

Final Official Statement Dated May 4, 2017

NEW MONEY: Book-Entry-Only

RATINGS: S&P Global Ratings "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 **\$4,665,000** **General Obligation Bonds, Issue of 2017** **(Bank Qualified)**

Dated: Date of Delivery

Due: Serially December 1, 2018-2029
as detailed below:

Interest on the Bonds will be payable on December 1, 2017 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
2018	\$ 455,000	4.000%	0.920%	084851WQ3	2024	\$ 450,000	3.000%	1.800%	084851WW0
2019	455,000	4.000%	1.040%	084851WR1	2025	450,000	2.000%	2.000%	084851WX8
2020	455,000	2.000%	1.180%	084851WS9	2026*	445,000	2.125%	2.100%	084851WY6
2021	450,000	2.250%	1.340%	084851WT7	2027*	445,000	2.250%	2.200%	084851WZ3
2022	450,000	3.000%	1.490%	084851WU4	2028	80,000	2.500%	2.500%	084851XA7
2023	450,000	2.500%	1.630%	084851WV2	2029	80,000	2.750%	2.750%	084851XB5

* Priced assuming redemption on December 1, 2024; however, any such redemption is at the option of the Town.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

\$1,455,000 **General Obligation Bond Anticipation Notes** **(Bank Qualified)**

Dated: May 18, 2017
Rate: 1.50%
Yield: 0.93%

Due: September 19, 2017
CUSIP: 084851XC3
Underwriter: Piper Jaffray & Co.

The Notes will be issued in book-entry-only form and will be registered in the name of Cede & Co., as noteholder 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, 23rd 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 18, 2017.

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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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.

<i>Date of Sale:</i>	Thursday, May 4, 2017 at 11:30 A.M. (E.D.T.).
<i>Location of Sale:</i>	Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, CT 06037.
<i>Issuer:</i>	Town of Berlin, Connecticut (the "Town").
<i>Issue:</i>	\$4,665,000 General Obligation Bonds, Issue of 2017 (the "Bonds").
<i>Dated Date:</i>	May 18, 2017.
<i>Interest Due:</i>	December 1, 2017 and semiannually thereafter on June 1 and December 1, in each year until maturity.
<i>Principal Due:</i>	Principal due serially December 1, 2018 through December 1, 2029.
<i>Purpose:</i>	The Bond proceeds will be used to fund various general purpose and school capital projects. See "Authorization and Purpose" herein.
<i>Redemption:</i>	The Bonds are subject to redemption prior to maturity.
<i>Security:</i>	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.
<i>Credit Rating:</i>	The Bonds received a rating of "AA+" from S&P Global Ratings.
<i>Bond Insurance:</i>	The Town does not expect to direct purchase a credit enhancement facility.
<i>Tax Exemption:</i>	See Appendix B-1: Form of Opinion of Bond Counsel and Tax Exemption – The Bonds.
<i>Bank Qualification:</i>	The Bonds <u>shall be</u> 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.
<i>Continuing Disclosure:</i>	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 certain listed 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.
<i>Registrar, Transfer Agent, Certifying Agent and Paying Agent:</i>	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
<i>Municipal Advisor:</i>	Phoenix Advisors, LLC, of Milford, Connecticut will act as Municipal Advisor. Telephone: (203) 878-4945.
<i>Legal Opinion:</i>	Joseph Fasi LLC, of Hartford, Connecticut will act as Bond Counsel.
<i>Delivery and Payment:</i>	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 18, 2017. Delivery of the Bonds will be made against payment in Federal Funds.
<i>Issuer Official:</i>	Questions concerning the Official Statement should be addressed to Mr. Kevin J. Delaney, 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.

Date of Sale:	Thursday, May 4, 2017 at 11:00 A.M. (E.D.T.).
Location of Sale:	Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, CT 06037.
Issuer:	Town of Berlin, Connecticut (the "Town").
Issue:	\$1,455,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	May 18, 2017.
Principal and Interest Due:	At maturity.
Purpose:	The Note proceeds will be used to finance various general purpose and school projects.
Redemption:	The Notes are NOT subject to redemption prior to maturity.
Security:	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.
Credit Rating:	The Notes received a rating of "SP-1+" from S&P Global Ratings.
Bond Insurance:	The Town does not expect to direct purchase a credit enhancement facility.
Tax Exemption:	See Appendix B-2: Form of Opinion of Bond Counsel and Tax Exemption – The Notes.
Bank Qualification:	The Notes <u>shall be</u> 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.
Continuing Disclosure:	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 certain listed 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.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC, of Milford, Connecticut will act as Municipal Advisor. Telephone: (203) 878-4945.
Legal Opinion:	Joseph Fasi LLC, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	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 18, 2017. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Mr. Kevin J. Delaney, 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 \$4,665,000 General Obligation Bonds, Issue of 2017 (the "Bonds") and \$1,455,000 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 27, 2017 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 2016 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 it has 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.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Municipal Advisor to the Town with respect to the issuance of the Bonds and the Notes (the "Municipal Advisor"). The Municipal 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 Municipal 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 18, 2017 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, 2017. 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, 2024 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2025 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after December 1, 2024, 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:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
December 1, 2024 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 18, 2017 and will be due and payable as to both principal and interest at maturity, September 19, 2017. 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.

<i>Project</i>	<i>Amount Authorized</i>	<i>Notes Due: 5/18/2017</i>	<i>New Money/ (Paydowns)</i>	<i>This Issue</i>	
				<i>The Notes:</i>	<i>Bonds:</i>
SCBA Equipment - Fire Dept.....	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ 500,000
Police Radio Station Replacement.....	1,800,000	-	1,600,000	-	1,600,000
Road Improvement (2017)	4,000,000	-	1,050,000	-	1,050,000
Emergency Preparedness.....	800,000	420,000	-	420,000	-
Sidewalks and Bridges (2012).....	300,000	200,000	-	200,000	-
Bridge Improvements (2013).....	400,000	100,000	-	100,000	-
Bridge Improvements (2016).....	1,000,000	-	1,000,000	-	1,000,000
Berlin HS Generator.....	350,000	350,000	-	350,000	-
Berlin HS Tennis/BB Courts.....	550,000	385,000	-	385,000	-
Hubbard School Roof.....	1,300,000	-	515,000	-	515,000
Total	\$ 11,000,000	\$ 1,455,000	\$ 4,665,000	\$ 1,455,000	\$ 4,665,000

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.

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 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. In the last five years, the Town has not failed to comply, in any material respect, with its undertakings under such agreements.

Ratings

The Town received a rating of “AA+” and “SP-1+” from S&P Global Ratings (“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.

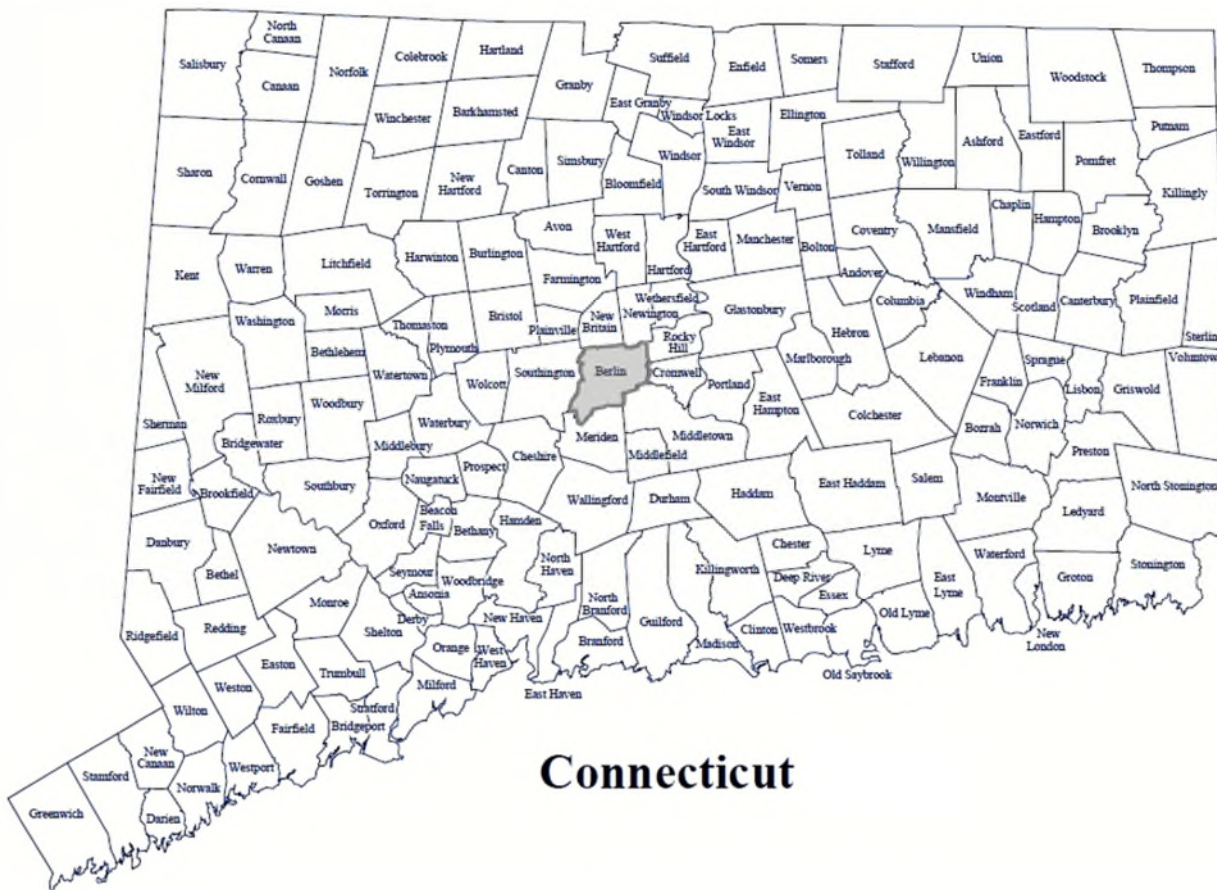
The ratings reflect only the views of the S&P and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an adverse 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 and Cromwell, and the City of 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 on November 4, 1973 and most recently amended on November 8, 2016, the Town Council acts as the legislative body. 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. As part of the charter revisions approved by voters on November 8, 2016, effective with the November 2017 election the Town Council will consist of six members and the Mayor will be elected by the voters of Berlin.

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, the Kensington and Worthington Fire Districts, the Water Control Commission, the Mattabassett District and the Police Department.

Currently, the Town Council is the budget-making authority of the Town 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. As part of the charter revisions approved by voters on November 8, 2016, a Board of Finance will be formed after the November 2017 election. Once formed, the Board of Finance will have financial and budgetary responsibility.

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 the purchase of apparatus, supplies or property necessary for the Police Department. The Board prepared 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

Office	Name	Manner of Selection	Term	Date Of Hire
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.....	Jeffrey M. Donofrio	Appointed	November-2017	06/01/16
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.....	Kevin J. Delaney	Appointed	Indefinite	10/11/17
Library Director.....	Helen Malinka	Appointed	Indefinite	09/27/10
Public Works Director.....	Jack R. Healy ¹	Appointed	Indefinite	11/03/15
Revenue Collector.....	Vacant	Appointed	Indefinite	
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
Interim Town Manager.....	Jack R. Healy ¹	Appointed	April-2017	11/03/15
Development Services Director.....	Hellyn Riggins	Appointed	Indefinite	03/03/03
Purchasing Agent.....	Vacant	Appointed	Indefinite	
Treasurer.....	Nancy L. Lockwood	Appointed	Indefinite	11/15/89
Community, Parks & Recreation Director....	Jennifer Ochoa	Appointed	Indefinite	07/22/16

¹ Jack R. Healy is the Public Works Director and Interim Town Manager. Mr. Healy was Temporary Town Manager for 90 days and effective May 2, 2017, he was appointed Interim Town Manager.

Source: Town of Berlin

Town Council Members

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

¹ Ms. Rachel J. Rochette was previously Mayor for one term.

² 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 86 volunteers and 20 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 Chiefs 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 55% of the water needs of the Water Control Commission, and the Water Control Commission supplies Worthington Fire District with 100% of their water needs. The remaining 45% of the Water Control Commission water needs are 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 and the Cities of Middletown, and New Britain, and portions of the Metropolitan District Commission. Berlin pays the District annually July 1st 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 municipality fails to pay its annual assessment, the District may levy, collect and enforce payment from individual

District facility users in such municipality. 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–Mattabassett District” and “Overlapping Debt” herein.

Subsequent to a comprehensive 1999 study, the Mattabassett 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 its member communities. The project has recently been completed. Total construction costs were 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 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 Mattabassett 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 Mattabassett 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 2,255 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 112,000 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 City of Bristol and the Towns of Berlin, Branford, Burlington, Hartland, Morris, Plainville, Plymouth, Prospect, Seymour, Southington, Warren, Washington, and Wolcott (14 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 Eversource. The facility has a net output of 16.2 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 of \$61.05 per ton of refuse (effective June 30, 2016) and is required to deliver up to its minimum commitment of 5,113 tons for the current fiscal year. 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 which 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 a 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

<i>School</i>	<i>Date of Construction (Additions, Remodeling)</i>	<i>Type of Construction</i>
Town Hall Complex.....	1975 (1995, 2016) ¹	Masonry
Berlin–Peck Memorial Library/Community Center...	1988 (2000, 2016) ²	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

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

² 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 educational 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, 2016 was 2,792. The rated capacity of the system facilities is 3,769.

School Enrollment

School Year	Historical				Total
	Pre-K	K-5	6 - 8	9 - 12	
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
2015-2016	57	1,181	672	953	2,863
2016-2017	60	1,126	714	892	2,792
School Year	Projected				Total
	Pre-K	K-5	K - 8	9 - 12	
2017-2018	60	1,129	648	896	2,733
2018-2019	60	1,119	652	873	2,704
2019-2020	60	1,108	597	885	2,650

Source: Town of Berlin, Board of Education

School Facilities

School	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2016 Enrollment	Rated Capacity
Hubbard School	Pre-K-5	1965 (1993)	12	213	325
Willard School	K-5	1955 (2013)	23	482	720
Griswold School	K-5	1963 (1992)	26	491	600
Catherine McGee School ...	6-8	1969 (2010)	58	714	924
Berlin High School	9-12	1953 (2013-2016)	68	892	1,200
Total.....			187	2,792	3,769

Source: Town of Berlin, Board of Education

Employee Relations and Collective Bargaining

Municipal Employees¹

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

	2017	2016	2015	2014	2013
General Government.....	189	183	184	181	181
Board of Education.....	458	448	449	445	445
Water Control Commission.....	6	6	5	5	5
Total.....	653	637	638	631	631

¹ Full-time equivalent.

Source: Town of Berlin

Employee Relations

Employees	Board of Education Groups	Positions Covered	Current Contract Expiration Date
Administrators.....	Association of Berlin Administrators	16	6/30/2018
Teachers.....	Berlin Education Association – Local Chapter of Connecticut Education Association	281	6/30/2019
Custodians.....	Berlin Custodial Employees, Local 222	22	6/30/2017
Head Custodians	Berlin Association of Head Custodians	5	6/30/2017
Clerical.....	Berlin Clerical Employees, Local 1278	20	6/30/2019
Cafeteria.....	Berlin Cafeteria Employees, Local 424	12	6/30/2017
Cook Managers.....	Berlin Cook Managers, Local 424	5	6/30/2017
Aides.....	Berlin Aides Employees, Local 1303-276	97	6/30/2018
Total Unionized Board of Education Employees.....		458	
General Government			
Police.....	Fraternal Order of Police Lodge 056	40	6/30/2015 ¹
Highway, Garage, Park, Water & Sewer, Golf Course, Building Maintenance.....	Connecticut Independent Labor Union	50	6/30/2018
Clerical.....	Connecticut Independent Labor Union	36	6/30/2017
Nursing.....	Connecticut Health Care Associates	22	6/30/2018
Supervisors.....	Berlin Middle Management Association	41	6/30/2019
Total Unionized General Government Employees.....		189	
Non-Union. (Town and Board of Education).....		42	
Total Union/Non-Union Employees.....		231	

¹ 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 Section 7-131b of the Connecticut General Statutes.

There are over 100 industrial firms, producing a wide range of products, located in the Town. Among the Town's largest taxpayers are Eversource and its subsidiaries (Connecticut Light & Power Company and Yankee Gas), Corbin Russwin, Cedar Brickyard, TOMZ Corporation, B & F Machine, Connecticut Natural Gas, Stonebridge Berlin Associates, Legion Square Associates, Berlin Commerce Park and Orchard Ridge Associates.

Major Economic Initiatives

Recently completed public projects in Berlin's Commercial Core Area include streetscape improvements on Main Street, two phases of Berlin Veterans' Memorial Park, the restoration of Deming Park through a private donation as well as numerous private development projects. Additional Core Area projects in the construction phase include the \$20+ million revitalization of the AMTRAK station, expansion of the Station parking lot and construction of an "up and over" structure to access the new 2nd track and private property façade improvements. Additional grants have been secured for more streetscape improvements, to construct missing links in the Kensington Center area sidewalk network and to continue to provide matching grants to support private façade improvements. The conversion of the vacant former Sherwood Tool complex into 71 non-age-restricted condominiums is complete and all units have sold.

In addition, the Town has undertaken several major capital projects including an \$84.5 million project to renovate Berlin High School as new. This project was approved at referendum in March 2011 and is nearing completion. Also, the Town acquired the former Kensington Furniture property in order to relocate the police station to a more central location in Town. The Town Council has decided not to start the Police Station project at this time because of the increased debt that is being incurred for the High School project. Demolition of existing structures on the Kensington Furniture site has been completed and the site is ready for redevelopment.

Several other projects that have recently been undertaken include major roadway improvements (the third phase of which is underway); upgrades to building security; and a multi-year initiative to repair town bridges and sidewalks. All school roofs have been redone over the past several years and the last one was completed in FY17. During FY14, the Public Works Department procured a Facility Condition Assessment Report outlining the conditions of major town buildings including schools. Projects in this report continue to be prioritized and built into capital improvement budgets.

A \$3 million inflow and infiltration project has been completed. This project will abate a portion of infiltration and inflow (i.e. clean water) flowing from the Town to the Mattabassett District. This project is funded through a 2% twenty-year loan from the State of Connecticut Department of Energy and Environmental Protection's Clean Water Fund.

On February 12, 2016, the Town entered into a \$10.4 million, twenty-year capital lease with Banc of America Public Capital Corp. to fund a multi-faceted energy saving program. The program includes the purchase of more than 2,500 street lights and conversion to Light Emitting Diode (LED) lighting to reduce energy consumption. During 2016-17, four schools will be equipped with solar panels delivering a cost savings and providing excess energy which the Town has contracted to sell to Eversource at negotiated rates. The project will be completed early in calendar year-end 2017, and the first lease payment was made on December 12, 2016. In the early years of the lease, the projected savings will be applied toward lease payments. Longer-term the Town is expected to realize cost savings beyond the required lease payments.

Finally, the Mattabassett District (which currently provides sewer treatment services for Berlin, Cromwell, Middletown and New Britain) completed a major upgrade for nitrogen removal, increased capacity to accommodate 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 was complete as of June 30, 2016. The project was funded by a combination of grants and a 2% 20-year Clean Water Fund loan. As of June 20, 2016, the district had \$73.5 million in Clean Water Fund debt outstanding. The cost of the project will be borne by sewer fee increases spread across the member towns. The Town's share of project cost is equal to its percentage of future plant reserved capacity, currently estimated to be 14.35%. This percentage is factored into the Town's assessment and is subject to change.

In summary, Berlin continues to be an attractive location for a diverse mix of projects including office, industrial, commercial and age restricted residential developments. 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 ¹	% Increase (Decrease)	Density ²
2015 ³	20,486	3.1%	758.7
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

¹ 1970-2010, U.S. Department of Commerce, Bureau of Census

² Per square mile: 27.0 square miles

³ American Community Survey 2011-2015

Age Distribution of the Population

Age	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	942	4.6%	191,445	5.4%
5 to 9 years	1,152	5.6	214,983	6.0
10 to 14 years	1,336	6.5	231,075	6.5
15 to 19 years	1,132	5.5	255,286	7.1
20 to 24 years	998	4.9	237,578	6.6
25 to 34 years	1,848	9.0	436,678	12.2
35 to 44 years	2,272	11.1	448,840	12.6
45 to 54 years	3,864	18.9	556,454	15.6
55 to 59 years	1,481	7.2	259,565	7.3
60 to 64 years	1,501	7.3	219,040	6.1
65 to 74 years	2,127	10.4	291,955	8.2
75 to 84 years	1,299	6.3	162,332	4.5
85 years and over	534	2.6	87,991	2.5
Total.....	20,486	100.0%	3,574,097	100.0%
Median Age (Years) 2015.....	46.3		40.4	
Median Age (Years) 2010. ¹	45.5		40.0	

¹ U.S. Department of Commerce, Bureau of Census, 2010.

Source: American Community Survey 2011-2015

Income Distribution

	Town of Berlin		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	63	1.1%	30,926	3.5%
\$10,000 to \$14,999.....	65	1.1	18,063	2.0
\$15,000 to \$24,999.....	199	3.5	46,085	5.1
\$25,000 to \$34,999.....	298	5.2	55,715	6.2
\$35,000 to \$49,999.....	471	8.2	83,173	9.3
\$50,000 to \$74,999.....	578	10.1	139,724	15.6
\$75,000 to \$99,999.....	786	13.7	126,557	14.1
\$100,000 to \$149,999...	1,695	29.5	183,030	20.4
\$150,000 to \$199,999...	831	14.5	94,575	10.6
\$200,000 or more.....	752	13.1	117,791	13.2
Total.....	5,738	100.0%	895,639	100.0%

Source: American Community Survey 2011-2015

Income Levels

	Town of Berlin	State of Connecticut
Per Capita Income, 2015.....	\$40,865	\$38,803
Median Family Income, 2015.....	\$108,595	\$89,031
Median Household Income, 2015.....	\$87,810	\$70,331

Source: American Community Survey 2011-2015

Educational Attainment Years of School Completed Age 25 and Over

	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	463	4.2%	105,725	4.4%
9th to 12th grade, no diploma.....	570	5.8	144,132	6.1
High School graduate (includes equivalency).....	4,159	26.7	673,973	27.5
Some college, no degree.....	2,701	18.1	430,129	17.8
Associate degree.....	1,272	8.7	183,289	7.4
Bachelor's degree.....	3,711	20.3	516,001	20.5
Graduate or professional degree.....	2,050	16.3	409,606	16.4
Total.....	14,926	100.0%	2,462,855	100.0%
Percent high school graduate or higher.....		93.1%		89.9%
Percent bachelor's degree or higher.....		38.6%		37.6%

Source: American Community Survey 2011-2015

Major Employers As of March 2017

Employer	Type of Business	Approximate Number of Employees
Eversource.....	Utility	1,231
Town of Berlin.....	Municipal Government	677
Comcast Cable Systems.....	Cable TV	497
Assa Abloy.....	Locks and Security Devices	422
Parker Hanafin.....	Solenoid Valves	232
B & F Machine.....	Precision Machining	216
Budney Industries.....	Aerospace Parts	164
TOMZ Corporation.....	Medical and Aerospace Parts	141
The Home Depot.....	Retail	140
Stop and Shop.....	Retail	137

Source: Town of Berlin Economic Development.

Employment by Industry
Employed Persons 16 Years and Over

Sector	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	28	0.3%	7,214	0.4%
Construction.....	635	5.9	100,593	5.6
Manufacturing.....	1,077	10.0	191,286	10.7
Wholesale trade.....	507	4.7	44,581	2.5
Retail trade.....	1,164	10.8	193,799	10.9
Transportation warehousing, and utilities....	562	5.2	66,850	3.8
Information.....	189	1.8	41,486	2.3
Finance, insurance, real estate, and leasing..	1,179	10.9	163,822	9.2
Professional, scientific, management, administrative, and waste management.....	1,005	9.3	199,942	11.2
Education, health and social services.....	2,839	26.3	471,587	26.5
Arts, entertainment, recreation, accommodation and food services.....	537	5.0	153,516	8.6
Other services (except public admin.).....	468	4.3	79,998	4.5
Public Administration.....	594	5.5	66,743	3.7
Total Labor Force, Employed.....	10,784	100.0%	1,781,417	100.0%

Source: American Community Survey 2011-2015

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.

Period	Town of Berlin		Percentage Unemployed		
	Employed	Unemployed	Town of Berlin	Hartford Labor Market	State of Connecticut
March 2017.....	11,380	477	4.0	5.1	5.1
Annual Average					
2016.....	11,221	504	4.3	5.3	5.3
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

Source: Department of Labor, State of Connecticut

Age Distribution of Housing

Year Built	Town of Berlin		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	1,329	15.9%	331,829	22.2%
1940 to 1969.....	2,736	32.8	536,501	36.0
1970 to 1979.....	1,113	13.4	199,447	13.4
1980 to 1989.....	1,007	12.1	193,595	13.0
1990 to 1999.....	976	11.7	115,076	7.7
2000 or 2009.....	1,064	12.8	103,911	7.0
2010 or later.....	108	1.3	11,427	0.8
Total Housing Units.....	8,333	100.0%	1,491,786	100.0%

Source: American Community Survey 2011-2015

Commute to Work

	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Drove alone.....	9,290	87.0%	1,369,767	78.3%
Car Pools.....	492	4.6	143,588	8.2
Using Public Transportation.....	196	1.8	84,597	4.8
Walked.....	172	1.6	53,146	3.0
Other Means.....	120	1.1	20,584	1.2
Worked at Home.....	406	3.8	76,670	4.4
Total.....	10,676	100.0%	1,748,352	100.0%

Mean Travel to Work (minutes)..... 22.1 25.4

Source: American Community Survey 2011-2015

Housing Inventory

Housing Units	Town of Berlin		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	6,309	75.7%	882,941	59.2%
1-unit, attached.....	235	2.8	80,636	5.4
2 units.....	713	8.6	121,410	8.1
3 or 4 units.....	242	2.9	132,512	8.9
5 to 9 units.....	311	3.7	82,727	5.5
10 to 19 units.....	133	1.6	55,826	3.7
20 or more units.....	339	4.1	123,561	8.3
Mobile home.....	51	0.6	11,898	0.8
Boat, RV, van, etc.....	-	-	275	0.0
Total Inventory.....	8,333	100.0%	1,491,786	100.0%

Source: American Community Survey 2011-2015

Housing Vacancy Rates

Housing Units	Town of Berlin		State of Connecticut	
	Units	Percent	Units	Percent
Occupied housing units	7,911	94.9%	1,352,583	90.7%
Vacant housing units	422	5.1%	139,203	9.3%
Total units	8,333	100.0%	1,491,786	100.0%
Homeowner vacancy rate	—	1.2	—	1.8
Rental vacancy rate	—	3.6	—	6.8

Source: American Community Survey 2011-2015

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	229	3.4%	24,620	2.7%
\$50,000 to \$99,999.....	13	0.2	28,771	3.2
\$100,000 to \$149,999.....	147	2.2	78,066	8.6
\$150,000 to \$199,999.....	561	8.4	140,544	15.5
\$200,000 to \$299,999.....	2,783	41.5	251,106	27.7
\$300,000 to \$499,999.....	2,539	37.9	235,670	26.0
\$500,000 to \$999,999.....	421	6.3	106,965	11.8
\$1,000,000 or more.....	9	0.1	40,485	4.5
Total	6,702	100.0%	906,227	100.0%
Median Value	\$287,600		\$270,500	

Source: American Community Survey 2011-2015

Number and Size of Households

Household Characteristics	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Persons in households	20,409	—	3,475,053	—
Persons per household (average)	2.58	—	2.57	—
Persons per family (average)	3.10	—	3.17	—
Family households	5,738	72.5%	895,639	66.2%
Non-family households	2,173	27.5%	456,944	33.8%
All households	7,911	100.0%	1,352,583	100.0%
Family households by type				
Married couple	4,921	85.8%	661,596	73.9%
Female householders, no spouse ...	597	10.4%	175,228	19.6%
Other	220	3.8%	58,815	6.6%
Total family households	5,738	100.0%	895,639	100.0%
Non-family households by type				
Householders living alone	1,909	87.9%	378,145	82.8%
Other	264	12.1%	78,799	17.2%
Total non-family households	2,173	100.0%	456,944	100.0%

Source: American Community Survey 2011-2015

Building Permits

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

Fiscal Year	Residential		Comm./Industrial		Total	
	No.	Value	No.	Value	No.	Value
2017 ¹	805	\$17,403,946	24	\$ 3,854,184	829	\$21,258,130
2016	1,465	19,617,671	96	5,502,097	1,561	25,119,768
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

¹ Represents July 1, 2016 through March 31, 2017.

Source: Town of Berlin, Building Official

Land Use Breakdown

Land Use Category	Total Area		Developed		Undeveloped	
	Acres	Percent	Acres	Percent	Acres	Percent
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%
Total.....	17,600	100.0%	14,500	100.0%	3,100	100.0%

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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, 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 Town's 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 the 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.

Public Act No. 16-3 (the "Act") allows municipalities to tax motor vehicles at a different rate than other taxable property but caps the motor vehicle tax rate at (1) 37.00 mills for the 2015 assessment year and (2) 32.00 mills for the 2016 assessment year and thereafter. Public Act No. 16-3 also diverts a portion of state collected sales tax revenue to provide funding to municipalities to fully reimburse the revenue loss attributed to the motor vehicle property tax cap.

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 liened 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:

Grand List As Of 10/1	Real Property (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List (000's)	Exemptions, Veterans Relief and Disabled (000's)	Net Taxable Grand List (000's)	Percent Growth
2016	82.8	8.5	8.7	\$ 2,307,691	\$ 94,434	\$ 2,213,256	0.9%
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 ¹	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 ¹	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	-

¹ Revaluation.

Source: Town of Berlin, Assessor's Office.

Exempt Property

Public	Assessed Value ¹
Regular Veterans.....	\$ 2,148,380
Additional Veterans.....	304,380
Additional Veterans (1/2).....	614,470
100% Disabled and Blind.....	172,000
Local Option Veterans (non-reimbursed).....	579,000
Public buildings/property.....	-
Sub-Total Public.....	\$ 3,818,230
Private	
Agricultural or Horticultural.....	\$ -
Manufacturing machinery.....	76,515,550
Enterprise zone.....	-
Miscellaneous.....	-
Sub-Total Private.....	76,515,550
Total Exempt Property.....	\$ 80,333,780
Percent Compared to Net Taxable Grand List...	3.6%

¹ Based on the Net Taxable Grand List of October 1, 2016 of \$2,213,256,445.

Source: Town of Berlin, Assessor's Office

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List (000's)	Mill Rate	Adjusted Annual Levy (000's)	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/2016
2015	2017	\$ 2,192,605	30.81	\$ 68,276		<i>In Collection</i>	
2014	2016	2,177,155	30.35	66,620	99.1%	0.9%	0.9%
2013	2015	2,186,129	28.92	63,641	98.9%	1.1%	0.4%
2012 ¹	2014	2,155,898	28.77	60,927	98.9%	1.1%	0.2%
2011	2013	2,350,588	25.15	59,324	98.7%	1.3%	0.2%
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 ¹	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%

¹ 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:

Name of Taxpayer	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Rocky River Realty Company.....	Utility	\$ 190,603,920	8.61%
Corbin Russwin.....	Hardware	31,082,670	1.40%
Cedar Brickyard LLC.....	Shopping center	19,803,350	0.89%
Tomz Corporation.....	Medical/aerospace parts	11,890,910	0.54%
B & F Machine Inc.....	Manufacturer	10,759,510	0.49%
Connecticut Natural Gas Corp.....	Utility	11,141,000	0.50%
Stonebridge Berlin Associates.....	Apartments	8,663,300	0.39%
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%
Total.....		\$ 301,657,760	13.63%

¹ Based on the Net Taxable Grand List of October 1, 2016 of \$2,213,256,445.

Source: Town of Berlin, Assessor's Office.

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V. Debt Summary
Principal Amount of Indebtedness
As of May 18, 2017
(Pro Forma)

Long-Term Debt:

<i>Date</i>	<i>Purpose</i>	<i>Interest Rate %</i>	<i>Original Issue</i>	<i>Amount Outstanding¹</i>	<i>Fiscal Year of Maturity</i>
2011	General Purpose.....	3.00–5.00	\$ 8,440,000	\$ 3,353,644	2021
2011	Schools.....	3.00–5.00	8,170,000	3,246,356	2021
2013	General Purpose.....	2.25–4.00	2,480,000	2,140,000	2033
2013	Schools.....	2.25–4.00	6,015,000	5,335,000	2033
2014	General Purpose.....	3.00–5.00	1,855,000	1,585,000	2034
2014	Schools.....	3.00–5.00	16,500,000	14,750,000	2034
2015	Sewers - CWF 212-CSL.....	2.00	2,236,514	1,947,631	2035
2015	General Purpose.....	2.00–4.00	720,000	680,000	2035
2015	Schools.....	2.00–4.00	13,000,000	12,315,000	2035
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
2016	General Purpose Refunding.....	2.00–5.00	5,676,000	5,418,000	2026
2016	Schools Refunding.....	2.00–5.00	5,244,000	4,672,000	2026
Total Outstanding Bonded Debt.....			\$ 87,106,514	\$ 72,212,631	
This Issue					
2017	General Purpose.....	2.00–4.00	\$ 4,150,000	\$ 4,150,000	2030
2017	Schools.....	2.00–4.00	515,000	515,000	2030
Total This Issue.....			\$ 4,665,000	\$ 4,665,000	
Grand Total.....			\$ 91,771,514	\$ 76,877,631	

¹ Excludes bonds refunded or defeased.

Short-Term Debt
As of May 18, 2017
(Pro Forma)

<i>Project</i>	<i>Amount Authorized</i>	<i>The Notes: Due 9/19/17</i>
Emergency Preparedness.....	\$ 800,000	\$ 420,000
Sidewalks and Bridges (2012).....	300,000	200,000
Bridge Improvements (2013).....	400,000	100,000
Berlin HS Generator.....	350,000	350,000
Berlin HS Tennis/BB Courts.....	550,000	385,000
Total	\$ 2,400,000	\$ 1,455,000

Annual Bonded Debt Maturity Schedule
As of May 18, 2017
(Pro Forma)

<i>Fiscal Year Ended 6/30</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total Debt Service</i>	<i>This Issue</i>			<i>Total Principal</i>	<i>Cumulative Principal Retired %</i>
				<i>General Purpose</i>	<i>Schools</i>	<i>Total</i>		
2017 ¹	\$ 1,303,638	\$ 1,051,830	\$ 2,355,467	\$ -	\$ -	\$ -	\$ 1,303,638	1.70%
2018	5,456,826	2,373,786	7,830,612	-	-	-	5,456,826	8.79%
2019	5,521,826	2,158,925	7,680,750	400,000	55,000	455,000	5,976,826	16.57%
2020	5,556,826	1,924,887	7,481,712	400,000	55,000	455,000	6,011,826	24.39%
2021	5,066,826	1,702,327	6,769,152	400,000	55,000	455,000	5,521,826	31.57%
2022	4,821,826	1,465,715	6,287,541	400,000	50,000	450,000	5,271,826	38.43%
2023	4,861,826	1,261,854	6,123,679	400,000	50,000	450,000	5,311,826	45.34%
2024	4,901,826	1,078,839	5,980,664	400,000	50,000	450,000	5,351,826	52.30%
2025	4,926,826	936,043	5,862,869	400,000	50,000	450,000	5,376,826	59.29%
2026	4,701,826	795,260	5,497,085	400,000	50,000	450,000	5,151,826	65.99%
2027	3,141,826	679,289	3,821,114	395,000	50,000	445,000	3,586,826	70.66%
2028	3,131,826	595,572	3,727,398	395,000	50,000	445,000	3,576,826	75.31%
2029	3,016,826	512,616	3,529,441	80,000	-	80,000	3,096,826	79.34%
2030	2,886,826	432,223	3,319,049	80,000	-	80,000	2,966,826	83.20%
2031	2,886,826	351,280	3,238,106	-	-	-	2,886,826	86.96%
2032	2,771,826	268,021	3,039,847	-	-	-	2,771,826	90.56%
2033	2,766,826	183,126	2,949,952	-	-	-	2,766,826	94.16%
2034	2,376,826	102,599	2,479,424	-	-	-	2,376,826	97.25%
2035	1,427,956	42,537	1,470,493	-	-	-	1,427,956	99.11%
2036	685,000	10,275	695,275	-	-	-	685,000	100.00%
2037	-	-	-	-	-	-	-	100.00%
Total.....	\$ 72,212,631	\$ 17,927,000	\$ 90,139,632	\$ 4,150,000	\$ 515,000	\$ 4,665,000	\$ 76,877,631	

¹ Excludes refunded bonds and principal payments of \$3,168,188 and interest payments of \$1,384,484 made between July 1, 2016 and May 18, 2017.

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, 2016, the District currently has approximately \$73,509,000 debt outstanding to finance its sewage treatment plant expansion and upgrade (the "Project") consisting of an Interim Funding Obligation of approximately \$70,988,212 and a Project Loan Obligation of approximately \$2,520,787. 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 18, 2017

Berlin's Percent of Overlapping Debt	14.35%
Berlin's Share of Overlapping Debt (6/30/16)	\$10,548,542

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, 2016, the Kensington Fire District had \$727,519 and the Worthington Fire District had \$408,761 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 18, 2017 (Pro Forma)

Long-Term Debt Outstanding: ¹

General Purpose (Includes this issue).....	\$ 20,946,644
Schools (Includes this issue).....	53,983,356
Sewers.....	1,947,631
Total Long-Term Debt.....	76,877,631
Short-Term Debt (Notes due 9/19/17).....	1,455,000
Direct Debt.....	78,332,631
Overlapping Debt - Mattabassett District.....²	10,548,542
Underlying Debt - Fire Districts	1,136,280
Total Overall Debt.....	90,017,453
Less: School Construction Grants Receivable (As of June 30, 2016)	-
Total Overall Net Debt.....	\$ 90,017,453

¹ Excludes a \$10.3 million guaranteed energy savings performance contract and lease financing. See "Energy Efficiency Projects" herein.

² See Overlapping Debt.

Current Debt Ratios As of May 18, 2017 (Pro Forma)

Population (2015) ¹	20,486
Net Taxable Grand List (10/1/16)	\$2,213,256,445
Estimated Full Value (70%).....	\$3,161,794,921
Equalized Grand List (10/1/14) ²	\$3,116,476,402
Money Income per Capita (2015) ¹	\$40,865

	Total Overall Debt	Total Overall Net Debt
Per Capita.....	\$4,394.10	\$4,394.10
Ratio to Net Taxable Grand List.....	4.07%	4.07%
Ratio to Estimated Full Value.....	2.85%	2.85%
Ratio to Equalized Grand List.....	2.89%	2.89%
Debt per Capita to Money Income per Capita (2015)....	10.75%	10.75%

¹ American Community Survey 2011-2015

² 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.

The Connecticut General Statutes authorize the issuance of refunding bonds upon the approval of the elected legislative body, Berlin's Town Council, where the refunding results in net present value savings.

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 year 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 18, 2017
(Pro Forma)

Total Tax Collections (including tax district collections, interest and lien fees)	
received by the Treasurer for the year ended June 30, 2016.....	\$ 68,052,401
Reimbursement For Revenue Loss (Tax relief for elderly).....	111,121
Base for Debt Limitation Computation.....	\$ 68,163,522

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 153,367,925	\$ -	\$ -	\$ -	\$ -
4 1/2 times base.....	-	306,735,849	-	-	-
3 3/4 times base.....	-	-	255,613,208	-	-
3 1/4 times base.....	-	-	-	221,531,447	-
3 times base.....	-	-	-	-	204,490,566
Total Debt Limitation.....	\$ 153,367,925	\$ 306,735,849	\$ 255,613,208	\$ 221,531,447	\$ 204,490,566

Indebtedness: ³					
Bonds Outstanding	\$ 16,796,644	\$ 53,468,356	\$ 1,947,631 ¹	\$ -	\$ -
Bonds – This Issue.....	4,150,000	515,000	-	-	-
Notes – This Issue.....	720,000	735,000	-	-	-
Overlapping/Underlying Debt.....	1,136,280	-	10,548,542 ²	-	-
Debt Authorized But Unissued.....	7,001,443	2,509,188 ⁴	-	-	-
Total Net Indebtedness.....	29,804,367	57,227,544	12,496,173	-	-

DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS.....	\$ 123,563,558	\$ 249,508,305	\$ 243,117,035	\$ 221,531,447	\$ 204,490,566
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¹ Includes Clean Water Fund Project Loan Obligation.

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

³ Excludes a \$10.3 million guaranteed energy savings performance contract and lease financing. See "Energy Efficiency Projects" herein.

⁴ Takes into account \$3.787 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 \$477,144,654

Authorized but Unissued Debt
As of May 18, 2017
(Pro Forma)

Project	Amount Authorized	Previously Bonded/ CWF Loan	Appropriations, Transfers & Grants Received	Notes Due: 5/18/2017	Expected Grants	This Issue:		Authorized But Unissued Debt
						The Notes: Due 9/19/17	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
SCBA Equipment - Fire Dept.....	500,000	-	-	-	-	-	500,000	-
Police Radio Station Replacement.....	1,800,000	-	-	-	-	-	1,600,000	200,000
Road Improvement (2017)	4,000,000	-	-	-	-	-	1,050,000	2,950,000
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
Police Station.....	2,000,000	990,000	21,557	-	-	-	-	988,443
Emergency Preparedness.....	800,000	-	380,000	420,000	-	420,000	-	-
Sidewalks and Bridges (2012).....	300,000	-	100,000	200,000	-	200,000	-	-
High School Renovations.....	84,950,000	47,000,000	32,698,644	-	3,600,000	-	-	1,651,356
Bridge Improvements (2013).....	400,000	-	300,000	100,000	-	100,000	-	-
Bridge Improvements (2016).....	1,000,000	-	-	-	-	-	1,000,000	-
Griswold Roof Replacement.....	1,530,000	650,000	442,168	-	22,000	-	-	415,832
Berlin HS Generator.....	350,000	-	-	350,000	-	350,000	-	-
Berlin HS Tennis/BB Courts.....	550,000	-	-	385,000	165,000	385,000	-	-
Hubbard School Roof.....	1,300,000	-	343,000	-	-	-	515,000	442,000
Total.....	\$ 105,780,000	\$ 51,095,000	\$ 35,267,369	\$ 1,455,000	\$ 3,787,000	\$ 1,455,000	\$ 4,665,000	\$ 9,510,631

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

Long-Term Debt¹	2016	2015	2014	2013	2012
Bonds.....	\$ 73,340	\$ 60,905	\$ 49,450	\$ 34,020	\$ 27,215
CWF	-	-	-	-	-
Sub-Total Long-Term Debt...	73,340	60,905	49,450	34,020	27,215
Short-Term Debt					
Bond Anticipation Notes.....	900	1,180	1,259	1,325	9,426
CWF IFO.....	-	-	2,042	-	-
Sub-Total Short-Term Debt..	900	1,180	3,301	1,325	9,426
Grand Total.....	\$ 74,240	\$ 62,085	\$ 52,751	\$ 35,345	\$ 36,641

¹ Does not include water debt, compensated absences or capital lease obligations.

Source: Town of Berlin Audited Financial Reports 2012-2016.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Net Long-Term Debt¹	Ratio of Net Long-Term Debt to Assessed Value (%)	Ratio of Net Long-Term Debt to Estimated Full Value (%)	Population²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income³
2016	\$ 2,192,605	\$ 3,132,293	\$ 73,340	3.34%	2.34%	20,486	\$ 3.58	0.01%
2015	2,177,155	3,110,221	60,905	2.80%	1.96%	20,486	2.97	0.01%
2014	2,186,129	3,123,041	49,450	2.26%	1.58%	20,486	2.41	0.01%
2013	2,155,898	3,079,854	34,020	1.58%	1.10%	20,486	1.66	0.00%
2012	2,350,588	3,357,983	27,215	1.16%	0.81%	20,486	1.33	0.00%
2011	2,315,161	3,307,373	28,835	1.25%	0.87%	20,486	1.41	0.00%

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

² Bureau of Census.

³ American Community Survey (2011-2015), Money Income Per Capita \$40,865.

Source: Town of Berlin Audited Financial Reports 2012-2016.

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

Fiscal Year Ended 6/30	Total Debt Service	Total General Fund Expenditures¹	Ratio of Total Debt Service To General Fund Expenditures
2017 (Est.)	\$ 7,029,629	\$ 83,211,285	8.45%
2016	6,322,214	83,938,322	7.53%
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%

¹ 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.

The Town's budget process must also anticipate the impact of the State's budget which proceeds simultaneously with the Town's. The Governor's proposed budget includes reductions in municipal funding for Education Cost Sharing, grants for municipal projects and transfer to the town of 1/3 of the pension cost of Berlin's teachers, for a total of approximately \$5 million in local cost increases next fiscal year, which represents 2.26 mills. There can be no assurance whether any or all of the Governor's proposed budget will be adopted or the impact on the town the State budget as adopted will have.

Public Act No. 15-244 (the "Act") reduces a municipality's revenue sharing grant if its general budget expenditures (as modified by the Act) in any fiscal year exceeds a threshold set forth in the Act. As a result of utilizing modified budget growth to reduce a municipality's revenue sharing grant the Act is sometimes popularly referred to as imposing a "spending cap". Beginning in fiscal year 2018, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose spending, with certain exceptions, exceeds the spending limits specified in the Act. Each fiscal year, OPM must determine the municipality's percentage growth in spending over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. However, for municipalities that taxed motor vehicles at more than 32.00 mills for the 2013 assessment year (for taxes levied in FY 15), the reduction may not exceed the difference between the amount of property taxes the municipality levied on motor vehicles for the 2013 assessment year and the amount the levy would have been had the motor vehicle mill rate been 32.00 mills. (See "Assessments" herein).

The Act requires that each municipality annually certify to the Secretary of OPM whether the municipality exceeded the spending cap and if so, the amount over the cap.

Under the Act, municipal spending does not include expenditures: (1) for debt service, special education, costs to implement court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities; (2) associated with a major disaster or emergency declaration by the President or disaster emergency declaration issued by the Governor under the civil preparedness law; or (3) for any municipal revenue sharing grant the municipality disburses to a special taxing district, up to the difference between the amount of property taxes the district levied on motor vehicles in the 2013 assessment year and the amount the levy would have been had the motor vehicle mill rate been 32 mills, for FY 17 disbursements, or 29.63 mills, for FY 18 disbursements and thereafter. In addition, if budget expenditures exceed the 2.5% cap, but are proportional to population growth from the previous year, the municipal revenue sharing grant will not be reduced.

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.

Purpose	Fiscal 2016-17	Fiscal 2017-18	Fiscal 2018-19	Fiscal 2019-20	Fiscal 2020-21	Total
Townwide.....	\$ 2,000	\$ 100,000	\$ 1,100,000	\$ 100,000	\$ -	\$ 1,302,000
Technology.....	50,039	94,361	150,639	114,839	53,000	462,878
Nursing.....	15,498	14,999	16,313	12,542	13,098	72,450
Revaluation.....		-	-	-	-	-
Economic Development.....		205,000	1,480,000	1,080,000	105,000	2,870,000
Public Safety.....	2,495,500	882,000	24,396,500	2,126,000	366,500	30,266,500
Public works.....	2,484,378	7,887,931	7,256,000	10,268,000	7,639,000	35,535,309
Recreation.....	7,000	29,200	430,000	19,000,000	-	19,466,200
Libraries.....	7,500	251,000	59,000	-	30,000	347,500
Public Grounds.....	74,509	868,500	3,692,500	2,691,000	1,630,000	8,956,509
Golf Course.....	30,821	56,765	945,224	52,062	45,643	1,130,515
Education.....	1,090,000	644,000	1,818,572	1,855,022	2,799,742	8,207,336
Water Control Commission.....	1,554,000	1,224,000	1,159,000	1,204,000	829,000	5,970,000
Total	\$ 7,811,245	\$ 12,257,756	\$ 42,503,748	\$ 38,503,465	\$ 13,510,983	\$ 114,587,197

Funding	Fiscal 2016-17	Fiscal 2017-18	Fiscal 2018-19	Fiscal 2019-20	Fiscal 2020-21	Total
Town – Capital.....	\$ 1,252,245	\$ 1,944,757	\$ 5,471,161	\$ 3,144,121	\$ 2,665,869	\$ 14,478,153
Town – Operational.....		207,999	286,587	110,344	145,114	750,044
Bonds and Notes.....	4,840,000	8,210,000	35,320,000	33,825,000	9,635,000	91,830,000
Grants.....	-	671,000	267,000	220,000	236,000	1,394,000
Capital Non-Recurring Fund.....	165,000	-	-	-	-	165,000
Water and Sewer Funds.....	1,554,000	1,224,000	1,159,000	1,204,000	829,000	5,970,000
Total Funding Sources.....	\$ 7,811,245	\$ 12,257,756	\$ 42,503,748	\$ 38,503,465	\$ 13,510,983	\$ 114,587,197

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 on 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 \$5,688,943 at June 30, 2016 as of the July 1, 2015 valuation date which represents an increase of approximately \$1.15 million from the net pension liability as of the July 1, 2014 valuation. This liability reflects a reduction in the pre-retirement expected rate of return from 6% to 5%. There are approximately 17 members still in active service who participate in the defined benefit plan. 16 of the remaining 17 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. Pursuant to the general statute the Town will have the option to finance these claims with pension obligation bonds or notes in the event the timing of the claims cause required payments to exceed plan assets. 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.

Net Pension Liability

The components of the net pension liability of the Town at June 30, 2016 were as follows:

Total Pension Liability	\$	6,055,118
Plan Fiduciary Net Position		<u>366,175</u>
Total Net Pension Liability	\$	<u>5,688,943</u>
Plan Fiduciary Net Position as a		
Percentage of the Total Pension Liability		6.05%

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2015.....	\$ 5,763,703	\$ 1,222,240	\$ 4,541,463
Changes for the year:			
Service Cost.....	117,272	-	117,272
Interest on Total Pension Liability.....	306,265	-	306,265
Differences Between Expected and Actual Experience.....	788,138	-	788,138
Changes in Assumptions.....	655,798	-	655,798
Employer Contributions.....	-	700,537	(700,537)
Net Investment Income.....	-	19,456	(19,456)
Benefit Payments, Including Refund to Employee Contributions.....	(1,576,058)	(1,576,058)	-
Net Changes.....	<u>291,415</u>	<u>(856,065)</u>	<u>1,147,480</u>
Balances as of June 30, 2016.....	<u>\$ 6,055,118</u>	<u>\$ 366,175</u>	<u>\$ 5,688,943</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 6.00% to 5.00% for pre-retirement, and from 3.42% to 3.11% for post-retirement. For more information regarding the Town's Pension and other post retirement plans including statistics, assumptions and funding levels. See Note 4 "Pension and Other Post Retirement Plans", Exhibit A.

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, 2016 was \$1,535,897.

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, 2016 is \$641,973.

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. For more information regarding the Town's Pension and other post retirement plans including statistics, assumptions and funding levels. See Note 4 "Pension and Other Post Retirement Plans", Exhibit A.

Energy Efficiency Projects

During 2015 and 2016, the Town entered into two energy-savings project agreements. The first agreement was with NORESO. 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 a \$10,340,341 twenty-year lease financing through Banc of America Public Capital Corp. The guaranteed energy savings will equal or exceed the schedule of lease payments.

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 \$607,281 in the Medical and Health Insurance Fund at June 30, 2016.

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, 2016, the decrease in net position after transfers for the Water and Sewer Fund was \$5,696.

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 Connecticut General 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.

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General Fund Revenues and Expenditures
Five Year Summary of Audited Revenues and Expenditures (GAAP Basis)
and Budget (Budgetary Basis)

	Budget ¹	Actual	Actual	Actual	Actual	Actual
Revenues:	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
Property Taxes	\$ 68,276,455	\$ 66,691,876	\$ 63,867,121	\$ 62,265,408	\$ 59,750,689	\$ 57,384,370
Intergovernmental	9,341,408	13,312,658	12,386,029	13,429,655	12,927,657	13,319,574
Income on Investments.....	100,000	205,543	163,694	80,383	175,858	274,415
Other (including Charges for Services)	5,423,922	4,214,724	3,883,396	4,065,775	4,204,254	4,234,717
Total Revenues	83,141,785	84,424,801	80,300,240	79,841,221	77,058,458	75,213,076
Expenditures:						
General government	5,115,542	4,210,624	4,730,669	3,841,598	3,996,715	3,517,629
Public Safety	8,950,260	8,475,475	8,497,146	8,222,571	7,766,822	7,550,786
Health and Welfare	2,760,637	2,346,925	2,256,886	2,186,004	2,047,903	2,089,463
Physical Services	8,241,144	7,560,375	7,893,401	7,670,479	7,424,137	8,021,028
Parks & Recreation, and Libraries	4,063,504	3,893,801	3,961,074	3,692,196	3,732,289	3,776,977
Community Development	780,596	693,903	726,617	703,639	720,613	732,681
Education	45,989,973	49,476,881	47,885,291	48,175,177	46,108,451	45,044,221
Debt Service	7,029,629	6,322,214	4,191,395	4,233,698	2,835,086	2,816,529
Capital Outlays	-	31,828	442,615	269,685	330,400	115,966
Total Expenditures	82,931,285	83,012,026	80,585,094	78,995,047	74,962,416	73,665,280
Revenues over (under) expenditures	210,500	1,412,775	(284,854)	846,174	2,096,042	1,547,796
Other Financing Sources Uses:						
Issuance of Refunding Bonds.....	-	10,920,000	-	-	-	-
Premium on Financing.....	-	2,290,415	-	-	-	-
Payments to Escrow Agents.....	-	(12,085,509)	-	-	-	-
Issuance of Capital Leases.....	-	31,828	442,615	269,685	330,400	112,188
Operating Transfers In	69,500	69,610	272,540	73,544	103,959	317,390
Operating Transfers (Out)	(280,000)	(926,296)	(990,900)	(1,277,311)	(1,037,137)	(1,047,083)
Total other Financing Sources (uses)	(210,500)	300,048	(275,745)	(934,082)	(602,778)	(617,505)
Revenues and other financing						
sources over (under) expenditures						
and other financing (uses)	\$ -	\$ 1,712,823	\$ (560,599)	\$ (87,908)	\$ 1,493,264	\$ 930,291

¹ Budgetary basis, subject to audit.

Analysis of General Fund Equity

	Adopted	Actual	Actual	Actual	Actual	Actual
	Budget ¹	2015-16	2014-15	2013-14	2012-13	2011-12
	2016-17					
Nonspendable.....	N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Committed.....	N/A	398,567	327,968	328,093	289,973	368,642
Assigned.....	N/A	2,300,000	1,800,000	2,600,000	1,800,000	1,550,000
Unassigned.....	N/A	11,157,031	10,014,792	9,775,266	10,701,294	9,379,361
Total Fund Balance.....	N/A	\$ 13,855,598	\$ 12,142,760	\$ 12,703,359	\$ 12,791,267	\$ 11,298,003

¹ 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 municipal 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/ Jack R. Healy
JACK R. HEALY, *Interim Town Manager*

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

By: /S/ Kevin J. Delaney
KEVIN J. DELANEY, *Finance Director*

Dated: May 4, 2017

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Appendix A

2016 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, 2016. 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

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 ("Town") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Schedules presented as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We 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.

Supplementary and Other Information

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

The combining and individual 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Prior Year Financial Information

The Town's basic financial statements for the year ended June 30, 2015 (not presented herein), were audited by other auditors whose report dated December 8, 2015, expressed 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 report of the other auditors dated December 8, 2015, stated that the audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements as a whole including the General Fund Balance sheet, for the year ended June 30, 2015 where the prior auditors applied certain limited procedures to it 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 their inquiries, the basic financial statements and other knowledge they obtained during their audit of the basic financial statements. They did not express an opinion or provide any assurance on the information because the limited procedures did not provide them with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016 on our consideration of the Town's internal control over financial reporting and 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 the 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's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

December 30, 2016

TOWN OF BERLIN, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS **FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. Please read this Management Discussion and Analysis ("MD&A") in conjunction with the transmittal letter and the Town's financial statements, Exhibits 1 to 9. All amounts are expressed in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased by \$8,486 or 7.4%, as a result of this year's operations. Net position of the Town's governmental activities increased by \$8,480 or 8.6%, and net position of the Town's business-type activities increased by \$6 or 0.04%.
- During the year, the Town had governmental program expenses that were \$8,480 less than the \$97,560 generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, expenses were \$6 less than the \$3,774 generated in charges for services and other revenues.
- The total cost of all of the Town's programs increased by \$2,780 or 3.1% to \$92,847 with no new programs added this year. This compares to an increase of 3.7% in the prior year. Education, Physical Services and Interest on Long Term Debt are the main drivers. Some of the underlying drivers of these increases include costs associated with the Berlin High School renovation project, including associated debt-related costs (education), costs associated with a multi-faceted energy conservation program and the addition of five new teachers/paraprofessionals.
- The General Fund reported a total fund balance this year of \$13,856, an increase of \$1,713, or 14.1%, from the previous year. The increase is due to continued cost management and premiums on bonds issued during the fiscal year. The unassigned portion of fund balance increased by a total of \$1,142, or 11.4% due to positive operating results from sound expense management and premiums on bonds not assigned to the following year's budget.
- The Capital Projects Fund reported a total fund balance this year of \$22,143, an increase of \$12,566, or 131.2%, from previous year. The increase is due to the establishment of a capital lease for various energy conservation initiatives and bond proceeds in excess of capital outlay.
- 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 1 and 2, 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 3 through 9. 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 1 and 2. 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 3 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 Fund 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 (Exhibits 3 and 4)* - 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 (Exhibits 5, 6 and 7)* - 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 (Exhibits 8 and 9)* - 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 \$115,173 to \$123,659. 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 Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 46,638	\$ 33,827	\$ 6,397	\$ 6,501	\$ 53,035	\$ 40,328
Capital assets	158,496	140,203	12,912	12,987	171,408	153,190
Total assets	205,134	174,030	19,309	19,488	224,443	193,517
Deferred outflows of resources	2,147	589	-	-	2,147	589
Long-term debt outstanding	96,175	70,386	2,041	2,237	98,215	72,623
Other liabilities	4,222	5,641	150	138	4,371	5,780
Total liabilities	100,396	76,027	2,190	2,375	102,587	78,402
Deferred inflows of resources	345	531	-	-	345	531
Net position						
Net investment in capital assets	78,637	77,818	10,871	10,751	89,508	88,568
Restricted	8,299	478	-	-	8,299	478
Unrestricted	19,604	19,764	6,247	6,362	25,851	26,126
Total net position	\$ 106,540	\$ 98,060	\$ 17,118	\$ 17,113	\$ 123,658	\$ 115,173

Prior year numbers have been restated to reflect prior period adjustments and to ensure consistency with current year classifications.

Net position of the Town's governmental activities increased by 8.6%. The increase in net position is driven by the increase in restricted governmental net position from \$478 at June 30, 2015 to \$8,299 at June 30, 2016. This increase occurred because the Town entered into a capital lease for an energy savings program. The restricted amount represents escrow on the capital lease.

Authorized General Fund budget appropriations for operating expenses of approximately \$2.2 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 position vacancies during the year. The most significant example continued to be the Police Department where several positions were vacant during the year. Savings were also realized on refuse disposal, which is one of the Town's largest operating expenses, due to increased efficiencies in recycling. The Town continued several efforts to control expenses such as: minimizing use of overtime where possible; prohibiting most air travel for conferences; continuing 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. Finally, a Contingency account was funded to mitigate the financial effects of unexpected events, and the milder winter in FY 2015-16 meant that the Town only used \$126 of \$350 budgeted.

Revenue exceeded budget by \$1.2 million driven by premium on bonds issued during the year, higher fees with the Town Clerk and Building Inspector and higher Excess Cost Grant from the State for special education. It should be noted that the Excess Cost Grant is offset by an equal amount of expenditures, so there is no net impact to the budget variance. Partially offsetting the favorable variances was lower than budgeted Nursing services revenue driven by lower Medicare reimbursements and lower Police overtime grants. Police overtime grants are offset by an equal amount in expenditures, so this account has no net impact to the budget variance. The Town has been able to continue to maintain a very high tax collection ratio of 99.14% in the current fiscal year; higher than the 98.5% collection assumption used in the budget.

The 2014 Grand List, which applies to fiscal year 2015-16, decreased by 0.41% from the previous year. The reduction was driven by the correction of a large corporate taxpayer's error in submitting its personal property filing. In the 2014 Grand List, segments showed mixed results: real estate values increased by .56%, personal property values decreased by -6.3% and motor vehicle values increased 2.6% over the previous year's Grand List. The mill rate increased 1.43 mills from 28.92 to 30.35. The net effect of grand list changes, increased mill rate and a higher collection ratio resulted in increased property taxes of \$3,038.

Due to the continued volatility of information available from the State of Connecticut while the Governor's budget was being developed, the Town maintained the practice of budgeting conservatively for all state grants. The Town was fortunate that the State maintained the Education Cost Sharing grant, although the Town received slightly less than prior year. Most of the operational state grants (as reported in Schedule RSI-1) were below prior year levels.

Total charges for services revenues decreased from the prior year, most notably due to a large decrease in water & sewer charges. The water & sewer reduction was driven by a billing change that moved all households to a quarterly billing cycle. To enable this change, households on a semi-annual billing cycle were moved to quarterly, and a one-time revenue adjustment resulted in revenue shifting into FY 2014-15. Partially offsetting the one-time change were increases in service revenues from Nursing driven by the correction of a prior year billing error and golf revenue driven by a longer season due to a milder winter.

Finally, investment earnings have improved over prior year although overall interest rates are still being held at historically low levels by the Federal Reserve. The Town's management continues 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 Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 4,571	\$ 4,221	\$ 3,721	\$ 4,680	\$ 8,292	\$ 8,901
Operating grants and contributions	16,083	14,784			16,083	14,784
Capital grants and contributions	9,327	15,726			9,327	15,726
General Revenues						
Property taxes, payments in lieu of taxes, interest and liens	66,722	63,684			66,722	63,684
Other taxes			4	1	4	1
Grants and contributions not restricted to specific programs	197	158			197	158
Unrestricted interest and investment earnings	219	165	39	29	258	194
Other general revenues	441	578	9		450	578
Total revenues	97,560	99,317	3,774	4,711	101,334	104,028
Program expenses						
General government	4,274	5,416			4,274	5,416
Community development	1,443	1,135			1,443	1,135
Public safety	9,759	9,580			9,759	9,580
Physical services	10,026	8,670			10,026	8,670
Parks, recreation and libraries	4,347	4,205			4,347	4,205
Health and human services	2,442	2,440			2,442	2,440
Schools	54,824	53,394			54,824	53,394
Interest on long-term debt	1,969	1,907			1,969	1,907
Water services			1,527	1,298	1,527	1,298
Sewer services			2,236	2,023	2,236	2,023
Total expenses	89,084	86,746	3,763	3,321	92,847	90,067
Excess (deficiency) before transfers	8,476	12,571	11	1,390	8,487	13,961
Transfers in (transfers out)	5	5	(5)	(5)	-	-
Change in net position	8,481	12,575	6	1,385	8,487	13,961
Net position - beginning of year	98,059	85,484	17,113	15,728	115,172	101,212
Net position - end of year	\$ 106,540	\$ 98,059	\$ 17,119	\$ 17,113	\$ 123,659	\$ 115,172

The Town's total revenues (governmental and business-type) were \$101,334. The total cost of all programs and services (governmental and business-type) was \$92,847. 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 68.4%, followed by 16.5% from operating grants and contributions, 9.6% from capital grants and contributions, and 4.7% from charges for services. Major revenue factors include:

- Property tax revenues recorded for fiscal year 2015-16 reflect a tax rate of 30.35 mills, an increase of 1.43 mills over the rate used in the previous fiscal year. The tax collection rate remained very strong at 99.14% due in part to more aggressive collection procedures. The Grand List decreased by .41%. As noted above, there were increases in real estate and motor vehicle taxes, but personal property declined due to a correction of personal property filed by a large commercial taxpayer.
- Unrestricted governmental investment earnings increased from \$165 in the prior fiscal year to \$219 in the current year. The increase in investment earnings is the result of slightly improved interest rates and the continued effort by management to invest in short-term CD's which generate slightly higher returns.
- Combined revenue from capital and operating grants and contributions decreased from the prior fiscal year by \$5,100, or 16.7%. The primary reason for this decrease was lower school construction grants received for the state's share of the Berlin High School project as the project was near completion of the construction phase. The Town also received reimbursement from Storm Irene in FY 2014-15 and there were no major FEMA reimbursements in FY 2015-16.

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; purchasing used or discounted supplies and furniture where possible. The winter of 2015-16 was mild which required the Town to use less contingency to cover unforeseen expenditures. 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, partially offset by additional overtime costs. Finally, through renegotiation of the pension consortium with all unions other than Police during FY15, the 200% defined contribution match by the Town was reduced to a 100% match for all employees hired after January 1, 2015; this change began to impact expenses favorably in FY16 and that impact will increase in future years.
- In the Capital Projects Fund, \$24,686 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 and energy conservation projects. These capital expenses were funded through a combination of intergovernmental grants, bond and bond anticipation note proceeds (including \$16,770 bond and \$900 note issuance in May 2016 and a \$2,900 note issuance in September 2015) and a 20-year capital lease entered into in February 2016.
- For governmental activities, 61.5% of the Town's expenses are for education, 11.3% for physical services, 11.0% for public safety, 4.9% for parks and recreation and libraries, 4.8% for general government, 2.7% for health and human services, 2.2% for interest on long-term debt and 1.6% for Community Development. As a percent of total expenses, general government declined 1.5pp offset by increased weighting of public safety and physical services. Debt costs (primarily in education and physical services) increased as the Town made the first principal payments on debt used to finance the Berlin High School renovation project and incurred interest expense on the final issuance of debt for the same 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 2.25% for the Town and 2.5% for the Board of Education. Two Town union contracts expired on June 30, 2016, and both are currently in negotiations. A 2.25% increase was budgeted starting in fiscal year 2017. One additional Town contract expires on June 30, 2017, and negotiations are expected to begin in early 2017. On the Board of Education side, four contracts expired on June 30, 2016; two were settled (the new contracts expire at the end of FY

2018-19) and two were renewed for one year with no changes in terms and a 1.5% wage increase. Any increases as a result of these contract negotiations will be budgeted starting in fiscal year 2017, as applicable.

- No new full time Town positions were added during fiscal year 2016. For the Board of Education, there was a net gain of 5 positions. These included 2 special education paraprofessionals, 2 teachers and 1 special education kindergarten teacher.
- Town employee benefit costs were well-managed due to benefits that continue to be realized from the consolidation of 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 implementation of wellness incentives and offering a high-deductible HSA plan. The high-deductible HSA plan is currently voluntary for the Town, but the Board of Education is moving all employees to this plan by FY 2017-18. In addition, the employee share of medical insurance costs continues to increase.
- 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 the High School renovation project.
- The policy of budgeting for contingencies continues to have a favorable impact on the Town's financial results as the Town is not forced to use general fund balance to cover unanticipated expenses. During FY 2015-16, only \$126 of the \$350 budgeted contingency funds were used to cover expenses due to the mild winter.
- Cost of issuing new debt continues to be low due to the Federal Reserve's policy of maintaining low interest rates. Debt service expenses began to increase in FY 2015-16 and will continue to increase in the coming years due to principal payments on debt related to the Berlin High School renovation project beginning to come due. As of June 30, 2016, the Town completed 100% of the \$47 million anticipated bonding for the Town share of the High School project. The first principal payments on this project impacted fiscal year 2016; however, this expense was partially offset by other debt service payments expiring in fiscal year 2016. In addition, on June 28, 2016, the Town issued \$10,920 of refunding bonds to lower total borrowing costs. The proceeds of these bonds will be used to retire bonds issued in 2009 (retired in early FY17) and a portion of bonds issued in 2011 (will be retired in FY21).

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)

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General government	\$ 4,274	\$ 5,416	\$ 3,519	\$ 4,170
Community development	1,443	1,135	(14)	1,130
Public safety	9,759	9,580	9,244	8,888
Physical services	10,026	8,670	8,786	5,704
Parks, recreation and libraries	4,347	4,205	2,860	2,790
Health and human services	2,442	2,440	1,303	1,358
Schools	54,824	53,394	31,435	26,067

Business-Type Activities

Revenues of the Town's business-type activities (see Table 2) decreased by 19.9% and expenses (including transfers) increased by 13.3%.

The major factor contributing to the decrease in revenues was a change from semi-annual to quarterly billing. To execute this change, there was a one-time revenue accrual at the end of FY 2014-15. The impact of this billing change was partially offset by a 14% increase in sewer rates effective July 1, 2015. There have been no rate increases since July 1, 2015, and currently no rate increases are scheduled.

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 ("EPA") 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 was about 99.8% complete as of June 30, 2016. 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 this project.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit 3) reported a combined fund balance of \$36,704, which is a 63.7% increase from last year's total of \$22,416. This increase is due in part to a \$10.4 million capital lease the Town entered into as part of an energy saving program.

Included in this year's total change in governmental fund balance is an increase of \$1,713 in the Town's General Fund, compared to a decrease of \$561 in the prior year. The primary reason for the General Fund balance's increase is the premium on bond proceeds. The increase was also driven by expenditures coming in below budget for FY 2015-16 mainly due to savings achieved in refuse disposal, salaries and benefits due to open positions and the mild winter requiring less contingency reserve to be used to fund storm-related expenses.

Proprietary Funds

As the Town completed the year, its business-type proprietary funds (as presented in the balance sheet - Exhibit 5) reported combined net position of \$17,119 which is an increase of \$6 or 0.04% from the previous year's total of \$17,113. As mentioned previously, there was a one-time billing adjustment to align all households to a quarterly billing cycle that caused a one-time shifting of revenue from FY16 to FY15.

Internal Service Funds

In the internal service funds, the insurance funds experienced a combined decrease in net position of \$546, or 11.7% as compared to the prior year. The major driver of the decrease in net position is an increase in claims in the Medical and Health Insurance fund 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 stop-loss plan, so that any claims above this amount are paid by the insurer. The Town continues to take steps to reverse this negative medical claim experience including: introduction and promotion of a high-deductible HSA plan for both Town and Board of Education employees; 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. Effective July 1, 2016, all teachers, administrators and paraprofessionals with the Board

of Education were moved to a high-deductible HSA plan as their only option. Effective July 1, 2017, clerical and cook managers also will be moved to a single-option high-deductible HSA, as well.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the Town had \$171,408 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, street lights and water and sewer lines (see Table 4). This amount represents a net increase (including additions and deductions) of \$18,218 or 11.9%, over last year.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 23,231	\$ 23,195	\$ 481	\$ 481	\$ 23,712	\$ 23,676
Construction in progress	74,136	56,870	1,755	3,771	75,891	60,641
Intangible assets	-	-	565	565	565	565
Land improvements	1,409	1,542	-	-	1,409	1,542
Buildings and systems	32,077	31,869	796	833	32,873	32,702
Machinery and equipment	5,846	6,350	224	218	6,070	6,568
Infrastructure	21,797	20,376	9,093	7,119	30,890	27,495
	<u>\$ 158,496</u>	<u>\$ 140,202</u>	<u>\$ 12,914</u>	<u>\$ 12,987</u>	<u>\$ 171,410</u>	<u>\$ 153,189</u>

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

Berlin High School Renovation	\$ 16,927
Energy Conservation Lease	1,912
Griswold Roof	589
Veterans Park Phase II	449
Deming Park	346

The Town's fiscal-year 2016-17 approved capital budget calls for it to spend another \$1,252 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 \$900 were outstanding at June 30, 2016 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 3 to the financial statements.

Long-Term Debt

At June 30, 2016, the Town had \$73,340 in bonds outstanding versus \$60,905 last year, an increase of \$12,435. The increase was the result of a bond issuance of \$16,770 in May 2016 to fund Berlin High School renovations, repairs to the Griswold School Roof and the purchase of a new Fire Fighting vehicle. This issuance was partially offset by repayment of existing debt per the Town's debt repayment schedule and the issuance of \$10,920 in refunding bonds to reduce long-term financing costs. 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 begins repaying debt for the \$84,500 renovation of Berlin High School and other improvements to the Town's infrastructure. In May 2016, the Town issued the final installment of the bonds to complete construction (including furniture,

fixture & equipment) for the Berlin High School renovation project. The project is anticipated to be completed in early 2017 and no additional bonds or notes are anticipated to complete the project.

Standard & Poor's Rating Services reaffirmed its general obligation bond rating of AA+ in FY 2015-16 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 FY 2015-16.

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 \$477,145.

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 3 & Note 4 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. As of June 30, 2016, the outstanding obligation is \$2,415 (\$2,041 principal and \$374 interest).

Capital Lease

In addition to the existing capital leases for equipment and vehicles, on February 12, 2016, the Town entered into a \$10.4 million, 20-year capital lease for a multi-faceted energy saving program. The program includes new solar panels on each of the schools, the purchase of more than 2,500 street lights and the conversion to Light Emitting Diode (LED) lighting to reduce energy consumption. During the early years the savings will be used to finance the lease payments. Longer-term, the Town is expected to realize energy savings that will help mitigate future cost increases.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund appropriations total \$83,211 in the FY 2016-17 budget. This is an increase of approximately 2.7% over FY 2015-16 and resulted in a tax mill rate increase of 0.46 to 30.81 mills. In spite of the increase in debt service costs, this mill rate increase is lower than recent years mainly due to cost control efforts in the Town and Board of Education and the introduction of a new State revenue sharing grant. The new grant comes with annual cost increase limits that the Town must meet in order to continue receiving full funding. The 2015 Grand List increased .72% compared to the 2014 Grand List; the increase was driven by increases in all three categories. The 2016-17 General Fund budget includes \$2,300 of assigned General Fund balance (\$1,800 approved at referendum plus \$500 assigned by the Town Council after the budget was approved) in order to mitigate the tax increase.

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 5 as well as in the "Business-Type Activities" section above, the Mattabassett District, of which the Town is a member, performed a major upgrade for nitrogen removal, increased capacity and improvements required by state and federal regulation. The District 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%. 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 2016-17 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. The Town will continue to be 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. The FY 2016-17 budget includes reductions in certain federal (Title I declined \$59) and state (Sheff Open Choice declined \$122) education grants. In December 2016, the State rescinded \$134 of ECS funding for FY 2016-17 due to the State budget deficit. The ECS grant represents approximately 75.7% of the FY 2016 grant revenue budget and 7.9% of the total revenue budget. 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.

The Town's defined benefit plan has been closed to new participants for 16 years, and is a 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 a lump sum distribution, the Town is evaluating options to address the short-term cash flow demand. A legislative change passed during the 2016 State legislative session allows the Town the additional option of using short-term borrowing to make lump sum payouts; however, State statutes include requirements the Town must comply with if pension obligation notes are issued for lump sum payouts.

Overall, financial results were better than planned for fiscal year 2016 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 and the Town was able to return two-thirds of contingency to the General Fund balance. The Town has maintained a relatively strong level of General Fund balance, which has assisted the Town in dealing with the unfavorable economic climate and 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 recent large capital projects. It will be necessary to continue to identify projects with sustained savings to help offset these increases.

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.

Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 36,263,844	\$ 5,264,675	\$ 41,528,519
Investments	7,780,854	-	7,780,854
Receivables			
Taxes, net	1,038,075	-	1,038,075
Accounts	83,716	-	83,716
Usage	-	1,074,470	1,074,470
Loans	3,866	-	3,866
Interest, net	496,443	-	496,443
Intergovernmental	799,824	-	799,824
Special assessments and connection charges	-	57,457	57,457
Due from business-type activities	605	-	605
Due from fiduciary activities	132,572	-	132,572
Inventories	37,939	-	37,939
Capital assets			
Nondepreciable	97,366,579	2,799,768	100,166,347
Depreciable, net of accumulated depreciation	61,129,375	10,112,506	71,241,881
Total Assets	<u>205,133,692</u>	<u>19,308,876</u>	<u>224,442,568</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected and actual experience	575,128	-	575,128
Change in assumptions	848,791	-	848,791
Net difference between projected and actual earnings	47,470	-	47,470
Advance refunding	675,894	-	675,894
Total Deferred Outflows of Resources	<u>2,147,283</u>	<u>-</u>	<u>2,147,283</u>
LIABILITIES			
Accounts payable	2,304,001	140,459	2,444,460
Intergovernmental payable	39,521	-	39,521
Accrued payroll and related	470,231	8,441	478,672
Accrued interest payable	267,552	-	267,552
Due to governmental activities	-	605	605
Bond anticipation notes payable	900,000	-	900,000
Unearned revenues	240,246	-	240,246
Non-current liabilities			
Due within one year	5,984,767	111,826	6,096,593
Due in more than one year	90,189,865	1,928,993	92,118,858
Total Liabilities	<u>100,396,183</u>	<u>2,190,324</u>	<u>102,586,507</u>
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	279,159	-	279,159
Property taxes collected in advance	65,986	-	65,986
Total Deferred Inflows of Resources	<u>345,145</u>	<u>-</u>	<u>345,145</u>
NET POSITION			
Net investment in capital assets	78,636,418	10,871,455	89,507,873
Restricted			
Expendable	8,184,340	-	8,184,340
Nonexpendable	114,691	-	114,691
Unrestricted	19,604,198	6,247,097	25,851,295
Total Net Position	<u>\$ 106,539,647</u>	<u>\$ 17,118,552</u>	<u>\$ 123,658,199</u>

The notes to financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2016

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
Primary Government							
Governmental activities							
General government	\$ 4,274,418	\$ 417,392	\$ 289,891	\$ 48,153	\$ (3,518,982)		\$ (3,518,982)
Community development	1,443,185	495,726	-	961,651	14,192		14,192
Public safety	9,759,219	455,090	59,761	-	(9,244,368)		(9,244,368)
Physical services	10,026,337	48,537	1,191,914	-	(8,785,886)		(8,785,886)
Parks, recreation and libraries	4,346,520	1,421,128	65,022	-	(2,860,370)		(2,860,370)
Health and human services	2,441,507	1,078,553	60,296	-	(1,302,658)		(1,302,658)
Schools	54,823,969	654,668	14,416,437	8,317,543	(31,435,321)		(31,435,321)
Interest on long-term debt	1,969,056	-	-	-	(1,969,056)		(1,969,056)
Total Governmental Activities	<u>89,084,211</u>	<u>4,571,094</u>	<u>16,083,321</u>	<u>9,327,347</u>	<u>(59,102,449)</u>		<u>(59,102,449)</u>
Business-type activities							
Water services	1,526,748	1,254,994	-	-		(271,754)	(271,754)
Sewer services	2,235,886	2,465,959	-	-		230,073	230,073
Total Business-type Activities	<u>3,762,634</u>	<u>3,720,953</u>	<u>-</u>	<u>-</u>		<u>(41,681)</u>	<u>(41,681)</u>
Total Primary Government	<u>\$ 92,846,845</u>	<u>\$ 8,292,047</u>	<u>\$ 16,083,321</u>	<u>\$ 9,327,347</u>	<u>(59,102,449)</u>	<u>(41,681)</u>	<u>(59,144,130)</u>
General Revenues							
Property taxes, payments in lieu of taxes, interest and liens					66,721,630	-	66,721,630
Other taxes					-	3,647	3,647
Grants and contributions not restricted to specific programs					197,234	-	197,234
Unrestricted interest and investment earnings					218,786	39,420	258,206
Transfers in (transfers out)					4,610	(4,610)	-
Other general revenues					<u>440,862</u>	<u>8,920</u>	<u>449,782</u>
Total General Revenues					<u>67,583,122</u>	<u>47,377</u>	<u>67,630,499</u>
Change in Net Position					8,480,673	5,696	8,486,369
Net Position - Beginning of Year, as restated					<u>98,058,974</u>	<u>17,112,856</u>	<u>115,171,830</u>
Net Position - End of Year					<u>\$ 106,539,647</u>	<u>\$ 17,118,552</u>	<u>\$ 123,658,199</u>

The notes to financial statements are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2016

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 15,073,434	\$ 16,139,066	\$ 700,104	\$ 31,912,604
Investments	-	7,780,854	-	7,780,854
Taxes receivable, net of allowance for uncollectible amounts	1,038,075	-	-	1,038,075
Other receivables				
Accounts	82,902	-	814	83,716
Loans	-	3,866	-	3,866
Interest, net of allowance for uncollectible amounts	496,443	-	-	496,443
Intergovernmental	18,946	716,596	64,282	799,824
Due from other funds	133,177	-	-	133,177
Inventories	-	-	37,939	37,939
Total Assets	<u>\$ 16,842,977</u>	<u>\$ 24,640,382</u>	<u>\$ 803,139</u>	<u>\$ 42,286,498</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 599,549	\$ 1,092,670	\$ 2,278	\$ 1,694,497
Intergovernmental payable	39,521	-	-	39,521
Accrued payroll and related	463,671	-	6,560	470,231
Accrued interest payable	5,581	-	-	5,581
Due to other funds	377,542	-	-	377,542
Bond anticipation notes payable	-	900,000	-	900,000
Unearned revenues	107,351	44,131	88,764	240,246
Total Liabilities	<u>1,593,215</u>	<u>2,036,801</u>	<u>97,602</u>	<u>3,727,618</u>
Deferred Inflows of Resources				
Deferred revenues	1,328,178	460,913	-	1,789,091
Taxes collected in advance	65,986	-	-	65,986
	<u>1,394,164</u>	<u>460,913</u>	<u>-</u>	<u>1,855,077</u>
Fund Balances				
Nonspendable	-	3,866	152,630	156,496
Restricted	-	12,780	390,706	403,486
Committed	398,567	22,126,022	-	22,524,589
Assigned	2,300,000	-	162,201	2,462,201
Unassigned	11,157,031	-	-	11,157,031
Total Fund Balances	<u>13,855,598</u>	<u>22,142,668</u>	<u>705,537</u>	<u>36,703,803</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 16,842,977</u>	<u>\$ 24,640,382</u>	<u>\$ 803,139</u>	<u>\$ 42,286,498</u>

The notes to financial statements are an integral part of this statement.

Reconciliation of Governmental Funds Balance Sheet
to the Government Wide Statement of Net Position - Governmental Activities
June 30, 2016

Fund Balances - Total Governmental Funds	\$ 36,703,803
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	158,495,954
Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	4,119,278
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,789,091
Deferred outflows - Difference between expected and actual experience	575,128
Deferred outflows - Change in assumptions	848,791
Deferred outflows - Net difference between projected and actual earnings	47,470
Deferred outflows - Advance refunding	675,894
Deferred inflows - Difference between expected and actual experience	(279,159)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(73,340,000)
Premiums on debt issues	(4,383,275)
Capital leases	(10,584,544)
Compensated absences	(641,973)
Pension obligations	(5,688,943)
Other post-employment benefits obligations	(1,535,897)
Accrued interest	<u>(261,971)</u>
Net Position of Governmental Activities	<u>\$ 106,539,647</u>

The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 66,691,876	\$ -	\$ -	\$ 66,691,876
Intergovernmental	13,312,658	9,271,952	2,396,990	24,981,600
Charges for services	3,729,330	70,342	693,942	4,493,614
Income on investments	205,543	605	896	207,044
Miscellaneous	485,394	25,295	116,040	626,729
Total Revenues	<u>84,424,801</u>	<u>9,368,194</u>	<u>3,207,868</u>	<u>97,000,863</u>
EXPENDITURES				
Current Expenditures				
General government	4,210,624	1,450	3,000	4,215,074
Community development	693,903	18,677	12,325	724,905
Public safety	8,475,475	-	3,146	8,478,621
Physical services	7,560,375	9,198	-	7,569,573
Parks, recreation and libraries	3,893,801	16,360	85,064	3,995,225
Health and human services	2,346,925	-	70,348	2,417,273
Schools	49,476,881	-	3,024,689	52,501,570
Debt Service				
Principal	4,002,350	-	-	4,002,350
Interest	2,200,683	-	-	2,200,683
Bond issuance costs	119,181	88,717	-	207,898
Capital Outlay	31,828	24,686,381	-	24,718,209
Total Expenditures	<u>83,012,026</u>	<u>24,820,783</u>	<u>3,198,572</u>	<u>111,031,381</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,412,775</u>	<u>(15,452,589)</u>	<u>9,296</u>	<u>(14,030,518)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	69,610	926,296	-	995,906
Transfers out	(926,296)	(65,000)	-	(991,296)
Sale of capital assets	-	46,845	-	46,845
Issuance of capital leases	31,828	10,340,341	-	10,372,169
Issuance of long-term debt	-	16,770,000	-	16,770,000
Issuance of refunding bonds	10,920,000	-	-	10,920,000
Premium on financing	2,290,415	-	-	2,290,415
Payment to refunded bond escrow agent	(12,085,509)	-	-	(12,085,509)
Total Other Financing Sources	<u>300,048</u>	<u>28,018,482</u>	<u>-</u>	<u>28,318,530</u>
Net Change in Fund Balances	1,712,823	12,565,893	9,296	14,288,012
Fund Balances - Beginning of Year, as restated	<u>12,142,775</u>	<u>9,576,775</u>	<u>696,241</u>	<u>22,415,791</u>
Fund Balances - End of Year	<u>\$ 13,855,598</u>	<u>\$ 22,142,668</u>	<u>\$ 705,537</u>	<u>\$ 36,703,803</u>

The notes to financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ 14,288,012
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures	21,723,110
Depreciation expense	(3,393,714)
Undepreciated basis of assets disposed of or sold	(35,967)
	<u>18,293,429</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes and other revenues in the General Fund	75,878
Revenues in the Capital Projects Fund	460,913
	<u>536,791</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Issuance of long-term debt - general obligation bonds	(16,770,000)
Issuance of long-term debt - refunding bonds	(10,920,000)
Issuance of long-term debt - capital leases	(10,372,169)
Premium on issuance of long-term debt	(2,290,415)
Principal payments on long-term debt	3,950,000
Payment to refunded bond escrow agent	12,085,509
Principal payments on capital leases	235,999
	<u>(24,081,076)</u>
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 governmental funds, including the change in	
Accrued interest	(2,155)
Premium amortization	439,012
Change in compensated absences	(7,345)
Pension related effects (net pension liability, deferred inflows and outflows of resources)	(125,297)
Other post employment benefits obligation	(314,781)
	<u>(10,566)</u>
Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	
	<u>(545,917)</u>
Change in Net Position of Governmental Activities	<u>\$ 8,480,673</u>

The notes to financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities- Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service
ASSETS		
Current Assets		
Cash and equivalents	\$ 5,264,675	\$ 4,351,240
Receivables		
Usage	1,074,470	-
Special assessments and connection charges	57,457	-
Due from other funds	-	377,542
Total Current Assets	<u>6,396,602</u>	<u>4,728,782</u>
Noncurrent Assets		
Capital assets		
Land	480,579	-
Construction-in-progress	1,754,638	-
Intangibles	564,551	-
Buildings and improvements	2,493,617	-
Machinery and equipment	823,391	-
Infrastructure	<u>14,959,235</u>	<u>-</u>
	21,076,011	-
Less - Accumulated depreciation	<u>(8,163,737)</u>	<u>-</u>
Total Capital Assets, net of accumulated depreciation	<u>12,912,274</u>	<u>-</u>
Total Assets	<u>19,308,876</u>	<u>4,728,782</u>
LIABILITIES		
Current Liabilities		
Accounts payable	140,459	609,504
Accrued payroll and related	8,441	-
Due to other funds	605	-
Current maturities of notes payable	<u>111,826</u>	<u>-</u>
Total Current Liabilities	261,331	609,504
Noncurrent Liabilities		
Notes payable, less current maturities	<u>1,928,993</u>	<u>-</u>
Total Liabilities	<u>2,190,324</u>	<u>609,504</u>
NET POSITION		
Net investment in capital assets	10,871,455	-
Unrestricted	<u>6,247,097</u>	<u>4,119,278</u>
Total Net Position	<u>\$ 17,118,552</u>	<u>\$ 4,119,278</u>

The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service
OPERATING REVENUES		
Insurance proceeds	\$ -	\$ 106,176
Employee contributions	-	1,854,059
Charges for services	3,720,953	8,030,883
Other	8,920	-
Total Operating Revenues	<u>3,729,873</u>	<u>9,991,118</u>
OPERATING EXPENSES		
Administrative expense	76,965	1,254,633
Employee benefits	169,436	7,827,921
Insurance	-	1,466,223
Purchase of water	805,471	-
Source of supply	1,744,356	-
Pumping expense	127,515	-
Transmission and distribution	36,908	-
Salaries - administrative and general	159,420	-
Salaries - operating and maintenance	290,669	-
Depreciation	298,218	-
Total Operating Expenses	<u>3,708,958</u>	<u>10,548,777</u>
Income (Loss) from Operations	<u>20,915</u>	<u>(557,659)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	39,420	11,742
Interest expense	(53,676)	-
Lien fees	3,647	-
Total Non-Operating Revenues (Expenses)	<u>(10,609)</u>	<u>11,742</u>
Income (Loss) Before Transfers	10,306	(545,917)
Transfers out	<u>(4,610)</u>	<u>-</u>
Change in Net Position	5,696	(545,917)
Net Position - Beginning of Year	<u>17,112,856</u>	<u>4,665,195</u>
Net Position - End of Year	<u>\$ 17,118,552</u>	<u>\$ 4,119,278</u>

The notes to financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds Water and Sewer	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ -	\$ 9,884,942
Cash received from customers	4,222,034	-
Cash received from insurance and others	8,920	106,176
Cash payments to employees for services	(446,392)	-
Cash payments to providers of benefits	-	(10,568,204)
Cash payments to suppliers for goods and services	(2,953,138)	-
Net Cash from Operating Activities	831,424	(577,086)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments	(195,695)	-
Interest expense	(53,676)	-
Acquisition of capital assets	(223,430)	-
Net Cash from Capital and Related Financing Activities	(472,801)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from lien fee collections	3,647	-
Transfers out	(4,610)	-
Net Cash from Non-Capital Financing Activities	(963)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	39,420	11,742
Net Increase (Decrease) in Cash and Equivalents	397,080	(565,344)
Cash and Equivalents - Beginning of Year	4,867,595	4,916,584
Cash and Equivalents - End of Year	\$ 5,264,675	\$ 4,351,240
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ 20,915	\$ (557,659)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	298,218	-
Changes in operating assets and liabilities		
Usage receivables	489,216	-
Special assessments and connection charges	11,865	-
Accounts payable	7,513	(19,427)
Accrued payroll and related	3,697	-
Net Cash from Operating Activities	\$ 831,424	\$ (577,086)

The notes to financial statements are an integral part of this statement.

Statement of Net Position
 Fiduciary Funds
 June 30, 2016

	Pension Trust Fund	Agency Funds
ASSETS		
Cash	\$ -	\$ 2,368,896
Investments, at fair value		
Mutual funds - equity	30,261,700	-
Mutual funds - money market	11,980,913	-
Mutual funds - bonds	1,152,571	-
Accounts receivable	10,000	-
	<u>43,405,184</u>	<u>2,368,896</u>
Total Assets		
	<u>43,405,184</u>	<u>2,368,896</u>
LIABILITIES		
Due to student and other groups	-	2,368,896
Accounts payable	9,375	-
Due to other funds	132,572	-
	<u>141,947</u>	<u>2,368,896</u>
Total Liabilities		
	<u>141,947</u>	<u>\$ 2,368,896</u>
NET POSITION		
Restricted for pensions	<u>\$ 43,263,237</u>	

The notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2016

	Pension Trust Fund
	<hr/>
ADDITIONS	
Contributions	
Employer	\$ 2,288,286
Plan members	928,038
Other	<u>40,000</u>
Total Contributions	<u>3,256,324</u>
Investment Income	
Net change in fair value of investments	(91,501)
Interest and dividends	<u>163,718</u>
Total Investment Income	72,217
Less investment management fees	<u>(37,500)</u>
Net Investment Income	<u>34,717</u>
Total Additions	<u>3,291,041</u>
DEDUCTIONS	
Pension benefits	3,847,780
Administrative fees	<u>75,808</u>
Total Deductions	<u>3,923,588</u>
Change in Net Position	(632,547)
Net Position - Beginning of Year	<u>43,895,784</u>
Net Position - End of Year	<u>\$ 43,263,237</u>

The notes to financial statements are an integral part of this statement.

Town of Berlin, Connecticut

Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies

The Town of Berlin, Connecticut ("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 8, 2016, 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 establishing policy. Charter revisions 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.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

1. Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which 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 or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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 and enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the water and sewer enterprise fund and the internal service funds are charges to customers for sales, services and benefits. Operating expenses for the enterprise fund and the internal service funds include the cost of sales, services and benefits, administrative expenses and depreciation costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

1. Summary of Significant Accounting Policies (Continued)

Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets. The major sources of revenues for this fund are capital grants and the proceeds from the issuance of general obligation bonds.

- b. Proprietary Funds - Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. Internal Service funds are used to account for those operations that provide services to the Town. The following is the Town's major proprietary fund:

- Water and Sewer Fund – The Water and Sewer 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 internal service funds to account for insured activities of the Town, including medical and health (self-insured) and liability (fully insured).

- c. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Pension Trust Fund and Agency Funds. The Pension Trust Fund is used to account for the activities of the Town of Berlin Employee Retirement Plan, which accumulates resources for pension benefit payments to qualified employees upon retirement. The Agency Fund is primarily utilized to account for monies held as custodian for outside groups.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

1. Summary of Significant Accounting Policies (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and pension trust fund. The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting. 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.

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.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

1. Summary of Significant Accounting Policies (Continued)

The Short-Term Investment Fund ("STIF") is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes ("CGS"). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and reports its investments at amortized cost (which approximates fair value). The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

Investments - The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (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. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

The Town follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quote prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk.

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. 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.

1. Summary of Significant Accounting Policies (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town has no policy limiting an investment in any one issuer that is in excess of 5% of the Town's total investments.

Taxes Receivable - Property taxes are assessed on property values as of October 1st. Effective July 1, 2016, the tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed. Previously, all tax bills were due July 1st and the bill became delinquent 31 days after the tax bill (August 1st).

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

An allowance for uncollectible amounts of \$481,984 and \$315,421 has been recorded net with taxes receivable and related interest receivable as of June 30, 2016.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Inventories - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventorable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

1. Summary of Significant Accounting Policies (Continued)

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

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 Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. 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.

Intangible assets lack physical substance, is nonfinancial in nature and its useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

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.

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town is depreciated or amortized using the straight line method over the following estimated useful lives:

Assets	Years	Capitalization Threshold
Land	N/A	\$ 5,000
Construction in progress	N/A	5,000
Intangible assets	Varies, if any	5,000
Land improvements	10-30	5,000
Buildings	40	5,000
Machinery and equipment	5-20	5,000
Infrastructure	20-50	5,000

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

1. Summary of Significant Accounting Policies (Continued)

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

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

The Town reports deferred outflows and inflows of resources related to pensions in the government-wide statement of net position. A deferred outflow or inflow of resources related to pension results from differences between expected and actual experience, the net difference between projected and actual earnings, and a change in assumptions. 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). Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

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, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 expenses.

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, and debt payments, are reported as expenditures.

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. Vacation expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements.

1. Summary of Significant Accounting Policies (Continued)

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.

Net Position - Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. The Town Council is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.

1. Summary of Significant Accounting Policies (Continued)

- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Town Council for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. On May 3, 2011, the Town Council adopted a fund balance policy. This policy, combined with legislative authority granted to the Town 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. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities. To the extent possible, the Town's current practice is to close out purchase orders at June 30.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (Continued)

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 30, 2016.

2. Stewardship, Compliance and Accountability

A. Budget Basis

A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teachers' Retirement** - The Town does not recognize as income or expenditures, payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Other Funds** - The Union Negotiation Reserve Fund and Revaluation Fund are not included in the budget. These funds are reported within the General Fund in the fund financial statements as they are not qualified to be reported as Special Revenue Funds.

B. Budget Calendar

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.

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.

2. Stewardship, Compliance and Accountability (Continued)

C. Budget Control

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 the Town Council. Also, transfers may not be made for major capital items specifically deleted by the Town Council. The Town 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 non-budgeted appropriations exceeding \$25,000 individually or exceeding \$250,000 cumulative annually. The Town Council may transfer funds from budget appropriation between departments only in the last three months of the fiscal year.

D. Additional Appropriations in the General Fund

During the year \$466,897 of additional appropriations were made.

E. Application of Accounting Standards

For the year ended June 30, 2016, the Town implemented:

- GASB Statement 72 – *Fair Value Measurement and Application* – This Statement, addresses accounting and financial reporting issues related to fair value measurements.
- GASB Statement 76 – *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments* – This statement identifies the current hierarchy of GAAP.
- Certain provisions of GASB Statement 79 – *Certain External Investment Pools and Pool Participants* for pool participants - This statement provides criteria for when an external investment pool may use amortized cost instead of Fair Value.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

2. Stewardship, Compliance and Accountability (Continued)

F. Prior Period Adjustment

During the 2016 fiscal year, the Town made a number of corrections to beginning balances. These were treated as prior period adjustments in that the beginning balances of equity were corrected to reflect the changes summarized as follows:

	Fund Financial Statements		Government Wide Statements	
	Increase	Decrease	Increase	Decrease
Governmental Activities				
General Fund				
To correct deferred revenue for uncollectible taxes and interest	\$ -	\$ -	\$ -	\$ 1,614,712
Nonmajor Governmental Funds				
To reclassify Adult Education Fund from a fiduciary fund	202	-	202	-
Capital Assets				
To correct depreciation	-	-	19,590	-
Long Term Debt				
To correct bond premium	-	-	367,127	-
To correct capital leases	-	-	-	945
To correct compensated absences	-	-	-	219,348
Total Adjustments to Governmental Activities	<u>\$ 202</u>	<u>\$ -</u>	<u>\$ 386,919</u>	<u>\$ 1,835,005</u>
Business-Type Activities				
Water and Sewer Fund				
To remove deferred debits from prior years	<u>\$ -</u>	<u>\$ 13,796</u>	<u>\$ -</u>	<u>\$ 13,796</u>

In addition to these corrections, certain fund balances were reclassified in the Capital Projects Fund and Other Governmental Funds to reflect an appropriate classification under the hierarchy.

3. Detailed Notes on All Funds

A. Cash, Cash Equivalents and Investments

Cash and investments of the Town consist of the following at June 30, 2016:

Statement of Net Position	
Cash and equivalents	\$ 41,528,519
Investments	7,780,854
	<u>49,309,373</u>
Fiduciary Funds	
Cash and equivalents - Agency Funds	2,368,896
Investments - Pension Trust Fund	43,395,184
	<u>\$ 45,764,080</u>
Total Cash and Investments	<u>\$ 95,073,453</u>

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

Cash and Cash Equivalents - As of June 30, 2016 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 42,323,329
Plus external investment pools	1,574,086
	<u>\$ 43,897,415</u>

The bank balance of the deposits was \$43,380,478 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 2,138,331
Collateralized, held by banks	4,124,215
Uninsured and uncollateralized	37,117,932
	<u>\$ 43,380,478</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.

Investments – Investments are summarized as follows at June 30, 2016

	Capital Projects	Pension	Total Investments
Mutual funds - equity	\$ -	\$ 30,261,700	\$ 30,261,700
Mutual funds - money market	7,780,854	11,980,913	19,761,767
Mutual funds - bonds	-	1,152,571	1,152,571
	<u>\$ 7,780,854</u>	<u>\$ 43,395,184</u>	<u>\$ 51,176,038</u>

Below is a summary of the interest rate risk and credit risk as of June 30, 2016

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1 Year	1-5 Years	Over 5 Years
Mutual funds - equity	N/A	\$ 30,261,700	\$ 30,261,700	\$ -	\$ -
Mutual funds - money market	N/A	19,761,767	19,761,767	-	-
Mutual funds - bonds	AA-	1,152,571	536,756	130,678	485,137
Total		<u>\$ 51,176,038</u>	<u>\$ 50,560,223</u>	<u>\$ 130,678</u>	<u>\$ 485,137</u>

N/A Not Applicable

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

The following are major categories of investments measured at fair value on a recurring basis, grouped by the fair value hierarchy:

Type of Investment	Investments not Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds - equity	\$ -	\$ 8,205,679	\$ 22,056,021	\$ -	\$ 30,261,700
Mutual funds - money market	-	19,761,767	-	-	19,761,767
Mutual funds - bonds	-	1,152,571	-	-	1,152,571
Total	\$ -	\$ 29,120,017	\$ 22,056,021	\$ -	\$ 51,176,038

B. Deferred Revenue and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred revenue* because they were not received within 60 days of the year end

	General Fund	Capital Projects
Property taxes	\$ 915,159	\$ -
Intergovernmental revenue	-	460,913
Interest	413,019	-
	<u>\$ 1,328,178</u>	<u>\$ 460,913</u>

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2016

	General Fund	Capital Projects	Other Governmental Funds
Advances on grants	\$ -	\$ 44,131	\$ 88,764
Fees collected in advance	107,351	-	-
	<u>\$ 107,351</u>	<u>\$ 44,131</u>	<u>\$ 88,764</u>

C. Interfund Transactions

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2016 these were summarized as follows:

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

Receivable fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 605
General Fund	Pension Trust Fund	132,572
Internal Service Funds	General Fund	377,542
		<u>\$ 510,719</u>

Fund transfers are generally used to fund special projects with General Fund revenues. Transfers during the year ended June 30, 2016 were as follows:

	Transfers into		
	General Fund	Capital Projects Fund	Total
Transfers out of:			
General Fund	\$ -	\$ 926,296	\$ 926,296
Capital Projects Fund	65,000	-	65,000
Enterprise Fund - Water and Sewer	4,610	-	4,610
	<u>\$ 69,610</u>	<u>\$ 926,296</u>	<u>\$ 995,906</u>

D. Capital Assets

Changes in the Town's capital assets used in the governmental activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 23,195,016	\$ 35,500	\$ -	\$ 23,230,516
Construction in progress	56,869,582	19,100,129	(1,833,648)	74,136,063
	<u>80,064,598</u>	<u>19,135,629</u>	<u>(1,833,648)</u>	<u>97,366,579</u>
Capital assets being depreciated				
Land improvements	4,509,984	-	-	4,509,984
Buildings and systems	63,202,604	1,296,511	-	64,499,115
Machinery and equipment	16,703,177	617,566	(942,967)	16,377,776
Infrastructure	53,614,319	2,507,052	-	56,121,371
	<u>138,030,084</u>	<u>4,421,129</u>	<u>(942,967)</u>	<u>141,508,246</u>
Less accumulated depreciation				
Land improvements	(2,967,735)	(133,039)	-	(3,100,774)
Buildings and systems	(31,333,370)	(1,088,697)	-	(32,422,067)
Machinery and equipment	(10,352,930)	(1,085,736)	907,000	(10,531,666)
Infrastructure	(33,238,122)	(1,086,242)	-	(34,324,364)
	<u>(77,892,157)</u>	<u>(3,393,714)</u>	<u>907,000</u>	<u>(80,378,871)</u>
	<u>\$ 140,202,525</u>	<u>\$ 20,163,044</u>	<u>\$ (1,869,615)</u>	<u>\$ 158,495,954</u>

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

Depreciation and amortization expense was charged to the governmental activities as follows:

General government	\$ 93,075
Community development	1,547
Public safety	453,563
Physical services	1,310,904
Parks, recreation and libraries	413,508
Health and human services	33,659
Schools	1,087,458
	<u>\$ 3,393,714</u>

Changes in the Town's capital assets used in the business-type activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 480,579	\$ -	\$ -	\$ 480,579
Construction in progress	3,771,258	152,180	(2,168,800)	1,754,638
Intangible assets	564,551	-	-	564,551
	<u>4,816,388</u>	<u>152,180</u>	<u>(2,168,800)</u>	<u>2,799,768</u>
Capital assets being depreciated				
Buildings and systems	2,459,086	34,531	-	2,493,617
Machinery and equipment	793,739	29,652	-	823,391
Infrastructure	12,783,371	2,175,864	-	14,959,235
	<u>16,036,196</u>	<u>2,240,047</u>	<u>-</u>	<u>18,276,243</u>
Less accumulated depreciation				
Buildings and systems	(1,626,038)	(72,004)	-	(1,698,042)
Machinery and equipment	(575,330)	(23,644)	-	(598,974)
Infrastructure	(5,664,151)	(202,570)	-	(5,866,721)
	<u>8,170,677</u>	<u>1,941,829</u>	<u>-</u>	<u>10,112,506</u>
	<u>\$ 12,987,065</u>	<u>\$ 2,094,009</u>	<u>\$ (2,168,800)</u>	<u>\$ 12,912,274</u>

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

Water Fund	\$ 126,778
Sewer Fund	171,440
	<u>\$ 298,218</u>

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

E. Long-Term Liabilities – Governmental Funds

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 60,905,000	\$ 27,690,000	\$(15,255,000)	\$ 73,340,000	\$ 4,360,000
Premium on bonds	2,636,487	2,290,415	(543,627)	4,383,275	632,556
	63,541,487	29,980,415	(15,798,627)	77,723,275	4,992,556
Capital leases	448,374	10,372,169	(235,999)	10,584,544	350,238
Compensated absences	634,628	35,718	(28,373)	641,973	641,973
Pension obligations	4,541,463	1,867,473	(719,993)	5,688,943	-
OPEB obligations	1,221,116	520,914	(206,133)	1,535,897	-
	<u>\$ 70,387,068</u>	<u>\$ 42,776,689</u>	<u>\$(16,989,125)</u>	<u>\$ 96,174,632</u>	<u>\$ 5,984,767</u>

Each governmental funds liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations is expensed to the respective fund, primarily the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2016 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Various School and General Projects	2011	\$ 16,610,000	6/1/2021	3-5%	\$ 6,600,000
Various School and General Projects	2013	\$ 8,495,000	12/1/2032	2.5-4%	7,985,000
Various School and General Projects	2014	\$ 18,355,000	12/1/2033	3-5%	17,345,000
General and School Renovations	2015	\$ 13,720,000	12/1/2034	2-4%	13,720,000
Various School and General Projects	2016	\$ 16,770,000	12/1/2035	2-4%	16,770,000
Various School and General Projects	2016	\$ 10,920,000	9/1/2025	2-5%	10,920,000
					<u>\$ 73,340,000</u>

The Town has \$9,284,000 of debt authorized but unissued. This is for general purpose, schools and sewer.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

Payments to maturity on the general obligation bonds are as follows:

Year End	Governmental Activities General Obligation Bonds		Year End	Governmental Activities General Obligation Bonds	
	Principal	Interest		Principal	Interest
2017	\$ 4,360,000	\$ 2,396,522	2027	\$ 3,030,000	\$ 661,862
2018	5,345,000	2,336,231	2028	3,020,000	580,462
2019	5,410,000	2,123,606	2029	2,905,000	499,662
2020	5,445,000	1,891,981	2030	2,775,000	421,506
2021	4,955,000	1,671,481	2031	2,775,000	342,800
2022	4,710,000	1,437,106	2032	2,660,000	261,809
2023	4,750,000	1,235,481	2033	2,655,000	179,119
2024	4,790,000	1,054,831	2034	2,265,000	100,828
2025	4,815,000	914,144	2035	1,400,000	42,444
2026	4,590,000	775,597	2036	685,000	10,275
				<u>\$ 73,340,000</u>	<u>\$ 18,937,747</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2016 totaled \$1,718,741.

Overlapping Debt

A summary of overlapping debt is presented below:

Debt Outstanding	Total	Considered Overlapping
Kensington Fire District	\$ 727,519	\$ 727,519
Worthington Fire District	408,761	408,761
Mattabassett District	73,509,000	10,548,542
	<u>\$ 74,645,280</u>	<u>\$ 11,684,822</u>

Bond Anticipation Notes

The following table summarizes changes in the Town's bond anticipation notes for the year ending June 30, 2016:

Date Issued	Maturity Date	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance
5/21/2015	9/21/2015	1.0%	\$ 1,180,000	\$ -	\$ (1,180,000)	\$ -
9/21/2015	5/19/2016	1.5%	-	2,900,000	(2,900,000)	-
5/19/2016	9/19/2016	2.0%	-	900,000	-	900,000
			<u>\$ 1,180,000</u>	<u>\$ 3,800,000</u>	<u>\$ (4,080,000)</u>	<u>\$ 900,000</u>

The notes are reported in the Capital Projects Fund and will be retired or permanently financed. The bond anticipation notes due September 19, 2016 were refinanced with \$1,455,000 of new bond anticipation notes with an interest rate of 0.97% per year. This is due in May 18, 2017.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

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. Connecticut Innovations, Inc. has now assumed the above mentioned agreement.

At June 30, 2016, the aggregate principal amount payable pursuant to the agreement was \$256,580.

Capital Leases Payable

The Town has entered into various lease agreements to finance the acquisition of heavy equipment, golf carts, and energy improvements. On February 12, 2016, the Town entered into a \$10,340,341 20 year lease for solar panels, streetlights and other energy savings equipment. Total payments, including interest, for the energy lease is \$14,051,206. The equipment and improvements are included in the capital assets with a cost of \$2,609,516 and accumulated depreciation of \$145,063. These leases qualify as capital leases for accounting purposes. The Town's capital lease obligation at June 30, 2016 is as follows:

Total payments on capital lease(s) for year ending

2017	\$ 760,756
2018	775,296
2019	586,309
2020	602,707
2021	613,598
2022-2026	3,340,224
2027-2031	3,830,018
2032-2036	3,793,671
	<u>14,302,579</u>
Less the amount representing interest	<u>(3,718,035)</u>
Present value of future minimum lease payments	<u><u>\$ 10,584,544</u></u>

Interest incurred and expensed on capital leases payable for the year ended June 30, 2016 totaled \$9,594.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

Operating Leases Payable

The Town leases a fiber optic communications network under a noncancelable operating lease. The future minimum lease payments for this lease amounts to \$16,800 per year for the next 12 fiscal years, ending in 2028.

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. The value of all compensated absences has been reflected in the government-wide financial statements.

Advance Refunding

During the year, the Town issued serial bonds to advance refund existing serial bonds. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain future debt service payments on the bonds. As a result, the 2009 and 2011 serial bonds are considered partially defeased and the liability for those serial bonds has been removed from the Statement of Net Position.

	Net Debt	Old Debt	Old Debt
Purpose	Refunding	2009 GOB	2011 GOB
Range of interest rates	2.0% - 5.0%	2.5% - 3.625%	3.0% - 5.0%
Face value of debt	\$ 10,920,000	\$ 5,045,000	\$ 6,260,000
Net original issue premium, amortizing	1,284,690	N/A	104,615
Additional proceeds	(4,612)	N/A	N/A
Underwriting fees	(114,569)	N/A	N/A
Net proceeds	<u>\$ 12,085,509</u>	N/A	N/A
Deferred charge on refunding, amortizing		301,626	374,268
Deposit to escrow deposit fund		<u>\$ 5,346,626</u>	<u>\$ 6,738,883</u>
Savings on refunding			
Reduction in debt service payments	\$ 586,842		
Net present value of economic gain	\$ 506,268		

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

Legal Debt Limit

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Berlin, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	\$ 66,742,941
Total tax collections (including interest and lien fees) for the year - coterminous governments	1,309,460
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	111,121
Debt limitation base	<u>\$ 68,163,522</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 153,367,925	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	306,735,849	-	-	-
3 3/4 times base	-	-	255,613,208	-	-
3 1/4 times base	-	-	-	221,531,447	-
3 times base	-	-	-	-	204,490,566
Total debt limitation	<u>153,367,925</u>	<u>306,735,849</u>	<u>255,613,208</u>	<u>221,531,447</u>	<u>204,490,566</u>
Indebtedness					
Bonds payable	18,299,644	55,940,356	2,040,819	-	-
Bonds authorized, unissued	4,851,000	2,170,000	2,263,000	-	-
Overlapping indebtedness	-	-	11,684,822	-	-
Total indebtedness	<u>23,150,644</u>	<u>58,110,356</u>	<u>15,988,641</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 130,217,281</u>	<u>\$ 248,625,493</u>	<u>\$ 239,624,567</u>	<u>\$ 221,531,447</u>	<u>\$ 204,490,566</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 477,144,654

F. Long-Term Liabilities – Enterprise Funds

The following table summarizes changes in the Town's long-term indebtedness in the enterprise funds for the year ending June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Project loan obligation	<u>\$ 2,236,514</u>	<u>\$ -</u>	<u>\$ (195,695)</u>	<u>\$ 2,040,819</u>	<u>\$ 111,826</u>

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.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

As required by the rules of the program, the Town Council authorized bonds in the amount of \$4,500,000. 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 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, \$2,168,000 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 requirement to amortize Clean Water Fund Loans outstanding as of June 30, 2016, including interest payments, are as follows:

Year End	Business-Type Activities		Year End	Business-Type Activities	
	Notes and Loans			Notes and Loans	
	Principal	Interest		Principal	Interest
2017	\$ 111,826	\$ 39,791	2023	\$ 111,826	\$ 26,372
2018	111,826	37,647	2024	111,826	24,136
2019	111,826	35,318	2025	111,826	21,899
2020	111,826	33,082	2026-2030	559,130	75,948
2021	111,826	30,845	2031-2034	475,255	20,501
2022	111,826	28,609		<u>\$ 2,040,819</u>	<u>\$ 374,148</u>

Interest incurred and expensed on the Clean Water Fund loan for the year ended June 30, 2016 was \$53,676.

G. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Nonexpendable – the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$114,691 of trust principal.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

Restricted Net Position – Expendable – the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds. This is made up of the following:

General government	\$ 178,804
Education	17,934
Public safety	38,777
Culture and recreation	155,191
Capital projects	12,780
Unspent capital lease proceeds for energy and streetlights	7,780,854
	<u>\$ 8,184,340</u>

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

H. Fund Balances

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Capital Projects	Other Governmental Funds
Nonspendable			
Not in spendable form			
Inventories	\$ -	\$ -	\$ 37,939
Long-term receivables	-	3,866	-
Required to be maintained			
Trust principal	-	-	114,691
	<u>\$ -</u>	<u>\$ 3,866</u>	<u>\$ 152,630</u>
Restricted			
General government	\$ -	\$ -	\$ 178,804
Education	-	-	17,934
Public safety	-	-	38,777
Culture and recreation	-	-	155,191
Capital projects	-	12,780	-
	<u>\$ -</u>	<u>\$ 12,780</u>	<u>\$ 390,706</u>

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

	General Fund	Capital Projects	Other Governmental Funds
Committed			
Union negotiation reserves	\$ 229,464	\$ -	\$ -
Revaluation	169,103	-	-
Capital projects	-	22,126,022	-
	<u>\$ 398,567</u>	<u>\$ 22,126,022</u>	<u>\$ -</u>
Assigned			
General government	\$ -	\$ -	\$ 97,065
Education	-	-	65,136
To balance next year's budget	2,300,000	-	-
	<u>\$ 2,300,000</u>	<u>\$ -</u>	<u>\$ 162,201</u>

4. Pension and Other Post Retirement Plans

A. The Funded Retirement Plan of the Town of Berlin

Plan Description - The Town is the sponsor and administrator of a single employer public employee retirement system ("PERS") established and administered by the Town to provide pension benefits for its full-time employees who have elected to participate in the plan (excluding teachers covered under the CT 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 statement as a pension trust fund. A separate stand-alone financial report is not issued. The Plan is governed by the Retirement Plans Investment Advisor Committee (the "Board") which is a subcommittee of the Board of Finance.

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 11 members. The 11 members are the Town Manager, Finance Director, Director of Human Resources, Town Accountant, BOE Business Manager, top management representative, 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.

4. Pension and Other Post Retirement Plans (Continued)

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 \$36,706,802 as of June 30, 2016. Employees contributed \$804,827, and covered payroll was \$14,984,576. The Town's matching share was \$1,578,286. 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 2, 2015.

As of June 30, 2016, 14.4% 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 85.6% 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.

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 \$138,907 as of June 30, 2016.

4. Pension and Other Post Retirement Plans (Continued)

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 (age 55 or 25 years of service for police officers); early retirements are allowable with reduced benefit.

Plan Membership – As of the date of the latest actuarial valuation (July 1, 2015), membership consisted of the following:

	Defined Contribution Plan	Defined Benefit Plan	Total
Retirees and beneficiaries receiving benefits	-	25	25
Terminated employees entitled to benefits, but not yet receiving them	-	3	3
Active members	287	19	306
	<u>287</u>	<u>47</u>	<u>334</u>

The defined benefit segment plan is closed to new entrants.

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.

Contribution and 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.

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.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

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

Long-term expected rate of return – The best estimate range for the long-term expected rate of return is 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, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Guaranteed Deposit Account	100.00%	1.00%
Short Term Fixed Income	0.00%	0.50%
Core Fixed Income	0.00%	1.75%
Global Fixed Income	0.00%	2.25%
Domestic Large Cap Equity	0.00%	5.00%
Domestic Small Cap Equity	0.00%	5.35%
International Equity	0.00%	5.45%
Emerging Market Equity	0.00%	6.55%
Commodities	0.00%	2.65%

Calculation of Money-Weighted Rate of Return – The money-weighted rate of return considers the changing amounts actually invested during and period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a quarterly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expense as:

Net money-weighted rate of return for the year ended June 30, 2016	2.46%
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Net Pension Liability

The components of the net pension liability of the Town as of June 30, 2016 were as follows:

Town pension liability	\$ 6,055,118
Plan fiduciary net position	<u>366,175</u>
Net pension liability (asset)	<u>\$ 5,688,943</u>
Plan fiduciary net position as a percentage of total pension liability	6.05%

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the July 1, 2015 valuation and projected forward to June 30, 2016:

Valuation timing	Actuarially determined contribution rates are calculated as of July 1, twelve months prior to the beginning of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	
Level percent or level dollar	Level percent
Closed, open or layered	Open periods
Amortization period at 1/1/14	10 years
Asset valuation method	
Recognition method	Equal to the Market Value of Assets
Corridor	None
Inflation	3.00%
Salary increases	3.25% for Police. 2.75% for all
Investment rate of return	5% Pre-retirement, 3.11% post-retirement
Cost of living adjustment	None
Retirement age	Differing for Police and all other employees
Turnover	None
Pre-retirement mortality	RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015
Post-retirement mortality	IRS 417(e) mortality table

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

	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
Net Pension Liability (Asset)	<u>\$ 6,663,864</u>	<u>\$ 5,688,943</u>	<u>\$ 4,891,526</u>

Discount Rate – The discount rate used to measure the total pension liability was 5.00%. 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.

Changes in the Plan and the Plan Assumptions – For the year ended June 30, 2016 the expected rate of return (net of investment-related and administrative expenses) was reduced from 6.00% to 5.00% for pre-retirement, and increased from 3.42% to 3.11% for post-retirement.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

Pension Expense – The total pension expense recognized for the year ended June 30, 2016 was \$825,834. Pension expense for the next 4 years will be affected by the following deferred outflows and inflows of resources:

Increase (Decrease) in Pension Expense from the Recognition of the Effects of:

	Recognized in	To be recognized in				
	2016	2017	2018	2019	2020	Total
Differences between expected and actual experience						
2015	\$ (139,580)	\$ (139,580)	\$ (139,579)	\$ -	\$ -	\$ (279,159)
2016	\$ 213,010	\$ 213,010	\$ 213,010	\$ 149,108	\$ -	\$ 575,128
Recognition of the effects of changes of assumptions						
2015	\$ 185,118	\$ 185,118	\$ 185,118	\$ -	\$ -	\$ 370,236
2016	\$ 177,243	\$ 177,243	\$ 177,243	\$ 124,069	\$ -	\$ 478,555
Net difference between projected and actual earnings on pension plan investments						
2015	\$ 8,358	\$ 8,358	\$ 8,358	\$ 8,358	\$ -	\$ 25,074
2016	\$ 5,599	\$ 5,599	\$ 5,599	\$ 5,599	\$ 5,599	\$ 22,396

B. Teacher's Retirement System

Plan Description - Teachers and certain other certified personnel in the Town are eligible to participate in the Connecticut State Teachers' Retirement System, a cost-sharing multiple employer public employee retirement system described in the Connecticut General Statutes, Chapter 167a. The TRS has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The Teachers' Retirement System is administered by the Teachers' Retirement Board.

Plan Membership – All teachers, principals, superintendents or supervisors engaged in service of public schools are eligible for participation.

Plan Benefits – Plan provisions are set by statute of the State of Connecticut. Teachers' Retirement System provides retirement benefits, as well as death and disability benefits. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary. A minimum monthly benefit of \$1,200 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

4. Pension and Other Post Retirement Plans (Continued)

A member is eligible to receive an early retirement benefit who (1) has attained any age and has accumulated twenty-five years of credited service, at least twenty years of which are service in the public schools of Connecticut or (2) has reached the age of fifty-five and has accumulated twenty years of credited service, at least fifteen years of which are service in the public schools of Connecticut.

The early retirement benefit is reduced six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reductions for individuals with 30 or more years of service is three percent per year by which retirement precedes normal retirement date.

Benefits are fully vested after ten years of service. Benefits are payable at age sixty and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

Funding Policy – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, 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.

The Town is not required to make contributions to the plan. The statutes require the State of Connecticut to make contributions on-behalf of the Town in an actuarially determined amount. The total amount contributed from the State, on behalf of the Town, for the fiscal year ended June 30, 2016 was \$22,352,075.

Members are required to contribute six percent of their annual salary for the pension benefit.

The Town's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions – The following assumptions were used in the pension valuations, prepared as of June 30, 2014 (the Valuation Date and Measurement Date) for use in the June 30, 2016 financial statements (Reporting Date):

4. Pension and Other Post Retirement Plans (Continued)

Experience study dates	July 1, 2005 - June 30, 2010
Inflation	3.00%
Salary increases	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of investment related expense, including inflation
Discount rate	8.50%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate.
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 2.00% to 6.00%
Post-retirement mortality	RP-2000 Combined Mortality Table projected 19 years

Changes in Assumptions – In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely 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.

Target Asset Allocation and Rates of Return – The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.50%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Core Fixed Income	7.00%	1.30%
Inflation Linked Bond Fund	3.00%	1.00%
Emerging Market Bond	5.00%	3.70%
High Yield Bonds	5.00%	3.90%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Cash	6.00%	0.40%

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

Town's Proportionate Share of the Collective Net Pension Liability

Employer Net Pension Liability	\$	-
Nonemployer Contributing Entity (State) Net Pension Liability		62,277,260
Net Pension Liability	\$	<u>62,277,260</u>
Net Pension Liability percentage of the total		0.567600%
Deferred inflows of resources		
Net difference projected and actual earnings on investments	\$	447,763
Pension expense	\$	4,989,978
Proportion Basis		Employee contributions
Change in proportion since prior measurement date		None for 2015

Other amounts reported at deferred inflows of resources will be recognized in pension expense by the State as follows:

2015	\$	(191,968)
2016		(191,968)
2017		(191,956)
2018		1,023,655
	\$	<u>447,763</u>

Sensitivity Analysis – Although this is paid by the State of Connecticut and not a liability of the Town, the following presents the net pension liability of the Town's proportionate share of the plan (paid by the State), calculated using the current discount rate, 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 or 1 percentage point higher:

	1% Decrease 7.50%	Current Discount Rate 8.50%	1% Increase 9.50%
Net Pension Liability (Asset)	<u>\$ 78,536,740</u>	<u>\$ 62,277,260</u>	<u>\$ 48,456,676</u>

Support Provided by Non-employer Contributing Entity (State) – The Town has recognized \$4,989,978 as revenue in support provided by the State of Connecticut's contributions to the plan on behalf of the Town's employees.

Obtaining a Report of the Plan – Teachers' Retirement System is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. The reports include information on the plan's assets, deferred outflows of resource, liabilities, deferred inflows of resources, and fiduciary net position. The stand-alone financial report may be obtained through the Teachers' Retirement Board at www.ct.gov/trb.

4. Pension and Other Post Retirement Plans (Continued)

C. Other Post-Employment Benefits (“OPEB”)

From an accrual accounting perspective, the cost of post-employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town’s future cash flows. The liability accumulated from the years prior to adopting this accounting procedure will be phased in over 30 years.

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 through a single-employer defined benefit plan administered by the Town. 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. Each police employee must contribute an amount equal to 3% of their annual base earnings to a separate Police Post-Retirement Medical Fund. The Town does not contribute to the Fund. The Fund will be used solely for the purpose of paying premiums of health insurance benefits for retirees. Each retiree shall receive from the Fund \$500 per month. The Town does not issue a separate stand-alone financial statement for this program.

Eligibility	Teachers and Administrators – Age 60 with 20 years of service or 35 years of service at any age (Normal Retirement); or age 60 with 10 years of service, age 50 with 20 years of service or 25 years of service at any age (Early Retirement).
	Police – Age 50 with 25 years of service or age 55 with 20 years of service.
	Town – Age 60 with any years of service.
	BOE Non-Certified (Clerical and Secretaries) – Any age.

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

Retired members	20
Spouses of retired members	11
Active plan members	416
	<u>447</u>

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

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 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.

Annual OPEB Cost ("AOC") and Net OPEB Obligation ("NOO")

Amortization Component:

Actuarial Accrued Liability as of July 1, 2014	\$ 5,468,687
Assets at Market Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 5,468,687</u>
Funded Ratio	0.00%
Covered Payroll (Active plan members)	\$ 29,454,889
UAAL as a Percentage of Covered Payroll	18.57%
Annual Required Contribution	\$ 530,261
Interest on Net OPEB Obligation	48,845
Adjustment to Annual Required Contribution	<u>(58,192)</u>
Annual OPEB Cost	520,914
Contributions made	<u>(206,133)</u>
Increase in net OPEB Obligation (Asset)	314,781
Net OPEB Obligation (Asset) - Beginning of the year	1,221,116
Net OPEB Obligation (Asset) - End of the year	<u>\$ 1,535,897</u>

Actuarial Methods and Significant Assumptions - The Town's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance.

The "normal cost" is derived for each active participant as the actuarial present value of the projected benefits that are attributed to expected service in the current plan year. The normal cost for the plan is the total of the individual normal costs for each participant. The accrued liability is equal to the portion of the present value of future benefits that is allocated to years of service before the valuation date.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members.

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.00%
Medical Inflation	5.56% - 4.40% over 69 years
Amortization Method	Level percentage of projected payroll
Amortization	30 years, closed. Remaining amortization period 23 years.
Mortality	Teachers and Administrators – RP-2000 Combined Healthy Mortality Table projected forward 19 years using Scale AA All Others – RP-2000 Healthy Mortality Table with generational projection per Scale AA
Participation	25% of Town, 50% of Police, 75% of Teachers and Administrators, and 10% of BOE Non-Certified
Retirement	Based on percentages at differing ages depending on department

Three year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
6/30/2014	\$ 543,522	\$ 239,000	44.0%	\$ 916,411
6/30/2015	573,705	269,000	46.9%	1,221,116
6/30/2016	520,914	206,133	39.6%	1,535,897

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

Funding Progress

As of the last valuation date, July 1, 2014, the actuarial accrued liability was \$5,468,687, and the actuarial valuation of the plan assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,468,687. The covered payroll of (annual payroll of active employees covered by the plan) is \$29,454,889 at June 30, 2016. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded.

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
7/1/2010	\$ -	\$ 4,675,000	\$ 4,675,000	0.00%	N/A	0.00%
7/1/2012	-	5,682,000	5,682,000	0.00%	29,701,000	19.13%
7/1/2014	-	5,468,687	5,468,687	0.00%	29,454,889	18.57%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage Contributed
6/30/2014	\$ 546,000	43.77%
6/30/2015	579,000	46.46%
6/30/2016	530,261	38.87%

5. Other Information

A. Litigation

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

B. Contingencies

Grants - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

5. Other Information (Continued)

School Building Grants - Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, it will owe a portion of the State funding back to the State.

For projects with a cost of two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

C. Construction Commitments

The Town has active construction projects as of June 30, 2016. The projects include the following:

Project	Appropriations	Expenditures	Encumbrances	Balance
Bonded road improvements	\$ 8,922,152	\$ 7,542,299	\$ 53,634	\$ 1,326,219
Veterans Memorial Park	1,844,500	1,818,250	21,819	4,431
Façade program	500,000	355,786	-	144,214
Boulevard at Berlin Train Station	500,000	24,000	67,000	409,000
Train Station rehab (1)	150,000	107,853	-	42,147
Streetscape improvements	475,180	305,269	158,751	11,160
Downtown sidewalks	500,000	37,384	39,819	422,797
Berlin High School renovations (2)	84,500,000	73,163,231	7,073,945	4,262,824
Berlin Police Station - new construction (3)	2,000,000	1,971,881	-	28,119
Recycling Center improvements (4)	469,485	-	-	469,485
Bridge rehabilitation program (5)	1,314,500	248,361	92,825	973,314
889 Farmington Ave remediation (6)	1,288,557	250,768	36,664	1,001,125
Griswold School Roof	1,092,168	1,088,145	-	4,023
Transit-oriented development plan	150,000	-	145,000	5,000
Farmington Avenue bridge	3,078,839	172,762	2,288,668	617,409
Firetruck	1,620,000	800,000	810,410	9,590

(1) The appropriation is for the local match portion of the project (funded by State grants) which represents 20% of the project costs. The Federal Government is paying the remaining 80%.

(2) The amount bonded as of June 30, 2016 is \$47,000,000. 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.

(3) 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.

(4) Funds appropriated from payments received from the Tunxis Recycling Operating Committee and Bristol Resource Recovery Facility Operating Committee reorganizations as well as surplus funds from other areas to make required improvements in recycling operations.

(5) This program borrows funds through notes to repair town bridges. \$900,000 in note proceeds was appropriated in fiscal year 2016.

(6) Remediation is being funded by Municipal and Regional Brownfields Grants.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

5. Other Information (Continued)

D. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Self-Insurance

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 ("CIRMA"). CIRMA is a public entity risk pool established under the provisions of the Connecticut General Statutes section 7-479a et. seq. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing pool coverage with no deductible retention. A separate agreement limits the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so. 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. The Town self-insures its employees for medical and dental claims through the use of the Medical and Health Insurance Fund. Maximum liability to the Town per covered participant is \$150,000. The Town retains an insurance policy for employee claims in excess of \$150,000. A third party administers the plan for which the Town pays an administrative fee. The plan is funded monthly by Town and employee contributions, as required. An actuarial study is performed annually.

The following is a summary of changes in claims liability during the year:

General Insurance Fund

Year Ended June 30,	Beginning Claims Payable	Current Year Claims	Claim Payments	Ending Claims Payable
2016	\$ 35,858	\$ 1,466,223	\$ (1,499,858)	\$ 2,223
2015	3,292	1,268,108	(1,235,542)	35,858

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

5. Other Information (Continued)

Medical and Health Insurance Fund

Year Ended June 30,	Beginning Claims Payable	Current Year Claims	Claim Payments	Ending Claims Payable
2016	\$ 590,445	\$ 7,827,921	\$ (7,811,085)	\$ 607,281
2015	508,904	8,276,581	(8,195,040)	590,445

The Medical and Health Insurance Fund is funded by various funds and departments based on estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability, reported in the internal service funds at June 30, 2016, are based on the requirements of GASB Statements number 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

E. Risks and Uncertainties

The Town invests in various securities, including commercial paper, government-sponsored enterprises, and alternative investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The ongoing credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. This and other economic events have had a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

F. Jointly Governed Organizations

The Mattabassett District

The Mattabassett District (the "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 District, the Mattabassett Board of Directors representation is as follows: New Britain – five members, Middletown – four members, Berlin – three members and Cromwell – three members.

5. Other Information (Continued)

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 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 District default on its bonds and notes, although the obligation to pay these debts will remain with the District. The possibility of the 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 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, 2016. As of June 30, the District has \$73,509,000 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 \$70,988,212 and a Project Design Loan Obligation of \$2,520,787. 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 \$10,548,542. The District began loan payments for the interim Construction Fund Obligation in December 2015, and this has been factored into the Town's assessment.

G. Joint Ventures

Bristol Resource Recovery Facility Operating Committee

The Town is a participant with 14 other cities and towns (the "Contracting Municipalities") in a joint venture, the Bristol Resource Recovery Facility Operating Committee (the "BRRFOC"). The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of the 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 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 14 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.

Town of Berlin, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

5. Other Information (Continued)

On December 21, 2012, the Bristol Facility Policy Board (the "Policy Board") was formed pursuant to a Municipal Solid Waste Disposal and Recycling Services Agreement (the "Agreement") by and among the Cities of Bristol and 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. The 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 the BRRFOC and the 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 14 communities is aggregated and no shortfall will occur if these municipalities in total reach the required threshold.

The fund balance for fiscal year ended June 30, 2016 as reflected in BRRFOC's financial statements is \$1,807,395 (\$800 nonspendable, \$433,423 assigned and \$1,373,172 unassigned). A complete set of financial statements for BRRFOC can be obtained from the administrative office at 27 West Main Street, Bristol, Connecticut.

H. Subsequent Events

On September 19, 2016, the Town issued \$1,455,000 of Bond Anticipation Notes, with interest at 0.97% to finance capital improvement projects and re-finance the \$900,000 Bond Anticipation Note due September 19, 2016.

On November 8, 2016, the Town approved at referendum the establishment of a Board of Finance.

I. Motor Vehicle Tax Cap

Beginning in fiscal year 2017, the State of Connecticut Office of Policy and Management ("OPM") capped the mill rate for motor vehicle taxes. The motor vehicle mill rate cap for fiscal year 2017 will be 37 mills. The rate cap in fiscal year 2018 will be 32 mills. The rate cap in 2019 and thereafter will be 29.36 mills.

J. Municipal Spending Cap

Beginning in fiscal year 2018, OPM will impose a cap on municipal spending to limit general budget expenditures to 2.5 percent above the previous year, or the rate of inflation, whichever is greater. Exemptions to the cap include debt service, special education expenditures, expenditures for implementing court orders, arbitration awards, expenditures related to major disaster or emergency declaration, and grants distributed to a special taxing district under certain circumstances. Municipalities that increase their adopted budget expenditures over the previous fiscal year by an amount that exceeds the cap receive a reduced municipal revenue sharing grant. The reduction is equal to 50 cents for every dollar the municipality spends over the cap. However, OPM may not reduce a municipality's grant in any year which its adopted budget expenditures exceed the cap by an amount proportionate to its population increase over the previous fiscal year (based on the most recent Department of Public Health population estimate). The total municipal revenue sharing grant for the Town of Berlin, Connecticut for the year ending June 30, 2017, before any reductions, is \$843,048. This amount is subject to change based on changes in the State of Connecticut's budget.

5. Other Information (Continued)

K. Minimum Budget Requirement

The State of Connecticut has established a Minimum Budget Requirement ("MBR") for education expenditures. The MBR prohibits a town from budgeting less for education than it did in the previous year unless, and with limits, the town can demonstrate (1) a decrease in school enrollment or (2) savings through increased efficiencies. If the Town receives an increase or decrease in their Education Cost Sharing grant, the MBR will increase or decrease by the same amount.

L. GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68* – This Statement establishes requirements for defined benefit and contribution pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. This is effective for fiscal years beginning after June 15, 2016. Management does not expect this to have any financial impact on the Town.
- GASB Statement 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pensions* – This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with Other Post-Employment Benefits (OPEB), as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This is effective for fiscal years beginning after June 15, 2016. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other than Pensions* – This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) and applies to all governments whose employees are provided with OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 77 – *Tax Abatement Disclosures* – This Statement requires governments to disclose information about their tax abatements and agreements and is effective for periods beginning after December 15, 2015. Management does not expect this to have any financial impact on the Town.
- GASB Statement 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided through certain cost-sharing multiple-employer defined benefit plan and is effective for periods beginning after December 15, 2015. Management does not expect this to have any financial impact on the Town.

5. Other Information (Continued)

- GASB Statement 79 – *Certain External Investment Pools and Pool Participants* – This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost and is effective for periods beginning after December 15, 2015 for certain provisions applicable to the external investment pool. Certain provision, applicable to pool participants, have been adopted. Management does not expect this to have any financial impact on the Town.
- GASB Statement 80 – *Blending Requirements for Certain Component Units* – This Statement amends the blending requirements of Statement 14 to require the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member and is effective for periods beginning after June 15, 2016. Management does not expect this to have any financial impact on the Town.
- GASB Statement 81 – *Irrevocable Split-Interest Agreements* – This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement and is effective for periods beginning after December 15, 2016. Management does not expect this to have any financial impact on the Town.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts				
	Original	Additional Appropriations and Transfers	Final	Actual Budgetary Basis	Variance with Final Budget
REVENUES					
Property Taxes					
Current tax collections	\$ 65,850,007	\$ -	\$ 65,850,007	\$ 65,738,183	\$ (111,824)
Back taxes	480,000	-	480,000	500,430	20,430
Interest from overdue taxes	325,000	-	325,000	353,610	28,610
Lien fees	2,760	-	2,760	2,594	(166)
Suspense taxes and interest	41,000	-	41,000	50,935	9,935
Elderly housing	41,950	-	41,950	46,544	4,594
	<u>66,740,717</u>	<u>-</u>	<u>66,740,717</u>	<u>66,692,296</u>	<u>(48,421)</u>
Licenses, Permits and Other Departments					
Town clerk fees	300,000	-	300,000	407,003	107,003
Zoning commision and building inspector	300,000	(25,000)	275,000	456,310	181,310
Zoning board of appeals	1,500	-	1,500	2,085	585
Animal control fees	12,400	-	12,400	12,055	(345)
Animal control rent	5,820	-	5,820	5,820	-
Police department	40,000	-	40,000	51,613	11,613
Police services to other agencies	30,000	-	30,000	39,693	9,693
Outside police services	312,500	89,000	401,500	356,148	(45,352)
Engineering and public works	25,500	-	25,500	47,920	22,420
Scrap metal	35,000	-	35,000	617	(34,383)
Parks and recreation	130,000	-	130,000	146,051	16,051
Golf course revenue	755,822	-	755,822	744,174	(11,648)
Golf restaurant rent	10,178	-	10,178	10,178	-
Golf Cart Revenue	310,000	-	310,000	340,340	30,340
Berlin-Peck memorial library	14,600	-	14,600	17,133	2,533
Library copy fees	1,100	-	1,100	1,181	81
Berlin public health nursing service	1,150,000	-	1,150,000	1,023,131	(126,869)
Summer/field trips	15,537	-	15,537	17,627	2,090
Planning	-	25,000	25,000	12,036	(12,964)
Homemaking Services	-	-	-	30,220	30,220
Senior citizen center	5,675	-	5,675	7,575	1,900
	<u>3,455,632</u>	<u>89,000</u>	<u>3,544,632</u>	<u>3,728,910</u>	<u>184,278</u>
Intergovernmental Revenue - Schools					
Private schools	8,869	-	8,869	33,346	24,477
School transportation	94,796	-	94,796	85,252	(9,544)
Equalized cost sharing	6,311,635	-	6,311,635	6,294,062	(17,573)
Excess special education grant	524,820	-	524,820	675,157	150,337
Adult education	13,979	-	13,979	-	(13,979)
	<u>6,954,099</u>	<u>-</u>	<u>6,954,099</u>	<u>7,087,817</u>	<u>133,718</u>
Intergovernmental Revenue - Other					
In lieu of taxes	24,269	-	24,269	-	(24,269)
PILOT - New Britian stadium	-	-	-	35,431	35,431
Elderly property tax relief	97,034	-	97,034	111,121	14,087
Municipal revenue sharing	-	-	-	-	-
Hold harmless grant	786,396	-	786,396	786,396	-
Disability, social security	2,690	-	2,690	2,688	(2)
Additional veteran exemption	10,353	-	10,353	11,531	1,178
Friends against drugs	3,300	838	4,138	4,138	-
Pequot grant	52,750	-	52,750	47,285	(5,465)
Child and youth services grant	14,000	5,817	19,817	19,817	-
State and federal grant	17,501	155,943	173,444	156,244	(17,200)
Police overtime grant	72,900	32,000	104,900	59,212	(45,688)
Juvenile board review grant	-	-	-	1,000	1,000
	<u>1,081,193</u>	<u>194,598</u>	<u>1,275,791</u>	<u>1,234,863</u>	<u>(40,928)</u>

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Other Services and Earnings on Investments					
Interest on investments	\$ 155,000	\$ -	\$ 155,000	\$ 205,543	\$ 50,543
Refund of expenditures	70,000	-	70,000	49,698	(20,302)
Sale of land, labor and materials	17,000	-	17,000	17,183	183
Mobile home rent	57,600	-	57,600	57,750	150
Cell tower rental	124,927	-	124,927	119,239	(5,688)
Other receipts	10,000	182,296	192,296	189,783	(2,513)
Telephone access line share	50,000	-	50,000	51,741	1,741
Bond premium	-	-	-	1,005,725	1,005,725
	<u>484,527</u>	<u>182,296</u>	<u>666,823</u>	<u>1,696,662</u>	<u>1,029,839</u>
Operating Transfers from Other Funds					
Water control commission - other	4,500	-	4,500	4,610	110
Water control commission - receivables	9,000	-	9,000	-	(9,000)
Capital projects funds	-	-	-	-	-
Timberlin reserve fund	65,000	-	65,000	65,000	-
	<u>78,500</u>	<u>-</u>	<u>78,500</u>	<u>69,610</u>	<u>(8,890)</u>
Total Revenues	<u>78,794,668</u>	<u>465,894</u>	<u>79,260,562</u>	<u>80,510,158</u>	<u>1,249,596</u>
EXPENDITURES					
General Government					
Managers Office					
Wages	181,204	2,576	183,780	183,779	1
Fringe benefits	78,903	600	79,503	61,165	18,338
Operational	2,461	-	2,461	2,124	337
	<u>262,568</u>	<u>3,176</u>	<u>265,744</u>	<u>247,068</u>	<u>18,676</u>
Finance Department					
Wages	486,917	5,022	491,939	457,018	34,921
Fringe benefits	205,279	943	206,222	180,773	25,449
Operational	57,270	-	57,270	53,513	3,757
	<u>749,466</u>	<u>5,965</u>	<u>755,431</u>	<u>691,304</u>	<u>64,127</u>
Technology Department					
Wages	169,599	-	169,599	169,599	-
Fringe benefits	52,052	-	52,052	51,208	844
Operational	66,800	-	66,800	65,819	981
Capital	80,221	(36,556)	43,665	43,665	-
	<u>368,672</u>	<u>(36,556)</u>	<u>332,116</u>	<u>330,291</u>	<u>1,825</u>
Collector of Revenue					
Wages	128,532	6,495	135,027	135,017	10
Fringe benefits	68,525	52	68,577	64,705	3,872
Operational	36,837	21,633	58,470	51,840	6,630
	<u>233,894</u>	<u>28,180</u>	<u>262,074</u>	<u>251,562</u>	<u>10,512</u>
Treasurer					
Wages	52,387	-	52,387	52,041	346
Fringe benefits	17,543	-	17,543	17,254	289
Operational	795	-	795	730	65
	<u>70,725</u>	<u>-</u>	<u>70,725</u>	<u>70,025</u>	<u>700</u>
Corporation Counsel					
Wages	110,000	(7,615)	102,385	102,385	-
Fringe benefits	41,539	(3,634)	37,905	37,905	-
Operational	108,480	64,011	172,491	171,562	929
	<u>260,019</u>	<u>52,762</u>	<u>312,781</u>	<u>311,852</u>	<u>929</u>

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Townwide Expenditures					
Wages	\$ 216,719	\$ (216,218)	\$ 501	\$ 300	\$ 201
Fringe benefits	780,855	(47,918)	732,937	722,067	10,870
Operational	989,103	(95,002)	894,101	660,708	233,393
Capital	-	-	-	-	-
	<u>1,986,677</u>	<u>(359,138)</u>	<u>1,627,539</u>	<u>1,383,075</u>	<u>244,464</u>
Assessor					
Wages	264,769	4,005	268,774	266,193	2,581
Fringe benefits	104,250	489	104,739	96,596	8,143
Operational	31,015	(1,858)	29,157	27,130	2,027
	<u>400,034</u>	<u>2,636</u>	<u>402,670</u>	<u>389,919</u>	<u>12,751</u>
Registrar of Voters					
Wages	64,000	(213)	63,787	61,331	2,456
Fringe benefits	20,813	213	21,026	20,658	368
Operational	51,530	-	51,530	33,049	18,481
	<u>136,343</u>	<u>-</u>	<u>136,343</u>	<u>115,038</u>	<u>21,305</u>
Town Clerk					
Wages	252,113	3,760	255,873	254,959	914
Fringe benefits	101,205	706	101,911	97,730	4,181
Operational	22,072	-	22,072	21,000	1,072
Capital	4,500	(60)	4,440	4,440	-
	<u>379,890</u>	<u>4,406</u>	<u>384,296</u>	<u>378,129</u>	<u>6,167</u>
Board of Assessment Appeals					
Wages	925	-	925	675	250
Fringe benefits	75	-	75	52	23
	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>727</u>	<u>273</u>
Town Council					
Operational	100	-	100	73	27
Total General Government	<u>4,849,388</u>	<u>(298,569)</u>	<u>4,550,819</u>	<u>4,169,063</u>	<u>381,756</u>
Community Development					
Planning and building inspection					
Wages	420,737	5,698	426,435	374,672	51,763
Fringe benefits	168,012	(1,979)	166,033	134,455	31,578
Operational	9,787	1,514	11,301	9,163	2,138
	<u>598,536</u>	<u>5,233</u>	<u>603,769</u>	<u>518,290</u>	<u>85,479</u>
Planning and Zoning Commission					
Operational	335	-	335	110	225
Zoning Board of Appeals					
Wages	1,225	-	1,225	700	525
Fringe benefits	99	-	99	56	43
Operational	340	-	340	245	95
	<u>1,664</u>	<u>-</u>	<u>1,664</u>	<u>1,001</u>	<u>663</u>
Economic Development					
Wages	119,665	(200)	119,465	116,022	3,443
Fringe benefits	33,474	-	33,474	31,784	1,690
Operational	16,260	200	16,460	10,030	6,430
	<u>169,399</u>	<u>-</u>	<u>169,399</u>	<u>157,836</u>	<u>11,563</u>

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Conservation Commission					
Wages	\$ 1,300	\$ -	\$ 1,300	\$ 1,000	\$ 300
Fringe benefits	105	-	105	77	28
Operational	3,640	-	3,640	2,912	728
	<u>5,045</u>	<u>-</u>	<u>5,045</u>	<u>3,989</u>	<u>1,056</u>
Inland Wetlands Commission					
Wages	1,400	-	1,400	900	500
Fringe benefits	113	-	113	66	47
Operational	2,250	-	2,250	2,211	39
	<u>3,763</u>	<u>-</u>	<u>3,763</u>	<u>3,177</u>	<u>586</u>
Veterans Commission					
Operational	4,250	-	4,250	3,698	552
Aquifer Protection Commission					
Wages	300	-	300	-	300
Fringe benefits	24	-	24	-	24
Operational	150	-	150	-	150
	<u>474</u>	<u>-</u>	<u>474</u>	<u>-</u>	<u>474</u>
Berlin Historic District					
Wages	800	25	825	825	-
Fringe benefits	65	1	66	66	-
Operational	150	(26)	124	75	49
	<u>1,015</u>	<u>-</u>	<u>1,015</u>	<u>966</u>	<u>49</u>
Charter Revision Commission					
Wages	4,300	-	4,300	1,800	2,500
Fringe benefits	343	-	343	143	200
Operational	357	-	357	-	357
	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>1,943</u>	<u>3,057</u>
Commission for Disabled					
Wages	600	-	600	500	100
Fringe benefits	48	-	48	37	11
	<u>648</u>	<u>-</u>	<u>648</u>	<u>537</u>	<u>111</u>
Public Building Commission					
Wages	2,300	-	2,300	2,200	100
Fringe benefits	184	-	184	156	28
Operational	450	-	450	-	450
	<u>2,934</u>	<u>-</u>	<u>2,934</u>	<u>2,356</u>	<u>578</u>
Total Community Development	<u>793,063</u>	<u>5,233</u>	<u>798,296</u>	<u>693,903</u>	<u>104,393</u>
Public Safety					
Ambulance Contract					
Operational	337,814	-	337,814	336,009	1,805
Animal Control					
Wages	99,350	1,588	100,938	90,949	9,989
Fringe benefits	27,949	331	28,280	26,155	2,125
Operational	15,550	-	15,550	12,820	2,730
	<u>142,849</u>	<u>1,919</u>	<u>144,768</u>	<u>129,924</u>	<u>14,844</u>

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Fire Department					
Wages	\$ 270,545	\$ 499	\$ 271,044	\$ 247,504	\$ 23,540
Fringe benefits	143,516	3	143,519	121,428	22,091
Operational	358,189	18,741	376,930	350,101	26,829
Capital	8,000	(8,000)	-	-	-
	<u>780,250</u>	<u>11,243</u>	<u>791,493</u>	<u>719,033</u>	<u>72,460</u>
Police					
Wages	4,950,615	87,142	5,037,757	4,933,063	104,694
Fringe benefits	1,940,287	5,650	1,945,937	1,717,034	228,903
Operational	259,553	9,000	268,553	255,250	13,303
Capital	105,000	(12,985)	92,015	92,012	3
	<u>7,255,455</u>	<u>88,807</u>	<u>7,344,262</u>	<u>6,997,359</u>	<u>346,903</u>
Emergency Management					
Fringe benefits	-	300	300	300	-
Operational	14,900	(300)	14,600	12,195	2,405
Capital	-	-	-	-	-
	<u>14,900</u>	<u>-</u>	<u>14,900</u>	<u>12,495</u>	<u>2,405</u>
Fire Marshal					
Wages	188,807	-	188,807	188,770	37
Fringe benefits	89,316	-	89,316	88,094	1,222
Operational	5,140	-	5,140	3,791	1,349
	<u>283,263</u>	<u>-</u>	<u>283,263</u>	<u>280,655</u>	<u>2,608</u>
Total Public Safety	<u>8,814,531</u>	<u>101,969</u>	<u>8,916,500</u>	<u>8,475,475</u>	<u>441,025</u>
Physical services					
Municipal Garage					
Wages	478,410	(1,474)	476,936	450,150	26,786
Fringe benefits	193,937	2,414	196,351	176,214	20,137
Operational	557,240	(77,951)	479,289	424,938	54,351
Capital	33,000	(22,950)	10,050	10,050	-
	<u>1,262,587</u>	<u>(99,961)</u>	<u>1,162,626</u>	<u>1,061,352</u>	<u>101,274</u>
Public Works					
Wages	336,510	1,101	337,611	288,320	49,291
Fringe benefits	136,690	64	136,754	101,368	35,386
Operational	2,164,555	(27,650)	2,136,905	1,870,756	266,149
Capital	-	-	-	-	-
	<u>2,637,755</u>	<u>(26,485)</u>	<u>2,611,270</u>	<u>2,260,444</u>	<u>350,826</u>
Highway					
Wages	975,233	17,633	992,866	930,665	62,201
Fringe benefits	519,865	5,542	525,407	480,044	45,363
Operational	294,400	(3,324)	291,076	239,446	51,630
Capital	150,306	-	150,306	147,753	2,553
	<u>1,939,804</u>	<u>19,851</u>	<u>1,959,655</u>	<u>1,797,908</u>	<u>161,747</u>
Public Building					
Wages	1,059,644	18,707	1,078,351	1,060,846	17,505
Fringe benefits	461,683	4,199	465,882	454,358	11,524
Operational	824,250	(111,000)	713,250	643,718	69,532
Capital	199,500	82,249	281,749	281,749	-
	<u>2,545,077</u>	<u>(5,845)</u>	<u>2,539,232</u>	<u>2,440,671</u>	<u>98,561</u>
Total Physical Services	<u>8,385,223</u>	<u>(112,440)</u>	<u>8,272,783</u>	<u>7,560,375</u>	<u>712,408</u>
Parks, Recreation and Libraries					
Mobile Home Park - Operational	7,500	-	7,500	7,420	80

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Recreation					
Wages	\$ 297,119	\$ (564)	\$ 296,555	\$ 281,869	\$ 14,686
Fringe benefits	70,859	448	71,307	61,339	9,968
Operational	51,473	1,561	53,034	47,603	5,431
	<u>419,451</u>	<u>1,445</u>	<u>420,896</u>	<u>390,811</u>	<u>30,085</u>
Golf Course					
Wages	449,032	3,612	452,644	441,424	11,220
Fringe benefits	185,708	(7,954)	177,754	169,879	7,875
Operational	476,748	11,572	488,320	487,556	764
Capital	53,291	-	53,291	53,262	29
	<u>1,164,779</u>	<u>7,230</u>	<u>1,172,009</u>	<u>1,152,121</u>	<u>19,888</u>
Libraries					
Wages	639,784	(9,309)	630,475	628,991	1,484
Fringe benefits	191,578	14,808	206,386	202,671	3,715
Operational	178,602	-	178,602	172,460	6,142
Capital	13,000	(1,524)	11,476	11,476	-
	<u>1,022,964</u>	<u>3,975</u>	<u>1,026,939</u>	<u>1,015,598</u>	<u>11,341</u>
Public Grounds					
Wages	702,836	6,530	709,366	675,949	33,417
Fringe benefits	339,666	2,648	342,314	316,899	25,415
Operational	300,453	4,250	304,703	266,969	37,734
Capital	93,000	(24,950)	68,050	67,559	491
	<u>1,435,955</u>	<u>(11,522)</u>	<u>1,424,433</u>	<u>1,327,376</u>	<u>97,057</u>
Total Parks, Recreation and Libraries	<u>4,050,649</u>	<u>1,128</u>	<u>4,051,777</u>	<u>3,893,326</u>	<u>158,451</u>
Health and Human Services					
Health Department					
Operational	106,605	-	106,605	106,605	-
Nursing Services					
Wages	1,076,288	20,538	1,096,826	1,076,841	19,985
Fringe benefits	416,801	4,539	421,340	378,607	42,733
Operational	395,475	(3,600)	391,875	257,645	134,230
Capital	14,244	(9,324)	4,920	4,920	-
	<u>1,902,808</u>	<u>12,153</u>	<u>1,914,961</u>	<u>1,718,013</u>	<u>196,948</u>
Community Services					
Wages	341,525	5,483	347,008	340,930	6,078
Fringe benefits	156,439	(3,354)	153,085	147,122	5,963
Operational	28,145	7,955	36,100	34,255	1,845
	<u>526,109</u>	<u>10,084</u>	<u>536,193</u>	<u>522,307</u>	<u>13,886</u>
Total Health and Human Services	<u>2,535,522</u>	<u>22,237</u>	<u>2,557,759</u>	<u>2,346,925</u>	<u>210,834</u>
Schools					
Private Schools					
Wages	82,637	(4,304)	78,333	67,253	11,080
Fringe benefits	38,055	6,314	44,369	39,473	4,896
Operational	1,375	-	1,375	1,029	346
	<u>122,067</u>	<u>2,010</u>	<u>124,077</u>	<u>107,755</u>	<u>16,322</u>
Board of Education	<u>41,452,762</u>	<u>-</u>	<u>41,452,762</u>	<u>41,446,651</u>	<u>6,111</u>

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
School Expenditures					
Wages	\$ 605,070	\$ 11,506	\$ 616,576	\$ 569,533	\$ 47,043
Fringe benefits	1,115,420	2,675	1,118,095	1,079,294	38,801
Operational	1,073,373	-	1,073,373	1,020,523	52,850
Capital	296,751	(33,129)	263,622	263,622	-
	<u>3,090,614</u>	<u>(18,948)</u>	<u>3,071,666</u>	<u>2,932,972</u>	<u>138,694</u>
Total Schools	<u>44,665,443</u>	<u>(16,938)</u>	<u>44,648,505</u>	<u>44,487,378</u>	<u>161,127</u>
Debt Principal					
Town government	1,622,481	-	1,622,481	1,622,481	-
Schools	2,379,869	-	2,379,869	2,379,869	-
	<u>4,002,350</u>	<u>-</u>	<u>4,002,350</u>	<u>4,002,350</u>	<u>-</u>
Interest and Fiscal Charges					
Town government	606,008	4,477	610,485	590,066	20,419
Schools	1,597,491	16,344	1,613,835	1,610,617	3,218
	<u>2,203,499</u>	<u>20,821</u>	<u>2,224,320</u>	<u>2,200,683</u>	<u>23,637</u>
Total Expenditures	<u>80,299,668</u>	<u>(276,559)</u>	<u>80,023,109</u>	<u>77,829,478</u>	<u>2,193,631</u>
Other Financing Uses					
Transfers to other funds					
Capital projects fund	280,000	121,160	401,160	401,160	-
Capital nonrecurring fund	-	525,136	525,136	525,136	-
Union negotiation reserve	-	97,160	97,160	97,160	-
Pension fund	15,000	-	15,000	15,000	-
	<u>295,000</u>	<u>743,456</u>	<u>1,038,456</u>	<u>1,038,456</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>80,594,668</u>	<u>466,897</u>	<u>81,061,565</u>	<u>78,867,934</u>	<u>2,193,631</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	<u>\$ (1,800,000)</u>	<u>\$ (1,003)</u>	<u>\$ (1,801,003)</u>	<u>\$ 1,642,224</u>	<u>\$ 3,443,227</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				4,989,978	
Expenditures for Teachers' Retirement				(4,989,978)	
Other Funds Not Recorded on a Budgetary Basis:					
Union Negotiation Reserve				97,160	
Revaluation Fund				(26,561)	
Lease Financing Not Recorded on a Budgetary Basis:					
Proceeds from Lease Financing				31,828	
Capital outlay relating to capital leases				(31,828)	
Refunding Debt Not Recorded on a Budgetary Basis:					
Proceeds from refunding bonds				10,920,000	
Payment to escrow agent				(12,085,509)	
Premium on financing				1,284,690	
Debt issuance expense				(119,181)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 1,712,823</u>	

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Revenues and expenditures from capital leasing and for renewing or refunding long-term debt are included in the budget as the net revenue or expenditure expected; 3. The Union Negotiation Fund and Revaluation Fund are not reported in the budget.

Required Supplementary Information
Town of Berlin Employee Retirement Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Since Inception of GASB Statement Nos. 67/68

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 117,272	\$ 113,033	\$ 104,337
Interest on total pension liability	306,265	363,095	450,167
Differences between expected and actual experience	788,138	(558,319)	-
Changes of assumptions	655,798	740,472	-
Benefit payments	(1,576,058)	(1,666,241)	(215,290)
Net change in total pension liability	291,415	(1,007,960)	339,214
Total pension liability, beginning	5,763,703	6,771,663	6,432,449
Total pension liability, ending	6,055,118	5,763,703	6,771,663
Fiduciary Net Position			
Employer contributions	700,537	1,406,809	700,000
Member contributions	-	-	290,417
Net investment income	19,456	37,101	24,338
Benefit payments	(1,576,058)	(1,666,241)	(215,290)
Net change in plan fiduciary net position	(856,065)	(222,331)	799,465
Fiduciary net position, beginning	1,222,240	1,444,571	645,106
Fiduciary net position, ending	366,175	1,222,240	1,444,571
Net pension liability, ending	\$ 5,688,943	\$ 4,541,463	\$ 5,327,092
Fiduciary net position as a % of total pension liability	6.05%	21.21%	21.33%
Covered payroll	\$ 1,585,622	\$ 1,882,367	\$ 1,958,991
Net pension liability as a % of covered payroll	358.78%	241.26%	271.93%

See Independent Auditors' Report

Required Supplementary Information
Town of Berlin Employee Retirement Plan
Schedule of Employer Contributions
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 918,862	\$1,001,122	\$ 935,628	\$1,005,393	\$ 493,732	\$ 473,550	\$ 355,088	\$ 254,732	\$ 260,595	\$ 251,783
Contributions in relation to the actuarially determined contribution	700,537	1,406,809	700,000	700,000	350,000	200,000	175,000	150,000	-	258,402
Contribution deficiency (excess)	\$ 218,325	\$ (405,687)	\$ 235,628	\$ 305,393	\$ 143,732	\$ 273,550	\$ 180,088	\$ 104,732	\$ 260,595	\$ (6,619)
Covered employee payroll	\$ 1,585,622	\$ 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
Contributions as a percentage of covered employee payroll	44.18%	74.74%	35.73%	33.76%	18.35%	10.03%	8.81%	6.66%	0.00%	12.04%

Notes to the Schedule

Valuation Date July 1, 2014

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 method
Inflation	3.00%
Salary increases	3.25% per year for Police and 2.75% for all others
Investment rate of return	Pre-retirement: 5.00%, Post-retirement: 3.11%
Retirement age	Police: 100% at 30 years of active service. All others: 100% at age 65. Pre-retirement
Mortality	Pre-retirement: RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015 Post-retirement: IRS 417(e) mortality table

Required Supplementary Information
Town of Berlin Employee Retirement Plan
Schedule of Money-Weighted Rate of Return
Since Inception of GASB Statement Nos. 67/68

Fiscal Year Ending June 30,	Net Money-Weighted Rate of Return
2016	2.46%
2015	2.17%
2014	2.02%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA

Required Supplementary Information - Schedule of Funding Progress
 Other Post Employment Benefits Plan
 Last Three Valuations

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
7/1/2014	\$ -	\$ 5,468,687	\$ 5,468,687	0.00%	\$ 29,454,889	18.57%
7/1/2012	-	5,682,000	5,682,000	0.00%	29,701,000	19.13%
7/1/2010	-	4,675,000	4,675,000	0.00%	N/A	0.00%

Required Supplementary Information - Schedule of Employer Contributions
 Other Post Employment Benefits Plan
 Last Six Fiscal Years

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2016	\$ 530,261	\$ 206,133	38.87%
6/30/2015	579,000	269,000	46.46%
6/30/2014	546,000	239,000	43.77%
6/30/2013	476,000	304,000	63.87%
6/30/2012	452,000	329,000	72.79%
6/30/2011	394,000	296,000	75.13%

Required Supplementary Information
Connecticut Teachers Retirement System
June 30, 2016

	<u>2016</u>	<u>2015</u>
Schedule of Changes in Net Pension Liability and Related Ratios Since Inception of GASB Statement No. 68		
Town's percentage of collective net pension liability	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the collective net pension liability	\$ <u>-</u>	\$ <u>-</u>
State's proportionate share of the collective net pension liability associated with the employer	<u>\$ 62,277,260</u>	<u>\$ 57,488,298</u>
Total proportionate share of the collective net pension liability	<u>\$ 62,277,260</u>	<u>\$ 57,488,298</u>
Town's covered payroll	<u>\$ 22,352,075</u>	<u>\$ 15,145,681</u>
Town's proportionate share of the collective net pension liability as a % of covered payroll	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a % of total pension liability	<u>59.50%</u>	<u>61.51%</u>

**Schedule of Employer Contributions
Since Inception of GASB Statement No. 68**

Contractually required Town contribution	\$ <u>-</u>	\$ <u>-</u>
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The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

Notes to Schedule

Changes in benefit term	None
Changes in assumptions	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted as recommended by the Experience Study for the System.
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
Investment rate of return	8.5% net of pension plan investment expense, including inflation

See Independent Auditors' Report

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

A T T O R N E Y S A T L A W

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 \$4,665,000 Town of Berlin, Connecticut General Obligation Bonds, Issue of 2017, bearing a Dated Date and an Original Issue Date of May 18, 2017 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated May 18, 2017 (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, or receipt of interest on 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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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 \$1,455,000 Town of Berlin, Connecticut General Obligation Bond Anticipation Notes, bearing a Dated Date and an Original Issue Date of May 18, 2017, maturing September 19, 2017 (the "notes").

We have examined a record of the proceedings authorizing the notes, a Tax Regulatory Agreement of the Town dated May 18, 2017 (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, or receipt of interest on 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 18, 2017

In Connection With The Issuance And Sale Of

\$4,665,000 Town Of Berlin, Connecticut

General Obligation Bonds, Issue of 2017,

Dated May 18, 2017

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$4,665,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2017 (the "Bonds") to be dated May 18, 2017 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 18, 2017

In Connection With The Issuance And Sale Of

\$4,665,000 Town Of Berlin, Connecticut

General Obligation Bonds, Issue of 2017,

Dated May 18, 2017

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 _____
Jack R. Healy
Interim Town Manager

By _____
Nancy L. Lockwood
Treasurer

By _____
Kevin J. Delaney
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

\$1,455,000 Town Of Berlin, Connecticut

General Obligation Bond Anticipation Notes, Dated May 18, 2017

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$1,455,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") bearing a Dated Date of May 18, 2017, maturing on September 19, 2017, 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 listed 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

\$1,455,000 Town Of Berlin, Connecticut

General Obligation Bond Anticipation Notes, Dated May 18, 2017

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 _____
Jack R. Healy
Interim Town Manager

By _____
Nancy L. Lockwood
Treasurer

By _____
Kevin J. Delaney
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

\$4,665,000
GENERAL OBLIGATION BONDS, ISSUE OF 2017

AND

\$1,455,000
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 4, 2017** for the purchase of:

\$1,455,000 General Obligation Bond Anticipation Notes

Dated: May 18, 2017

Due: September 19, 2017

(the "Notes")

BANK QUALIFIED

Bid until 11:00 A.M. (E.D.T.)

Notes: SEALED PROPOSALS and ELECTRONIC BIDS only via *PARITY*®

\$4,665,000 General Obligation Bonds

(the "Bonds")

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 18, 2017, will be payable to the registered owner on September 19, 2017 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 18, 2017, 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
2018	\$455,000	2024	\$450,000
2019	\$455,000	2025	\$450,000
2020	\$455,000	2026	\$445,000
2021	\$450,000	2027	\$445,000
2022	\$450,000	2028	\$80,000
2023	\$450,000	2029	\$80,000

bearing interest payable semi-annually on June 1 and December 1 in each year until maturity, commencing December 1, 2017.

Redemption – The Bonds

The Bonds maturing on or before December 1, 2024 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2025 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after December 1, 2024, 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, 2024 and thereafter	100%

Book-Entry/Denominations

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®**, and must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$4,665,000 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 18, 2017, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to May 18, 2017, 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®**. 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, except that one such proposal for a part may include the odd \$155,000, of the principal per interest rate bid, and the total of all principal amounts bid shall not exceed \$1,455,000.

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; Jack R. Healy, Interim Town Manager; Nancy L. Lockwood, Treasurer; and Kevin J. Delaney, 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 4, 2017 through the facilities of **PARITY®** 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®**, including any fee charged, may be obtained from **PARITY®**, c/o i-Deal LLC, 1359 Broadway, 2nd 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®** 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®**, 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®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY® 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®** prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY®** 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®** 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**[®] 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**[®]. The Issuer is using **PARITY**[®] 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**[®] 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**[®] 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**[®] at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY**[®], this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY**[®] 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 4, 2017. 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** 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 18, 2017. 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 listed 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 listed 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 27, 2017, may be obtained from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460, (203) 878-4945.

Mark H. Kaczynski
Mayor

Jack R. Healy
Interim Town Manager

Nancy L. Lockwood
Treasurer

Kevin J. Delaney
Finance Director

April 27, 2017

(See attached for forms of Proposal for Purchase)

PROPOSAL FOR BONDS
ONLY Electronic Bids via **PARITY**® Accepted

May 4, 2017

Mark H. Kaczynski, Mayor
Jack R. Healy, Interim Town Manager
Nancy L. Lockwood, Treasurer
Kevin J. Delaney, 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 27, 2017, which Notice is made a part of this proposal, we offer to purchase all \$4,665,000 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 Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2018	\$455,000	_____ %	2024	\$450,000	_____ %
2019	\$455,000	_____ %	2025	\$450,000	_____ %
2020	\$455,000	_____ %	2026	\$445,000	_____ %
2021	\$450,000	_____ %	2027	\$445,000	_____ %
2022	\$450,000	_____ %	2028	\$80,000	_____ %
2023	\$450,000	_____ %	2029	\$80,000	_____ %

(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 \$4,665,000 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 4, 2017

Mark H. Kaczynski, Mayor
Jack R. Healy, Interim Town Manager
Nancy L. Lockwood, Treasurer
Kevin J. Delaney, 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 27, 2017, which Notice is made a part of this proposal, we offer to purchase the indicated principal amount of \$1,455,000 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)