-</u>                                   | <u>2,979,398</u>                        |
| Fund balances:  |                      |                             |  |   |
| Nonspendable  |                      |                             | 149,751                                    | 149,751                                 |
| Restricted  |                      | 9,576,776                   | 342,531                                    | 9,919,307                               |
| Committed   | 327,968              |                             | 203,753                                    | 531,721                                 |
| Assigned  | 1,800,000            |                             |  | 1,800,000                               |
| Unassigned  | 10,014,792           |                             |  | 10,014,792                              |
| Total fund balances   | <u>12,142,760</u>    | <u>9,576,776</u>            | <u>696,035</u>                             | <u>22,415,571</u>                       |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 16,728,552</u> | <u>\$ 12,998,188</u>        | <u>\$ 794,405</u>                          | <u>\$ 30,521,145</u>                    |

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**TOWN OF BERLIN, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2015**

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Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position  
(Exhibit I) are different because of the following:

|  |                      |
|--|----------------------|
| Fund balances - total governmental funds (Exhibit III)   | \$ 22,415,571        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:  |                      |
| Governmental capital assets  | \$ 218,094,682       |
| Less accumulated depreciation  | <u>(77,911,747)</u>  |
| Net capital assets   | 140,182,935          |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:   |                      |
| Property tax receivables greater than 60 days  | 1,584,467            |
| Interest receivable on property taxes  | 1,282,546            |
| Deferred outflows related to pension actuarial experience  | 588,786              |
| Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position. | 4,665,195            |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:   |                      |
| Net OPEB obligation  | (1,221,116)          |
| Net pension liability  | (4,541,463)          |
| Bonds payable  | (60,905,000)         |
| Interest payable on bonds and notes  | (259,816)            |
| Compensated absences   | (415,280)            |
| Capital lease  | (447,429)            |
| Bond premium   | (3,003,614)          |
| Deferred inflows related to changes in projected investments earnings  | <u>(418,739)</u>     |
| Net Position of Governmental Activities (Exhibit I)  | <u>\$ 99,507,043</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF BERLIN, CONNECTICUT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

|  | <u>General</u>       | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|-----------------------------|--|---|
| Revenues:  |                      |                             |  |   |
| Property taxes                                       | \$ 63,867,121        | \$                          | \$   | \$ 63,867,121                           |
| Intergovernmental                                    | 12,386,029           | 14,964,223                  | 2,495,224                                  | 29,845,476                              |
| Charges for services                                 | 3,386,663            | 69,230                      | 716,127                                    | 4,172,020                               |
| Income on investments                                | 163,694              |                             | 1,035                                      | 164,729                                 |
| Miscellaneous  | 496,733              | 78,858                      | 116,685                                    | 692,276                                 |
| Total revenues                                       | <u>80,300,240</u>    | <u>15,112,311</u>           | <u>3,329,071</u>                           | <u>98,741,622</u>                       |
| Expenditures:  |                      |                             |  |   |
| Current:   |                      |                             |  |   |
| General government                                   | 4,730,669            |                             | 5,000                                      | 4,735,669                               |
| Community development                                | 726,617              |                             | 6,943                                      | 733,560                                 |
| Public safety  | 8,497,146            |                             | 25,143                                     | 8,522,289                               |
| Physical services                                    | 7,893,401            |                             |  | 7,893,401                               |
| Parks, recreation and libraries                      | 3,961,074            |                             | 101,943                                    | 4,063,017                               |
| Health and human services                            | 2,256,886            |                             | 141,326                                    | 2,398,212                               |
| Schools  | 47,885,291           |                             | 3,020,106                                  | 50,905,397                              |
| Debt service:  |                      |                             |  |   |
| Principal retirement                                 | 2,314,620            |                             |  | 2,314,620                               |
| Interest and fiscal charges                          | 1,876,775            | 105,996                     |  | 1,982,771                               |
| Capital outlay                                       | 442,615              | 30,222,033                  |  | 30,664,648                              |
| Total expenditures                                   | <u>80,585,094</u>    | <u>30,328,029</u>           | <u>3,300,461</u>                           | <u>114,213,584</u>                      |
| Excess (Deficiency) of Revenues<br>over Expenditures | <u>(284,854)</u>     | <u>(15,215,718)</u>         | <u>28,610</u>                              | <u>(15,471,962)</u>                     |
| Other Financing Sources (Uses):                      |                      |                             |  |   |
| Transfers in   | 272,540              | 990,900                     |  | 1,263,440                               |
| Transfers out  | (990,900)            | (265,000)                   | (3,040)                                    | (1,258,940)                             |
| Issuance of capital leases                           | 442,615              |                             |  | 442,615                                 |
| Bond premiums  |                      | 295,446                     |  | 295,446                                 |
| Issuance of bonds                                    |                      | 13,720,000                  |  | 13,720,000                              |
| Total other financing sources (uses)                 | <u>(275,745)</u>     | <u>14,741,346</u>           | <u>(3,040)</u>                             | <u>14,462,561</u>                       |
| Net Change in Fund Balances                          | (560,599)            | (474,372)                   | 25,570                                     | (1,009,401)                             |
| Fund Balances at Beginning of Year                   | <u>12,703,359</u>    | <u>10,051,148</u>           | <u>670,465</u>                             | <u>23,424,972</u>                       |
| Fund Balances at End of Year                         | <u>\$ 12,142,760</u> | <u>\$ 9,576,776</u>         | <u>\$ 696,035</u>                          | <u>\$ 22,415,571</u>                    |

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**TOWN OF BERLIN, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV) \$ (1,009,401)

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay 29,720,954  
 Depreciation expense (4,187,059)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 762,010

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. (646,981)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change 62,092  
 Property tax interest and lien revenue - accrual basis change (244,817)  
 Change in deferred outflows related to pension actuarial experience 588,786

Change in pension and OPEB assets and liabilities:

Net OPEB expense (304,705)  
 Change in net pension liability 785,629

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect 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 and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments 2,265,000  
 Issuance of bonds and notes (13,720,000)  
 Issuance of capital leases (442,615)  
 Capital lease principal payments 463,354  
 Premium on debt issuance (295,446)  
 Amortization of premiums on debt issuance 202,300

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences (127,470)  
 Accrued interest (61,403)  
 Amortization of deferred charge on refunding (15,834)  
 Change in deferred inflows related to changes in projected investments earnings (418,739)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

(800,342)

Change in Net Position of Governmental Activities (Exhibit II) \$ 12,575,313

The accompanying notes are an integral part of the financial statements

**TOWN OF BERLIN, CONNECTICUT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**

|                                  | <b>Business-Type<br/>Activities</b>        | <b>Governmental<br/>Activities</b> |
|----------------------------------|--|------------------------------------|
|                                  | <b>Water and Sewer<br/>Enterprise Fund</b> | <b>Internal<br/>Service Fund</b>   |
| Assets:                          |  |                                    |
| Current:                         |  |                                    |
| Cash and cash equivalents        | \$ 4,867,595                               | \$ 4,916,584                       |
| Accounts receivable              | 1,633,006                                  |                                    |
| Due from other funds             |  | 377,543                            |
| Total current assets             | <u>6,500,601</u>                           | <u>5,294,127</u>                   |
| Noncurrent:                      |  |                                    |
| Capital assets, net              | 12,935,031                                 |                                    |
| Other                            | 65,828                                     |                                    |
| Total noncurrent assets          | <u>13,000,859</u>                          | <u>-</u>                           |
| Total assets                     | <u>19,501,460</u>                          | <u>5,294,127</u>                   |
| Liabilities:                     |  |                                    |
| Current:                         |  |                                    |
| Accounts and other payables      | 137,690                                    | 628,932                            |
| Due to other funds               | 605  |                                    |
| Clean water fund note payable    | 195,695                                    |                                    |
| Total current liabilities        | <u>333,990</u>                             | <u>628,932</u>                     |
| Noncurrent:                      |  |                                    |
| Clean water fund note payable    | <u>2,040,819</u>                           | <u>-</u>                           |
| Total liabilities                | <u>2,374,809</u>                           | <u>628,932</u>                     |
| Net Position:                    |  |                                    |
| Net investment in capital assets | 12,739,336                                 |                                    |
| Unrestricted                     | <u>4,387,315</u>                           | <u>4,665,195</u>                   |
| Total Net Position               | <u>\$ 17,126,651</u>                       | <u>\$ 4,665,195</u>                |

The accompanying notes are an integral part of the financial statements

**TOWN OF BERLIN, CONNECTICUT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

|                                       | <b>Business-Type<br/>Activities</b>        | <b>Governmental<br/>Activities</b> |
|---------------------------------------|--|------------------------------------|
|                                       | <b>Water and Sewer<br/>Enterprise Fund</b> | <b>Internal<br/>Service Fund</b>   |
| Operating Revenues:                   |  |                                    |
| Insurance proceeds                    | \$   | \$ 84,317                          |
| Employee contributions                |  | 1,813,983                          |
| Charges for services                  | 4,662,842                                  | 7,851,717                          |
| Other                                 | 16,875                                     |                                    |
| Total operating revenues              | <u>4,679,717</u>                           | <u>9,750,017</u>                   |
| Operating Expenses:                   |  |                                    |
| Administrative expense                | 73,349                                     | 1,004,242                          |
| Employee benefits                     | 160,239                                    | 8,276,582                          |
| Insurance and benefits                |  | 1,286,832                          |
| Purchase of water                     | 633,870                                    |                                    |
| Source of supply                      | 1,553,567                                  |                                    |
| Pumping expense                       | 128,793                                    |                                    |
| Transmission and distribution         | 20,375                                     |                                    |
| Salaries - administrative and general | 151,802                                    |                                    |
| Salaries - operating and maintenance  | 254,796                                    |                                    |
| Depreciation                          | 276,321                                    |                                    |
| Total operating expenses              | <u>3,253,112</u>                           | <u>10,567,656</u>                  |
| Operating Income (Loss)               | <u>1,426,605</u>                           | <u>(817,639)</u>                   |
| Nonoperating Revenue:                 |  |                                    |
| Income on investments                 | 29,356                                     | 17,297                             |
| Interest expense                      | (67,714)                                   |                                    |
| Taxes                                 | 1,491                                      |                                    |
| Total nonoperating revenue            | <u>(36,867)</u>                            | <u>17,297</u>                      |
| Income Before Transfers               | 1,389,738                                  | (800,342)                          |
| Transfers Out                         | <u>(4,500)</u>                             |                                    |
| Change in Net Position                | 1,385,238                                  | (800,342)                          |
| Net Position at Beginning of Year     | <u>15,741,413</u>                          | <u>5,465,537</u>                   |
| Net Position at End of Year           | <u>\$ 17,126,651</u>                       | <u>\$ 4,665,195</u>                |

The accompanying notes are an integral part of the financial statements

**TOWN OF BERLIN, CONNECTICUT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

|   | <u>Business-Type<br/>Activities</u><br><u>Water and Sewer<br/>Enterprise Fund</u> | <u>Governmental<br/>Activities</u><br><u>Internal<br/>Service Fund</u> |
|---|---|--|
| Cash Flows from Operating Activities:   |   |  |
| Cash received from users  | \$ 4,002,081  | \$ 9,665,700   |
| Cash received from customers  | (406,598)   |  |
| Cash payments to employees for services   |   | (10,508,419)   |
| Cash payments to providers of benefits  | (2,517,772)   |  |
| Cash payments to suppliers for goods and services   | 16,875  | 84,317   |
| Cash received from others   | <u>1,094,586</u>  | <u>(758,402)</u>   |
| Net cash provided by (used in) operating activities   |   |  |
| Cash Flows from Noncapital Financing Activities:  |   |  |
| Transfers out   | (4,500)   |  |
| Cash received from tax collections  | <u>1,491</u>  |  |
| Net cash used in noncapital financing activities  | <u>(3,009)</u>  | <u>-</u>   |
| Cash Flows from Capital and Related Financing Activities:   |   |  |
| Proceeds from clean water fund notes  | 126,912   |  |
| Acquisition of capital assets   | <u>(1,094,868)</u>  |  |
| Net cash used in capital and related financing activities   | <u>(967,956)</u>  | <u>-</u>   |
| Cash Flows from Investing Activities:   |   |  |
| Income on investments   | <u>29,356</u>   | <u>17,297</u>  |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 152,977   | (741,105)  |
| Cash and Cash Equivalents at Beginning of Year  | <u>4,714,618</u>  | <u>5,657,689</u>   |
| Cash and Cash Equivalents at End of Year  | <u>\$ 4,867,595</u>   | <u>\$ 4,916,584</u>  |
| Reconciliation of Operating Income (Loss) to Net Cash<br>Provided by (Used in) Operating Activities:        |   |  |
| Operating income (loss)   | \$ 1,426,605  | \$ (817,639)   |
| Adjustments to reconcile operating income (loss) to net cash<br>provided by (used in) operating activities: |   |  |
| Depreciation  | 276,321   |  |
| Change in assets and liabilities:   |   |  |
| Increase in accounts receivable   | (660,761)   |  |
| Decrease in due to MIRMA  |   | (56,173)   |
| Increase in accounts payable  | <u>52,421</u>   | <u>115,410</u>   |
| Net Cash Provided by (Used in) Operating Activities   | <u>\$ 1,094,586</u>   | <u>\$ (758,402)</u>  |

The accompanying notes are an integral part of the financial statements



**TOWN OF BERLIN, CONNECTICUT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2015**

|                                    | <b>Pension<br/>Trust<br/>Fund</b> | <b>Agency<br/>Funds</b>     |
|------------------------------------|-----------------------------------|-----------------------------|
|                                    | <u>                    </u>       | <u>                    </u> |
| Assets:                            |                                   |                             |
| Cash and cash equivalents          | \$                                | \$ 2,291,525                |
| Mutual funds - equity securities   | 44,005,738                        |                             |
| Accounts receivable                | 10,000                            |                             |
|                                    | <u>                    </u>       | <u>                    </u> |
| Total assets                       | <u>44,015,738</u>                 | <u>\$ 2,291,525</u>         |
| Liabilities:                       |                                   |                             |
| Accounts payable                   | 119,954                           | \$                          |
| Due to other                       |                                   | 2,291,525                   |
|                                    | <u>                    </u>       | <u>                    </u> |
| Total liabilities                  | <u>119,954</u>                    | <u>\$ 2,291,525</u>         |
| Net Position:                      |                                   |                             |
| Held in Trust for Pension Benefits | <u>\$ 43,895,784</u>              |                             |

The accompanying notes are an integral part of the financial statements

**TOWN OF BERLIN, CONNECTICUT  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

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|   | <b><u>Pension<br/>Trust Fund</u></b> |
|---|--------------------------------------|
| Additions:                                    |                                      |
| Contributions:                                |                                      |
| Employer                                      | \$ 3,050,888                         |
| Plan members                                  | 1,040,435                            |
| Total contributions                           | <u>4,091,323</u>                     |
| Investment income:                            |                                      |
| Net appreciation in fair value of investments | 877,001                              |
| Interest and dividends                        | 212,639                              |
| Investment expense                            | (39,155)                             |
| Net investment income                         | <u>1,050,485</u>                     |
| Total additions                               | <u>5,141,808</u>                     |
| Deductions:                                   |                                      |
| Benefits                                      | 4,412,897                            |
| Administration                                | 78,638                               |
| Total deductions                              | <u>4,491,535</u>                     |
| Change in Net Position                        | 650,273                              |
| Net Position at Beginning of Year             | <u>43,245,511</u>                    |
| Net Position at End of Year                   | <u><u>\$ 43,895,784</u></u>          |

The accompanying notes are an integral part of the financial statements

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Berlin (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

**A. Reporting Entity**

The Town was incorporated in 1785 from parts of Farmington, Middletown and Wethersfield. Under the Town Charter, adopted November 4, 1973, and most recently amended November 5, 2002, the Town Council is the legislative body for specific purposes. The Town Manager serves as the Chief Executive Officer of the Town and acts as the liaison to the Town Council. The Town Council is responsible for establishing policy. Charter revision on November 8, 1994 replaced an Executive Board, Board of Finance/Town Meeting form of government with a Town Manager/Council form of government, which took effect November 15, 1995.

The Town provides the following services as authorized by its Charter: general government, community development, public safety, water and sewer, physical services, parks, recreation and libraries, health and human services, and schools.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The major sources of revenues for this fund are capital grants and the proceeds from the issuance of general obligation bonds.

The Town reports the following major proprietary funds:

The Water and Sewer Enterprise Fund is used to account for the operations of the Water Control Commission, which oversees the water and sewer services to a portion of the Town. The major source of revenues for this fund is charges for services.

Additionally, the Town reports the following fund types:

The Internal Service Funds account for insured activities of the Town, including medical and health (self-insured) and liability (fully insured).

The Pension Trust Fund accounts for the activities of the Town of Berlin Retirement System, which accumulates resources for pension benefit payments to qualified Town employees.

The Agency Funds account for monies held on behalf of outside groups and agencies and do not involve measurements of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund and of the Town's internal service funds are charges to customers for sales, services and benefits. Operating expenses for enterprise funds and internal service funds include the cost of benefits, sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

**D. Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments are reported at fair value.

**E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

Property taxes (receivable - taxes) are assessed as of October 1, levied after the adoption of the Town budget by referendum and become legally due and payable on July 1. Taxes are overdue on August 1 (or the closest business day thereafter), and interest is levied at a rate of 1-1/2% per month. Liens are placed on delinquent real estate taxes owed on June 30th. Liens will be placed sooner in cases where the Tax Collector deems the taxes to be in jeopardy.

An amount of \$112,967 has been established as an allowance for uncollectible taxes. At June 30, 2015, this represents 6.2% of all property taxes receivable.

**F. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**G. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                | <u>Years</u> |
|------------------------------|--------------|
| Buildings                    | 40           |
| Building improvements        | 40           |
| Public domain infrastructure | 25-50        |
| System infrastructure        | 25-50        |
| Vehicles                     | 5-15         |
| Office equipment             | 5-20         |
| Computer equipment           | 5            |

**H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net 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 or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience and the net difference between projected and actual earnings on pension plan investments. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow related to differences between expected and actual pension plan actuarial experience and for advance property tax collections. A deferred inflow of resources related to pension earnings results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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employees that are provided with benefits through the pension plan (active employees and inactive employees). Advance tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes and advance property tax collections. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

**I. Compensated Absences**

Accumulated unpaid vacation time is accrued by the Town. Town employees are required to use vacation time by June 30 of each year; however, employees may request to have their time extended by the Town Manager past June 30 to October 31.

The liability is recorded in the government-wide statement of net position. The General Fund and the Water and Sewer Enterprise Fund are used to liquidate compensated absence liabilities.

**J. Net Pension Liability**

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**K. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**L. Net Position/Fund Equity**

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

**Net Investment in Capital Assets**

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Restricted Net Position**

Net position restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position**

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

**Nonspendable Fund Balance**

This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

**Restricted Fund Balance**

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

**Committed Fund Balance**

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Berlin, Town Council). The Town Council would pass a formal resolution to commit fund balance.

**Assigned Fund Balance**

For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. On May 3, 2011, the Town Council adopted a fund balance policy. This policy, combined with legislative authority granted to the Council by the Town Charter, specifies that the authority to assign fund balance rests with the Town Council in most cases. The policy grants the Town Manager authority to assign fund balance for the sole purpose of carrying over encumbrances in the Capital Projects Fund. At June 30, 2015, General Fund assigned fund balance also includes an amount set aside by the Town Council to offset the mill rate increase in the subsequent year’s budget.

**Unassigned Fund Balance**

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

An annual budget is legally adopted for the General Fund. The budget is prepared on a modified accrual basis. The Town does not budget for revenue or expenditures related to the State of Connecticut pension contribution to the State Teachers’ Retirement Fund on behalf of the Town, which amounted to \$4,318,859. The contribution and expenditure, while not included in the budgetary reporting (RSI-1 and RSI-2), are included in Exhibit IV, which reports in accordance with GAAP.



**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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In accordance with Section 7-3 of the Town Charter, the Town Council shall prepare and recommend the total Town budget for the annual public budget hearing to be held no later than the second Tuesday in April.

Annual Town Budget Referendum - The Annual Town Budget Referendum for the purpose of voting on the budget shall be held on the last Tuesday of April each year. Should the budget not be adopted by referendum vote, the budget shall be returned to the Council, which shall further consider and adopt an annual Town budget for the ensuing fiscal year.

The Town Manager is authorized to make transfers within a department budget. However, the Town Manager is not able to hire additional staffing not authorized by Town Council. Also, transfers may not be made for major capital items specifically deleted by the Council. The Manager's authority is limited to \$5,000 for any single transfer.

The Town Council may, at any time, appropriate funds from contingency. Town meeting approval is required for nonbudgeted appropriations exceeding \$25,000 individually or exceeding \$250,000 cumulative annually. The Town Council may transfer funds from budget appropriations only in the last three months of the fiscal year. There was \$481,761 of supplemental appropriations during the year. All appropriations were approved in accordance with Charter provisions.

The revised annual Town budget, including amendments, is reported herein. At the end of the fiscal year, unexpended General Fund appropriations lapse.

Special revenue funds do not have a legally adopted annual budget. Appropriations for the Capital Projects Funds do not lapse at the end of the fiscal year, but continue until the completion of the project.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. To the extent possible, the Town's current practice is to close out purchase orders at June 30.

### **3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out of state bank" as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

**TOWN OF BERLIN, CONNECTICUT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

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The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**A. Deposits**

**Deposit Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town’s deposit policy for custodial credit risk requires pre-qualification of institutions with which the Town does business. The pre-qualification requirements include, but are not limited to, proof of creditworthiness, five years or more of operations, evidence of adequate insurance coverage, proof of state registration, and proof of compliance with state and federal capital adequacy guidelines. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut or up to the FDIC limit in out-of-state banks.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$37,222,657 of the Town’s bank balance of \$38,993,825 was exposed to custodial credit risk as follows:

|   |                      |
|---|----------------------|
| Uninsured and uncollateralized                | \$ 33,375,391        |
| Collateralized, held by banks                 | <u>3,847,266</u>     |
| Total Amount Subject to Custodial Credit Risk | <u>\$ 37,222,657</u> |

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

**Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2015, the Town’s cash equivalents amounted to \$854,421. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

|   |                                  |
|---|----------------------------------|
|   | <b>Standard<br/>&amp; Poor’s</b> |
| State Short-Term Investment Fund (STIF) | <u>AAAm</u>                      |

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**B. Investments**

Investments as of June 30, 2015 in all funds are as follows:

| <u>Investment Type</u>                | <u>Fair Value</u> |
|---------------------------------------|-------------------|
| Pooled open-end mutual fund accounts: |                   |
| Pension trust funds                   | \$ 44,005,738     |

**Interest Rate Risk**

The Town limits their maximum final stated maturities to five years, unless specific authority is given to exceed. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

**Credit Risk Investments**

As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as State Statutes.

**Concentration of Credit Risk**

The Town has no policy limiting an investment in any one issuer that is in excess of 5% of the Town's total investments.

**Custodial Credit Risk**

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), 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 does not have a policy for custodial credit risk. At June 30, 2015, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**4. RECEIVABLES**

Receivables as of year end for the Town's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                                   | <u>General</u>      | <u>Capital<br/>Projects</u> | <u>Water<br/>and<br/>Sewer</u> | <u>Nonmajor<br/>and Other<br/>Funds</u> | <u>Total</u>        |
|-----------------------------------|---------------------|-----------------------------|--------------------------------|---|---------------------|
| Receivables:                      |                     |                             |                                |   |                     |
| Interest                          | \$ 1,282,546        |                             |                                |   | \$ 1,282,546        |
| Taxes                             | 1,830,872           |                             |                                |   | 1,830,872           |
| Accounts                          | 193,564             |                             | 1,633,006                      | 16,211                                  | 1,842,781           |
| Intergovernmental                 | 18,306              | 1,200,258                   |                                | 38,934                                  | 1,257,498           |
| Pension receivables               |                     |                             |                                | 10,000                                  | 10,000              |
| Gross receivables                 | <u>3,325,288</u>    | <u>1,200,258</u>            | <u>1,633,006</u>               | <u>65,145</u>                           | <u>6,223,697</u>    |
| Less allowance for uncollectibles | <u>(112,967)</u>    |                             |                                |   | <u>(112,967)</u>    |
| Net Total Receivables             | <u>\$ 3,212,321</u> | <u>\$ 1,200,258</u>         | <u>\$ 1,633,006</u>            | <u>\$ 65,145</u>                        | <u>\$ 6,110,730</u> |

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Transfers</u> | <u>Increases</u>     | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|----------------------|-------------------|---------------------------|
| Governmental activities:                    |                              |                  |                      |                   |                           |
| Capital assets not being depreciated:       |                              |                  |                      |                   |                           |
| Land  | \$ 21,944,064                | \$ (245,148)     | \$ 1,496,100         |                   | \$ 23,195,016             |
| Construction in progress                    | 32,028,808                   | (344,750)        | 25,185,524           |                   | 56,869,582                |
| Total capital assets not being depreciated  | <u>53,972,872</u>            | <u>(589,898)</u> | <u>26,681,624</u>    | -                 | <u>80,064,598</u>         |
| Capital assets being depreciated:           |                              |                  |                      |                   |                           |
| Land improvements                           | 4,264,836                    | 245,148          |                      |                   | 4,509,984                 |
| Buildings                                   | 63,134,769                   |                  | 652,935              | 585,100           | 63,202,604                |
| Machinery and equipment                     | 15,387,425                   | 344,750          | 1,659,374            | 688,372           | 16,703,177                |
| Infrastructure                              | 52,125,288                   |                  | 1,489,031            |                   | 53,614,319                |
| Total capital assets being depreciated      | <u>134,912,318</u>           | <u>589,898</u>   | <u>3,801,340</u>     | <u>1,273,472</u>  | <u>138,030,084</u>        |
| Less accumulated depreciation for:          |                              |                  |                      |                   |                           |
| Land improvements                           | 2,622,220                    |                  | 345,515              |                   | 2,967,735                 |
| Buildings                                   | 29,892,043                   |                  | 1,500,388            | 59,061            | 31,333,370                |
| Machinery and equipment                     | 9,678,313                    |                  | 1,261,637            | 567,430           | 10,372,520                |
| Infrastructure                              | 32,158,603                   |                  | 1,079,519            |                   | 33,238,122                |
| Total accumulated depreciation              | <u>74,351,179</u>            | <u>-</u>         | <u>4,187,059</u>     | <u>626,491</u>    | <u>77,911,747</u>         |
| Total capital assets being depreciated, net | <u>60,561,139</u>            | <u>589,898</u>   | <u>(385,719)</u>     | <u>646,981</u>    | <u>60,118,337</u>         |
| Governmental Activities Capital Assets, Net | <u>\$ 114,534,011</u>        | <u>\$ -</u>      | <u>\$ 26,295,905</u> | <u>\$ 646,981</u> | <u>\$ 140,182,935</u>     |

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|-------------------|---------------------------|
| Business-type activities:                    |                              |                     |                   |                           |
| Capital assets not being depreciated:        |                              |                     |                   |                           |
| Land   | \$ 993,100                   | \$                  | \$                | \$ 993,100                |
| Construction in progress                     | <u>4,072,727</u>             | <u>412,230</u>      | <u>713,699</u>    | <u>3,771,258</u>          |
| Total capital assets not being depreciated   | <u>5,065,827</u>             | <u>412,230</u>      | <u>713,699</u>    | <u>4,764,358</u>          |
| Capital assets being depreciated:            |                              |                     |                   |                           |
| Buildings                                    | 2,055,879                    | 403,207             |                   | 2,459,086                 |
| Machinery and equipment                      | 792,989                      | 750                 |                   | 793,739                   |
| Infrastructure                               | <u>11,790,990</u>            | <u>992,380</u>      |                   | <u>12,783,370</u>         |
| Total capital assets being depreciated       | <u>14,639,858</u>            | <u>1,396,337</u>    | <u>-</u>          | <u>16,036,195</u>         |
| Less accumulated depreciation for:           |                              |                     |                   |                           |
| Buildings                                    | 1,554,903                    | 71,138              |                   | 1,626,041                 |
| Machinery and equipment                      | 550,929                      | 24,401              |                   | 575,330                   |
| Infrastructure                               | <u>5,483,369</u>             | <u>180,782</u>      |                   | <u>5,664,151</u>          |
| Total accumulated depreciation               | <u>7,589,201</u>             | <u>276,321</u>      | <u>-</u>          | <u>7,865,522</u>          |
| Total capital assets being depreciated, net  | <u>7,050,657</u>             | <u>1,120,016</u>    | <u>-</u>          | <u>8,170,673</u>          |
| Business-Type Activities Capital Assets, Net | <u>\$ 12,116,484</u>         | <u>\$ 1,532,246</u> | <u>\$ 713,699</u> | <u>\$ 12,935,031</u>      |

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

|  |                     |
|--|---------------------|
| Governmental activities:                             |                     |
| General government                                   | \$ 316,199          |
| Community development                                | 6,180               |
| Public safety  | 449,964             |
| Physical services                                    | 1,283,576           |
| Parks, recreation and libraries                      | 797,086             |
| Health and human services                            | 34,494              |
| Schools  | <u>1,299,560</u>    |
| Total Depreciation Expense - Governmental Activities | <u>\$ 4,187,059</u> |
| Business-type activities:                            |                     |
| Water services                                       | \$ 127,044          |
| Sewer services                                       | <u>149,277</u>      |
| Total Depreciation Expense - Governmental Activities | <u>\$ 276,321</u>   |

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Construction Commitments**

The Town has active construction projects as of June 30, 2015. The projects include the following:

| <u>Project</u>                              | <u>Appropriations</u> | <u>Expenditures</u> | <u>Encumbrances</u> | <u>Balance</u> |
|---|-----------------------|---------------------|---------------------|----------------|
| Bonded Road Impvmts                         | \$ 7,109,449          | \$ 6,803,526        | \$                  | \$ 305,923     |
| Veterans Memorial Park                      | 1,844,500             | 1,368,949           | 11,358              | 464,193        |
| Façade Program                              | 500,000               | 178,491             | 9,965               | 311,544        |
| Boulevard at Berlin Train Station           | 500,000               |                     | 91,000              | 409,000        |
| Streetscape Improvements*                   | 464,020               |                     |                     | 464,020        |
| Downtown Sidewalks                          | 500,000               | 203                 |                     | 499,797        |
| Berlin High School Renovations**            | 84,500,000            | 55,583,999          | 23,307,826          | 5,608,175      |
| Berlin Police Station - New Construction*** | 2,000,000             | 1,971,881           | 24,679              | 3,440          |
| Recycling Center Improvements****           | 469,485               |                     |                     | 469,485        |
| Bridge Rehabilitation Program*****          | 412,000               | 145,146             |                     | 266,854        |
| 889 Farmington Ave. Remediation*****        | 1,288,557             | 231,324             | 28,371              | 1,028,862      |
| Griswold School Roof                        | 1,530,000             | 499,344             | 575,571             | 455,085        |

\* Additional \$204,300 appropriated in fiscal year 2015 due to receipt of new STEAP grant.

\*\* The amount bonded as of June 30, 2015 is \$34,500,000. Part of the cost is paid for by state grants. In June 2013, the state legislature authorized exceptions to square footage requirements, which allowed the Town to obtain an additional \$15 million in state grants; this is included in the appropriation recorded.

\*\*\* Only \$2,000,000 was authorized to date to purchase land, perform demolition of existing structures and environmental remediation. During fiscal year 2015, the building of a new police station for \$21,000,000 was defeated at referendum; the project is in process of being evaluated.

\*\*\*\* Funds appropriated from payments received from TROC and BRRFOC reorganizations as well as surplus funds from other areas to make required improvements in recycling operations.

\*\*\*\*\* Program to borrow funds through notes to repair town bridges; \$200,000 note proceeds appropriated in fiscal year 2015.

\*\*\*\*\* Remediation is being funded by Municipal and Regional Brownfields Grants.

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The interfund receivables and payables are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>             | <u>Amount</u>     |
|------------------------|---------------------------------|-------------------|
| General Fund           | Water and Sewer Enterprise Fund | \$ 605            |
| Internal Service Fund  | General Fund                    | 377,543           |
| Total                  |                                 | <u>\$ 378,148</u> |

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

Interfund transfers:

|                                 | <b>Transfers In</b> |                         |                     |
|---------------------------------|---------------------|-------------------------|---------------------|
|                                 | <b>General Fund</b> | <b>Capital Projects</b> | <b>Total</b>        |
| Transfers out:                  |                     |                         |                     |
| General Fund                    | \$                  | \$ 990,900              | \$ 990,900          |
| Capital Projects                | 265,000             |                         | 265,000             |
| Water and Sewer Enterprise Fund | 4,500               |                         | 4,500               |
| Nonmajor Governmental Funds     | 3,040               |                         | 3,040               |
| <b>Total Transfers In</b>       | <b>\$ 272,540</b>   | <b>\$ 990,900</b>       | <b>\$ 1,263,440</b> |

Transfers are for regularly recurring operational transfers that are appropriated in the General Fund and paid to other funds during the year.

**7. LONG-TERM DEBT**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2015 was as follows:

|  | <b>Beginning Balance</b>    | <b>Additions</b>            | <b>Reductions</b>          | <b>Ending Balance</b>       | <b>Due Within One Year</b> |
|--|-----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| Governmental Activities:                                   |                             |                             |                            |                             |                            |
| Bonds and loans payable:                                   |                             |                             |                            |                             |                            |
| General obligation bonds                                   | \$ 49,450,000               | \$ 13,720,000               | \$ 2,265,000               | \$ 60,905,000               | \$ 3,950,000               |
| Less deferred amounts:                                     |                             |                             |                            |                             |                            |
| For issuance premiums                                      | 2,910,468                   | 295,446                     | 202,300                    | 3,003,614                   |                            |
|  | <u>52,360,468</u>           | <u>14,015,446</u>           | <u>2,467,300</u>           | <u>63,908,614</u>           | <u>3,950,000</u>           |
| Other liabilities:   |                             |                             |                            |                             |                            |
| Compensated absences                                       | 287,810                     | 148,803                     | 21,333                     | 415,280                     | 415,280                    |
| Capital leases   | 468,168                     | 442,615                     | 463,354                    | 447,429                     | 228,636                    |
| Net pension liability                                      | 5,327,092                   |                             | 785,629                    | 4,541,463                   |                            |
| Net OPEB obligation  | 916,411                     | 304,705                     |                            | 1,221,116                   |                            |
| <b>Total Governmental Activities Long-Term Liabilities</b> | <b>\$ <u>59,359,949</u></b> | <b>\$ <u>14,911,569</u></b> | <b>\$ <u>3,737,616</u></b> | <b>\$ <u>70,533,902</u></b> | <b>\$ <u>4,593,916</u></b> |

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The annual requirements to amortize all bonds outstanding as of June 30, 2015, including interest payments, are as follows:

| <u>Year Ending June 30</u> | <u>Debt Service, Annual Requirements</u> |                      |                      |
|----------------------------|--|----------------------|----------------------|
|                            | <u>Long-Term Debt</u>                    | <u>Interest</u>      | <u>Total</u>         |
| 2016                       | \$ 3,950,000                             | \$ 2,242,503         | \$ 6,192,503         |
| 2017                       | 4,400,000                                | 2,072,156            | 6,472,156            |
| 2018                       | 4,420,000                                | 1,903,850            | 6,323,850            |
| 2019                       | 4,420,000                                | 1,717,219            | 6,137,219            |
| 2020                       | 4,455,000                                | 1,529,693            | 5,984,693            |
| 2021-2025                  | 18,975,000                               | 5,168,918            | 24,143,918           |
| 2026-2030                  | 12,085,000                               | 2,249,769            | 14,334,769           |
| 2031-2035                  | 8,200,000                                | 584,422              | 8,784,422            |
| Total                      | <u>\$ 60,905,000</u>                     | <u>\$ 17,468,530</u> | <u>\$ 78,373,530</u> |

Outstanding debt by issue is as follows:

| <u>Issue</u> | <u>Original Amount</u> | <u>Year of Maturity</u> | <u>Interest Rate %</u> | <u>Balance June 30, 2015</u> |
|--------------|------------------------|-------------------------|------------------------|------------------------------|
| Sep-09       | \$ 8,195,000           | 2025                    | 2.0-3.625              | \$ 5,795,000                 |
| Apr-10       | 4,645,000              | 2016                    | 2.0-4.0                | 415,000                      |
| Jun-11       | 16,610,000             | 2026                    | 3.0-5.0                | 14,125,000                   |
| May-13       | 8,495,000              | 2033                    | 2.25-4.0               | 8,495,000                    |
| May-14       | 18,355,000             | 2034                    | 3.0-5.0                | 18,355,000                   |
| May-15       | 13,720,000             | 2035                    | 2.0-4.0                | 13,720,000                   |
|              |                        |                         |                        | <u>\$ 60,905,000</u>         |

The Town currently has authorized the issuance of \$110.5 million of bonds for various projects. Bond anticipation notes of \$1.18 million are outstanding on these authorizations.

A summary of overlapping debt is presented below:

| <u>Debt Outstanding</u>   | <u>Total</u>         | <u>Considered Overlapping</u> |
|---------------------------|----------------------|-------------------------------|
| Kensington Fire District  | \$ 825,000           | \$ 825,000                    |
| Worthington Fire District | 418,000              | 418,000                       |
| Mattabasset District      | 11,723,330           | 11,723,330                    |
| Total                     | <u>\$ 12,996,330</u> | <u>\$ 12,996,330</u>          |



**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The Town's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

| Category        | (In Thousands) |                   |            |
|-----------------|----------------|-------------------|------------|
|                 | Debt Limit     | Net Indebtedness* | Balance    |
| General purpose | \$ 148,349     | \$ 22,277         | \$ 126,072 |
| Schools         | 296,699        | 55,922            | 240,777    |
| Sewers          | 247,249        | 15,229            | 232,020    |
| Urban renewal   | 214,282        |                   | 214,282    |
| Pension deficit | 197,799        |                   | 197,799    |

\* Includes bonds authorized unissued and overlapping debt.

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$461,531.

**Conduit Debt Obligations**

To provide for the purpose of assisting the acquisition, development, redevelopment or productive reuse of real property and the construction of improvements within the municipality known as Legion Square, the Town has entered into an agreement with the Connecticut Development Authority. This agreement is an assignment of the incremental tax revenues of the Legion Square project for a period of time sufficient to retire a note issued by the Connecticut Development Authority for the purpose of making a grant to the project. This agreement represents a special obligation of the Town, payable solely from and secured by incremental tax revenues on the property. The agreement does not constitute a debt or pledge of the faith and credit of the Town and, accordingly, has not been reported in the accompanying financial statements.

On July 1, 2012, the Connecticut Development Authority merged with Connecticut Innovations, Inc. (CII). CII has now assumed the above-mentioned agreement.

At June 30, 2015, the aggregate principal amount payable pursuant to the agreement was \$308,930.

**Clean Water Fund Loan**

On February 4, 2013, the Town entered into a Project Loan and Project Grant Agreement with the State of Connecticut Department of Energy and Environmental Protection under the Clean Water Fund Program. The purpose of this agreement is to complete a project consisting of the rehabilitation of a major sewer interceptor to eliminate inflow and infiltration. This project is owned by the Town operating through the Water Control Commission.

As required by the rules of the program, the Town Council authorized bonds in the amount of \$4.5 million. This amount is reported in authorized, unissued debt. There are no plans for these bonds to be issued; rather, this project will be funded by a 20-year Clean Water Fund loan at 2% interest from the State of Connecticut Department of Energy and Environmental Protection. On April 9, 2013, the Town obtained an interim funding obligation of \$3,553,898 under the Clean Water Fund Program. While under the IFO, the Clean Water fund note payable was considered a current liability. The project

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

was completed during fiscal year 2015. On March 30, 2015, the IFO was converted to a Project Loan Obligation in the amount of \$2,236,514, which represents the project loan advances paid throughout the project, \$2,168,800 plus accrued interest of \$67,714. Project expenses are accounted for in the Water and Sewer Enterprise Fund and the liability is properly classified between current and long-term categories.

The annual requirements to amortize the clean water fund loans outstanding as of June 30, 2015, including interest payments, are as follows:

| <u>Year Ending June 30</u> | <u>Clean Water Fund Loan, Annual Requirements</u> |                   |                     |
|----------------------------|---|-------------------|---------------------|
|                            | <u>Long-Term Debt</u>                             | <u>Interest</u>   | <u>Total</u>        |
| 2016                       | \$ 195,695  | \$ 53,675         | \$ 249,370          |
| 2017                       | 111,826   | 39,792            | 151,618             |
| 2018                       | 111,826   | 37,553            | 149,379             |
| 2019                       | 111,826   | 35,317            | 147,143             |
| 2020                       | 111,826   | 33,081            | 144,907             |
| 2021-2025                  | 559,128   | 131,846           | 690,974             |
| 2026-2030                  | 559,128   | 75,957            | 635,085             |
| 2031-2035                  | <u>475,259</u>                                    | <u>20,606</u>     | <u>495,865</u>      |
| Total                      | \$ <u>2,236,514</u>                               | \$ <u>427,827</u> | \$ <u>2,664,341</u> |

**8. LEASES**

**Operating Leases**

The Town leases a fiber optic communications network under a noncancelable operating lease. The future minimum lease payments for these leases amount to \$16,800 per year for the next 13 fiscal years, ending in 2028.

**Capital Lease**

The Town has entered into various lease agreements as lessee for financing the acquisition of heavy equipment and golf carts. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows:

|                               | <u>Governmental Activities</u> |
|-------------------------------|--------------------------------|
| Equipment                     | \$ 965,629                     |
| Less accumulated depreciation | <u>(143,051)</u>               |
| Total                         | \$ <u>822,578</u>              |

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2015 were as follows:

| <u>Year Ending June 30</u>        | <u>Governmental<br/>Activities</u> |
|-----------------------------------|------------------------------------|
| 2016                              | \$ 239,175                         |
| 2017                              | 158,326                            |
| 2018                              | 67,370                             |
| Less amount representing interest | <u>(17,442)</u>                    |
| Total                             | <u>\$ 447,429</u>                  |

**9. BOND ANTICIPATION NOTES**

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2015:

| <u>Date<br/>Issued</u> | <u>Maturity<br/>Date</u> | <u>Interest<br/>Rate<br/>(%)</u> | <u>Balance<br/>July 1,<br/>2014</u> | <u>Issued</u>       | <u>Retired</u>      | <u>Balance<br/>June 30,<br/>2015</u> |
|------------------------|--------------------------|----------------------------------|-------------------------------------|---------------------|---------------------|--------------------------------------|
| 5/23/2014              | 9/26/2014                | 1                                | \$ 48,000                           | \$                  | \$ 48,000           | \$ -                                 |
| 5/23/2014              | 9/26/2014                | 1                                | 40,000                              |                     | 40,000              | -                                    |
| 5/23/2014              | 9/26/2014                | 1                                | 71,000                              |                     | 71,000              | -                                    |
| 5/23/2014              | 9/26/2014                | 1                                | 300,000                             |                     | 300,000             | -                                    |
| 9/26/2014              | 5/21/2015                | 1                                |                                     | 240,000             | 240,000             | -                                    |
| 5/21/2015              | 9/21/2015                | 1                                |                                     | 240,000             |                     | 240,000                              |
| 5/23/2014              | 9/26/2014                | 1                                | 200,000                             |                     | 200,000             | -                                    |
| 9/26/2014              | 5/21/2015                | 1                                |                                     | 360,000             | 360,000             | -                                    |
| 5/21/2015              | 9/21/2015                | 1                                |                                     | 360,000             |                     | 360,000                              |
| 5/23/2014              | 9/23/2014                | 1                                | 600,000                             |                     | 600,000             | -                                    |
| 9/26/2014              | 5/21/2015                | 1                                |                                     | 580,000             | 580,000             | -                                    |
| 5/21/2015              | 9/21/2015                | 1                                |                                     | 580,000             |                     | 580,000                              |
|                        |                          |                                  | <u>\$ 1,259,000</u>                 | <u>\$ 2,360,000</u> | <u>\$ 2,439,000</u> | <u>\$ 1,180,000</u>                  |

The notes are reported in the Capital Projects Fund and will be retired or permanently financed.

**TOWN OF BERLIN, CONNECTICUT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

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**10. RISK MANAGEMENT**

The Town maintains two insurance funds: the General Insurance Fund (fully insured) and the Medical and Health Insurance Fund (self-insured). Both of these funds are reported as Internal Service Funds.

The General Insurance Fund receives funds from various funds and departments. The fund purchases insurance and provides ancillary services for the administration of this fund and accumulates reserves. Claims have not exceeded insurance coverage in any of the past three years. Worker’s Compensation coverage, which makes up the largest component of the general insurance needs, is provided by insurance through the Connecticut Interlocal Risk Management Association. The Town examines the coverage and has an actuarial study conducted periodically.

The Medical and Health Insurance Fund also receives funds from various funds and departments. The funds are used to purchase medical and health insurance and provide ancillary services. This fund is used to pay claims and administrative fees directly to Anthem Blue Cross/Blue Shield. The Town does not have to pay the State insurance premium tax to the State, since a self-insurance fund is not subject to this tax. An actuarial study is made annually. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. These liabilities amounted to \$590,445 in the Medical and Health Insurance Fund at June 30, 2015. The following table reflects the activity of the past two years:

|           | <b>Claims<br/>Payable<br/>July 1</b> | <b>Claims and<br/>Changes in<br/>Estimates</b> | <b>Claims<br/>Paid</b> | <b>Claims<br/>Payable<br/>June 30</b> |
|-----------|--------------------------------------|--|------------------------|---------------------------------------|
| 2013-2014 | \$ 505,049                           | \$ 7,288,615                                   | \$ 7,284,760           | \$ 508,904                            |
| 2014-2015 | 508,904                              | 8,276,581                                      | 8,195,040              | 590,445                               |

Catastrophic claims are subject to the stop loss limitation.

The Town had previously been involved with the Municipal Interlocal Risk Management Association (MIRMA) for workers’ compensation coverage. During the year ended June 30, 2010, MIRMA filed for bankruptcy protection and levied an additional assessment on all member towns to fulfill the lookback requirements. Based on an initial MIRMA estimate, a liability of \$420,566 was recorded in the Internal Service Fund.

After further evaluation based on claim experience, MIRMA ultimately reduced the assessment to \$316,439. The Town paid \$70,094 in fiscal year 2010, \$87,672 in fiscal year 2011, and \$66,101 in each fiscal year 2012 and 2013. The final payment of \$26,471 was made in fiscal year 2014. However, in June of 2014, MIRMA once again assessed the Town for an additional \$56,173. This was also recorded as an expense and a liability for fiscal year 2014. MIRMA has stated that there is no additional liability for the Town of Berlin. No additional changes were made during fiscal year 2015. MIRMA has been dissolved.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**11. FUND BALANCE**

The components of fund balance for the governmental funds as of June 30, 2015 are as follows:

|  | <u>General<br/>Fund</u>  | <u>Major<br/>Special Revenue<br/>Fund<br/>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>             |
|--|--------------------------|--|--|--------------------------|
| Fund balances:   |                          |  |  |                          |
| Nonspendable:  |                          |  |  |                          |
| Inventory  | \$                       | \$   | \$ 35,060                                  | \$ 35,060                |
| Permanent fund principal   |                          |  | 114,691                                    | 114,691                  |
| Restricted for:  |                          |  |  |                          |
| Permanent funds  |                          |  | 32,693                                     | 32,693                   |
| Unspent grant balances   |                          |  | 118,567                                    | 118,567                  |
| Marjorie Moore donations   |                          |  | 6,513                                      | 6,513                    |
| Capital projects   |                          | 9,576,776  |  | 9,576,776                |
| General government   |                          |  | 13,519                                     | 13,519                   |
| Health and human services  |                          |  | 2,905                                      | 2,905                    |
| Education  |                          |  | 168,334                                    | 168,334                  |
| Committed to:  |                          |  |  |                          |
| Bargaining unit contracts to be settled<br>during the subsequent fiscal year | 132,304                  |  |  | 132,304                  |
| Revaluation  | 195,664                  |  |  | 195,664                  |
| Community development  |                          |  | 18,503                                     | 18,503                   |
| Public safety  |                          |  | 5,000                                      | 5,000                    |
| Parks, recreation and libraries  |                          |  | 78,792                                     | 78,792                   |
| Health and human services  |                          |  | 2,466                                      | 2,466                    |
| Education  |                          |  | 98,992                                     | 98,992                   |
| Assigned to:   |                          |  |  |                          |
| Future year budgets  | 1,800,000                |  |  | 1,800,000                |
| Unassigned   | 10,014,792               |  |  | 10,014,792               |
| <br>Total Fund Balances  | <br>\$ <u>12,142,760</u> | <br>\$ <u>9,576,776</u>  | <br>\$ <u>696,035</u>                      | <br>\$ <u>22,415,571</u> |

Significant encumbrances of \$24,048,770 are included in the above table in the restricted category of the Capital Projects Fund.

**12. JOINTLY GOVERNED ORGANIZATION**

**The Mattabassett District**

The Mattabassett District is a quasi-municipal district established in accordance with State Statutes to provide sewer treatment services for the Constituent Towns of Berlin and Cromwell and the Constituent Cities of New Britain and Middletown, and contractually to the Metropolitan District and the Town of Farmington. As a result of the 2010 census data released in February 2011 and the June 2011 amendment to the state statutes creating the Mattabassett District, the Mattabassett Board of Directors representation is as follows: New Britain - five members, Middletown - four members, Berlin - three members and Cromwell - three members.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

---

The Board of Directors is responsible for hiring, firing, purchasing, administration, budget adoption and fiscal operations. The District may issue bonds in its own name. The Mattabassett District levies its annual assessment, which the Town is obliged to pay. The Town is responsible for a pro-rata share of the debt, should the Mattabassett District default on its bonds and notes, although the obligation to pay these debts will remain with the Mattabassett District. The possibility of the Mattabassett District defaulting on its bond and note liabilities is remote. The Town has no direct interest in assets or liabilities of the District.

Currently, the Mattabassett District is nearing completion on a major upgrade for nitrogen removal, increased capacity to accommodate increased flows from the City of Middletown, and related required improvements to meet the EPA and DEEP nitrogen removal requirements as well as the EPA's sewage sludge incinerator emissions requirements and odor control enhancements. The three-year construction project began in the summer of 2012 and is approximately 99% complete as of June 30, 2015. As of June 30, 2015, the District has \$81,696 Clean Water Fund debt outstanding (net of grants received) to finance its sewage treatment plant and construction upgrade; this consists of an Interim Construction Funding Obligation of \$79,002 and a Project Design Loan Obligation of \$2,694. As the project is nearing completion, remaining costs are estimated to be less than 2% of the total contract value. It is estimated that, based on future treatment plant reserved capacity, the Town's annual assessment from the District will include 14.35% of Clean Water Fund Debt Service, which equals \$11,723. The District anticipates beginning loan payments for the Interim Construction Funding Obligation in January 2016; this will be factored into the Town's assessment due in fiscal year 2016.

### **13. JOINT VENTURES**

The Town is a participant in two joint ventures as described below:

#### **Tunxis Recycling Operating Committee**

The Town was a participant with 13 other cities and towns in a joint venture, the Tunxis Recycling Operating Committee (TROC). On August 18, 2014, TROC voted to release and transfer monies remaining in the Special Revenue Fund for HHW services to the Bristol Resource Recovery Facility Operating Committee (BRRFOC), which will continue to serve the ten municipalities participating in the program, including the Town of Berlin. In April 2015, TROC voted along with BRRFOC to combine their respective financial statements, assets and liabilities. For purposes of financial reporting, the resulting entity follows guidelines as set forth in GASB Statement No. 69, whereby the combination of TROC and BRRFOC is considered a merger since TROC effectively ceased operations as a separate legal entity. The merge is considered as commencing with the start of BRRFOC's fiscal year (July 1, 2014). As part of the dissolution of TROC, remaining unassigned fund balance was distributed to member communities, with the Town receiving \$7,782 as a proportionate share based on historical amounts paid to the agency. These funds have been appropriated by the Town Council to fund various Town projects.

Effective in July 2014, recycling services previously provided under the Town's agreement with TROC continue to be in place through an agreement with Murphy Road Recycling, LLC. Under this agreement, the Town receives \$9.05 per ton of acceptable recyclable material delivered.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Bristol Resource Recovery Facility Operating Committee**

The Town was a participant with 14 other cities and towns in a joint venture, the Bristol Resource Recovery Facility Operating Committee (BRRFOC). BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of Contracting Municipalities in dealing with the trash-to-energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.). The governing board consists of town officials appointed by each of the Contracting Municipalities, and assumes all the management decisions. The Town has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Inter-Community Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements. These obligations ended on June 30, 2014 with the expiration of the amended and restated service agreement by and among BRRFOC, its fourteen member communities and Covanta Bristol, Inc. Waste disposal services previously provided under that agreement continue to be in place through the Municipal Solid Waste Disposal and Recycling Services Agreement with Covanta Bristol, Inc. commencing July 2014.

On December 21, 2012, the Bristol Facility Policy Board (Policy Board) was formed pursuant to a Municipal Solid Waste Disposal and Recycling Services Agreement (the Agreement) by and among the Cities of Bristol, New Britain and the Towns of Berlin, Burlington, Branford, Hartland, Plainville, Plymouth, Prospect, Seymour, Southington, Warren, Washington, and Wolcott and Covanta Bristol, Inc. The Policy Board is the successor entity to the BRRFOC. BRRFOC has been selected by resolution to serve as the Policy Board under the Agreement and continue in such capacity. The Town continues to participate as a member of BRRFOC and the newly formed Bristol Facility Policy Board, with limited obligations to fund activities of the combined agency. Tonnage commitments were revised under the new Agreement such that the overall minimum for the fourteen communities is aggregated and no shortfall will occur if these municipalities in total reach the required threshold.

In conjunction with the transition to the new service contract, BRRFOC's administrative functions were significantly reduced; therefore, the members of the Board elected to distribute some of the remaining funds to the municipalities. For the Town, those transactions included a return of \$6,530 in October 2014, \$46,311 in February 2015 and \$105,242 in April 2015, all of which derived from unassigned fund balance held by BRRFOC. This was in addition to the \$75,788 distributed in fiscal year 2014. These funds have been appropriated by the Town Council to fund various Town Projects.

The fund balance for fiscal year ended June 30, 2015 as reflected in BRRFOC's financial statements is \$7,298,154 (\$800 nonspendable, \$645,623 assigned and \$6,651,731 unassigned). A complete set of financial statements for BRRFOC can be obtained from the administrative office at 27 West Main Street, Bristol, Connecticut.

**14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Pension Trust Fund**

**A. Plan Description**

The Town sponsors and administers a single-employer Public Employee Retirement System (PERS). It covers all full-time employees who have elected to participate in the plan except certified teachers who are eligible to participate in the State Teachers' Retirement System. The PERS was authorized by vote of the Town Meeting held October 1, 1961. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. A separate stand-alone report is not issued.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

---

In 1987-88, the Town renegotiated the pension plan with all employee groups. All new participating employees are enrolled in a defined contribution retirement plan. Employees employed prior to March 17, 1987 will receive the higher of the defined contribution or the defined benefit plan (which was in force prior to this new plan). The Berlin Police Department remained in the defined benefit plan until July 1, 2000. After this date, new police officers are enrolled in the defined contribution plan. Police officers employed prior to July 1, 2000 receive the higher of the two plans. The Town of Berlin hybrid-type plan necessitates the presentation of the retirement program in two parts: defined contribution and defined benefit, each of which are described herein.

Management of the plans rests with the Pension Committee, which consists of ten members. The nine members are the Town Manager, Finance Director, Director of Human Resources, Town Accountant, BOE Business Manager and the presidents of each of the five bargaining units. The Committee is advised by Fiduciary Investment Associates, and convenes on a quarterly basis for detailed plan review.

**Defined Contribution Segment**

The Town provides benefits for all of its full-time employees through a defined contribution plan. Employees enrolled in the plan before March 17, 1987 and police officers enrolled before July 1, 2000 will receive the better of the defined benefit or defined contribution plan. The defined contribution is computed first and accounted for in the defined contribution section of the plan, which is fully funded. Any difference to which the employee is entitled is computed in the defined benefit component of the plan. Effective July 1, 2004 in the defined contribution component, the benefits depend upon the combination of the employee contributions (limited to 5% of base earnings, 6% of base earnings for police officers), which are matched by the employer contributions (200% of employee contribution), plus investment earnings. Employees are allowed to contribute additional funds, which are not matched by the Town. Employees enrolled in the plan prior to July 1, 2004 are fully vested from the date of employment. Effective July 1, 2004, all new participants in the Town's defined contribution plan shall not be vested as to the employer contribution until the fifth anniversary of his/her participation in the plan. Effective January 1, 2015, new employees (other than Police) must wait a year before receiving a match and the match is a 100% match up to 6%. Those employed prior to January 1, 2015 were grandfathered under the old rules.

The defined contribution plan became effective on April 1, 1988. The prior contributions were computed and matched by the Town and interest of 4% credited to the accounts. The total value of the plan is \$35,670,562 as of June 30, 2015. Employees contributed \$815,605, and covered payroll was \$15,145,681. The Town's matching share was \$1,501,224. Contribution requirements may be amended by the Town Council subject to various bargaining unit approvals and after the expiration dates specified in the collective bargaining agreements. Effective in fiscal year 2013, the Town has engaged Hooker and Holcombe, Inc., of West Hartford, Connecticut, as the defined benefit plan actuary. In addition, Fiduciary Investment Associates (FIA) serves as investment consultants for both the defined benefit and defined contribution plans. FIA meets with and advises the Pension Committee on a quarterly basis to ensure plan funds are invested prudently. The Town Council adopted the revised investment policy on September 19, 2012. The policy is being updated again in fiscal year 2016.

As of June 30, 2015, 28.3% of the investments are invested in the ICMA-RC Guaranteed Plus Mutual Fund. This fund invests in double A (AA) or better collateralized Guaranteed Investment Contracts. The remaining 71.7% of investments are held in ICMA-RC self-directed funds including bond funds, guaranteed life income funds, balanced/asset allocation funds, U.S. stock funds, specialty and international/global stock funds.



**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

During fiscal year 2012, a separate defined contribution plan, the Robert Wolf Plan, was created specifically for the Town’s volunteer firefighters. The firefighters have the option to contribute all or a portion of their paid-on-call earnings to the plan. There is no employer match; however, the Town annually contributes \$500 per qualifying firefighter. Contributions to this plan began in fiscal year 2013. The total value of this plan is \$142,237 as of June 30, 2015.

**Defined Benefit Segment Plan Description and Benefits Provided**

All full-time employees hired and participating in the plan prior to March 17, 1987 and all police officers hired and participating before July 1, 2000 will receive the higher of the defined contribution earnings (as described above) or the benefit due under the old defined benefit plan. The PERS provides retirement, disability and death benefits to plan members and their beneficiaries. Plan members are entitled to a monthly benefit equal to 2% and 2.125% for police officers of final earnings times years of employment, times the ratio of benefit service to years of employment. The plan provides for normal retirement at age 65 (55 for police officers); early retirements are allowable with reduced benefit.

At July 1, 2014, PERS membership consisted of:

|  | <u>Total</u> | <u>Defined<br/>Contribution<br/>Plan</u> | <u>Defined<br/>Benefit<br/>Plan</u> |
|--|--------------|--|-------------------------------------|
| Retirees, disabled and beneficiaries currently receiving benefits    | 28           |  | 28                                  |
| Terminated employees entitled to benefits but not yet receiving them | 3            |  | 3                                   |
| Current employees:   |              |  |                                     |
| Police   | 60           | 41                                       | 19 *                                |
| Other  | 287          | 282                                      | 5 *                                 |
|  | <u>378</u>   | <u>323</u>                               | <u>55</u>                           |
| Total  | <u>378</u>   | <u>323</u>                               | <u>55</u>                           |

\* These participants are also included in the defined contribution plan but still qualify under the minimum benefit standard for the defined benefit plan.

The defined benefit segment plan is closed to new entrants.

**B. Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due pursuant to contractual requirements. Benefit payments and refunds are payable when due and payable in accordance with the terms of the PERS. Administrative costs are funded by the income of the fund.

**Method Used to Value Investments**

All funds are invested and administered through various portfolio management plans and are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**C. Funding Policy**

The contribution requirements of plan members are established and may be amended by the Town Council, subject to union contract negotiation. Plan members are required to contribute up to 5% (6% for police officers) of covered wages. The Town is required to contribute at an actuarially determined rate for the defined benefit segment; for the defined contribution segment the current rate is 12% for police officers and 10% for all other employees of annual covered payroll. For non-police employees hired after January 1, 2015, there is a one-year waiting period to receive the matching contribution. After the one-year waiting period expires, the match will be a one-for-one match up to 6% contribution.

The General Fund is typically used to liquidate the net pension obligation.

**D. Investments**

**Investment Policy**

The investment policy for the defined benefit plan has historically been to protect the pension funds as much as possible from market volatility by investing them in a guaranteed deposit account. The current pension committee is working with its actuaries and investment advisors to revisit this plan to evaluate whether it is still reasonable.

| <u>Asset Class</u>         | <u>Target Allocation</u> |
|----------------------------|--------------------------|
| Guaranteed Deposit Account | <u><u>100%</u></u>       |

**Rate of Return**

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.167%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**E. Net Pension Liability**

The components of the net pension liability of the Town at June 30, 2015 were as follows:

|  |                            |
|--|----------------------------|
| Total pension liability  | \$ 5,763,703               |
| Plan fiduciary net position  | <u>1,222,240</u>           |
| Net Pension Liability  | <u><u>\$ 4,541,463</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 21.21%                     |

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.00%   |
| Salary increases          | 3.75% per year for police and 3.0% for all others,<br>including inflation |
| Investment rate of return | 3.25%, including inflation  |

Mortality rates pre-retirement were based on the RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with Scale BB. Post-retirement the mortality rates were based on the IRS 417(e) mortality table.

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 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 real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| <u>Asset Class</u>         | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------------|---|
| Guaranteed Deposit Account | 1.00%   |
| Short Term Fixed Income    | 0.50%   |
| Core Fixed Income          | 1.75%   |
| Global Fixed Income        | 2.25%   |
| Large Cap                  | 5.00%   |
| Small Cap                  | 5.35%   |
| International Equity       | 5.45%   |
| Emerging Market Equity     | 6.55%   |
| Commodities                | 2.65%   |

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Changes in the Net Pension Liability**

|  | Retirement Income Plan            |                                       |                                     |
|--|-----------------------------------|---------------------------------------|-------------------------------------|
|  | Increase (Decrease)               |                                       |                                     |
|  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a)-(b) |
| Balances as of June 30, 2014                                 | \$ 6,771,663                      | \$ 1,444,571                          | \$ 5,327,092                        |
| Changes for the year:  |                                   |                                       |                                     |
| Service cost   | 113,033                           |                                       | 113,033                             |
| Interest on total pension liability                          | 363,095                           |                                       | 363,095                             |
| Differences between expected and actual experience           | (558,319)                         |                                       | (558,319)                           |
| Changes in assumptions                                       | 740,472                           |                                       | 740,472                             |
| Employer contributions                                       |                                   | 1,406,809                             | (1,406,809)                         |
| Net investment income  |                                   | 37,101                                | (37,101)                            |
| Benefit payments, including refund to employee contributions | (1,666,241)                       | (1,666,241)                           | -                                   |
| Net changes  | <u>(1,007,960)</u>                | <u>(222,331)</u>                      | <u>(785,629)</u>                    |
| Balances as of June 30, 2015                                 | <u>\$ 5,763,703</u>               | <u>\$ 1,222,240</u>                   | <u>\$ 4,541,463</u>                 |

**Changes of Assumptions**

For the year ended June 30, 2015 the expected rate of return (net of investment-related and administrative expenses) was reduced from 7.00% to 6.00% for pre-retirement, and increased from 2.70% to 3.42% for post-retirement.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Town, calculated using the discount rate of 6.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate:

|                          | 1% Decrease<br>(5.00%) | Current<br>Discount Rate<br>(6.00%) | 1% Increase<br>(7.00%) |
|--------------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability \$ | 5,457,185              | \$ 4,541,463                        | \$ 3,781,879           |

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

---

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the Town recognized pension expense of \$451,133. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

|   | <u>Retirement Income Plan</u>                 |  |
|---|---|--|
|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
| Differences between expected and actual experience                              | \$  | \$ 418,739                                   |
| Changes of assumptions  | 555,354                                       |  |
| Net difference between projected and actual earning on pension plan investments | <u>33,432</u>                                 |  |
| Total   | <u>\$ 588,786</u>                             | <u>\$ 418,739</u>                            |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Year Ended June 30**

|      |    |        |
|------|----|--------|
| 2016 | \$ | 53,896 |
| 2017 |    | 53,896 |
| 2018 |    | 53,897 |
| 2019 |    | 8,358  |

**F. Summary of Plan Changes**

During fiscal year 2013, the Town changed actuarial firms. The new firm's definition of the Annual Required Contribution (ARC) is the recommended contribution versus the minimum required contribution that was previously reported. Therefore, the ARC reported and used in the calculations in Sections E, F and G below for fiscal year 2013 is the recommended contribution, whereas the previous years are the minimum required contribution. In addition, though the assumed investment return for pre-retirement was maintained at 7%, the assumed investment return for post-retirement was reduced from 4.23% to 2.7%.

Effective with the July 1, 2014 valuation, the pre-retirement assumed investment returned was decreased to 6% and the post-retirement investment return was increased to 3.42%.

## **Teachers Retirement**

### **A. Plan Description**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

### **B. Benefit Provisions**

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

#### **Normal Retirement**

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

#### **Early Retirement**

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

#### **Disability Retirement**

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

### **C. Contributions**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

#### *Employer (School Districts)*

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

#### *Employees*

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

**TOWN OF BERLIN, CONNECTICUT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

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

At June 30, 2015, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

|   |                      |
|---|----------------------|
| Town's proportionate share of the net pension liability                           | \$ -                 |
| State's proportionate share of the net pension liability associated with the Town | <u>57,488,298</u>    |
| Total   | <u>\$ 57,488,298</u> |

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$4,318,859 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**E. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 3.00%  |
| Salary increase           | 3.75-7.00%, including inflation                                    |
| Investment rate of return | 8.50%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| <b>Asset Class</b>          | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|-----------------------------|--------------------------|---|
| Large Cap U.S. equities     | 21.0%                    | 5.8%  |
| Developed non-U.S. equities | 18.0%                    | 6.6%  |
| Emerging markets (non-U.S.) | 9.0%                     | 8.3%  |
| Core fixed income           | 8.0%                     | 1.3%  |
| Inflation linked bond fund  | 5.0%                     | 1.0%  |
| Emerging market bond        | 4.0%                     | 3.7%  |
| High yield bonds            | 5.0%                     | 3.9%  |
| Real estate                 | 7.0%                     | 5.1%  |
| Private equity              | 11.0%                    | 7.6%  |
| Alternative investments     | 8.0%                     | 4.1%  |
| Liquidity fund              | 4.0%                     | .4%   |
| Total                       | 100.0%                   |   |

**F. Discount Rate**

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. 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.

**G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**H. Other Information**

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.



**15. OTHER POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

The Town, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses. The Post-Retirement Medical Program (RMP) covers Town, Board of Education and Police employees. Retired program members and beneficiaries currently receiving benefits are required to contribute 100% towards the cost of receiving those benefits under the Town’s self-insured medical benefits program. The Town does not issue a separate stand-alone financial statement for this program.

At July 1, 2014, plan membership consisted of the following:

|                            | <b>Post-<br/>Retirement<br/>Medical<br/>Program</b> |
|----------------------------|---|
| Retired members            | 20  |
| Spouses of retired members | 11  |
| Active plan members        | <u>416</u>  |
| Total Participants         | <u><u>447</u></u>                                   |

**B. Funding Policy**

The Town funding and payment of postemployment benefits are accounted for in both the General Fund and in an internal service fund on a pay-as-you-go basis. Due to the fact that the Town’s liability is solely from the implicit rate subsidy calculation, the Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, since a combination of trust fund and internal service fund control may be used, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. The Town’s liability is solely from the implicit rate subsidy calculation.

The General Fund and the internal service funds are typically used to liquidate the net other postemployment benefit obligation.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**C. Annual OPEB Cost and Net OPEB Obligations**

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

|  |    |                         |
|--|----|-------------------------|
| Annual required contribution (ARC)         | \$ | 579,000                 |
| Interest on net OPEB obligation            |    | 36,656                  |
| Adjustment to annual required contribution |    | <u>(41,951)</u>         |
| Annual OPEB cost                           |    | 573,705                 |
| Contributions made                         |    | <u>269,000</u>          |
| Increase in net OPEB obligation            |    | 304,705                 |
| Net OPEB obligation at beginning of year   |    | <u>916,411</u>          |
| Net OPEB Obligation at End of Year         | \$ | <u><u>1,221,116</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2013, 2014 and 2015, is presented below.

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Actual Contribution</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------------|----------------------------|--------------------------------------|----------------------------|
| 6/30/13                  | \$ 474,917                    | \$ 304,000                 | 64.01%                               | \$ 611,889                 |
| 6/30/14                  | 543,522                       | 239,000                    | 43.97                                | 916,411                    |
| 6/30/15                  | 573,705                       | 269,000                    | 46.89                                | 1,221,116                  |

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$5.469 million, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$5.469 million. The covered payroll (annual payroll of active employees covered by the plan) is approximately \$29.46 million at June 30, 2015.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Schedule of Funding Progress**

| <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) (b)</b> | <b>Unfunded AAL (UAAL) (b-a)</b> | <b>Funded Ratio (a/b)</b> | <b>Covered Payroll (c)</b> | <b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 7/1/10                          | \$ -                                 | \$ 4,675,000                                 | \$ (4,675,000)                   | 0%                        | \$ 29,294,867              | (23.04)%   |
| 7/1/12                          | -                                    | 5,682,000                                    | (5,682,000)                      | 0                         | 29,701,000                 | (19.13)  |
| 7/1/14                          | -                                    | 5,468,687                                    | (5,468,687)                      | 0                         | 29,445,000                 | (18.57)  |

**Schedule of Employer Contributions**

| <b>Fiscal Year</b> | <b>Annual Required Contribution</b> | <b>Percentage Contributed</b> |
|--------------------|-------------------------------------|-------------------------------|
| 6/30/13            | \$ 476,000                          | 64%                           |
| 6/30/14            | 546,000                             | 44                            |
| 6/30/15            | 579,000                             | 47                            |

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return assuming the benefits are not prefunded, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 5.56% grading down to 4.4% over the next 69 years. Projected salary increases were 3.5%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2014 was 23 years.

**16. CONTINGENT LIABILITIES**

In the opinion of Town Counsel, there are no unpaid or pending judgments against the Town of Berlin and no legal proceedings that would adversely affect the financial position of the Town.

**17. SUBSEQUENT EVENTS**

On September 21, 2015, the Town issued \$2,900,000 of Bond Anticipation Notes, with a coupon rate of 1%, a net interest cost of .3340% and a maturity date of May 19, 2016. These notes were to reissue expiring notes as well as provide \$2,000,000 new money for Roadway Improvements.

**TOWN OF BERLIN, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**18. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT**

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

|   |    |                          |
|---|----|--------------------------|
| Net position balance at June 30, 2014, as previously reported | \$ | 91,397,673               |
| Adjustments:  |    |                          |
| Eliminate net pension obligation reported per GASB No. 27     |    | 861,149                  |
| Record starting net pension liability per GASB No. 68         |    | <u>(5,327,092)</u>       |
| Net Position Balance at July 1, 2014, as Restated             | \$ | <u><u>86,931,730</u></u> |

**Required Supplementary  
Information**

**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015**

|   | 2015               |                   |                   |                                    |                   |
|---|--------------------|-------------------|-------------------|------------------------------------|-------------------|
|   | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>Positive<br>(Negative) | Actual<br>2014    |
| <b>Taxes:</b>                                   |                    |                   |                   |                                    |                   |
| Current tax collections                         | \$ 62,584,002      | \$ 62,584,002     | \$ 62,903,076     | \$ 319,074                         | \$ 61,264,336     |
| Back taxes                                      | 470,000            | 480,000           | 500,115           | 20,115                             | 575,933           |
| Interest from overdue taxes                     | 300,000            | 300,000           | 364,969           | 64,969                             | 336,914           |
| Lien fees                                       | 2,542              | 2,542             | 2,598             | 56                                 | 3,415             |
| Suspense taxes and interest                     | 45,000             | 45,000            | 54,414            | 9,414                              | 43,276            |
| Elderly housing                                 | 41,500             | 41,500            | 41,949            | 449                                | 41,534            |
| Total   | <u>63,443,044</u>  | <u>63,453,044</u> | <u>63,867,121</u> | <u>414,077</u>                     | <u>62,265,408</u> |
| <b>Licenses, Permits and Other Departments:</b> |                    |                   |                   |                                    |                   |
| Town clerk fees                                 | 300,000            | 300,000           | 365,591           | 65,591                             | 357,575           |
| Zoning Commission and Building Inspector        | 300,000            | 300,000           | 338,684           | 38,684                             | 334,896           |
| Zoning Board of Appeals                         | 2,000              | 2,000             | 4,765             | 2,765                              | 1,670             |
| Animal control fees                             | 12,400             | 12,400            | 12,135            | (265)                              | 12,165            |
| Animal control rent                             | 5,820              | 5,820             | 5,820             | -                                  | 5,820             |
| Police Department                               | 40,000             | 40,000            | 58,770            | 18,770                             | 43,981            |
| Police services to other agencies               | 30,000             | 30,000            | 31,505            | 1,505                              | 22,771            |
| Outside police services                         | 312,500            | 341,526           | 353,876           | 12,350                             | 283,243           |
| Engineering and public works                    | 200,000            | 200,000           | 63,864            | (136,136)                          | 148,208           |
| Scrap metal                                     | 35,000             | 35,000            | 29,349            | (5,651)                            | 21,614            |
| Engineering road testing fee                    |                    |                   |                   | -                                  | 3,000             |
| Parks and recreation                            | 120,000            | 120,000           | 138,589           | 18,589                             | 149,918           |
| Golf course revenues                            | 779,500            | 779,500           | 711,044           | (68,456)                           | 735,542           |
| Golf restaurant rent                            |                    |                   | 3,747             | 3,747                              |                   |
| Golf cart revenue                               | 320,000            | 320,000           | 297,660           | (22,340)                           | 310,122           |
| Berlin-Peck Memorial Library                    | 16,200             | 16,200            | 16,325            | 125                                | 15,612            |
| Library copy fees                               | 900                | 900               | 949               | 49                                 | 700               |
| Berlin Public Health Nursing Service            | 1,150,000          | 1,150,000         | 930,412           | (219,588)                          | 1,093,273         |
| Summer/field trips                              | 15,448             | 17,365            | 17,424            | 59                                 | 10,535            |
| Senior citizen center                           | 4,500              | 4,500             | 6,154             | 1,654                              | 5,912             |
| Total   | <u>3,644,268</u>   | <u>3,675,211</u>  | <u>3,386,663</u>  | <u>(288,548)</u>                   | <u>3,556,557</u>  |
| <b>Intergovernmental Revenues - Schools:</b>    |                    |                   |                   |                                    |                   |
| Private schools                                 | 7,721              | 7,721             | 36,924            | 29,203                             | 26,545            |
| School transportation                           | 87,005             | 87,005            | 87,417            | 412                                | 85,507            |
| Miscellaneous school grants                     | 1                  | 1                 |                   | (1)                                |                   |
| Equalized cost sharing                          | 6,311,512          | 6,311,512         | 6,332,782         | 21,270                             | 6,308,120         |
| Excess special education grant                  | 650,000            | 650,000           | 554,475           | (95,525)                           | 492,133           |
| Adult education                                 | 12,968             | 12,968            |                   | (12,968)                           |                   |
| Total   | <u>7,069,207</u>   | <u>7,069,207</u>  | <u>7,011,598</u>  | <u>(57,609)</u>                    | <u>6,912,305</u>  |
| <b>Intergovernmental Revenues - Other:</b>      |                    |                   |                   |                                    |                   |
| In lieu of taxes                                | 21,481             | 21,481            | 28,032            | 6,551                              | 24,302            |
| PILOT - New Britain Stadium                     | 30,000             | 30,000            |                   | (30,000)                           | 30,000            |
| Elderly property tax relief                     | 114,363            | 114,363           | 115,768           | 1,405                              | 113,693           |
| Municipal Revenue Sharing                       |                    |                   | (50,094)          | (50,094)                           | 50,094            |
| Hold harmless grant                             | 739,604            | 739,604           | 739,604           | -                                  | 739,604           |
| Disability, Social Security                     | 2,589              | 2,589             | 2,728             | 139                                | 2,611             |
| Additional veteran exemption                    | 11,508             | 11,508            | 11,536            | 28                                 | 12,486            |
| Friends Against Drugs                           | 3,300              | 3,300             | 3,300             | -                                  | 3,300             |
| Pequot grant                                    | 47,148             | 47,148            | 52,750            | 5,602                              | 48,353            |
| Child and youth services grant                  | 14,000             | 20,172            | 20,172            | -                                  | 20,172            |
| State and federal grants                        | 17,500             | 27,450            | 49,623            | 22,173                             | 42,959            |
| Police overtime grant                           | 72,900             | 131,790           | 82,153            | (49,637)                           | 42,809            |
| Total   | <u>1,074,393</u>   | <u>1,149,405</u>  | <u>1,055,572</u>  | <u>(93,833)</u>                    | <u>1,130,383</u>  |

(Continued on next page)

**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

|  | 2015                 |                      |                   |                                    |                      |
|--|----------------------|----------------------|-------------------|------------------------------------|----------------------|
|  | Original<br>Budget   | Final<br>Budget      | Actual            | Variance<br>Positive<br>(Negative) | Actual<br>2014       |
| Other Services and Earnings on Investments:  |                      |                      |                   |                                    |                      |
| Interest on investments  | \$ 155,000           | \$ 155,000           | \$ 163,694        | \$ 8,694                           | \$ 80,383            |
| Refund of expenditures   | 70,000               | 70,000               | 81,148            | 11,148                             | 49,803               |
| Sale of land, labor and materials  | 25,000               | 25,000               | 12,092            | (12,908)                           | 13,046               |
| Mobile home rent   | 57,600               | 57,600               | 58,815            | 1,215                              | 58,470               |
| Cell tower rental  | 112,797              | 112,797              | 120,700           | 7,903                              | 111,315              |
| Other receipts   | 10,000               | 175,806              | 172,020           | (3,786)                            | 222,967              |
| Telephone access line share  | 40,000               | 40,000               | 51,958            | 11,958                             | 53,617               |
| Total  | <u>470,397</u>       | <u>636,203</u>       | <u>660,427</u>    | <u>24,224</u>                      | <u>589,601</u>       |
| Total revenues   | <u>75,701,309</u>    | <u>75,983,070</u>    | <u>75,981,381</u> | <u>(1,689)</u>                     | <u>74,454,254</u>    |
| Other Financing Sources:   |                      |                      |                   |                                    |                      |
| Operating transfers from other funds:  |                      |                      |                   |                                    |                      |
| Water Control Commission - other   | 4,500                | 4,500                | 4,500             | -                                  | 5,368                |
| Water Control Commission - receivables   | 9,000                | 9,000                |                   | (9,000)                            | 3,176                |
| Capital Projects Funds   |                      | 200,000              | 203,040           | 3,040                              |                      |
| Timberlin Reserve Fund   | 65,000               | 65,000               | 65,000            | -                                  | 65,000               |
| Total other financing sources  | <u>78,500</u>        | <u>278,500</u>       | <u>272,540</u>    | <u>(5,960)</u>                     | <u>73,544</u>        |
| Total Revenues and Other Financing Sources   | <u>\$ 75,779,809</u> | <u>\$ 76,261,570</u> | 76,253,921        | <u>\$ (7,649)</u>                  | <u>\$ 74,527,798</u> |
| Budgetary revenues are different than GAAP revenues because:   |                      |                      |                   |                                    |                      |
| State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted                             |                      |                      | 4,318,859         |                                    |                      |
| The Town does not budget for the proceeds from the issuance of capital leases  |                      |                      | 442,615           |                                    |                      |
| Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV |                      |                      | \$ 81,015,395     |                                    |                      |

**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015**

|                        | 2015               |                  |                  |                                    |                  |
|------------------------|--------------------|------------------|------------------|------------------------------------|------------------|
|                        | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) | Actual<br>2014   |
| General Government:    |                    |                  |                  |                                    |                  |
| Manager's Office:      |                    |                  |                  |                                    |                  |
| Wages                  | \$ 175,616         | \$ 179,092       | \$ 179,092       | \$ -                               | \$ 174,918       |
| Fringe benefits        | 67,176             | 74,134           | 73,403           | 731                                | 65,221           |
| Operational            | 2,441              | 2,441            | 2,020            | 421                                | 1,860            |
| Total                  | <u>245,233</u>     | <u>255,667</u>   | <u>254,515</u>   | <u>1,152</u>                       | <u>241,999</u>   |
| Finance Department:    |                    |                  |                  |                                    |                  |
| Wages                  | 482,569            | 488,721          | 467,072          | 21,649                             | 419,962          |
| Fringe benefits        | 198,888            | 199,613          | 185,774          | 13,839                             | 163,827          |
| Operational            | 57,161             | 57,161           | 53,494           | 3,667                              | 54,046           |
| Total                  | <u>738,618</u>     | <u>745,495</u>   | <u>706,340</u>   | <u>39,155</u>                      | <u>637,835</u>   |
| Technology Department: |                    |                  |                  |                                    |                  |
| Wages                  | 162,358            | 165,553          | 165,553          | -                                  | 161,601          |
| Fringe benefits        | 49,845             | 50,420           | 49,889           | 531                                | 49,071           |
| Operational            | 40,616             | 40,616           | 37,281           | 3,335                              | 34,857           |
| Capital                | 59,416             | 45,445           | 45,445           | -                                  | 17,381           |
| Total                  | <u>312,235</u>     | <u>302,034</u>   | <u>298,168</u>   | <u>3,866</u>                       | <u>262,910</u>   |
| Collector of Revenue:  |                    |                  |                  |                                    |                  |
| Wages                  | 130,697            | 131,844          | 131,082          | 762                                | 126,280          |
| Fringe benefits        | 60,999             | 66,159           | 65,279           | 880                                | 59,232           |
| Operational            | 36,469             | 36,469           | 33,246           | 3,223                              | 30,954           |
| Total                  | <u>228,165</u>     | <u>234,472</u>   | <u>229,607</u>   | <u>4,865</u>                       | <u>216,466</u>   |
| Treasurer:             |                    |                  |                  |                                    |                  |
| Wages                  | 50,070             | 51,043           | 51,042           | 1                                  | 50,068           |
| Fringe benefits        | 25,044             | 25,219           | 16,871           | 8,348                              | 23,079           |
| Operational            | 215                | 215              | 205              | 10                                 | 170              |
| Total                  | <u>75,329</u>      | <u>76,477</u>    | <u>68,118</u>    | <u>8,359</u>                       | <u>73,317</u>    |
| Corporation Counsel:   |                    |                  |                  |                                    |                  |
| Wages                  | 110,000            | 110,000          | 110,000          | -                                  | 110,350          |
| Fringe benefits        | 40,658             | 40,658           | 40,430           | 228                                | 40,181           |
| Operational            | 97,960             | 107,960          | 93,646           | 14,314                             | 65,193           |
| Total                  | <u>248,618</u>     | <u>258,618</u>   | <u>244,076</u>   | <u>14,542</u>                      | <u>215,724</u>   |
| Townwide expenditures: |                    |                  |                  |                                    |                  |
| Wages                  | 80,251             | 3,679            | 121              | 3,558                              | 1,851            |
| Fringe benefits        | 1,449,330          | 1,457,554        | 1,445,175        | 12,379                             | 735,106          |
| Operational            | 973,550            | 640,424          | 608,663          | 31,761                             | 597,777          |
| Capital                | 500                | 500              | 450              | 50                                 | -                |
| Total                  | <u>2,503,631</u>   | <u>2,102,157</u> | <u>2,054,409</u> | <u>47,748</u>                      | <u>1,334,734</u> |
| Assessor:              |                    |                  |                  |                                    |                  |
| Wages                  | 262,466            | 261,024          | 250,453          | 10,571                             | 246,141          |
| Fringe benefits        | 109,849            | 110,479          | 94,937           | 15,542                             | 101,212          |
| Operational            | 26,040             | 30,359           | 26,855           | 3,504                              | 19,670           |
| Total                  | <u>398,355</u>     | <u>401,862</u>   | <u>372,245</u>   | <u>29,617</u>                      | <u>367,023</u>   |

(Continued on next page)



**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

|                                   | 2015               |                  |                  |                                    |                  |
|-----------------------------------|--------------------|------------------|------------------|------------------------------------|------------------|
|                                   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) | Actual<br>2014   |
| Registrar of Voters:              |                    |                  |                  |                                    |                  |
| Wages                             | \$ 62,000          | \$ 62,000        | \$ 59,903        | \$ 2,097                           | \$ 57,183        |
| Fringe benefits                   | 20,303             | 20,303           | 19,954           | 349                                | 19,299           |
| Operational                       | 57,360             | 57,360           | 34,362           | 22,998                             | 23,406           |
| Total                             | <u>139,663</u>     | <u>139,663</u>   | <u>114,219</u>   | <u>25,444</u>                      | <u>99,888</u>    |
| Town Clerk:                       |                    |                  |                  |                                    |                  |
| Wages                             | 245,778            | 248,428          | 248,150          | 278                                | 241,463          |
| Fringe benefits                   | 100,547            | 100,778          | 98,272           | 2,506                              | 98,400           |
| Operational                       | 21,987             | 21,987           | 20,841           | 1,146                              | 20,926           |
| Capital                           | 5,925              | 5,925            | 5,925            | -                                  | 19,262           |
| Total                             | <u>374,237</u>     | <u>377,118</u>   | <u>373,188</u>   | <u>3,930</u>                       | <u>380,051</u>   |
| Board of Assessment Appeals:      |                    |                  |                  |                                    |                  |
| Wages                             | 925                | 925              | 550              | 375                                | 550              |
| Fringe benefits                   | 74                 | 74               | 42               | 32                                 | 40               |
| Total                             | <u>999</u>         | <u>999</u>       | <u>592</u>       | <u>407</u>                         | <u>590</u>       |
| Town Council:                     |                    |                  |                  |                                    |                  |
| Operational                       | <u>250</u>         | <u>250</u>       | <u>67</u>        | <u>183</u>                         | <u>177</u>       |
| Total general government          | <u>5,265,333</u>   | <u>4,894,812</u> | <u>4,715,544</u> | <u>179,268</u>                     | <u>3,830,714</u> |
| Community Development:            |                    |                  |                  |                                    |                  |
| Planning and building inspection: |                    |                  |                  |                                    |                  |
| Wages                             | 409,564            | 414,970          | 406,436          | 8,534                              | 382,769          |
| Fringe benefits                   | 160,573            | 161,896          | 152,431          | 9,465                              | 145,441          |
| Operational                       | 31,261             | 31,261           | 12,955           | 18,306                             | 17,919           |
| Total                             | <u>601,398</u>     | <u>608,127</u>   | <u>571,822</u>   | <u>36,305</u>                      | <u>546,129</u>   |
| Planning and Zoning Commission:   |                    |                  |                  |                                    |                  |
| Operational                       | <u>335</u>         | <u>335</u>       | <u>90</u>        | <u>245</u>                         | <u>455</u>       |
| Zoning Board of Appeals:          |                    |                  |                  |                                    |                  |
| Wages                             | 1,300              | 1,300            | 900              | 400                                | 800              |
| Fringe benefits                   | 104                | 104              | 71               | 33                                 | 63               |
| Operational                       | 340                | 340              | 176              | 164                                | 369              |
| Total                             | <u>1,744</u>       | <u>1,744</u>     | <u>1,147</u>     | <u>597</u>                         | <u>1,232</u>     |
| Economic Development:             |                    |                  |                  |                                    |                  |
| Wages                             | 97,284             | 102,655          | 101,654          | 1,001                              | 96,238           |
| Fringe benefits                   | 32,978             | 29,672           | 23,336           | 6,336                              | 32,595           |
| Operational                       | 14,060             | 14,060           | 12,118           | 1,942                              | 11,413           |
| Total                             | <u>144,322</u>     | <u>146,387</u>   | <u>137,108</u>   | <u>9,279</u>                       | <u>140,246</u>   |

(Continued on next page)

**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

|                                | 2015               |                 |                |                                    | Actual<br>2014 |
|--------------------------------|--------------------|-----------------|----------------|------------------------------------|----------------|
|                                | Original<br>Budget | Final<br>Budget | Actual         | Variance<br>Positive<br>(Negative) |                |
| Conservation Commission:       |                    |                 |                |                                    |                |
| Wages                          | \$ 1,300           | \$ 1,300        | \$ 1,100       | \$ 200                             | \$ 1,000       |
| Fringe benefits                | 104                | 104             | 85             | 19                                 | 78             |
| Operational                    | 3,790              | 3,790           | 3,440          | 350                                | 3,454          |
| Total                          | <u>5,194</u>       | <u>5,194</u>    | <u>4,625</u>   | <u>569</u>                         | <u>4,532</u>   |
| Inland Wetlands Commission:    |                    |                 |                |                                    |                |
| Wages                          | 1,400              | 1,400           | 1,100          | 300                                | 1,275          |
| Fringe benefits                | 113                | 113             | 80             | 33                                 | 102            |
| Operational                    | 2,450              | 2,450           | 2,211          | 239                                | 2,211          |
| Total                          | <u>3,963</u>       | <u>3,963</u>    | <u>3,391</u>   | <u>572</u>                         | <u>3,588</u>   |
| Veterans Commission:           |                    |                 |                |                                    |                |
| Operational                    | <u>3,970</u>       | <u>3,970</u>    | <u>3,871</u>   | <u>99</u>                          | <u>3,254</u>   |
| Aquifer Protection Commission: |                    |                 |                |                                    |                |
| Wages                          | 600                | 600             |                | 600                                |                |
| Fringe benefits                | 48                 | 48              |                | 48                                 |                |
| Operational                    | 150                | 150             |                | 150                                |                |
| Total                          | <u>798</u>         | <u>798</u>      | <u>-</u>       | <u>798</u>                         | <u>-</u>       |
| Berlin Historic District:      |                    |                 |                |                                    |                |
| Wages                          | 1,275              | 1,275           | 900            | 375                                | 800            |
| Fringe benefits                | 102                | 102             | 71             | 31                                 | 63             |
| Operational                    | 300                | 300             | 104            | 196                                | 82             |
| Total                          | <u>1,677</u>       | <u>1,677</u>    | <u>1,075</u>   | <u>602</u>                         | <u>945</u>     |
| Commission for Disabled:       |                    |                 |                |                                    |                |
| Wages                          | 600                | 600             | 500            | 100                                | 300            |
| Fringe benefits                | 48                 | 48              | 37             | 11                                 | 22             |
| Operational                    | 25                 | 25              |                | 25                                 |                |
| Total                          | <u>673</u>         | <u>673</u>      | <u>537</u>     | <u>136</u>                         | <u>322</u>     |
| Public Building Commission:    |                    |                 |                |                                    |                |
| Wages                          | 3,200              | 3,200           | 2,325          | 875                                | 2,350          |
| Fringe benefits                | 255                | 255             | 171            | 84                                 | 190            |
| Operational                    | 550                | 550             | 455            | 95                                 | 399            |
| Total                          | <u>4,005</u>       | <u>4,005</u>    | <u>2,951</u>   | <u>1,054</u>                       | <u>2,939</u>   |
| Total community development    | <u>768,079</u>     | <u>776,873</u>  | <u>726,617</u> | <u>50,256</u>                      | <u>703,642</u> |

(Continued on next page)

**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

|                      | 2015               |                 |            |                                    |                |
|----------------------|--------------------|-----------------|------------|------------------------------------|----------------|
|                      | Original<br>Budget | Final<br>Budget | Actual     | Variance<br>Positive<br>(Negative) | Actual<br>2014 |
| Public Safety:       |                    |                 |            |                                    |                |
| Ambulance contract:  |                    |                 |            |                                    |                |
| Operational          | \$ 329,605         | \$ 329,605      | \$ 325,840 | \$ 3,765                           | \$ 318,825     |
| Animal Control:      |                    |                 |            |                                    |                |
| Wages                | 94,920             | 94,920          | 90,455     | 4,465                              | 96,738         |
| Fringe benefits      | 26,221             | 26,345          | 24,250     | 2,095                              | 32,509         |
| Operational          | 16,289             | 16,165          | 14,489     | 1,676                              | 13,666         |
| Total                | 137,430            | 137,430         | 129,194    | 8,236                              | 142,913        |
| Fire Department:     |                    |                 |            |                                    |                |
| Wages                | 266,436            | 271,760         | 244,999    | 26,761                             | 239,525        |
| Fringe benefits      | 143,388            | 135,888         | 129,520    | 6,368                              | 126,479        |
| Operational          | 342,039            | 344,215         | 331,031    | 13,184                             | 340,240        |
| Capital              |                    |                 |            | -                                  | 23,295         |
| Total                | 751,863            | 751,863         | 705,550    | 46,313                             | 729,539        |
| Police:              |                    |                 |            |                                    |                |
| Wages                | 4,963,388          | 5,035,945       | 4,847,685  | 188,260                            | 4,654,409      |
| Fringe benefits      | 1,888,356          | 1,854,741       | 1,760,961  | 93,780                             | 1,714,374      |
| Operational          | 251,633            | 256,523         | 237,383    | 19,140                             | 207,092        |
| Capital              | 245,700            | 204,467         | 204,338    | 129                                | 191,906        |
| Total                | 7,349,077          | 7,351,676       | 7,050,367  | 301,309                            | 6,767,781      |
| Emergency Management |                    |                 |            |                                    |                |
| Capital              |                    | 9,950           | 9,950      | -                                  |                |
| Fire Marshal:        |                    |                 |            |                                    |                |
| Wages                | 179,235            | 182,727         | 182,390    | 337                                | 173,993        |
| Fringe benefits      | 83,336             | 84,210          | 83,865     | 345                                | 79,747         |
| Operational          | 12,340             | 12,340          | 9,990      | 2,350                              | 9,769          |
| Total                | 274,911            | 279,277         | 276,245    | 3,032                              | 263,509        |
| Total public safety  | 8,842,886          | 8,859,801       | 8,497,146  | 362,655                            | 8,222,567      |
| Physical Services:   |                    |                 |            |                                    |                |
| Municipal garage:    |                    |                 |            |                                    |                |
| Wages                | 478,062            | 487,084         | 467,977    | 19,107                             | 441,333        |
| Fringe benefits      | 217,944            | 215,689         | 176,302    | 39,387                             | 202,119        |
| Operational          | 517,500            | 536,275         | 518,503    | 17,772                             | 536,668        |
| Capital              | 46,000             | 28,480          | 28,480     | -                                  | 15,344         |
| Total                | 1,259,506          | 1,267,528       | 1,191,262  | 76,266                             | 1,195,464      |
| Public Works:        |                    |                 |            |                                    |                |
| Wages                | 324,324            | 341,439         | 340,023    | 1,416                              | 347,015        |
| Fringe benefits      | 122,477            | 131,558         | 129,664    | 1,894                              | 129,830        |
| Operational          | 2,294,210          | 2,203,346       | 1,887,431  | 315,915                            | 2,015,078      |
| Capital              |                    | 8,000           | 7,035      | 965                                |                |
| Total                | 2,741,011          | 2,684,343       | 2,364,153  | 320,190                            | 2,491,923      |

(Continued on next page)

**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

|                                       | 2015               |                  |                  |                                    |                  |
|---------------------------------------|--------------------|------------------|------------------|------------------------------------|------------------|
|                                       | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) | Actual<br>2014   |
| Highway:                              |                    |                  |                  |                                    |                  |
| Wages                                 | \$ 943,755         | \$ 1,002,294     | \$ 991,328       | \$ 10,966                          | \$ 945,390       |
| Fringe benefits                       | 498,905            | 501,662          | 454,931          | 46,731                             | 450,036          |
| Operational                           | 288,200            | 366,144          | 331,274          | 34,870                             | 288,265          |
| Capital                               | 297,497            | 287,427          | 283,123          | 4,304                              | 112,049          |
| Total                                 | <u>2,028,357</u>   | <u>2,157,527</u> | <u>2,060,656</u> | <u>96,871</u>                      | <u>1,795,740</u> |
| Public building:                      |                    |                  |                  |                                    |                  |
| Wages                                 | 1,101,312          | 1,094,429        | 1,029,961        | 64,468                             | 1,050,899        |
| Fringe benefits                       | 497,230            | 466,752          | 430,276          | 36,476                             | 456,386          |
| Operational                           | 714,640            | 764,640          | 681,822          | 82,818                             | 657,234          |
| Capital                               | 70,112             | 135,271          | 135,271          | -                                  | 22,835           |
| Total                                 | <u>2,383,294</u>   | <u>2,461,092</u> | <u>2,277,330</u> | <u>183,762</u>                     | <u>2,187,354</u> |
| Total physical services               | <u>8,412,168</u>   | <u>8,570,490</u> | <u>7,893,401</u> | <u>677,089</u>                     | <u>7,670,481</u> |
| Parks, Recreation and Libraries:      |                    |                  |                  |                                    |                  |
| Mobile home park:                     |                    |                  |                  |                                    |                  |
| Operational                           | <u>8,250</u>       | <u>8,250</u>     | <u>6,945</u>     | <u>1,305</u>                       | <u>6,578</u>     |
| Recreation:                           |                    |                  |                  |                                    |                  |
| Wages                                 | 284,442            | 286,477          | 268,579          | 17,898                             | 236,404          |
| Fringe benefits                       | 67,320             | 67,894           | 63,999           | 3,895                              | 57,665           |
| Operational                           | 50,162             | 50,172           | 42,836           | 7,336                              | 43,958           |
| Total                                 | <u>401,924</u>     | <u>404,543</u>   | <u>375,414</u>   | <u>29,129</u>                      | <u>338,027</u>   |
| Golf course:                          |                    |                  |                  |                                    |                  |
| Wages                                 | 441,062            | 442,089          | 438,634          | 3,455                              | 432,276          |
| Fringe benefits                       | 178,619            | 180,158          | 176,301          | 3,857                              | 170,106          |
| Operational                           | 482,730            | 482,301          | 474,416          | 7,885                              | 457,135          |
| Capital                               | 46,080             | 80,842           | 80,842           | -                                  | 46,842           |
| Total                                 | <u>1,148,491</u>   | <u>1,185,390</u> | <u>1,170,193</u> | <u>15,197</u>                      | <u>1,106,359</u> |
| Libraries:                            |                    |                  |                  |                                    |                  |
| Wages                                 | 626,779            | 634,544          | 610,678          | 23,866                             | 585,293          |
| Fringe benefits                       | 214,994            | 216,383          | 187,719          | 28,664                             | 188,254          |
| Operational                           | 172,100            | 172,110          | 168,924          | 3,186                              | 180,664          |
| Capital                               | 11,000             | 975              | 975              | -                                  | -                |
| Total                                 | <u>1,024,873</u>   | <u>1,024,012</u> | <u>968,296</u>   | <u>55,716</u>                      | <u>954,211</u>   |
| Public grounds:                       |                    |                  |                  |                                    |                  |
| Wages                                 | 714,430            | 740,141          | 700,255          | 39,886                             | 701,608          |
| Fringe benefits                       | 323,070            | 336,486          | 318,633          | 17,853                             | 310,167          |
| Operational                           | 313,300            | 318,425          | 287,250          | 31,175                             | 252,829          |
| Capital                               | 223,000            | 141,245          | 134,088          | 7,157                              | 22,414           |
| Total                                 | <u>1,573,800</u>   | <u>1,536,297</u> | <u>1,440,226</u> | <u>96,071</u>                      | <u>1,287,018</u> |
| Total parks, recreation and libraries | <u>4,157,338</u>   | <u>4,158,492</u> | <u>3,961,074</u> | <u>197,418</u>                     | <u>3,692,193</u> |

(Continued on next page)

**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

|                                   | 2015               |                 |            |                                    |                |
|-----------------------------------|--------------------|-----------------|------------|------------------------------------|----------------|
|                                   | Original<br>Budget | Final<br>Budget | Actual     | Variance<br>Positive<br>(Negative) | Actual<br>2014 |
| Health and Human Services:        |                    |                 |            |                                    |                |
| Health Department:                |                    |                 |            |                                    |                |
| Operational                       | \$ 98,928          | \$ 101,863      | \$ 101,863 | \$ -                               | \$ 94,632      |
| Nursing services:                 |                    |                 |            |                                    |                |
| Wages                             | 1,087,256          | 1,092,264       | 1,015,244  | 77,020                             | 957,654        |
| Fringe benefits                   | 431,018            | 430,742         | 380,903    | 49,839                             | 385,088        |
| Operational                       | 306,896            | 341,396         | 217,924    | 123,472                            | 304,375        |
| Capital                           | 51,029             | 41,413          | 41,413     | -                                  | 4,748          |
| Total                             | 1,876,199          | 1,905,815       | 1,655,484  | 250,331                            | 1,651,865      |
| Community services:               |                    |                 |            |                                    |                |
| Wages                             | 333,280            | 339,524         | 321,662    | 17,862                             | 275,801        |
| Fringe benefits                   | 149,659            | 148,990         | 144,118    | 4,872                              | 133,148        |
| Operational                       | 28,246             | 34,618          | 33,759     | 859                                | 30,555         |
| Total                             | 511,185            | 523,132         | 499,539    | 23,593                             | 439,504        |
| Total health and human services   | 2,486,312          | 2,530,810       | 2,256,886  | 273,924                            | 2,186,001      |
| Schools:                          |                    |                 |            |                                    |                |
| Private schools:                  |                    |                 |            |                                    |                |
| Wages                             | 78,683             | 78,683          | 69,436     | 9,247                              | 70,165         |
| Fringe benefits                   | 35,916             | 35,916          | 32,537     | 3,379                              | 31,414         |
| Operational                       | 1,313              | 1,313           | 1,005      | 308                                | 1,024          |
| Total                             | 115,912            | 115,912         | 102,978    | 12,934                             | 102,603        |
| Board of Education                | 40,840,160         | 40,840,160      | 40,824,456 | 15,704                             | 40,134,869     |
| School expenditures:              |                    |                 |            |                                    |                |
| Wages                             | 620,748            | 621,733         | 559,633    | 62,100                             | 539,200        |
| Fringe benefits                   | 1,066,848          | 1,047,780       | 993,977    | 53,803                             | 914,315        |
| Operational                       | 1,112,288          | 1,113,640       | 970,879    | 142,761                            | 902,772        |
| Capital                           | 292,200            | 114,509         | 114,509    | -                                  | 194,460        |
| Total                             | 3,092,084          | 2,897,662       | 2,638,998  | 258,664                            | 2,550,747      |
| Total schools                     | 44,048,156         | 43,853,734      | 43,566,432 | 287,302                            | 42,788,219     |
| Debt Principal:                   |                    |                 |            |                                    |                |
| Town Government                   | 1,672,780          | 1,672,780       | 1,672,780  | -                                  | 2,364,572      |
| Schools                           | 641,840            | 641,840         | 641,840    | -                                  | 607,462        |
| Total debt principal              | 2,314,620          | 2,314,620       | 2,314,620  | -                                  | 2,972,034      |
| Interest and Fiscal Charges:      |                    |                 |            |                                    |                |
| Town Government                   | 630,892            | 636,013         | 616,750    | 19,263                             | 629,499        |
| Schools                           | 1,060,025          | 1,260,025       | 1,260,025  | -                                  | 632,165        |
| Total interest and fiscal charges | 1,690,917          | 1,896,038       | 1,876,775  | 19,263                             | 1,261,664      |
| Total Expenditures                | 77,985,809         | 77,855,670      | 75,808,495 | 2,047,175                          | 73,327,515     |

(Continued on next page)

**TOWN OF BERLIN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

|  | 2015                 |                      |                  |                                    | Actual<br>2014       |
|--|----------------------|----------------------|------------------|------------------------------------|----------------------|
|  | Original<br>Budget   | Final<br>Budget      | Actual           | Variance<br>Positive<br>(Negative) |                      |
| Other Financing Uses:  |                      |                      |                  |                                    |                      |
| Transfers to Other Funds:  |                      |                      |                  |                                    |                      |
| Capital Projects fund  | \$ 379,000           | \$ 379,000           | \$ 379,000       | \$ -                               | \$ 366,000           |
| Revaluation fund   |                      |                      |                  | -                                  | 39,000               |
| Capital and Nonrecurring fund  |                      | 611,900              | 611,900          | -                                  | 911,311              |
| Pension fund   | 15,000               | 15,000               | 15,000           | -                                  | 10,000               |
| Total other financing uses   | <u>394,000</u>       | <u>1,005,900</u>     | <u>1,005,900</u> | <u>-</u>                           | <u>1,326,311</u>     |
| Total Expenditures and Other<br>Financing Uses   | <u>\$ 78,379,809</u> | <u>\$ 78,861,570</u> | 76,814,395       | <u>\$ 2,047,175</u>                | <u>\$ 74,653,826</u> |
| Budgetary expenditures are different than GAAP expenditures because:   |                      |                      |                  |                                    |                      |
| State of Connecticut on-behalf payments to the Connecticut State Teachers'<br>Retirement System for Town teachers are not budgeted                                       |                      |                      | 4,318,859        |                                    |                      |
| The Town does not budget for capital outlay relating to capital leases   |                      |                      | 442,615          |                                    |                      |
| The Town does not budget for revaluation fund expenditures   |                      |                      | <u>125</u>       |                                    |                      |
| Total Expenditures and Other Financing Uses as Reported on the Statement<br>of Revenues, Expenditures and Changes in Fund Balances of Governmental<br>Funds - Exhibit IV |                      |                      |                  |                                    | <u>\$ 81,575,994</u> |

**TOWN OF BERLIN, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Total pension liability:   |                     |                     |
| Service cost   | \$ 113,033          | \$ 104,337          |
| Interest   | 363,095             | 450,167             |
| Changes of benefit terms   |                     |                     |
| Differences between expected and actual experience                         | (558,319)           |                     |
| Changes of assumptions   | 740,472             |                     |
| Benefit payments, including refunds of member contributions                | <u>(1,666,241)</u>  | <u>(215,290)</u>    |
| Net change in total pension liability                                      | (1,007,960)         | 339,214             |
| Total pension liability - beginning  | <u>6,771,663</u>    | <u>6,432,449</u>    |
| Total pension liability - ending   | <u>5,763,703</u>    | <u>6,771,663</u>    |
| Plan fiduciary net position:   |                     |                     |
| Contributions - employer   | 1,406,809           | 700,000             |
| Contributions - member   |                     | 290,417             |
| Net investment income  | 37,101              | 24,338              |
| Benefit payments, including refunds of member contributions                | <u>(1,666,241)</u>  | <u>(215,290)</u>    |
| Net change in plan fiduciary net position                                  | (222,331)           | 799,465             |
| Plan fiduciary net position - beginning                                    | <u>1,444,571</u>    | <u>645,106</u>      |
| Plan fiduciary net position - ending                                       | <u>1,222,240</u>    | <u>1,444,571</u>    |
| Net Pension Liability - Ending   | <u>\$ 4,541,463</u> | <u>\$ 5,327,092</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 21.21%              | 21.33%              |
| Covered-employee payroll   | \$ 1,882,367        | \$ 1,958,991        |
| Net pension liability as a percentage of covered-employee payroll          | 241.26%             | 271.93%             |

**TOWN OF BERLIN, CONNECTICUT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

|  | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                | \$ 1,001,122 | \$ 935,628   | \$ 1,005,393 | \$ 493,732   | \$ 473,550   | \$ 355,088   | \$ 254,732   | \$ 260,595   | \$ 251,783   | \$ 241,623   |
| Contributions in relation to the actuarial determined contribution | 1,406,809    | 700,000      | 700,000      | 350,000      | 200,000      | 175,000      | 150,000      |              | 258,402      | 150,000      |
| Contribution Deficiency (Excess)                                   | \$ (405,687) | \$ 235,628   | \$ 305,393   | \$ 143,732   | \$ 273,550   | \$ 180,088   | \$ 104,732   | \$ 260,595   | \$ (6,619)   | \$ 91,623    |
| Covered-employee payroll   | \$ 1,882,367 | \$ 1,958,991 | \$ 2,073,539 | \$ 1,907,671 | \$ 1,993,876 | \$ 1,986,110 | \$ 2,251,842 | \$ 2,233,448 | \$ 2,146,118 | \$ 2,287,001 |
| Contributions as a percentage of covered-employee payroll          | 74.74%       | 35.73%       | 33.76%       | 18.35%       | 10.03%       | 8.81%        | 6.66%        | 0.00%        | 12.04%       | 6.56%        |

**Notes to Schedule**

Valuation Date: July 1, 2014  
Measurement Date: June 30, 2015  
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry Age Normal  |
| Amortization method           | Level percentage of salary - open   |
| Remaining amortization period | 10 Years  |
| Asset valuation method        | Fair value  |
| Inflation                     | 3.00%   |
| Salary increases              | 3.75% per year for Police and 3.0% for all others.  |
| Investment rate of return     | 6.00%   |
| Retirement age                | Police: 100% at 30 years of active service. All others: 100% at age 65.   |
| Mortality                     | Pre-retirement: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with Scale BB.<br>Post-retirement: IRS 417(e) mortality table. |



**TOWN OF BERLIN, CONNECTICUT  
SCHEDULE OF INVESTMENT RETURNS  
LAST TWO FISCAL YEARS**

---

|   | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 2.17%       | 2.02%       |

**TOWN OF BERLIN, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT PLAN**  
**LAST FISCAL YEAR\***

---

|  | <u>2015</u>          |
|--|----------------------|
| Town's proportion of the net pension liability (asset)   | 0.00%                |
| Town's proportionate share of the net pension liability (asset)  | \$ -                 |
| State's proportionate share of the net pension liability (asset)<br>associated with the Town                       | <u>57,488,298</u>    |
| Total  | <u>\$ 57,488,298</u> |
| Town's covered-employee payroll  | \$ 15,145,681        |
| Town's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 0.00%                |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                                 | 61.51%               |

\* The amounts presented for each fiscal year were determined as of December 31.

|                               |  |
|-------------------------------|--|
| Changes in benefit terms      | None   |
| Changes of assumptions        | During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010. |
| Actuarial cost method         | Entry age  |
| Amortization method           | Level percent of salary, closed  |
| Remaining amortization period | 22.4 years   |
| Asset valuation method        | 4-year smoothed market   |

***Appendix B-1***

***Form of Opinion of Bond Counsel and Tax Exemption – The Bonds***

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# JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418  
HARTFORD, CONNECTICUT 06106

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TELEPHONE (860)296-0510  
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## **FORM OF OPINION OF BOND COUNSEL – Bonds**

Town of Berlin  
Berlin, Connecticut

Ladies and Gentlemen:

We have represented the Town of Berlin, Connecticut as bond counsel with respect to the issuance and sale of \$16,770,000 Town of Berlin, Connecticut General Obligation Bonds, Issue of 2016, bearing a Dated Date of May 19, 2016 and an Original Issue Date of May 19, 2016 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated May 19, 2016 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The bonds are subject to redemption prior to maturity as therein provided. The bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the Town of Berlin payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that interest on the bonds not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the bonds is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the bonds.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) continuing compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership or disposition of the bonds.

The rights of owners of the bonds and the enforceability of the bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully yours,

JOSEPH FASI LLC

## **TAX MATTERS – Bonds and Notes**

### Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds and Notes in order that interest on the Bonds and Notes not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds and Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and Notes shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds and Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds and Notes irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and Notes is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds and Notes is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Prospective purchasers of the Bonds and Notes are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds and Notes.

Bond Counsel expresses no opinion regarding any other Federal or State tax consequences of ownership or disposition of the Bonds and Notes.

### **Additional Tax Matters**

The following is a brief discussion of certain Additional Tax Matters associated with purchase and ownership of the Bonds and Notes. Bond Counsel's opinion does not address these issues (see opinion above) and prospective purchasers are advised to consult their own tax

advisors regarding federal and state consequences of ownership and disposition of the Bonds and Notes.

Ownership of tax exempt obligations such as the Bonds and Notes may result in certain collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and Notes. Prospective purchasers of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds and Notes.

### Original Issue Discount and Premium

The following is a general discussion of Original Issue Discount and Premium and not an opinion of Bond Counsel. Prospective Investors are advised to consult their own tax advisors regarding original issue discount and original issue premium in connection with their ownership and disposition of the Bonds.

The initial public offering prices of certain maturities of the Bonds (the “OID Bonds”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). Based solely on information provided by the Underwriters, the offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

In general, however, under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds, including those not purchasing a Bond at its initial public offering, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial



offering and sale, and the federal, state and local tax consequences of owning or disposing of such OID Bonds.

### Original Issue Premium

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal, state and local income tax purposes, including special rules regarding the consequences of ownership, amortization of bond premium, basis, and gain or loss from the sale or exchange of OIP Bonds.

### **FUTURE EVENTS**

The Federal and State tax treatment of municipal bonds is determined by Federal, state and local legislation, administrative pronouncements and court decisions. For example, recent Federal legislative proposals have been introduced into Congress which, if enacted, would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment, including limiting the exclusion from gross income on tax exempt bonds for higher income taxpayers. Current ongoing Federal budget discussions include such proposals. The enactment of such proposals may adversely affect the tax treatment of: the interest paid on the Bonds and Notes, their sale or disposition, market price, marketability, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchases and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

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***Appendix B-2***

***Form of Opinion of Bond Counsel and Tax Exemption – The Notes***

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# JOSEPH FASI LLC

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TELEPHONE (860)296-0510  
FACSIMILE (860)296-0541

## **FORM OF OPINION OF BOND COUNSEL – Notes**

Town of Berlin  
Berlin, Connecticut

Ladies and Gentlemen:

We have represented the Town of Berlin, Connecticut as bond counsel with respect to the issuance and sale of \$900,000 Town of Berlin, Connecticut General Obligation Bond Anticipation Notes, bearing a Dated Date and an Original Issue Date of May 19, 2016, maturing September 19, 2016 (the "notes").

We have examined a record of the proceedings authorizing the notes, a Tax Regulatory Agreement of the Town dated May 19, 2016 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the notes, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the notes (except to the extent, if any, stated in such Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the notes under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the notes are a valid and binding general obligation of the Town of Berlin payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the notes in order that interest on the notes not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the notes shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the notes is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the notes is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the notes.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) continuing compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership or disposition of the notes.

The rights of owners of the notes and the enforceability of the notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully yours,

JOSEPH FASI LLC

## **TAX MATTERS – Bonds and Notes**

### Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds and Notes in order that interest on the Bonds and Notes not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds and Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and Notes shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds and Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds and Notes irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and Notes is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds and Notes is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Prospective purchasers of the Bonds and Notes are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds and Notes.

Bond Counsel expresses no opinion regarding any other Federal or State tax consequences of ownership or disposition of the Bonds and Notes.

### **Additional Tax Matters**

The following is a brief discussion of certain Additional Tax Matters associated with purchase and ownership of the Bonds and Notes. Bond Counsel's opinion does not address these issues (see opinion above) and prospective purchasers are advised to consult their own tax

advisors regarding federal and state consequences of ownership and disposition of the Bonds and Notes.

Ownership of tax exempt obligations such as the Bonds and Notes may result in certain collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and Notes. Prospective purchasers of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds and Notes.

### Original Issue Discount and Premium

The following is a general discussion of Original Issue Discount and Premium and not an opinion of Bond Counsel. Prospective Investors are advised to consult their own tax advisors regarding original issue discount and original issue premium in connection with their ownership and disposition of the Bonds.

The initial public offering prices of certain maturities of the Bonds (the “OID Bonds”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). Based solely on information provided by the Underwriters, the offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

In general, however, under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds, including those not purchasing a Bond at its initial public offering, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial



offering and sale, and the federal, state and local tax consequences of owning or disposing of such OID Bonds.

### Original Issue Premium

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal, state and local income tax purposes, including special rules regarding the consequences of ownership, amortization of bond premium, basis, and gain or loss from the sale or exchange of OIP Bonds.

### **FUTURE EVENTS**

The Federal and State tax treatment of municipal bonds is determined by Federal, state and local legislation, administrative pronouncements and court decisions. For example, recent Federal legislative proposals have been introduced into Congress which, if enacted, would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment, including limiting the exclusion from gross income on tax exempt bonds for higher income taxpayers. Current ongoing Federal budget discussions include such proposals. The enactment of such proposals may adversely affect the tax treatment of: the interest paid on the Bonds and Notes, their sale or disposition, market price, marketability, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchases and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

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***Appendix C-1***

***Form of Continuing Disclosure Agreement – The Bonds***

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CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of May 19, 2016

In Connection With The Issuance And Sale Of

\$16,770,000 Town Of Berlin, Connecticut

General Obligation Bonds, Issue of 2016,

Dated May 19, 2016

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$16,770,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2016 (the "Bonds") to be dated May 19, 2016 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Bonds, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

"Listed Events" shall mean any of the events listed in Section 4 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Annual Reports.

A. The Issuer shall provide or cause to be provided to the MSRB, the following annual financial information and operating data regarding the Issuer:

1) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

2) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in 1) above:

- (a) the amounts of the gross and net taxable grand list;
- (b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;
- (c) the percentage or amount of the annual property tax levy collected and uncollected;
- (d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;
- (e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;

(g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;

(h) a statement of statutory debt limitations and debt margins;

(i) the funding status of the Issuer's pension benefit obligation.

B. The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's Annual Report. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB. The information will be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

C. Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Issuer shall provide the information and data referenced in Section 2(A) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information within a reasonable time.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;

- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g) modifications to rights of security holders, if material;
- h) bond calls, if material, and tender offers;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities, if material;
- k) rating changes;
- l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment



or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

**[Signature Page Follows]**

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of May 19, 2016

In Connection With The Issuance And Sale Of

\$16,770,000 Town Of Berlin, Connecticut

General Obligation Bonds, Issue of 2016,

Dated May 19, 2016

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF BERLIN, CONNECTICUT

By \_\_\_\_\_  
Mark H. Kaczynski  
Mayor

By \_\_\_\_\_  
Denise M. McNair  
Town Manager

By \_\_\_\_\_  
Nancy L. Lockwood  
Treasurer

By \_\_\_\_\_  
James Wren, Jr.  
Finance Director

***Appendix C-2***

***Form of Continuing Disclosure Agreement – The Notes***

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CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

In Connection With The Issuance And Sale Of

\$900,000 Town Of Berlin, Connecticut

General Obligation Bond Anticipation Notes, Dated May 19, 2016

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$900,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") bearing a Dated Date of May 19, 2016, maturing on September 19, 2016, said Notes as more fully described in the Issuer's Final Official Statement describing the Notes and prepared in connection with their sale (the "Official Statement"); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Notes unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the notes to provide notices of material events as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the notes in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Notes to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Notes in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Notes, all for the benefit of the beneficial owners of the Notes, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Listed Events" shall mean any of the events listed in Section 2 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities; if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 3. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

Section 4. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not adversely affect the beneficial owners of the Notes and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB.

Section 6. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

Section 7. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Notes.

Section 8. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of the beneficial owners of the Notes and shall be enforceable by them. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt

of written notice from any beneficial owner of the Notes of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Notes to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Notes.

**[Signature Page Follows]**



CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

In Connection With The Issuance And Sale Of

\$900,000 Town Of Berlin, Connecticut

General Obligation Bond Anticipation Notes, Dated May 19, 2016

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF BERLIN, CONNECTICUT

By \_\_\_\_\_  
Mark H. Kaczynski  
Mayor

By \_\_\_\_\_  
Denise M. McNair  
Town Manager

By \_\_\_\_\_  
Nancy L. Lockwood  
Treasurer

By \_\_\_\_\_  
James Wren, Jr.  
Finance Director

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***Appendix D***

***Notice of Sale and Bid Forms***

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**NOTICE OF SALE**  
**TOWN OF BERLIN, CONNECTICUT**

**\$16,770,000**  
**GENERAL OBLIGATION BONDS, ISSUE OF 2016**

**AND**

**\$900,000**  
**GENERAL OBLIGATION BOND ANTICIPATION NOTES**

Bids will be received by the Town of Berlin, Connecticut (the "Issuer"), at Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, Connecticut 06037 on **Thursday, May 5, 2016** for the purchase of:

**\$900,000 General Obligation Bond Anticipation Notes**

**Dated: May 19, 2016**

**Due: September 19, 2016**

(the "Notes")

**NOT BANK QUALIFIED**

**Bid until 11:00 A.M. (E.D.T.)**

**Notes: SEALED PROPOSALS and ELECTRONIC BIDS only via *PARITY*®**

\*\*\*\*\*

**\$16,770,000 General Obligation Bonds**

(the "Bonds")

**NOT BANK QUALIFIED**

**Bid until 11:30 A.M. (E.D.T.)**

**Bonds: Only ELECTRONIC BIDS via *PARITY*®**

Separate forms of proposal will be provided for the Bonds and the Notes. Bidders may submit proposals for either the Bonds or the Notes, and are not required to submit proposals for each.

## The Notes

The Notes will be dated May 19, 2016, will be payable to the registered owner on September 19, 2016 and are not subject to redemption prior to maturity. They will bear interest (which interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

## The Bonds

The Bonds will be dated May 19, 2016, and will mature and become payable on December 1 in each of the years and in the principal amounts as follows:

| Year | Amount      | Year | Amount    |
|------|-------------|------|-----------|
| 2017 | \$1,040,000 | 2027 | \$810,000 |
| 2018 | \$1,040,000 | 2028 | \$805,000 |
| 2019 | \$1,035,000 | 2029 | \$805,000 |
| 2020 | \$1,035,000 | 2030 | \$805,000 |
| 2021 | \$1,030,000 | 2031 | \$690,000 |
| 2022 | \$1,030,000 | 2032 | \$690,000 |
| 2023 | \$1,030,000 | 2033 | \$685,000 |
| 2024 | \$1,030,000 | 2034 | \$685,000 |
| 2025 | \$1,030,000 | 2035 | \$685,000 |
| 2026 | \$810,000   |      |           |

bearing interest payable semi-annually on June 1 and December 1 in each year until maturity, commencing December 1, 2016.

## Redemption – The Bonds

The Bonds maturing on or before December 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after December 1, 2023, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Issuer may determine, at the redemption price or prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

|       | <u>Redemption Dates</u>         | <u>Redemption Price</u> |
|-------|---------------------------------|-------------------------|
| From: | December 1, 2023 and thereafter | 100%                    |

The Bonds and Notes will be issued by means of a book-entry system with no physical distribution of bond or note certificates made to the public. The Bonds and Notes will be issued in registered form and one bond certificate for each maturity and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds and Notes in principal amounts of \$5,000 or

integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidders, as a condition to delivery of the Bonds and Notes, will be required to deposit the bond and note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds and Notes will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds and Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

#### Submitting Proposals - Bonds

Proposals for the purchase of the Bonds will be accepted **only** electronically via **PARITY**<sup>®</sup>, and must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$16,770,000 of bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum; provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to May 19, 2016, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to May 19, 2016, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

See “Electronic Proposals Bidding Procedure” for submitting a proposal electronically.

#### Submitting Proposals - Notes

Written proposals for the purchase of said Notes must be in the form of proposal for purchase attached hereto; or may be submitted electronically **only** via **PARITY**<sup>®</sup>. A proposal may be for all or any part of the Notes but any proposal for a part must be for a minimum of \$100,000, of principal amount per interest rate bid, or a whole multiple thereof, and the total of all principal amounts bid shall not exceed \$900,000.

Written proposals for the Notes must be in the form of proposal for purchase attached hereto and enclosed in sealed envelopes marked “Proposal for Notes”, and addressed to Mark H. Kaczynski, Mayor; Denise M. McNair, Town Manager; Nancy L. Lockwood, Treasurer; and

James Wren, Jr., Finance Director, Town of Berlin, c/o Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, Connecticut 06037. See “Electronic Proposals Bidding Procedure” for submitting a proposal electronically.

Unless all bids are rejected the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any. As between proposals resulting in the same lowest net interest cost to the Issuer, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the Issuer reserves the right to award to any bidder all or any part of the Notes bid for in his proposal. If a bidder is awarded only a part of the Notes bid for in his proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the Issuer with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. The purchase price must be paid in Federal Funds.

**Electronic Proposals Bidding Procedure.** Electronic bids for the purchase of the Bonds and/or Notes must be submitted on Thursday, May 5, 2016 through the facilities of **PARITY**<sup>®</sup> until:

11:00 A.M. (E.D.T.) Notes  
11:30 A.M. (E.D.T.) Bonds

Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY**<sup>®</sup>, including any fee charged, may be obtained from **PARITY**<sup>®</sup>, c/o i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY**<sup>®</sup> is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds and/or Notes via **PARITY**<sup>®</sup>, the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the Bonds and/or Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds and/or Notes on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of **PARITY**<sup>®</sup>, or the inaccuracies of any information, including bid information or worksheets supplied by **PARITY**<sup>®</sup>, the use of **PARITY**<sup>®</sup> facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

**Disclaimer.** Each of **PARITY**<sup>®</sup> prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY**<sup>®</sup> for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the



Issuer nor **PARITY**<sup>®</sup> shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer or **PARITY**<sup>®</sup> shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY**<sup>®</sup>. The Issuer is using **PARITY**<sup>®</sup> as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds and/or Notes. The Issuer is not bound by any advice and determination of **PARITY**<sup>®</sup> to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All cost and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY**<sup>®</sup> are the sole responsibility of the bidders; and the Issuer is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds and/or Notes, the prospective bidder should telephone **PARITY**<sup>®</sup> at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY**<sup>®</sup>, this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY**<sup>®</sup> shall constitute the official time.

#### Award

The Bonds and Notes will be awarded or all bids will be rejected promptly after each respective bid opening and not later than 4:00 P.M. (Hartford time) on May 5, 2016. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

#### Legal Opinion

The legality of the issues will be passed upon by Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, and the winning bidders will be furnished with their opinion without charge.

The Bonds and Notes will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay to the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses.

The legal opinion will further state that, under existing statutes and court decisions interest on the **Bonds** and the **Notes** (i) is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item for purposes of computing the Federal alternative minimum tax; such interest is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for

purposes of computing the Federal alternative minimum tax imposed on corporations under the Code.

Under existing statutes, the interest on the **Bonds** and **Notes** is **excluded** from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax.

In rendering the legal opinion, Joseph Fasi LLC will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Issuer for the benefit of the owners of the Bonds and Notes, and further, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

#### Reoffering Price Certification

IT SHALL BE THE RESPONSIBILITY OF THE WINNING BIDDER OF THE BONDS AND OF THE NOTES TO CERTIFY TO THE ISSUER BEFORE DELIVERY OF THE BONDS AND OF THE NOTES AND IN A MANNER SATISFACTORY TO BOND COUNSEL THE PRICES AT WHICH A SUBSTANTIAL AMOUNT OF THE BONDS OF EACH MATURITY AND OF THE NOTES WERE INITIALLY OFFERED AND SOLD TO THE PUBLIC.

#### Documentation to Winning Bidders

The winning bidders will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

#### Certifying/Paying Agent

The Bonds and Notes will be certified by U.S. Bank National Association.

#### Bank Qualification

The Bonds and the Notes **shall NOT** be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Bonds and Notes.

#### Delivery and Payment

The Bonds and Notes will be delivered to DTC or its Agent via “Fast” on or about May 19, 2016. The deposit of the Bonds and Notes with DTC under a book-entry system requires the

assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds and Notes prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds and Notes with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for the purchaser.

#### Deemed Final; Pricing Information

The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder of the Bonds 50 copies, and 15 copies to each winning bidder of the Notes, of the Official Statement prepared at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

#### Continuing Disclosure

The Issuer will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide with respect to the Bonds (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events; and (iii) timely notice of its failure to provide such annual financial information. With respect to the Notes, the Issuer will undertake in a Continuing Disclosure Agreement to provide timely notice of the occurrence of certain material events. The winning bidder's obligation to purchase the Bonds and Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds and Notes, an executed copy of the Continuing Disclosure Agreement.

#### More Information

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated April 28, 2016, may be obtained from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460, (203) 878-4945.

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Mark H. Kaczynski  
Mayor

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Denise M. McNair  
Town Manager

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Nancy L. Lockwood  
Treasurer

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James Wren, Jr.  
Finance Director

April 28, 2016

(See attached for forms of Proposal for Purchase)

PROPOSAL FOR BONDS  
ONLY Electronic Bids via **PARITY**® Accepted

May 5, 2016

Mark H. Kaczynski, Mayor  
Denise M. McNair, Town Manager  
Nancy L. Lockwood, Treasurer  
James Wren, Jr., Finance Director  
Town of Berlin  
c/o Berlin Town Hall  
Office of the Finance Director  
240 Kensington Road  
Berlin, Connecticut 06037

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated April 28, 2016, which Notice is made a part of this proposal, we offer to purchase all \$16,770,000 bonds of the Town of Berlin, Connecticut comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$\_\_\_\_\_, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

| Year of<br>Maturity | Principal<br>Amount | Interest Rate | Year of<br>Maturity | Principal<br>Amount | Interest Rate |
|---------------------|---------------------|---------------|---------------------|---------------------|---------------|
| 2017                | \$1,040,000         | _____%        | 2027                | \$810,000           | _____%        |
| 2018                | \$1,040,000         | _____%        | 2028                | \$805,000           | _____%        |
| 2019                | \$1,035,000         | _____%        | 2029                | \$805,000           | _____%        |
| 2020                | \$1,035,000         | _____%        | 2030                | \$805,000           | _____%        |
| 2021                | \$1,030,000         | _____%        | 2031                | \$690,000           | _____%        |
| 2022                | \$1,030,000         | _____%        | 2032                | \$690,000           | _____%        |
| 2023                | \$1,030,000         | _____%        | 2033                | \$685,000           | _____%        |
| 2024                | \$1,030,000         | _____%        | 2034                | \$685,000           | _____%        |
| 2025                | \$1,030,000         | _____%        | 2035                | \$685,000           | _____%        |
| 2026                | \$810,000           | _____%        |                     |                     |               |

\_\_\_\_\_  
(Name of Bidder)

\_\_\_\_\_  
(Mailing Address)

\_\_\_\_\_  
(Telephone Number)

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$16,770,000 bonds under the foregoing proposal:

|                            |                 |
|----------------------------|-----------------|
| Gross Interest             | \$ _____        |
| Less Premium Bid Over Par  | \$ _____        |
| Net Interest Cost          | \$ _____        |
| Percent True Interest Cost | _____%          |
|                            | (Four Decimals) |

**PROPOSAL FOR NOTES**  
 Sealed Proposals or Electronic Bids via **PARITY®** Accepted

May 5, 2016

Mark H. Kaczynski, Mayor  
 Denise M. McNair, Town Manager  
 Nancy L. Lockwood, Treasurer  
 James Wren, Jr., Finance Director  
 Town of Berlin  
 c/o Berlin Town Hall  
 Office of the Finance Director  
 240 Kensington Road  
 Berlin, Connecticut 06037

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated April 28, 2016, which Notice is made a part of this proposal, we offer to purchase the indicated principal amount of \$900,000 of Town of Berlin, Connecticut General Obligation Bond Anticipation Notes and to pay therefor par and accrued interest, if any, to the date of delivery, and pay the premium specified below, if any (and we provide our computations of net interest cost carried to four decimals and made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal) as follows:

|                      |       |                           |
|----------------------|-------|---------------------------|
| Principal amount     | _____ | _____ %                   |
| Stated interest rate | _____ | Percent Net Interest Cost |
| Premium              | _____ | (Four Decimals)           |

|                      |       |                           |
|----------------------|-------|---------------------------|
| Principal amount     | _____ | _____ %                   |
| Stated interest rate | _____ | Percent Net Interest Cost |
| Premium              | _____ | (Four Decimals)           |

|                      |       |                           |
|----------------------|-------|---------------------------|
| Principal amount     | _____ | _____ %                   |
| Stated interest rate | _____ | Percent Net Interest Cost |
| Premium              | _____ | (Four Decimals)           |

|                      |       |                           |
|----------------------|-------|---------------------------|
| Principal amount     | _____ | _____ %                   |
| Stated interest rate | _____ | Percent Net Interest Cost |
| Premium              | _____ | (Four Decimals)           |

The undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in Federal Funds on the date of the Notes or as soon thereafter (but no later than 30 days thereafter) as such Notes may be prepared and ready for delivery by the Issuer.

\_\_\_\_\_  
 (Name of Bidder)

\_\_\_\_\_  
 (Mailing Address)

\_\_\_\_\_  
 (Telephone Number)

\_\_\_\_\_  
 (Authorized Signature)

\_\_\_\_\_  
 (Facsimile Number)