

TOWN OF BERLIN CONNECTICUT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

**TOWN OF BERLIN
CONNECTICUT**

FISCAL YEAR ENDED JUNE 30, 2015

Prepared by:

Finance Department

James Wren, Jr., Finance Director

TOWN OF BERLIN, CONNECTICUT
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Introductory Section

PRINCIPAL ELECTED OFFICIALS

	Mayor	Rachel Rochette	
Deputy Mayor	William Rasmussen Jr.	Councilor	David Evans
Councilor	Brendan Luddy	Councilor	Margaret Morelli
Councilor	Charles Paonessa	Councilor	Peter Rosso

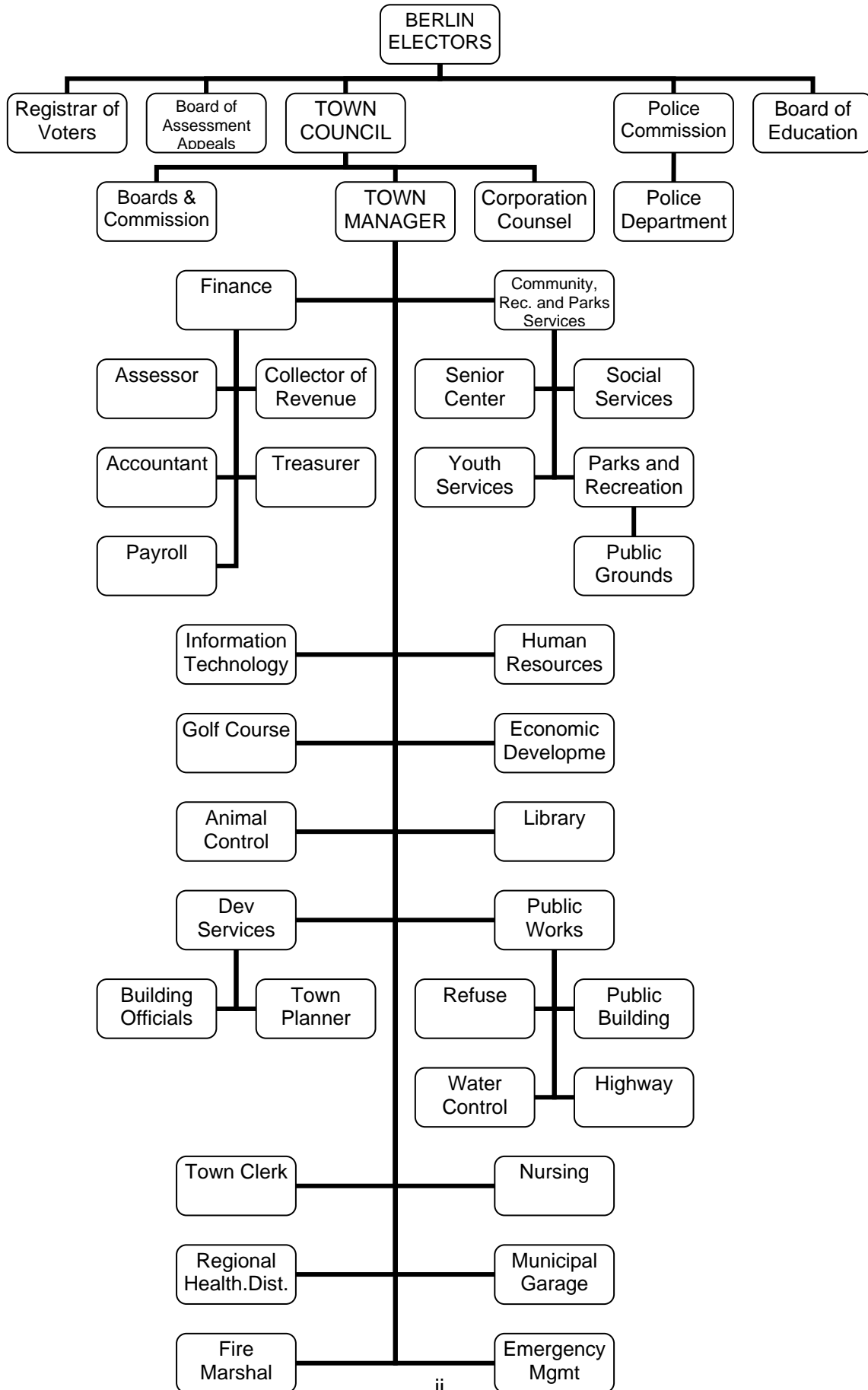
ADMINISTRATION

Town Manager	Denise M. McNair
Corporation Counsel	Robert F. Weber
Finance Director	James Wren Jr.
Nursing Supervisor	Linda Colella
Planner	Hellyn R. Riggins
Director of Parks & Rec./Community Services	James Capodiece
Public Works Director	Vacant
Chief of Police	Paul D. Fitzgerald
Town Clerk	Kathryn J. Wall
Library Director	Helen Malinka
Information Technology Coordinator	Barbara Sagan
Fire Marshal	Steven Waznia
Economic Development Director	Christopher Edge
Director of Golf	Jonathan P. Zuk
Director of Human Resources	Denise Parsons
Chief Mechanic	James Simons

BOARD OF EDUCATION

	Gary R. Brochu, President
JoAnn Angelico-Stetson	Kathryn Bryers
Kristin Campanelli	Stefanie Carbone
Jeffrey Cugno	Cynthia Kobus, Secretary
Timothy J. Oakes	George Perduta
Superintendent of Schools	David B. Erwin
Business Manager	Roman J. Czuchta

TOWN OF BERLIN Organization Chart





TOWN OF BERLIN

Finance Department

240 KENSINGTON ROAD • TOWN HALL • BERLIN, CT 06037

December 8, 2015

Mayor Rachel Rochette
Members of the Town Council
Ms. Denise McNair, Town Manager
Town of Berlin
240 Kensington Road
Berlin, Connecticut 06037

To the Honorable Mayor, Members of the Town Council and Citizens of the Town of Berlin and Town Manager McNair:

The Comprehensive Annual Financial Report (CAFR) of the Town of Berlin for the fiscal year ended June 30, 2015 is submitted herewith. State law requires that the Town publish, within six months of the close of the fiscal year, a complete set of audited financial statements. The attached report is published to fulfill that requirement for fiscal year 2015.

The Town's Finance Department prepared the CAFR. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. The Town's management believes the data, as presented, are accurate in all material aspects; that the data fairly set forth the financial position and the results of operations of the Town as measured by financial activity of the various funds; and that all disclosures necessary to enable the reader to understand the Town's financial position have been included.

Sections 7-13 and 7-14 of the Town Charter requires an annual audit of the books of account, financial records and transactions of all administrative departments of the Town by independent Certified Public Accountants selected by the Town Council. The Town has complied with this requirement and Blum Shapiro's report with an unqualified opinion has been included in this report. In addition, the Town is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations, as well as the Connecticut Single Audit Act*. Information related to these single audits, including the schedule of expenditures of federal awards and state financial assistance, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations, are issued under separate cover and are not included in this report. A copy of these reports is on file in the Town Clerk's office.

Generally Accepted Accounting Principles ("GAAP") require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the Management Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Berlin's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE MUNICIPALITY

The Town of Berlin is an independent town and is a political subdivision of the State of Connecticut autonomous from any county, town or other political subdivision of the State of Connecticut. The Town of Berlin was incorporated 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's current population is approximately 19,870 as of June 30, 2015.

Under the Town Charter, adopted November 4, 1973 and most recently amended August 17, 2006, the Town Council acts as the legislative body. The Town Council consists of seven members elected biennially for terms of two years each. The Town Council appoints a Town Manager, who is the chief executive officer of the Town and has appointive and removal authority over department directors and other employees of the Town. The Town Manager and the Town Council are responsible for the administration of all Town matters, with the exception of the education system, Kensington and Worthington Fire Districts, the Mattabassett District (which provides water and sewer services to industrial and residential customers) and the Police Department (which is overseen by an elected five-member Police Commission). An elected nine-member Board of Education appoints a Superintendent of Schools, who administers the education system of the Town.

The Town Council is the budget-making authority and is responsible for financial and taxation matters. Each Town Department prepares an annual budget which is submitted to the Town Manager. The Town Manager and the Finance Director then meet with the various departments to review the budget in detail and make changes. The Town Manager then presents the budget to the Town Council. The Town Council holds public budget hearings with each department, including the Board of Education and makes additional changes to the budget. After all changes are made, the Council formally sends the budget along with the proposed tax rate increase (if any) to the Annual Town Budget Referendum held on the last Tuesday of April. In the event that the proposed Town Budget is rejected by the voters at the budget referendum, it shall then be returned to the Town Council, which by charter must adopt a Town Budget by May 10th.

The Town provides a comprehensive range of municipal services including: general government; community development; public safety; physical services; parks, recreation and libraries; health and human services; and education.

LOCAL 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 was adopted in 2013. Many proposals included in this plan 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.

Major businesses located in Berlin include Eversource and its subsidiary, Yankee Gas. Other major businesses include ASSA ABLOY (Corbin Russwin architectural hardware), TIGHITCO (aerospace parts), Parker Hannifin (solenoid valves), the Western New England headquarters for COMCAST (cable television, internet and telephone), B&F Machine (aerospace parts), Stop & Shop (retail), Home Depot (retail) and TOMZ Corporation (a manufacturer of medical and aerospace parts).

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

In 2014 and 2015, the trend line for Berlin's economy has continued to be positive. Berlin continues to welcome and encourage business expansion. TOMZ Corporation's \$4,000,000 expansion was completed and includes the acquisition of 5 acres to accommodate future growth and Ocean State Job Lot purchased the Webster Square Shopping Center and doubled its store to 46,000 square feet. In addition, Brickyard Shopping Plaza completed the redevelopment of the Plaza by demolishing vacant space and building a 21,970 square foot Michael's Retail Store and 30,411 square feet of additional retail space. Construction was completed on the Depot Crossing project across from the Train Station to create first floor commercial space and sixteen apartments.

Sportika, Cyclone Systems, Midsun Specialty Products, Connecticut Roofing Representatives, ABC Building Supply Company, Tyler Equipment, TIGHITCO, Czepiga and Daley LLC and Jacunski Humes Architects are a few of the other firms moving into new or existing facilities in Berlin.

In addition, expansion of existing companies is a significant source of economic growth in Berlin. Among the businesses that have expanded recently are Letter Concepts, TOMZ Corporation, Sirois Tool, Budney Overhaul and Repair, B&F Machine and ASSA ABLOY (which recently brought production of their Yale Lock and McKinney Hinge lines into their Berlin facility.) In total, these businesses added over 100,000 square feet of building space. Also, Parker Hannafin's Fluid Control Division invested \$5.6 million in renovations to its 150,000 square foot facility. The modernization of the building that was completed in 2005 included the renovation of the general offices, engineering and test labs, and manufacturing floor area, transforming this property into a current, state-of-the-art operation.

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

The Town's location makes it accessible to a large labor force without requiring commuting through congested areas in the State's major cities. From 2005 – 2015, the Town's unemployment rate has been consistently less than the State, regional and national averages. As of June 2015, the unemployment rate in Berlin was 4.3% (not seasonally adjusted) compared with 5.4% in the Hartford Labor Market Area, 5.4% in the State of Connecticut and 5.5% in the United States. Berlin has strong demographic characteristics including a median household income 25.87% higher than the State average.

Issuance of building permits (both commercial and industrial) increased in fiscal year 2015 with the number of permits issued up about 11.6% over fiscal year 2014.

MAJOR INITIATIVES

Recent public projects in Berlin's Commercial Core Area include streetscape improvements, construction of phase one of Berlin Veterans' Memorial Park as well as numerous private development projects. Additional Core Area projects in the planning stage include revitalization of the AMTRAK station; phase two of Berlin Veterans' Memorial Park; and private property façade improvements. The conversion of the vacant former Sherwood Tool complex into 72 non-age-restricted condominiums is complete.

Major state and federal investments are also being made to upgrade commuter rail service through Berlin on the New Haven-to-Springfield corridor. These public investments will complement the Legion Square project anchored by Stop and Shop. In addition, the Berlin Turnpike corridor is benefiting from commercial developments including a \$12 million addition completed in 2010 by Connecticut Light & Power. Major Targeted Economic Development Sites (TEDS) were identified in the 2013 Plan of Conservation and Development and marketing of these sites in cooperation with property owners is expected to continue to yield future development successes.

In addition, the Town has undertaken several major capital projects including an \$84.95 million project to renovate Berlin High School as new; this project was approved at referendum in March 2011 at \$69.95 million but due to special state legislation, additional state reimbursement will cover the additional \$15 million. Currently, this project is in the construction phase with work projected to be completed in 2016. In addition, the Town has acquired the former Kensington Furniture property in order to relocate the police station to a more central location in Town. The original estimated cost of this project was \$21 million and was defeated at referendum on November 4, 2014. Demolition of existing structures on this site has been completed and the project is currently being evaluated in an attempt to streamline costs.

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. Also, all but one school roof has been redone over the past several years and the last one will be completed in 2016. During fiscal year 2014, the Public Works Department procured a Facility Condition Assessment Report outlining the conditions of major town buildings including schools. Projects in this report will be prioritized and built into future 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. Due to cost-saving measures and reduction in the scope of work, the Town was able to reduce costs by about \$1 million from what was previously projected.

Finally, the Mattabassett District (which currently provides sewer treatment services for Berlin, Cromwell, Middletown and New Britain) is nearing completion of 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 is approximately 99% complete as of June 30, 2015. Total construction costs are estimated at \$81.7 million. The project is funded by a combination of grants and a 2% 20 year Clean Water Fund loan. Ultimately, 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 subject to change.

LONG-TERM FINANCIAL PLANNING AND IMPACT TO FUND BALANCE

During fiscal year 2015, the Town continued to place emphasis on its long-range strategic plan of maintaining unassigned general fund balance at a level that is at least 11 percent of general fund revenues. Unassigned fund balance represents that portion of fund balance which is available for appropriation. Because of conservative financial management in past years, the Town Council has been able to assign a portion of fund balance during the past several years' budget processes in order to defray the necessary mill rate increase. The Town assigned \$1,800,000 of fund balance to be used in fiscal year 2015; however, due to expenditure controls implemented by the Town as well as conservative budgeting of revenue, it was not necessary to use any of these funds. In 2015, the Town assigned an additional \$800,000 of fund balance to make an extra contribution to its defined benefit pension plan.

Expenditures were under budget by approximately \$2.1 million in fiscal year 2015 primarily due to savings in salaries and benefits due to positions that were vacant for at least part of the year or positions that were vacated and then replaced with staff at lower salary levels. In addition, some savings were realized on Refuse Disposal during the fiscal year due to process improvements and increased recycling. Revenues were slightly under budget mainly due to billing issues in the Nursing Department as well as a shortfall of Golf Course revenue due to prolonged winter weather conditions.

The unassigned fund balance in the general fund as a percentage of total general fund revenues (budgetary basis) remained consistent with the prior year at 13.1%. For fiscal year 2016, \$1,800,000 of assigned fund balance was included in the budget with the expectation that the difficult economy will persist and continue to affect the federal, state and local governments.

The Town's infrastructure and other capital needs (including investments in economic development to continue growth and revitalization of the commercial corridor) are incorporated into a five-year capital improvement plan which is developed and revised annually by individual department heads and reviewed and revised by a capital improvement committee as well as the Town Manager prior to presentation to the Town Council during the budget process. The capital needs identified through the capital planning process that require debt issuance for funding are then incorporated into a debt management plan that is presented to the Town Council during the budget process. The debt management plan identifies the timing of the proposed issuance of bonds and/or bond anticipation notes to fund major initiatives. The plan also estimates the debt service expenditures related to such projects to incorporate into the budget. The purpose of the debt management plan is to establish realistic goals, maintain a solid debt position and to protect credit quality. Currently, the Town of Berlin maintains a credit rating of AA+ by Standard & Poor's.

OTHER RELEVANT FINANCIAL POLICIES AND PROCEDURES

The Town of Berlin has established a comprehensive set of internal financial policies. During fiscal year 2015, several of these policies were particularly relevant as follows:

The Town has a policy of including a contingency account in the Town's operating budget to address unexpected financial issues that arise during the year. This policy assisted the Town in managing several emergency expenditures that were not otherwise anticipated in the budget and averts the need to utilize fund balance to address these issues. Nearly all of the \$350,000 budgeted for contingency in fiscal year 2015 was used, primarily due to the difficult winter season.

The Town's policy of canceling open purchase encumbrances in the general fund at the end the fiscal year also assists in controlling expenditures.

During the fiscal year, the Town has also continued the process of implementing the comprehensive business continuity and disaster recovery plan created in fiscal year 2012. This plan is being phased in over several years. To date, the Town has purchased and installed a new generator at Town Hall to minimize the impact to business continuity in the event of major storms; implemented a virtual server environment to protect and preserve data; implemented a new telephone system to enhance communication; improved the Town's website for better communication with Town residents. In addition, the Town implemented several of the recommendations of the Berlin Police Department's security analysis of the Town Hall and Library facilities during the fiscal year, primarily at the Library and Revenue Collection Office. The Business Continuity Committee is currently evaluating and prioritizing items identified in this analysis and that will be the focus for the coming fiscal year such as development of an alternate site and replacement of existing doors with more secure doors with key card access.

OTHER INFORMATION

Independent Auditor:

In accordance with Section 7-13 of the Town Charter, the Council shall select an independent public accountant, approved by the Secretary of the State Office of Policy and Management, to complete an annual audit. During fiscal year 2013, the Town solicited proposals from qualified auditing firms to provide audit services for the three-year period encompassing fiscal years 2013, 2014 and 2015 with the potential of a two-year extension. On March 19, 2013, based on a recommendation from the Director of Finance and the Audit Committee of the Town Council, the Town Council re-appointed Blum, Shapiro & Company as the Town's auditors. As the contract expires following the completion of the June 30, 2015 audit, a Request for Proposals will be sent out in late 2015 with an award made no later than April 2016.

Award:

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to the Town of Berlin for its comprehensive annual financial reports for the last thirty consecutive years including the most recently completed fiscal year ended June 30, 2014.

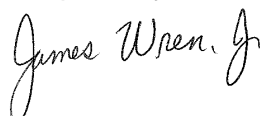
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments:

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department, the Town Treasurer, Town Manager and the members of Town Council. I would like to express my appreciation to all members of the Finance Department who assisted and contributed to its preparation, especially Gail Erickson and Len Zielinski. I would also like to thank the Mayor, Town Council and Town Manager for their support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



James Wren, Jr.
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Berlin
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Financial Section



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Berlin, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Connecticut, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 8, 2015

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

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Table 1
Net Position
(in thousands)

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

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

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

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

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

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

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

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

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

Table 2
Changes in Net Position
(in thousands)

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

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

Governmental Activities

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

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

Major expense factors include:

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

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

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

Table 3
Governmental Activities
(in thousands)

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

Business-Type Activities

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

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

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

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

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

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

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

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

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

Proprietary Funds

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

Internal Service Funds

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

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

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

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

Long-Term Debt

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

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

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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

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

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

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

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

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

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

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

(Continued on next page)

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

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 22,415,571
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 218,094,682	
Less accumulated depreciation	<u>(77,911,747)</u>	
Net capital assets		140,182,935

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	1,584,467
Interest receivable on property taxes	1,282,546
Deferred outflows related to pension actuarial experience	588,786

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.	4,665,195
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds:

Net OPEB obligation	(1,221,116)
Net pension liability	(4,541,463)
Bonds payable	(60,905,000)
Interest payable on bonds and notes	(259,816)
Compensated absences	(415,280)
Capital lease	(447,429)
Bond premium	(3,003,614)
Deferred inflows related to changes in projected investments earnings	<u>(418,739)</u>

Net Position of Governmental Activities (Exhibit I)	<u><u>\$ 99,507,043</u></u>
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The accompanying notes are an integral part of the financial statements

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

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

(Continued on next page)

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

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (1,009,401)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

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

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	762,010
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The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	(646,981)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

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

Change in pension and OPEB assets and liabilities:

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

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

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

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

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.	<u>(800,342)</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 12,575,313</u>
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The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

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

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

D. Deposits and Investments

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

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

Investments are reported at fair value.

E. Receivables and Payables

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

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

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

F. Inventories and Prepaid Items

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

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

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

G. Capital Assets

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

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

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

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

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

H. Deferred Outflows/Inflows of Resources

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

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

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

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

I. Compensated Absences

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

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

J. Net Pension Liability

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

K. Long-Term Obligations

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

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

L. Net Position/Fund Equity

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

Net Investment in Capital Assets

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

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

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

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

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

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

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

A. Deposits

Deposit Custodial Credit Risk

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

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

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

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

Cash Equivalents

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

	Standard & Poor's
State Short-Term Investment Fund (STIF)	AAAm

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

B. Investments

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

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

Interest Rate Risk

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

Credit Risk Investments

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

4. RECEIVABLES

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

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

5. CAPITAL ASSETS

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

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

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

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

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

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

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

Construction Commitments

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

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

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

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

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

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

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

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

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables are as follows:

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

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

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Interfund transfers:

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

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

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

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

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

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

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

Outstanding debt by issue is as follows:

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

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

A summary of overlapping debt is presented below:

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

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

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

* Includes bonds authorized unissued and overlapping debt.

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

Conduit Debt Obligations

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

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

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

Clean Water Fund Loan

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

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

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

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

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

8. LEASES

Operating Leases

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

Capital Lease

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

The assets acquired through the capital lease are as follows:

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

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

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

9. BOND ANTICIPATION NOTES

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

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

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

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10. RISK MANAGEMENT

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

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

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

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

Catastrophic claims are subject to the stop loss limitation.

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

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

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11. FUND BALANCE

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

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

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

12. JOINTLY GOVERNED ORGANIZATION

The Mattabassett District

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

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

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

13. JOINT VENTURES

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

Tunxis Recycling Operating Committee

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

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

Bristol Resource Recovery Facility Operating Committee

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

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

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

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

14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

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

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

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

Defined Contribution Segment

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

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

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

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

Defined Benefit Segment Plan Description and Benefits Provided

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

At July 1, 2014, PERS membership consisted of:

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

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

The defined benefit segment plan is closed to new entrants.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

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

Method Used to Value Investments

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

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

C. Funding Policy

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

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

D. Investments

Investment Policy

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

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

Rate of Return

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

E. Net Pension Liability

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

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

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

Actuarial Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in the Net Pension Liability

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

Changes of Assumptions

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

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

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

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

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

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

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

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

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

Year Ended June 30

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

F. Summary of Plan Changes

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

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

Teachers Retirement

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

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

Early Retirement

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

Disability Retirement

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

C. Contributions

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

Employer (School Districts)

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

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

Employees

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

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

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

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

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

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

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

E. Actuarial Assumptions

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

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

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

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

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

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

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

H. Other Information

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

15. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

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

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

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

B. Funding Policy

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

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

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

C. Annual OPEB Cost and Net OPEB Obligations

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

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

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

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

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

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

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

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

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

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

16. CONTINGENT LIABILITIES

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

17. SUBSEQUENT EVENTS

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

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

18. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

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

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

**Required Supplementary
Information**

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

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

(Continued on next page)

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

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

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

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

(Continued on next page)

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

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

(Continued on next page)

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

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

(Continued on next page)

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

	2015	2014
Annual money-weighted rate of return, net of investment expense	2.17%	2.02%

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

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

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

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

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund budget is legally adopted at the Annual Town Meeting. The General Fund utilizes the modified accrual basis of accounting.

**TOWN OF BERLIN, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 13,515,626	\$ 14,059,416
Receivables, net of allowances for uncollectibles:		
Taxes (net of allowance for uncollectibles of \$112,967 in 2015 and \$128,710 in 2014)	1,717,905	1,619,386
Other	1,494,416	1,766,352
Due from other funds	<u>605</u>	<u>605</u>
Total Assets	<u>\$ 16,728,552</u>	<u>\$ 17,445,759</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 1,133,534	\$ 1,023,318
Due to other funds	377,543	377,543
Unearned revenue	<u>95,317</u>	<u>100,466</u>
Total liabilities	<u>1,606,394</u>	<u>1,501,327</u>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	2,867,013	3,049,738
Advance property tax collections	<u>112,385</u>	<u>191,335</u>
Total deferred inflows of resources	<u>2,979,398</u>	<u>3,241,073</u>
Fund Balance:		
Committed	327,968	328,093
Assigned	1,800,000	2,600,000
Unassigned	<u>10,014,792</u>	<u>9,775,266</u>
Total fund balance	<u>12,142,760</u>	<u>12,703,359</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 16,728,552</u>	<u>\$ 17,445,759</u>

**TOWN OF BERLIN, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2015**

Grand List October 1,	Due Date July 1,	Taxes Collectible	Lawful Corrections		Net Amount Collectible	Collections				Refunds	Transferred to Suspense Book	Uncollected Taxes June 30, 2015
			Additions(2)	Deductions(5)		Taxes	Interest	Lien Fees	Total			
2014 (1)	2015	\$	\$	\$	\$ -	\$ 112,385	\$	\$	\$ 112,385	\$	\$	\$
2013	2014	63,002,612	1,047,850	470,180	63,580,282	62,978,012	168,144	310	63,146,466	113,062		715,332
2012	2013	673,594	3,185	4,875	671,904	323,373	89,439	1,062	413,874	420	102,812	246,139
2011	2012	262,116	858		262,974	111,976	47,608	458	160,042			150,998
2010	2011	129,080	3		129,083	24,873	14,462	216	39,551			104,210
2009	2010	83,938			83,938	20,234	12,624	144	33,002			63,704
2008	2009	92,986			92,986	11,316	11,980	96	23,392			81,670
2007	2008	152,885			152,885	4,296	3,636	48	7,980			148,589
2006	2007	49,604			49,604	307	415	24	746			49,297
2005	2006	50,097			50,097	307	470	24	801			49,790
2004	2005	48,934			48,934	304	520	24	848			48,630
2003	2004	50,587			50,587	294	554	24	872			50,293
2002	2003	49,949			49,949	271	8,225	24	8,520			49,678
2001	2002	22,278			22,278	946	2,100	48	3,094			21,332
2000	2001	26,284			26,284	955	2,277	48	3,280			25,329
1999	2000	26,813			26,813	932	2,534	48	3,514			25,881
Tax suspense book, including interest						54,414			54,414			-
Total		\$ 64,721,757	\$ 1,051,896	\$ 475,055	\$ 65,298,598	\$ 63,645,195	\$ 364,988	\$ 2,598	\$ 64,012,781	\$ 113,482	\$ 102,812	\$ 1,830,872

Note 1: The fiscal year begins on July 1, and taxes become due on that date.

Note 2: Includes motor vehicle supplement amounting to \$ 622,943

Note 3: Actual tax collections excluding suspense taxes for the year ended
June 30, 2015:

Note 4: Property taxes receivable, end of year
Less: Allowance for uncollectible taxes

Tax collections, end of year \$ 63,645,195
Deduct:
Suspense tax and interest (54,414)
Advance collections of taxes due, beginning of year (112,385)

Net Property Taxes Receivable \$ 1,717,905

Tax Collections \$ 63,478,396

Note 5: Includes writeoffs amounting to \$ 164

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The Special Revenue Funds utilize the modified accrual basis of accounting. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Cafeteria	Sales and grants	School lunch program
Disadvantaged Education	State and Federal grants	Education
School Rental Revolving	Rental fees	After hours use of buildings
Police Drug Enforcement	State and Federal grants	Drug enforcement/education
Police Asset Forfeiture	Seizure funds	Drug enforcement
Marjorie Moore	Foundation grants	Various public service
R & S Associates Bond	Forfeited bonds	Construction
Summer Adventures	User fees	Education
Afternoon Enrichment Program	User fees	Education
Work Zone Safety	General Fund and grants	Highway safety equipment
Elderly Oral Screening	Donations	Dental screening
Boundless Playground	Donations	Construct ADA playground
Scholarship and Donations	Donations	Scholarships
Special Grants and Donations	State and Federal grants	Various projects
Recreation	User fees	Recreation programs
Veterans Brick Walkway	Donations	Construction of a brick walkway to honor local veterans
Health Guidance	State and Federal grants	Nursing services

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Fund	Funding Source	Function
Marjorie Moore Tree	Foundation grant	Purchase trees
Olive Seldon	Donations	Education
Berlin Playhouse Performing Arts	Donations	Scholarship
Medical Aid	Donations	Medical assistance
Blanche Delaney	Donations	Library resources

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

	Special Revenue Funds								
	<u>Cafeteria</u>	<u>Disadvantaged Education</u>	<u>School Rental Revolving</u>	<u>Police Drug Enforcement</u>	<u>Police Asset Forfeiture</u>	<u>Marjorie Moore</u>	<u>R & S Associates Bond</u>	<u>Summer Adventures</u>	<u>Afternoon Enrichment Program</u>
ASSETS									
Cash and cash equivalents	\$ 36,183	\$ 84,113	\$ 2,000	\$ 2,849	\$ 36,314	\$ 6,513	\$ 13,519	\$ 1,350	\$ 15,314
Receivables:									
Other	5,211								
Intergovernmental	38,934								
Inventory at cost	35,060								
Total Assets	<u>\$ 115,388</u>	<u>\$ 84,113</u>	<u>\$ 2,000</u>	<u>\$ 2,849</u>	<u>\$ 36,314</u>	<u>\$ 6,513</u>	<u>\$ 13,519</u>	<u>\$ 1,350</u>	<u>\$ 15,314</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$	\$	\$	\$ 69	\$	\$	\$	\$	\$
Unearned revenue		84,113							
Total liabilities	<u>-</u>	<u>84,113</u>	<u>-</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:									
Nonspendable	35,060								
Restricted				2,780	36,314	6,513	13,519		
Committed	80,328		2,000					1,350	15,314
Total fund balances	<u>115,388</u>	<u>-</u>	<u>2,000</u>	<u>2,780</u>	<u>36,314</u>	<u>6,513</u>	<u>13,519</u>	<u>1,350</u>	<u>15,314</u>
Total Liabilities and Fund Balances	<u>\$ 115,388</u>	<u>\$ 84,113</u>	<u>\$ 2,000</u>	<u>\$ 2,849</u>	<u>\$ 36,314</u>	<u>\$ 6,513</u>	<u>\$ 13,519</u>	<u>\$ 1,350</u>	<u>\$ 15,314</u>

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

	Special Revenue Funds								
	Work Zone Safety	Elderly Oral Screening	Boundless Playground	Scholarship and Donations	Special Grants and Donations	Recreation	Veterans Brick Walkway	Health Guidance	Total
ASSETS									
Cash and cash equivalents	\$ 5,000	\$ 2,466	\$ 4,505	\$ 163,829	\$ 74,398	\$ 87,055	\$ 18,503	\$ 2,905	\$ 556,816
Receivables:									
Other					11,000				16,211
Intergovernmental									38,934
Inventory at cost									35,060
Total Assets	<u>\$ 5,000</u>	<u>\$ 2,466</u>	<u>\$ 4,505</u>	<u>\$ 163,829</u>	<u>\$ 85,398</u>	<u>\$ 87,055</u>	<u>\$ 18,503</u>	<u>\$ 2,905</u>	<u>\$ 647,021</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$	\$	\$	\$	\$ 5,925	\$ 8,263	\$	\$	\$ 14,257
Unearned revenue									84,113
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,925</u>	<u>8,263</u>	<u>-</u>	<u>-</u>	<u>98,370</u>
Fund Balances:									
Nonspendable									35,060
Restricted			4,505	163,829	79,473			2,905	309,838
Committed	5,000	2,466				78,792	18,503		203,753
Total fund balances	<u>5,000</u>	<u>2,466</u>	<u>4,505</u>	<u>163,829</u>	<u>79,473</u>	<u>78,792</u>	<u>18,503</u>	<u>2,905</u>	<u>548,651</u>
Total Liabilities and Fund Balances	<u>\$ 5,000</u>	<u>\$ 2,466</u>	<u>\$ 4,505</u>	<u>\$ 163,829</u>	<u>\$ 85,398</u>	<u>\$ 87,055</u>	<u>\$ 18,503</u>	<u>\$ 2,905</u>	<u>\$ 647,021</u>

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TOWN OF BERLIN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Permanent Funds						Total Nonmajor Governmental Funds
	Marjorie Moore Tree	Olive Seldon	Berlin Playhouse Performing Arts	Medical Aid	Blanche Delaney	Total	
ASSETS							
Cash and cash equivalents	\$ 5,374	\$ 47,159	\$ 4,505	\$ 37,125	\$ 53,221	\$ 147,384	\$ 704,200
Receivables:							
Other						-	16,211
Intergovernmental						-	38,934
Inventory at cost						-	35,060
Total Assets	<u>\$ 5,374</u>	<u>\$ 47,159</u>	<u>\$ 4,505</u>	<u>\$ 37,125</u>	<u>\$ 53,221</u>	<u>\$ 147,384</u>	<u>\$ 794,405</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$	\$	\$	\$	\$ -	\$ 14,257
Unearned revenue						-	84,113
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,370</u>
Fund Balances:							
Nonspendable	5,000	46,394		21,965	41,332	114,691	149,751
Restricted	374	765	4,505	15,160	11,889	32,693	342,531
Committed						-	203,753
Total fund balances	<u>5,374</u>	<u>47,159</u>	<u>4,505</u>	<u>37,125</u>	<u>53,221</u>	<u>147,384</u>	<u>696,035</u>
Total Liabilities and Fund Balances	<u>\$ 5,374</u>	<u>\$ 47,159</u>	<u>\$ 4,505</u>	<u>\$ 37,125</u>	<u>\$ 53,221</u>	<u>\$ 147,384</u>	<u>\$ 794,405</u>

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

	Special Revenue Funds								
	<u>Cafeteria</u>	<u>Disadvantaged Education</u>	<u>School Rental Revolving</u>	<u>Police Drug Enforcement</u>	<u>Police Asset Forfeiture</u>	<u>Marjorie Moore</u>	<u>R & S Associates Bond</u>	<u>Summer Adventures</u>	<u>Afternoon Enrichment Program</u>
Revenues:									
Intergovernmental revenue - schools	\$ 270,736	\$ 2,062,169	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenue - other					2,575				
Licenses, permits and fees									31,397
Other sales and services	574,564		23,848						
Earnings on investments									
Other	61,665			1,563		30,000			
Total revenues	<u>906,965</u>	<u>2,062,169</u>	<u>23,848</u>	<u>1,563</u>	<u>2,575</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>31,397</u>
Expenditures:									
Current:									
General government									
Community development									
Public safety				522	2,070				
Parks, recreation and libraries									
Health and human services						31,880			
Schools	904,260	2,062,169	20,808						32,669
Total expenditures	<u>904,260</u>	<u>2,062,169</u>	<u>20,808</u>	<u>522</u>	<u>2,070</u>	<u>31,880</u>	<u>-</u>	<u>-</u>	<u>32,669</u>
Excess (Deficiency) of Revenues over Expenditures	2,705	-	3,040	1,041	505	(1,880)	-	-	(1,272)
Other Financing Sources (Uses):									
Transfers out			(3,040)						
Net Change in Fund Balances	2,705	-	-	1,041	505	(1,880)	-	-	(1,272)
Fund Balances at Beginning of Year	112,683	-	2,000	1,739	35,809	8,393	13,519	1,350	16,586
Fund Balances at End of Year	<u>\$ 115,388</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,780</u>	<u>\$ 36,314</u>	<u>\$ 6,513</u>	<u>\$ 13,519</u>	<u>\$ 1,350</u>	<u>\$ 15,314</u>

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

	Special Revenue Funds							
	Work Zone Safety	Elderly Oral Screening	Boundless Playground	Scholarship and Donations	Special Grants and Donations	Recreation	Veterans Brick Walkway	Health Guidance
Revenues:								
Intergovernmental revenue - schools	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenue - other					159,744			
Licenses, permits and fees						86,318		
Other sales and services								
Earnings on investments				461	30			
Other				14,940	5,378		2,460	
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,401</u>	<u>165,152</u>	<u>86,318</u>	<u>2,460</u>	<u>-</u>
Expenditures:								
Current:								
General government					5,000			
Community development					19		6,924	
Public safety					22,551			
Parks, recreation and libraries				7,975	24,444	69,524		
Health and human services					98,879			9,920
Schools								
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,975</u>	<u>150,893</u>	<u>69,524</u>	<u>6,924</u>	<u>9,920</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	7,426	14,259	16,794	(4,464)	(9,920)
Other Financing Sources (Uses):								
Transfers out								(3,040)
Net Change in Fund Balances	-	-	-	7,426	14,259	16,794	(4,464)	(9,920)
Fund Balances at Beginning of Year	5,000	2,466	4,505	156,403	65,214	61,998	22,967	12,825
Fund Balances at End of Year	<u>\$ 5,000</u>	<u>\$ 2,466</u>	<u>\$ 4,505</u>	<u>\$ 163,829</u>	<u>\$ 79,473</u>	<u>\$ 78,792</u>	<u>\$ 18,503</u>	<u>\$ 2,905</u>

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

	Permanent Funds						Total Nonmajor Governmental Funds
	Marjorie Moore Tree	Olive Seldon	Berlin Playhouse Performing Arts	Medical Aid	Blanche Delaney	Total	
Revenues:							
Intergovernmental revenue - schools	\$	\$	\$	\$	\$	\$ -	\$ 2,332,905
Intergovernmental revenue - other						-	162,319
Licenses, permits and fees						-	117,715
Other sales and services						-	598,412
Earnings on investments	20	174	17	137	196	544	1,035
Other				679		679	116,685
Total revenues	<u>20</u>	<u>174</u>	<u>17</u>	<u>816</u>	<u>196</u>	<u>1,223</u>	<u>3,329,071</u>
Expenditures:							
Current:							
General government						-	5,000
Community development						-	6,943
Public safety						-	25,143
Parks, recreation and libraries						-	101,943
Health and human services				647		647	141,326
Schools			200			200	3,020,106
Total expenditures	<u>-</u>	<u>-</u>	<u>200</u>	<u>647</u>	<u>-</u>	<u>847</u>	<u>3,300,461</u>
Excess (Deficiency) of Revenues over Expenditures	20	174	(183)	169	196	376	28,610
Other Financing Sources (Uses):							
Transfers out						-	(3,040)
Net Change in Fund Balances	20	174	(183)	169	196	376	25,570
Fund Balances at Beginning of Year	<u>5,354</u>	<u>46,985</u>	<u>4,688</u>	<u>36,956</u>	<u>53,025</u>	<u>147,008</u>	<u>670,465</u>
Fund Balances at End of Year	<u>\$ 5,374</u>	<u>\$ 47,159</u>	<u>\$ 4,505</u>	<u>\$ 37,125</u>	<u>\$ 53,221</u>	<u>\$ 147,384</u>	<u>\$ 696,035</u>

Enterprise Funds

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, utilizing the accrual basis of accounting; where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Enterprise Fund of the Town is the Water and Sewer Enterprise Fund. This fund reports the operations of the Water Control Commission, which oversees the water and sewer services to a portion of the Town.

**TOWN OF BERLIN, CONNECTICUT
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF WATER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Locations</u>	<u>Balance June 30, 2014</u>	<u>Assessments During Year</u>	<u>Adjustments</u>	<u>Interest and Penalties</u>	<u>Collections</u>	<u>Balance June 30, 2015</u>
Town Wide, May 1st	\$ 32,212	\$ 7,250	\$	\$ 2,128	\$ 16,079	\$ 23,383
Town Wide, September 1st	3,433			257	858	2,575
Town Wide, November 1st		4,121			687	3,434
Total	<u>\$ 35,645</u>	<u>\$ 11,371</u>	<u>\$ -</u>	<u>\$ 2,385</u>	<u>\$ 17,624</u>	<u>\$ 29,392</u>

**TOWN OF BERLIN, CONNECTICUT
 WATER AND SEWER ENTERPRISE FUND
 SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
 FOR THE YEAR ENDED JUNE 30, 2015**

<u>Locations</u>	<u>Balance June 30, 2014</u>	<u>Assessments During Year</u>	<u>Adjustments</u>	<u>Interest and Penalties</u>	<u>Collections</u>	<u>Balance June 30, 2015</u>
Townwide:						
Due May 1st	\$ 17,074	\$	\$	\$ 1,295	\$ 3,658	\$ 13,416
Belcher Brook Interceptor (due Town of Berlin):						
Due December 1st	<u>605</u>					<u>605</u>
Total	<u>\$ 17,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295</u>	<u>\$ 3,658</u>	<u>\$ 14,021</u>

Internal Service Funds

INTERNAL SERVICE FUNDS

Internal Service Funds are used for the financing of goods or services provided by one department or agency to other departments or agencies of the Town, or to other governments, on a cost-reimbursement basis. The Town has two such funds.

- a) The General Insurance Fund accounts for funds received from the Board of Education, Town Government operating funds and the Water and Sewer Enterprise Fund. The funds are used to purchase insurance and provide ancillary services for the administration of this fund and to accumulate reserves, which otherwise would be retained by the insurance company. The Workers' Compensation coverage, which makes up the largest component of the insurance needs of the Town, is provided by insurance through the Connecticut Interlocal Risk Management Association (CIRMA). The Town will examine the coverage and have an actuarial study conducted periodically.
- b) The Medical and Health Insurance Fund accounts for funds received from the Board of Education, Town Government operating funds and Water and Sewer Enterprise Funds. The funds are used to purchase medical and health insurance and provide ancillary service for the administration of this fund and to accumulate reserves, which otherwise would be retained by Anthem Blue Cross/Blue Shield. The fund is utilized to pay administration fees directly to Anthem Blue Cross/Blue Shield. Anthem Blue Cross/Blue Shield administers the payment of health insurance claims and will draw the funds necessary to pay these claims directly from this fund. The Town benefits from this arrangement in that it earns interest on these funds and is not subject to the State insurance premium tax, since a self-insurance fund is maintained and is not subject to this tax. An actuarial study is conducted annually by Anthem Blue Cross/Blue Shield.

TOWN OF BERLIN, CONNECTICUT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	General Insurance Fund	Medical and Health Insurance Fund	Total
Assets:			
Cash and cash equivalents	\$ 2,319,223	\$ 2,597,361	\$ 4,916,584
Due from other funds		377,543	377,543
Total assets	<u>2,319,223</u>	<u>2,974,904</u>	<u>5,294,127</u>
Liabilities:			
Accounts payable and claims liability	<u>35,858</u>	<u>593,074</u>	<u>628,932</u>
Net Position:			
Unrestricted	<u>2,283,365</u>	<u>2,381,830</u>	<u>4,665,195</u>
Total Net Position	<u>\$ 2,283,365</u>	<u>\$ 2,381,830</u>	<u>\$ 4,665,195</u>

TOWN OF BERLIN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Insurance Fund	Medical and Health Insurance Fund	Total
Operating revenues:			
Insurance proceeds	\$ 18,406	\$ 65,911	\$ 84,317
Employee contributions		1,813,983	1,813,983
Charges for services	<u>1,279,784</u>	<u>6,571,933</u>	<u>7,851,717</u>
Total operating revenues	<u>1,298,190</u>	<u>8,451,827</u>	<u>9,750,017</u>
Operating expenses:			
Administration	86,139	918,103	1,004,242
Benefits		8,276,582	8,276,582
Insurance	<u>1,286,832</u>	<u></u>	<u>1,286,832</u>
Total operating expenses	<u>1,372,971</u>	<u>9,194,685</u>	<u>10,567,656</u>
Operating Loss	(74,781)	(742,858)	(817,639)
Nonoperating revenue:			
Earnings on investments	<u>6,903</u>	<u>10,394</u>	<u>17,297</u>
Change in Net Position	(67,878)	(732,464)	(800,342)
Net Position at Beginning of Year	<u>2,351,243</u>	<u>3,114,294</u>	<u>5,465,537</u>
Net Position at End of Year	<u>\$ 2,283,365</u>	<u>\$ 2,381,830</u>	<u>\$ 4,665,195</u>

TOWN OF BERLIN, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Insurance Fund	Medical and Health Insurance Fund	Total
Cash Flows from Operating Activities:			
Cash received from insurance and others	\$ 18,406	\$ 65,911	\$ 84,317
Cash received from users	1,279,784	8,385,916	9,665,700
Cash paid to vendors	<u>(1,396,578)</u>	<u>(9,111,841)</u>	<u>(10,508,419)</u>
Net cash used in operating activities	<u>(98,388)</u>	<u>(660,014)</u>	<u>(758,402)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>6,903</u>	<u>10,394</u>	<u>17,297</u>
Net Decrease in Cash and Cash Equivalents	(91,485)	(649,620)	(741,105)
Cash and Cash Equivalents at Beginning of Year	<u>2,410,708</u>	<u>3,246,981</u>	<u>5,657,689</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,319,223</u>	<u>\$ 2,597,361</u>	<u>\$ 4,916,584</u>
Reconciliation of Operating Loss to			
Net Cash Used in Operating Activities:			
Operating loss	\$ (74,781)	\$ (742,858)	\$ (817,639)
Adjustments to reconcile operating loss			
to net cash used in operating activities:			
Decrease in due to MIRMA	(56,173)		(56,173)
Increase in accounts payable	<u>32,566</u>	<u>82,844</u>	<u>115,410</u>
Net Cash Used in Operating Activities	<u>\$ (98,388)</u>	<u>\$ (660,014)</u>	<u>\$ (758,402)</u>

Fiduciary Funds

AGENCY FUNDS

Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results and operations.

- Student Activity Fund was established to receive student funds and promote the educational and student activities of students.
- Town Funds was established to receive and disburse funds for special events, activities and services of outside agencies and departments.
- Performance Bond Fund was established to receive deposits from contractors and others.
- Miscellaneous Education Fund is used to account for funds collected for drivers' education and adult education activities.

TOWN OF BERLIN, CONNECTICUT
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>457,748</u>	\$ <u>834,665</u>	\$ <u>818,686</u>	\$ <u>473,727</u>
Liabilities:				
Due to student and other groups	\$ <u>457,748</u>	\$ <u>834,665</u>	\$ <u>818,686</u>	\$ <u>473,727</u>
Town Funds				
Assets:				
Cash and cash equivalents	\$ <u>791,792</u>	\$ <u>117,384</u>	\$ <u>92,179</u>	\$ <u>816,997</u>
Liabilities:				
Due to student and other groups	\$ <u>791,792</u>	\$ <u>117,384</u>	\$ <u>92,179</u>	\$ <u>816,997</u>
Performance Bond Fund				
Assets:				
Cash and cash equivalents	\$ <u>1,795,553</u>	\$ <u>4,138,633</u>	\$ <u>4,935,185</u>	\$ <u>999,001</u>
Liabilities:				
Due to contractors	\$ <u>1,795,553</u>	\$ <u>4,138,633</u>	\$ <u>4,935,185</u>	\$ <u>999,001</u>
Miscellaneous Education Fund				
Assets:				
Cash and cash equivalents	\$ <u>1,912</u>	\$ <u>40,443</u>	\$ <u>40,555</u>	\$ <u>1,800</u>
Liabilities:				
Due to student and other groups	\$ <u>1,912</u>	\$ <u>40,443</u>	\$ <u>40,555</u>	\$ <u>1,800</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ <u>3,047,005</u>	\$ <u>5,131,125</u>	\$ <u>5,886,605</u>	\$ <u>2,291,525</u>
Liabilities:				
Due to student and other groups	\$ <u>3,047,005</u>	\$ <u>5,131,125</u>	\$ <u>5,886,605</u>	\$ <u>2,291,525</u>

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment, and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

TABLE 1

**TOWN OF BERLIN, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Net investment in capital assets	\$ 75,761,406	\$ 64,684,687	\$ 58,673,095	\$ 57,119,702	\$ 56,582,569	\$ 56,765,965	\$ 56,546,105	\$ 58,306,096	\$ 59,854,926	\$ 36,935,971
Restricted	147,384	147,008	147,048	157,388	156,073	154,410	152,346	151,894	173,081	168,268
Unrestricted	23,598,253	22,100,035	20,350,601	19,290,018	19,288,970	19,081,655	18,996,700	19,214,369	18,578,013	17,600,305
Subtotal governmental activities net position	99,507,043	86,931,730	79,170,744	76,567,108	76,027,612	76,002,030	75,695,151	77,672,359	78,606,020	54,704,544
Business-type activities:										
Net investment in capital assets	12,739,336	10,074,596	10,113,957	9,825,184	9,827,738	9,774,780	9,857,160	9,928,237	9,996,420	9,755,452
Unrestricted	4,387,315	5,666,817	4,855,024	4,744,240	4,217,051	3,853,167	3,228,973	2,421,282	2,205,970	2,992,537
Subtotal business-type activities net position	17,126,651	15,741,413	14,968,981	14,569,424	14,044,789	13,627,947	13,086,133	12,349,519	12,202,390	12,747,989
Primary government:										
Net investment in capital assets	88,500,742	74,759,283	68,787,052	66,944,886	66,410,307	66,540,745	66,403,265	68,234,333	69,851,346	46,691,423
Restricted	147,384	147,008	147,048	157,388	156,073	154,410	152,346	151,894	173,081	168,268
Unrestricted	27,985,568	27,766,852	25,205,625	24,034,258	23,506,021	22,934,822	22,225,673	21,635,651	20,783,983	20,592,842
Total Primary Government Net Position	\$ 116,633,694	\$ 102,673,143	\$ 94,139,725	\$ 91,136,532	\$ 90,072,401	\$ 89,629,977	\$ 88,781,284	\$ 90,021,878	\$ 90,808,410	\$ 67,452,533

TABLE 2

**TOWN OF BERLIN, CONNECTICUT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
Governmental activities:										
General Government	\$ 5,415,509	\$ 4,191,823	\$ 4,397,969	\$ 3,736,129	\$ 3,616,360	\$ 3,619,079	\$ 4,621,878	\$ 4,239,561	\$ 3,946,358	\$ 3,340,580
Community Development	1,134,822	849,635	838,057	1,310,926	1,705,036	886,822	839,495	956,473	2,440,174	733,914
Public Safety	9,579,660	8,747,446	8,072,109	8,028,805	7,449,690	6,984,300	7,097,794	7,170,214	6,975,850	6,408,827
Physical Services	8,670,289	9,778,097	8,524,981	9,333,507	8,574,797	8,262,981	8,429,763	10,129,428	7,694,018	6,287,383
Parks, Recreation and Libraries	4,205,001	4,172,288	4,215,896	4,273,783	4,388,416	4,402,401	4,846,694	4,473,542	3,899,395	3,766,608
Health and Human Services	2,440,168	2,616,986	2,190,406	2,439,771	2,655,144	2,172,130	2,226,650	2,456,113	1,894,580	1,853,167
Schools	53,393,569	52,398,291	49,788,300	48,941,403	46,085,989	45,540,917	44,321,238	53,811,652	39,455,804	38,162,289
Interest on long-term debt	1,907,325	1,257,292	1,123,833	1,141,429	612,457	604,382	451,341	539,200	524,378	521,937
Total governmental activities expenses	<u>86,746,343</u>	<u>84,011,858</u>	<u>79,151,551</u>	<u>79,205,753</u>	<u>75,087,889</u>	<u>72,473,012</u>	<u>72,834,853</u>	<u>83,776,183</u>	<u>66,830,557</u>	<u>61,074,705</u>
Business-type activities:										
Water Services	1,298,066	1,194,957	1,249,273	1,241,969	1,258,098	1,123,138	1,247,991	1,462,405	1,154,067	1,351,093
Sewer Services	2,022,760	1,652,335	1,540,650	1,386,889	1,304,410	1,246,417	1,205,860	1,184,983	1,133,894	1,011,714
Total business-type activities expenses	<u>3,320,826</u>	<u>2,847,292</u>	<u>2,789,923</u>	<u>2,628,858</u>	<u>2,562,508</u>	<u>2,369,555</u>	<u>2,453,851</u>	<u>2,647,388</u>	<u>2,287,961</u>	<u>2,362,807</u>
Total Primary Government Expenses	<u>\$ 90,067,169</u>	<u>86,859,150</u>	<u>\$ 81,941,474</u>	<u>\$ 81,834,611</u>	<u>\$ 77,650,397</u>	<u>\$ 74,842,567</u>	<u>\$ 75,288,704</u>	<u>\$ 86,423,571</u>	<u>\$ 69,118,518</u>	<u>\$ 63,437,512</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General Government	\$ 714,730	\$ 703,050	\$ 788,491	\$ 643,713	\$ 871,919	\$ 901,805	\$ 694,725	\$ 910,684	\$ 1,120,577	\$ 1,158,892
Community Development	4,765	1,670	4,320	4,530	5,575	6,056	6,098	6,532	7,160	37,354
Public Safety	445,831	351,580	336,275	343,246	566,870	327,880	334,571	345,534	635,148	510,266
Physical Services	100,089	181,027	273,779	325,712	300,207	306,116	274,291	171,747	239,704	113,581
Parks, Recreation and Libraries	1,372,237	1,410,043	1,365,171	1,427,958	1,306,716	1,269,759	1,301,301	1,410,686	1,302,048	1,037,539
Health and Human Services	953,990	1,109,720	1,104,063	1,018,334	1,258,023	1,616,125	1,826,991	1,351,026	1,172,895	1,182,198
Schools	629,809	602,187	662,195	717,242	745,821	749,505	809,939	846,762	863,638	922,582
Operating grants and contributions	14,783,919	16,091,414	14,113,058	14,143,757	12,330,467	11,941,777	11,530,990	22,506,260	9,011,723	8,890,491
Capital grants and contributions	15,726,233	12,066,154	1,787,340	1,411,510	1,344,618	2,113,303	470,617	1,061,648	5,797,906	2,764,801
Total governmental activities program revenues	<u>34,731,603</u>	<u>32,516,845</u>	<u>20,434,692</u>	<u>20,036,002</u>	<u>18,730,216</u>	<u>19,232,326</u>	<u>17,249,523</u>	<u>28,610,879</u>	<u>20,150,799</u>	<u>16,617,704</u>
Business-type activities:										
Charges for services:										
Water Services	1,679,265	1,739,229	1,517,215	1,754,934	1,688,781	1,733,560	1,684,705	1,537,976	833,303	968,213
Sewer Services	3,000,452	1,857,870	1,659,354	1,387,017	1,448,771	1,289,334	1,493,041	1,208,130	838,471	969,877
Total business-type activities program revenues	<u>4,679,717</u>	<u>3,597,099</u>	<u>3,176,569</u>	<u>3,141,951</u>	<u>3,137,552</u>	<u>3,022,894</u>	<u>3,177,746</u>	<u>2,746,106</u>	<u>1,671,774</u>	<u>1,938,090</u>
Total Primary Government Program Revenues	<u>\$ 39,411,320</u>	<u>\$ 36,113,944</u>	<u>\$ 23,611,261</u>	<u>\$ 23,177,953</u>	<u>\$ 21,867,768</u>	<u>\$ 22,255,220</u>	<u>\$ 20,427,269</u>	<u>\$ 31,356,985</u>	<u>\$ 21,822,573</u>	<u>\$ 18,555,794</u>

(Continued on next page)

TABLE 2

**TOWN OF BERLIN, CONNECTICUT
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net (Expense) Revenue:										
Governmental activities	\$ (52,014,740)	\$ (51,495,013)	\$ (58,716,859)	\$ (59,169,751)	\$ (56,357,673)	\$ (53,240,686)	\$ (55,585,330)	\$ (55,165,304)	\$ (46,679,758)	\$ (44,457,001)
Business-type activities	1,358,891	749,807	386,646	513,093	575,044	653,339	723,895	98,718	(616,187)	(424,717)
Total Primary Government Net Expense	<u>\$ (50,655,849)</u>	<u>\$ (50,745,206)</u>	<u>\$ (58,330,213)</u>	<u>\$ (58,656,658)</u>	<u>\$ (55,782,629)</u>	<u>\$ (52,587,347)</u>	<u>\$ (54,861,435)</u>	<u>\$ (55,066,586)</u>	<u>\$ (47,295,945)</u>	<u>\$ (44,881,718)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 63,684,396	\$ 62,660,285	\$ 59,608,953	\$ 57,634,249	\$ 54,562,047	\$ 51,556,894	\$ 51,145,362	\$ 49,837,758	\$ 48,842,637	\$ 46,696,996
Unrestricted grants and contributions	157,991	278,928	985,652	1,054,761	932,269	1,024,352	1,225,329	1,164,634	1,132,808	1,010,214
Unrestricted investment earnings	164,724	81,123	176,577	275,834	203,116	284,541	939,238	1,607,677	1,893,894	1,499,630
Other	578,442	693,062	540,823	746,847	491,443	548,341	261,208	998,689	265,353	82,000
Transfers	4,500	8,544	8,490	(2,444)	194,380	133,435	36,987	12,437	9,161	7,990
Total governmental activities	<u>64,590,053</u>	<u>63,721,942</u>	<u>61,320,495</u>	<u>59,709,247</u>	<u>56,383,255</u>	<u>53,547,563</u>	<u>53,608,124</u>	<u>53,621,195</u>	<u>52,143,853</u>	<u>49,296,830</u>
Business-type activities:										
General revenues:										
Property taxes	1,491	1,170	72	121	265	927	75	194	242	31
Unrestricted investment earnings	29,356	29,999	21,329	8,977	35,913	20,983	49,631	60,654	79,507	83,105
Transfers	(4,500)	(8,544)	(8,490)	2,444	(194,380)	(133,435)	(36,987)	(12,437)	(9,161)	(7,990)
Total business-type activities	<u>26,347</u>	<u>22,625</u>	<u>12,911</u>	<u>11,542</u>	<u>(158,202)</u>	<u>(111,525)</u>	<u>12,719</u>	<u>48,411</u>	<u>70,588</u>	<u>75,146</u>
Total Primary Government	<u>\$ 64,616,400</u>	<u>\$ 63,744,567</u>	<u>\$ 61,333,406</u>	<u>\$ 59,720,789</u>	<u>\$ 56,225,053</u>	<u>\$ 53,436,038</u>	<u>\$ 53,620,843</u>	<u>\$ 53,669,606</u>	<u>\$ 52,214,441</u>	<u>\$ 49,371,976</u>
Change in Net Position:										
Governmental activities	\$ 12,575,313	\$ 12,226,929	\$ 2,603,636	\$ 539,496	\$ 25,582	\$ 306,877	\$ (1,977,206)	\$ (1,544,109)	\$ 5,464,095	\$ 4,839,829
Business-type activities	1,385,238	772,432	399,557	524,635	416,842	541,814	736,614	147,129	(545,599)	(349,571)
Total Primary Government	<u>\$ 13,960,551</u>	<u>\$ 12,999,361</u>	<u>\$ 3,003,193</u>	<u>\$ 1,064,131</u>	<u>\$ 442,424</u>	<u>\$ 848,691</u>	<u>\$ (1,240,592)</u>	<u>\$ (1,396,980)</u>	<u>\$ 4,918,496</u>	<u>\$ 4,490,258</u>

TABLE 3

**TOWN OF BERLIN, CONNECTICUT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund:										
Reserved										
Unreserved:										
Designated	\$		\$	\$	\$	\$ 1,300,000	\$ 2,000,000	\$ 2,000,000	\$ 1,300,000	\$ 1,120,000
Undesignated						7,479,806	7,199,724	7,519,032	7,870,925	6,735,039
Nonspendable										
Restricted										
Committed	327,968	328,093	289,973	368,642	295,251					
Assigned	1,800,000	2,600,000	1,800,000	1,550,000	1,550,000					
Unassigned	10,014,792	9,775,266	10,701,294	9,379,361	8,522,461					
Total General Fund	<u>\$ 12,142,760</u>	<u>12,703,359</u>	<u>\$ 12,791,267</u>	<u>\$ 11,298,003</u>	<u>\$ 10,367,712</u>	<u>\$ 8,779,806</u>	<u>\$ 9,199,724</u>	<u>\$ 9,519,032</u>	<u>\$ 9,170,925</u>	<u>\$ 7,855,039</u>
All Other Governmental Funds:										
Reserved	\$	\$	\$	\$	\$	\$ 629,526	\$ 215,092	\$ 281,133	\$ 134,115	\$ 556,172
Unreserved, reported in:										
Special revenue funds						2,173,277	(791,351)	8,726	932,125	1,424,196
Capital projects funds						(3,147,776)	(5,746,753)	2,818,974	2,427,877	3,731,791
Permanent funds						39,719	37,655	37,203	38,966	35,575
Nonspendable	149,751	139,247	145,352	142,047	138,069					
Restricted	9,919,307	10,381,872	8,006,958	4,573,307	10,332,426					
Committed	203,753	200,494	202,450	167,843	169,692					
Unassigned					(1,017)					
Total All Other Governmental Funds	<u>\$ 10,272,811</u>	<u>10,721,613</u>	<u>\$ 8,354,760</u>	<u>\$ 4,883,197</u>	<u>\$ 10,639,170</u>	<u>\$ (305,254)</u>	<u>\$ (6,285,357)</u>	<u>\$ 3,146,036</u>	<u>\$ 3,533,083</u>	<u>\$ 5,747,734</u>

Note: Information for years prior to the implementation of GASB Statement No. 54 has not been restated.

TABLE 4

TOWN OF BERLIN, CONNECTICUT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Property taxes	\$ 63,867,121	\$ 62,265,408	\$ 59,750,689	\$ 57,384,370	\$ 54,508,377	\$ 51,226,824	\$ 50,700,632	\$ 49,846,526	\$ 48,565,796	\$ 46,523,609
Intergovernmental	29,845,476	28,324,562	16,630,100	16,533,609	14,480,713	14,219,822	13,265,831	24,809,576	11,698,299	10,283,903
Charges for services	4,172,020	4,306,398	4,484,164	4,413,140	4,994,167	5,176,849	5,247,916	5,046,536	5,276,389	4,898,682
Income on investments	164,729	81,123	176,577	275,834	203,116	284,541	859,021	1,515,342	1,765,694	1,381,670
Miscellaneous	692,276	793,616	629,863	858,765	587,448	485,284	307,709	754,877	493,769	324,930
Total revenues	<u>98,741,622</u>	<u>95,771,107</u>	<u>81,671,393</u>	<u>79,465,718</u>	<u>74,773,821</u>	<u>71,393,320</u>	<u>70,381,109</u>	<u>81,972,857</u>	<u>67,799,947</u>	<u>63,412,794</u>
Expenditures:										
General government	4,735,669	3,845,598	4,011,796	3,541,728	3,300,025	2,930,181	3,295,436	3,415,941	3,591,432	3,025,871
Community development	733,560	705,478	721,746	738,779	725,211	709,015	720,335	691,162	661,771	613,080
Public safety	8,522,289	8,269,662	7,778,675	7,560,017	7,136,824	7,483,644	7,025,587	7,110,341	6,820,530	6,179,221
Physical services	7,893,401	7,670,479	7,424,137	8,021,028	7,147,149	8,058,192	7,479,379	7,353,311	6,694,309	6,885,793
Parks, recreation and libraries	4,063,017	3,782,572	3,788,466	3,850,122	3,839,350	3,827,112	3,914,116	3,971,585	3,609,781	3,396,419
Health and human services	2,398,212	2,626,269	2,146,352	2,368,124	2,629,702	2,176,324	2,268,618	2,415,194	1,885,792	1,793,955
Schools	50,905,397	51,248,877	48,844,087	47,421,917	45,239,863	44,716,115	43,555,508	52,355,011	38,910,340	36,930,167
Debt service:										
Principal	2,314,620	2,972,034	1,732,258	1,662,257	1,075,054	1,207,966	1,765,000	1,766,266	2,265,000	1,980,000
Interest	1,982,771	1,344,842	1,209,331	1,200,353	676,167	370,268	458,136	522,092	554,982	486,553
Capital outlay	30,664,648	31,109,069	8,238,449	8,036,819	9,448,162	2,588,360	9,686,682	2,423,331	3,713,936	4,718,787
Total expenditures	<u>114,213,584</u>	<u>113,574,880</u>	<u>85,895,297</u>	<u>84,401,144</u>	<u>81,217,507</u>	<u>74,067,177</u>	<u>80,168,797</u>	<u>82,024,234</u>	<u>68,707,873</u>	<u>66,009,846</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,471,962)</u>	<u>(17,803,773)</u>	<u>(4,223,904)</u>	<u>(4,935,426)</u>	<u>(6,443,686)</u>	<u>(2,673,857)</u>	<u>(9,787,688)</u>	<u>(51,377)</u>	<u>(907,926)</u>	<u>(2,597,052)</u>
Other Financing Sources (Uses):										
Transfers in	1,263,440	1,350,855	1,141,096	1,346,815	1,308,867	848,607	1,005,376	2,202,652	936,136	819,007
Transfers out	(1,258,940)	(1,342,311)	(1,132,606)	(1,349,259)	(1,114,487)	(715,172)	(968,389)	(2,190,215)	(926,975)	(811,017)
Proceeds from refunding bond issuance						4,645,000				
Payments to escrow agents						(4,815,247)				
Proceeds from the issuance of capital leases	442,615	269,685	330,400	112,188	497,144					
Bond premiums	295,446	1,449,489	354,841		1,674,492	75,854				
Proceeds from the issuance of bonds	13,720,000	18,355,000	8,495,000		16,610,000	8,195,000				4,560,000
Total other financing sources	<u>14,462,561</u>	<u>20,082,718</u>	<u>9,188,731</u>	<u>109,744</u>	<u>18,976,016</u>	<u>8,234,042</u>	<u>36,987</u>	<u>12,437</u>	<u>9,161</u>	<u>4,567,990</u>
Net Changes in Fund Balances	<u>\$ (1,009,401)</u>	<u>\$ 2,278,945</u>	<u>\$ 4,964,827</u>	<u>\$ (4,825,682)</u>	<u>\$ 12,532,330</u>	<u>\$ 5,560,185</u>	<u>\$ (9,750,701)</u>	<u>\$ (38,940)</u>	<u>\$ (898,765)</u>	<u>\$ 1,970,938</u>
Debt Service as a Percentage of Noncapital Expenditures	5.1%	5.2%	3.8%	3.7%	2.4%	2.2%	3.1%	2.9%	4.3%	4.0%

TABLE 5

TOWN OF BERLIN, CONNECTICUT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended June 30,	Real Estate	Personal Property	Motor Vehicle	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Value
2015	\$ 1,803,444	\$ 264,000	\$ 197,208	\$ 78,522	\$ 2,186,130	\$ 28.92	\$ 3,123,043	70 %
2014	1,793,912	244,386	194,508	77,148	2,155,658	28.77	3,079,511	70
2013	2,007,533	232,799	191,601	80,306	2,351,627	25.15	3,359,467	70
2012	1,990,185	223,962	175,009	73,995	2,315,161	24.50	3,307,373	70
2011	1,956,325	223,033	162,127	62,090	2,279,395	23.65	3,256,279	70
2010	1,944,242	198,971	161,959	59,849	2,225,689	22.69	3,207,604	70
2009	1,920,752	186,449	161,200	42,712	1,706,972	22.69	3,179,556	70
2008	1,401,636	184,248	158,442	37,354	1,663,795	28.74	2,438,531	70
2007	1,372,410	174,714	151,002	34,331	1,663,795	28.74	2,376,850	70
2006	1,345,360	169,334	141,070	33,753	1,622,011	28.40	2,317,159	70

Source: Town of Berlin Assessor's Office

TABLE 6

**TOWN OF BERLIN, CONNECTICUT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)**

Fiscal Year	Town Direct Rate	Overlapping Rates	
		Kensington Fire District	Worthington Fire District
2015	2.892	0.11	0.2000
2014	2.877	0.11	0.2100
2013	2.515	0.10	0.2100
2012	2.450	0.10	0.1989
2011	2.365	0.10	0.1990
2010	2.269	0.08	0.1910
2009	2.269	0.08	0.1910
2008	2.874	0.10	0.1910
2007	2.874	0.10	0.1820
2006	2.840	0.09	0.1400

Source: Kensington Fire District, Worthington Fire District and Town of Berlin

TABLE 7

**TOWN OF BERLIN, CONNECTICUT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Rocky River Realty Co.	\$ 198,890,000	1	9.10%	\$ 113,474,750	1	7.00%
Corbin Russwin Inc.	31,513,590	2	1.44%	16,297,310	2	1.00%
Cedar Brickyard	16,064,850	3	0.73%			
Stonebridge Berlin Assoc.	8,663,300	4	0.40%			
B & F Machine Inc.	8,281,180	5	0.38%			
Tomz Corporation	8,123,960	6	0.37%			
Legion Square Associates LLC	6,679,600	7	0.31%			
Berlin Commerce Park	5,744,500	8	0.26%			
Orchard Ridge Associates	5,290,500	9	0.24%	4,649,600	7	0.29%
Blue Dog Properties	4,822,700	10	0.22%			
Gateway Conn. Properties, Inc.				12,336,600	3	0.76%
BRE Realty, LLC				6,079,600	4	0.37%
Atohaas North America Inc. & Arkema Inc.				5,925,930	5	0.37%
National Amusements, Inc.				5,259,190	6	0.32%
Parker Hannifin Corporation				4,425,280	8	0.27%
United Cable Television				4,362,900	9	0.27%
One Twenty Nine Worthington Ridge Road, LLC				4,137,700	10	0.26%
Total	\$ 294,074,180		13.45%	\$ 176,948,860		10.91%

Source: Town of Berlin Assessor's Office

TABLE 8

**TOWN OF BERLIN, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 63,580,445	\$ 62,864,950	98.87%	\$	\$ 62,864,950	98.87%
2014	61,995,090	61,321,496	98.91%	427,456	61,748,952	99.60%
2013	59,323,912	58,577,996	98.74%	594,918	59,172,914	99.75%
2012	57,082,130	56,246,044	98.54%	731,877	56,977,921	99.82%
2011	54,154,344	53,367,466	98.55%	723,174	54,090,640	99.88%
2010	51,124,528	50,315,554	98.42%	727,304	51,042,858	99.84%
2009	50,792,129	49,989,264	98.42%	654,276	50,643,540	99.71%
2008	49,549,590	48,988,081	98.87%	512,212	49,500,293	99.90%
2007	48,323,207	47,803,630	98.92%	469,787	48,273,417	99.90%
2006	46,494,295	45,964,653	98.86%	481,012	46,445,665	99.90%

TABLE 9

TOWN OF BERLIN, CONNECTICUT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities					Percentage of Actual Taxable Value of Property		Debt Per Capita
	General Obligation Bonds(2)	Capital Leases	Total Outstanding Debt	Percentage of Personal Income(1)				
2015	\$ 63,909	\$ 447	\$ 64,356		%	2.06	%	\$ 3,239
2014	52,360	468	52,828			1.72		2,652
2013	35,687	457	36,144			1.08		1,755
2012	28,633	368	29,001			0.88		1,417
2011	30,342	389	30,731			0.94		1,546
2010	13,181		13,181			0.41		663
2009	6,330		6,330			0.20		309
2008	8,095		8,095			0.33		398
2007	9,860		9,860			0.41		490
2006	12,125		12,125			0.52		618

(1) Personal income figure not available for 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015.

(2) Presented net of original issuance discounts and premiums for 2006 through 2014, and net of premiums for 2015

TOWN OF BERLIN, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2015
(in Thousands)

Total tax collections (including interest and lien fees) received by Treasurer for year ended June 30, 2015:					
General Fund					\$ 63,846
Fire Districts					1,971
Reimbursement for revenue loss on:					
Tax relief for elderly					<u>116</u>
Total Base					<u>\$ 65,933</u>
	<u>General</u>			<u>Urban</u>	<u>Pension</u>
	<u>Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Renewal</u>	<u>Deficit</u>
Debt limitation:					
2 1/4 times base	\$ 148,349	\$	\$	\$	\$
4 1/2 times base		296,699			
3 3/4 times base			247,249		
3 1/4 times base				214,282	
3 times base					197,799
Total debt limitation*	<u>148,349</u>	<u>296,699</u>	<u>247,249</u>	<u>214,282</u>	<u>197,799</u>
Indebtedness:					
Bonds payable	15,506	45,399			
Bonds authorized, unissued	6,771	48,406	2,263		
Overlapping indebtedness**			12,966		
Anticipated school construction grants		(37,883)			
Total indebtedness	<u>22,277</u>	<u>55,922</u>	<u>15,229</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of					
Outstanding and Authorized Debt	<u>\$ 126,072</u>	<u>\$ 240,777</u>	<u>\$ 232,020</u>	<u>\$ 214,282</u>	<u>\$ 197,799</u>

* In no case shall total indebtedness exceed seven times annual receipts from taxation.
The maximum permitted at this time is \$461,531.

**100% of the residents of the Fire Districts are also residents of the Town of Berlin; accordingly, 100% of the indebtedness of the Fire Districts is being included with the Town of Berlin as overlapping debt.

TOWN OF BERLIN, CONNECTICUT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2015
(Dollars in Thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Kensington Fire District Commercial Loan	\$ 825	100.00 %	\$ 825
Worthington Fire District USDA Loan	418	100.00	418
Mattabassett District Clean Water Fund Loan	11,723 **	100.00	11,723
Subtotal, overlapping debt			12,966
Town of Berlin, direct debt			63,909
Total Direct and Overlapping Debt			\$ 76,875

Source: Kensington Fire District, Worthington Fire District and Town of Berlin

*100% of the residents of the Fire Districts are also residents of the Town of Berlin; accordingly, 100% of the indebtedness of the Fire Districts is being included with the Town of Berlin as overlapping debt.

**This represents the Town of Berlin's 14.35% share of the loan.

TOWN OF BERLIN, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2015:

Revenue Base	\$ <u>65,933</u>
Debt limit (Revenue Base x 7)	\$ <u>461,531</u>
Debt applicable to limit:	
General obligation bonds	60,905
Plus: bonds authorized, unissued	57,440
Overlapping debt	12,966
Less: Grant commitments	<u>(37,883)</u>
Total debt applicable to limit	<u>93,428</u>
Legal Debt Margin	\$ <u>368,103</u>

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 461,531	\$ 446,831	\$ 434,483	\$ 409,864	\$ 389,949	\$ 366,898	\$ 362,544	\$ 351,540	\$ 342,678	\$ 331,513
Total net debt applicable to limit	<u>93,428</u>	<u>102,489</u>	<u>101,411</u>	<u>88,009</u>	<u>112,210</u>	<u>37,100</u>	<u>25,181</u>	<u>20,160</u>	<u>12,972</u>	<u>14,992</u>
Legal debt margin	<u>\$ 368,103</u>	<u>\$ 344,342</u>	<u>\$ 333,072</u>	<u>\$ 321,855</u>	<u>\$ 277,739</u>	<u>\$ 329,798</u>	<u>\$ 337,363</u>	<u>\$ 331,380</u>	<u>\$ 329,706</u>	<u>\$ 316,521</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	20.24%	22.94%	23.34%	21.47%	28.78%	10.11%	6.95%	5.73%	3.79%	4.52%

**TOWN OF BERLIN, CONNECTICUT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Population (4)</u>	<u>Personal Income (1)(2) (thousands of dollars)</u>	<u>Per Capita Personal Income (1)(2)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (3)</u>
2015	19,870	\$	\$	2,897	4.3%
2014	19,921			2,951	5.2%
2013	20,590		38,738	2,981	6.4%
2012	20,463		38,426	3,026	6.6%
2011	19,881		37,526	3,123	7.8%
2010	19,866		38,134	3,167	7.5%
2009	20,467			3,223	6.7%
2008	20,364			3,269	4.5%
2007	20,137			3,277	3.6%
2006	19,611		30,456	3,348	3.8%

Notes:

(1) Personal Income Source: Connecticut Economic Resource Center, Inc.
Per Capital Personal Income Source: Connecticut Department of Economic
and Community Development.

(2) Data is not available.

(3) Unemployment Source: State of Connecticut Department of Labor

(4) Population Source: State of Connecticut Department of Health

The 2015 population figure is a Town of Berlin estimate

The 2014 population figure is a Town of Berlin estimate

The 2013 population figure is a Town of Berlin estimate

The 2012 population figure is a Town of Berlin estimate

The 2011 population figure is a Town of Berlin estimate

The 2010 population figure is a U.S. Census figure

TABLE 14

**TOWN OF BERLIN, CONNECTICUT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2015			2006		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Northeast Utilities	1,179	1	9.93%	1,695	1	14.90%
Town of Berlin	671	2	5.65%	588	2	5.20%
Comcast Cable/TCI, CT	483	3	4.07%	480	3	4.20%
Assa Abloy	400	4	3.37%			
Parker Fluid Control	225	5	1.89%			
B & F Machine	210	6	1.77%			
Budney Overhaul and Repair	175	7	1.47%	150	9	1.30%
Home Depot	140	8	1.18%	155	8	1.40%
Stop and Shop	134	9	1.13%			
TOMZ Corporation	131	10	1.10%	145	10	1.30%
Corbin Russwin				350	4	3.10%
Reliance Automotive				250	5	2.20%
Parker Skinner Valve				239	6	2.10%
Hartford Direct				164	7	1.40%
Total	<u>3,748</u>		<u>31.56%</u>	<u>4,216</u>		<u>37.10%</u>

Source: Town of Berlin Economic Development Department

TABLE 15

TOWN OF BERLIN, CONNECTICUT
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government:										
Manager's Office	2.40	2.40	2.40	2.40	2.40	2.40	3.00	3.00	3.00	3.00
Finance Department	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Technology Department	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Collector of Revenue	2.40	2.40	2.62	2.62	2.62	2.62	2.62	2.62	2.53	2.45
Treasurer	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Corporation Counsel	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Assessor	4.64	4.00	4.00	4.00	4.00	4.00	4.70	4.70	4.70	4.70
Registrar of Voters	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Town Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Community Development:										
Planning and Building Inspection	5.84	5.84	5.84	5.84	5.84	5.84	6.34	6.34	5.84	5.84
Economic Development	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.83	0.83
Public Safety:										
Animal Control	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Fire Department	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	
Police Department:										
Officers	42.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00	40.00	40.00
Civilians	13.00	13.00	13.00	13.00	12.00	12.00	12.00	12.00	12.00	11.00
Fire Marshal	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Physical Services:										
Municipal Garage	7.07	7.07	7.07	6.07	6.07	6.07	6.07	6.07	6.07	5.83
Public Works	4.25	4.50	4.50	4.50	4.67	4.67	4.67	4.67	4.67	4.67
Highway	14.00	14.00	14.00	14.00	14.00	15.00	15.00	16.00	16.00	16.50
Public Building	17.95	17.95	17.95	17.95	17.95	17.35	17.35	16.35	15.35	14.83
Parks, Recreation and Libraries:										
Recreation	2.02	2.17	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67
Golf Course	5.00	5.00	5.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00
Libraries	12.34	11.39	11.10	11.10	11.10	11.10	11.10	11.10	11.10	11.10
Public Grounds	11.33	11.33	10.33	10.33	11.33	11.33	11.33	11.33	10.33	10.33

(Continued on next page)

TABLE 15

TOWN OF BERLIN, CONNECTICUT
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (CONTINUED)
LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Health and Human Services:										
Nursing Services	14.75	15.00	15.00	15.00	15.00	15.00	15.00	15.00	16.00	15.90
Community Services	5.05	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Schools:										
Private Schools	1.23	1.23	1.23	1.23	1.23	1.33	1.33	1.33	1.33	1.34
Board of Education										
Administration	18.60	18.60	18.60	17.60	17.60	17.60	18.00	18.00	18.00	16.00
Teachers	277.50	278.39	270.89	274.91	273.21	273.31	273.75	271.74	268.30	266.48
Other *	174.99	170.24	144.89	141.46	141.96	141.27	144.55	143.84	143.41	142.63
School Expenses	9.36	8.11	8.11	8.11	8.11	7.67	7.67	7.67	6.67	6.78
Water Control Comm.:										
Administration	1.92	2.10	2.50	2.50	2.33	2.33	2.33	2.33	2.33	2.33
Operations	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total	<u>671.17</u>	<u>662.75</u>	<u>630.23</u>	<u>629.82</u>	<u>629.62</u>	<u>629.09</u>	<u>635.01</u>	<u>632.29</u>	<u>624.80</u>	<u>618.45</u>
Total - Town Government	184.57	181.08	181.01	181.01	182.18	182.58	184.38	184.38	181.76	179.89
Total - Education	481.68	476.57	443.72	443.31	442.11	441.18	445.30	442.58	437.71	433.23
Total - Water Control	<u>4.92</u>	<u>5.10</u>	<u>5.50</u>	<u>5.50</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>
	<u>671.17</u>	<u>662.75</u>	<u>630.23</u>	<u>629.82</u>	<u>629.62</u>	<u>629.09</u>	<u>635.01</u>	<u>632.29</u>	<u>624.80</u>	<u>618.45</u>

Source: Town of Berlin Finance Department

* BOE Other is higher than in the budget document
because it includes non union workers paid by grants and cafeteria funds.
Budget document only includes General Fund salaries.
FY14 increase due in part to new grants.

TABLE 16

**TOWN OF BERLIN, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police:										
Physical arrests:										
Adult arrest	380	443	471	488	639	668	1,124	1,147	1,267	1,479
Juvenile arrest	32	32	32	39	37	21	15	51	62	67
Parking violations:										
Parking tickets						24	74	101	92	116
Traffic violations:										
Infractions	3,360	2,208	2,148	2,451	2,513	2,605	2,802	2,348	2,426	2,994
Misdemeanor	414	500	1,033	585	585	578	508	514	662	877
Written warning	2,355	2,758	3,278	3,039	2,539	2,775	2,407	1,956	1,909	1,976
Town ordinance					1	66	22	34	26	31
Animal Control:										
Dog licenses issued	1,785	1,882	1,843	1,886	1,448	1,692	1,828	1,890	2,007	1,920
Animals adopted	56	74	81	77	57	59	95	77	84	114
Dog redemptions	50	46	65	59	52	58	52	58	54	73
Fire Suppression Services: *										
Alarms	135	168	163	133	121	101	122	702	382	N/A
Fires	81	91	65	80	63	56	71	77	45	N/A
Hazardous materials	95	102	46	53	120	81	120	32	20	N/A
Assistance calls	108	94	46	71	189	101	233	102	6	N/A
Rescue calls	9	10	11	16	127	15	122	129	310	N/A
Fire Marshal:										
Inspections	269	241	205	218	245	269	321	340	410	490
Investigations	21	24	20	23	42	25	23	24	39	60
Refuse Collection:										
Solid waste (tons)	6,351	9,023	10,682	11,723	10,805	10,482	9,667	9,621	9,955	9,522
Bulky waste (tons)	**	**	**	**	383	285	**	34	178	57
Curbside recycling (tons):										
Commingled containers	2,123	1,916	1,907	1,348	1,351	1,485	524	548	505	513
Corrugated	***	***	***	***	***	***	N/A	N/A	N/A	N/A
Newspaper	***	***	***	***	***	***	1,222	1,277	1,177	1,209
Leaves	663	780	730	727	644	741	787	1,434	659	688
Other Public Works:										
Street resurfacing (miles)	3.3	5.7	3.5	2.3	1.1	1.1	2.1	2.4	1.6	1.0

(Continued on next page)

TABLE 16

**TOWN OF BERLIN, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM (CONTINUED)
LAST TEN FISCAL YEARS**

Function/Program	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Building Department:										
Building permits issued	1,271	1,139	1,438	1,188	1,391	1,284	1,231	1,429	1,541	1,421
Planning:										
Zoning violations	74	93	64	103	130	191	245	255	180	108
Library:										
Volumes in collection	130,824	133,900	127,861	130,637	127,480	126,128	124,569	102,471	107,274	106,162
Total volumes borrowed	175,983	190,404	194,990	196,164	194,674	216,882	219,248	213,411	212,554	215,187
Water:										
New connections	35	17	29	27	7	25	19	89	105	77
Water main breaks	1	2	9	10	15	10	5	2	3	2
Average daily consumption (thousands of gallons)	1,089	1,041	956	951	950	955	950	933	800	750
Peak daily consumption (thousands of gallons)	1,530	1,457	1,338	1,331	1,330	1,337	1,330	1,306	1,120	1,050
Sewer:										
Average daily sewage treatment (thousands of gallons)	1,535	1,620	1,200	2,800	1,200	1,200	1,100	1,100	769	880

N/A = Not Available

Source: Town of Berlin

* Fire Suppression Services data for 2007 is for 1/1/07 - 6/30/07.

** Solid Waste and Bulky Waste no longer broken down. 2009 Solid Waste figure includes Bulky Waste.

*** Single Stream Curbside Recycling. Commingled Containers figure includes Corrugated and Newspaper.

TABLE 17

TOWN OF BERLIN, CONNECTICUT
CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	14	14	15	14	14	14
Fire:										
Stations	4	4	4	4	4	4	4	4	4	4
Number of fire apparatus	13	13	13	13	13	13	13	13	13	13
Public Works:										
Streets (miles)	111.51	111.51	111.51	111.41	111.41	111.00	111.00	103.18	102.97	102.25
Streetlights	2,544	2,544	2,537	2,534	2,525	2,522	2,520	2,515	2,498	2,483
Traffic signals	6	6	6	6	6	6	6	6	6	5
Bridges*	37	37	37	37	37	37	37	37	37	37
Parks and Recreation:										
Golf courses	1	1	1	1	1	1	1	1	1	1
Pools	2	2	2	2	2	2	2	2	2	2
Parks acreage	2,255	2,163	2,163	2,163	2,163	2,163	2,137	2,060	2,060	1,610
Playgrounds	9	9	9	9	9	9	9	9	9	9
Baseball/softball fields	15	16	16	16	16	16	16	16	16	16
Soccer/football fields	11	11	11	11	11	11	11	11	11	10
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	47.0	47.0	47.0	47.0	46.6	47	46	46	42	42
Fire hydrants	440	436	434	434	430	428	425	420	400	400
Storage capac. (thousands of gals.)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Wastewater:										
Sanitary sewers (miles)	119.00	119.00	119.00	119.00	103.80	103.75	103.50	103.00	102.00	99.23
Storm sewers (miles)	55.21	55.21	55.21	55.21	55.21	54.84	54.78	54.50	53.82	53.22
Trtmnt. capac. (thousands of gals.)	1,990,000	1,990,000	1,462,600	1,468,000	1,463,000	1,462,600	1,462,570	1,457,674	1,495,669	1,495,669
Pump stations	11	11	12	12	12	12	12	12	12	12
Education:										
Number of schools	5	5	5	5	5	5	5	5	5	5

Source: Town of Berlin

* Prior year information has been restated to conform with current information.