

**TOWN OF BERLIN, CONNECTICUT**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



**FISCAL YEAR ENDED JUNE 30, 2016**

# **TOWN OF BERLIN, CONNECTICUT**

**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2016**



**Published by the Finance Department**

**240 Kensington Road  
Berlin, Connecticut 06037**

**Kevin Delaney  
Finance Director**

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Town of Berlin, Connecticut  
Comprehensive Annual Financial Report

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<b>STATISTICAL SECTION</b> <b>(Unaudited)</b>
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This part of the Town's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information reveals about the Town's overall financial health.

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Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

## **INTRODUCTORY SECTION**

## PRINCIPAL ELECTED OFFICIALS

	Mayor	Mark Kaczynski	
Deputy Mayor	Brendan Luddy	Councilor	Kristin Campanelli
Councilor	David Evans	Councilor	Charles Paonessa
Councilor	Rachel Rochette	Councilor	Peter Rosso

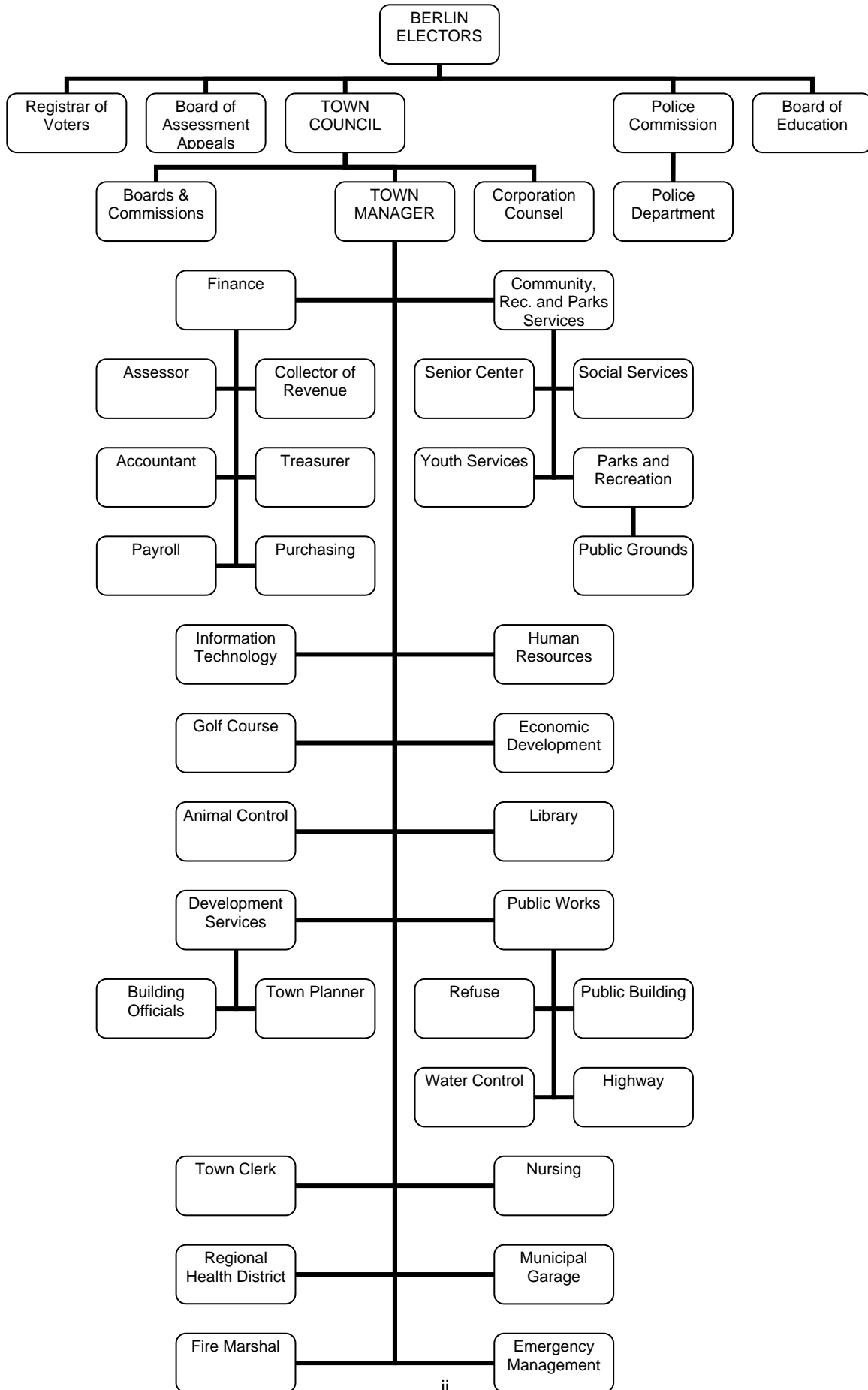
## ADMINISTRATION

Town Manager	Denise M. McNair
Corporation Counsel	Jeffrey M. Donofrio
Finance Director	Kevin Delaney
Nursing Supervisor	Linda Colella
Planner	Hellyn R. Riggins
Director of Parks & Rec./Community Services	Jennifer Ochoa
Public Works Director	Jack Healy
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

	Timothy J. Oakes, President	
JoAnn Angelico-Stetson		Jeffrey Cugno
Robin Evans		Jaymee Miller
Julia Motte		William Rasmussen
Kari Sassu		Matthew Tencza, Secretary
Superintendent of Schools		David B. Erwin
Business Manager		Eva Gallupe

# Town of Berlin Organization Chart







# TOWN OF BERLIN

## *Finance Department*

240 KENSINGTON ROAD • TOWN HALL • BERLIN, CT 06037

January 20, 2017

Mayor Mark Kaczynski  
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, 2016 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 2016.

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 PKF O'Connor Davies' 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 Title 2 U.S. Code of Federal Regulations Part 100, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 20,352 as of June 30, 2016.

Under the Town Charter, adopted November 4, 1973 and most recently amended November 8, 2016, the Town Council acts as the legislative body. The Town Council consists of seven members elected biennially for terms of two years each. 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.

During FY 2015-16, the Town Council was the budget-making authority and was responsible for financial and taxation matters. As part of the charter revisions approved by voters on November 8, 2016, a Board of Finance will be formed after the November 2017 election. Once formed, the Board of Finance will have financial and budgetary responsibility. 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 in 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 10<sup>th</sup>. The November 8, 2016, charter revision requires a second referendum if the budget does not pass at the first referendum. This change will go into effect after the November 2017 election.

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 has experienced some business closings but most of the impacted properties have already



been sold or leased to new Berlin businesses. 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 and continues to have a large presence in Berlin.

In FY 2015-16, Berlin's economy continued to display positive trends. The Town continues to welcome and encourage business expansion. Stick Village, a 6 building, 23,000 square foot retail and office development project on Webster Square Road was approved and the first of three buildings were completed. In addition, Acura of Berlin started construction on a new dealership and a companion 17,000 square foot retail building on the Berlin Turnpike. Erection & Welding Contractors, Fenn-Torin, Ocean Star Transportation and DVFlora are a few of the other firms moving into new or existing facilities in Berlin.

Overall, the Town 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 850 acres of open space to continue providing 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. During FY 2015-16, the Town's unemployment rate continued to be less than the State, regional and national averages. As of June 2016, the unemployment rate in Berlin was 4.8% (not seasonally adjusted) compared with 6.1% in the Hartford Labor Market Area, 5.9% in the State of Connecticut and 5.1% in the United States. Berlin has strong demographic characteristics including a median household income 25.2% higher than the State average.

Issuance of building permits (both commercial and industrial) increased in FY16 with the number of permits issued up about 22% over FY15.

### **MAJOR INITIATIVES**

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

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

Several other projects that have recently been undertaken include major roadway improvements (the third phase of which is underway); upgrades to building security; and a multi-year initiative to repair town bridges and sidewalks. All school roofs have been redone over the past several years and the last one will be completed in FY17. During FY14, the Public Works Department procured a Facility Condition



Assessment Report outlining the conditions of major town buildings including schools. Projects in this report continue to be prioritized and built into capital improvement budgets.

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

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

Finally, the Mattabassett District (which currently provides sewer treatment services for Berlin, Cromwell, Middletown and New Britain) completed a major upgrade for nitrogen removal, increased capacity to accommodate the City of Middletown and related required improvements to meet the EPA and DEEP nitrogen removal requirements as well as the EPA's sewage sludge incinerator emissions requirements and odor control enhancements. The three-year construction project began in the summer of 2012 and was complete as of June 30, 2016. The project was funded by a combination of grants and a 2% 20-year Clean Water Fund loan. As of June 30, 2016, the district had \$73.5 million in Clean Water Fund debt outstanding. The cost of the project will be borne by sewer fee increases spread across the member towns. The Town's share of project cost is equal to its percentage of future plant reserved capacity, currently estimated to be 14.35%. This percentage is factored into the Town's assessment and is subject to change.

### **LONG-TERM FINANCIAL PLANNING AND IMPACT TO FUND BALANCE**

During fiscal year 2016, 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 \$1.8 million of fund balance to be used in fiscal year 2016; 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.

Expenditures were under budget by approximately \$2.2 million in FY16 primarily due to savings in salaries and benefits caused by position vacancies during the year, lower than budgeted winter storm-related expenditures driven by the mild winter and savings realized on refuse disposal due to increased recycling. Revenues were over budget by \$1.2 million mainly due to bond premium and increased building inspection and Town Clerk fees caused by increased permit and deed activity.

The unassigned General Fund balance as a percentage of total General Fund revenues (budgetary basis) increased from 13.1% at June 30, 2015 to 13.9% at June 30, 2016. For FY17, \$2.3 million of General Fund balance was assigned to help mitigate tax increases with the expectation that the challenging budget environment will continue to affect 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. The plan is developed annually by individual department heads and reviewed by a capital improvement committee. The committee makes revisions, as necessary, and presents to the Town Manager for review and approval 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 2016, 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 dealing with unexpected issues that were not included in the budget and averts the need to utilize fund balance to address these issues. The Town continued the practice of budgeting \$350,000 for contingencies in FY16. However, due to a milder than expected winter and fewer unexpected events during the year, only \$126,000 was used in FY16. The remaining amount was returned to the General Fund balance at the end of the fiscal year.

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 continued 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; and 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, primarily at the Library and Revenue Collection Office. The Business Continuity Committee is currently evaluating and prioritizing items identified in this analysis including the development of an alternate site, increased security access at the Town Hall and preservation of critical records in the event of a disaster.

### **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 FY16, the Town solicited proposals from qualified auditing firms to provide audit services for the three-year period encompassing fiscal years 2016, 2017 and 2018 with the potential of a two-year extension. On March 15, 2016, based on a recommendation from the Audit Committee of the Town Council, the Town Council appointed PKF O'Connor Davies as the Town's auditors.



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, 2015.

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,

A handwritten signature in dark ink, appearing to read "K. Delaney", with a stylized flourish at the end.

Kevin Delaney  
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, 2015**

Executive Director/CEO

## FINANCIAL SECTION



## **Independent Auditors' Report**

**The Town Council  
Town of Berlin, Connecticut**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Connecticut ("Town") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Supplementary and Other Information***

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

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

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

### ***Prior Year Financial Information***

The Town's basic financial statements for the year ended June 30, 2015 (not presented herein), were audited by other auditors whose report dated December 8, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated December 8, 2015, stated that the audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements as a whole including the General Fund Balance sheet, for the year ended June 30, 2015 where the prior auditors applied certain limited procedures to it in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to their inquiries, the basic financial statements and other knowledge they obtained during their audit of the basic financial statements. They did not express an opinion or provide any assurance on the information because the limited procedures did not provide them with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

December 30, 2016

## **TOWN OF BERLIN, CONNECTICUT**

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

This discussion and analysis of the Town of Berlin, Connecticut's (the "Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2016. Please read this Management Discussion and Analysis ("MD&A") in conjunction with the transmittal letter and the Town's financial statements, Exhibits 1 to 9. All amounts are expressed in thousands unless otherwise noted.

#### **FINANCIAL HIGHLIGHTS**

- The Town's total net position increased by \$8,486 or 7.4%, as a result of this year's operations. Net position of the Town's governmental activities increased by \$8,480 or 8.6%, and net position of the Town's business-type activities increased by \$6 or 0.04%.
- During the year, the Town had governmental program expenses that were \$8,480 less than the \$97,560 generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, expenses were \$6 less than the \$3,774 generated in charges for services and other revenues.
- The total cost of all of the Town's programs increased by \$2,780 or 3.1% to \$92,847 with no new programs added this year. This compares to an increase of 3.7% in the prior year. Education, Physical Services and Interest on Long Term Debt are the main drivers. Some of the underlying drivers of these increases include costs associated with the Berlin High School renovation project, including associated debt-related costs (education), costs associated with a multi-faceted energy conservation program and the addition of five new teachers/paraprofessionals.
- The General Fund reported a total fund balance this year of \$13,856, an increase of \$1,713, or 14.1%, from the previous year. The increase is due to continued cost management and premiums on bonds issued during the fiscal year. The unassigned portion of fund balance increased by a total of \$1,142, or 11.4% due to positive operating results from sound expense management and premiums on bonds not assigned to the following year's budget.
- The Capital Projects Fund reported a total fund balance this year of \$22,143, an increase of \$12,566, or 131.2%, from previous year. The increase is due to the establishment of a capital lease for various energy conservation initiatives and bond proceeds in excess of capital outlay.
- Expenditures were kept at or below spending limits.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits 1 and 2, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits 3 through 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

#### ***Government-Wide Financial Statements***

The analysis of the Town as a whole begins with Exhibits 1 and 2. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

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

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

### ***Fund Financial Statements***

The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by Charter. However, the Town Council establishes many other funds to help control and manage financial activities for particular purposes (such as the Water Fund and Sewer Enterprise Fund) or to show that it is meeting legal responsibilities for using grants and other money (such as grants received from the State of Connecticut or the federal government). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits 3 and 4)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits 5, 6 and 7)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities—such as the Town's General Insurance and Medical and Health Insurance internal service funds.
- *Fiduciary funds (Exhibits 8 and 9)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of net position - fiduciary funds and changes in net position - fiduciary fund. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position increased from \$115,173 to \$123,659. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 46,638	\$ 33,827	\$ 6,397	\$ 6,501	\$ 53,035	\$ 40,328
Capital assets	158,496	140,203	12,912	12,987	171,408	153,190
Total assets	205,134	174,030	19,309	19,488	224,443	193,517
Deferred outflows of resources	2,147	589	-	-	2,147	589
Long-term debt outstanding	96,175	70,386	2,041	2,237	98,215	72,623
Other liabilities	4,222	5,641	150	138	4,371	5,780
Total liabilities	100,396	76,027	2,190	2,375	102,587	78,402
Deferred inflows of resources	345	531	-	-	345	531
Net position						
Net investment in capital assets	78,637	77,818	10,871	10,751	89,508	88,568
Restricted	8,299	478	-	-	8,299	478
Unrestricted	19,604	19,764	6,247	6,362	25,851	26,126
Total net position	\$ 106,540	\$ 98,060	\$ 17,118	\$ 17,113	\$ 123,658	\$ 115,173

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

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

Authorized General Fund budget appropriations for operating expenses of approximately \$2.2 million remained unspent at year end; this is the result of prioritizing needs and funding only the most critical of these needs throughout the fiscal year. In addition, expenses were lower than normal mainly due to salary and benefit reductions for position vacancies during the year. The most significant example continued to be the Police Department where several positions were vacant during the year. Savings were also realized on refuse disposal, which is one of the Town's largest operating expenses, due to increased efficiencies in recycling. The Town continued several efforts to control expenses such as: minimizing use of overtime where possible; prohibiting most air travel for conferences; continuing efforts to reduce the cost of employee benefits through wellness initiatives, higher employee cost shares and increased participation in a high-deductible health savings account. Finally, a Contingency account was funded to mitigate the financial effects of unexpected events, and the milder winter in FY 2015-16 meant that the Town only used \$126 of \$350 budgeted.

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

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

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

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

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

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

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

The Town's total revenues (governmental and business-type) were \$101,334. The total cost of all programs and services (governmental and business-type) was \$92,847. The analysis below separately considers the operations of governmental and business-type activities.

### **Governmental Activities**

The largest source of revenues was derived from property taxes at 68.4%, followed by 16.5% from operating grants and contributions, 9.6% from capital grants and contributions, and 4.7% from charges for services. Major revenue factors include:

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

Major expense factors include:

- The Town continued to employ various cost control methods to keep expenditures as low as possible. These involve regular monthly review of all town expenditures as compared to budget; Town Manager review of all purchase order requests valued at \$2,500 and above; active review and reevaluation of positions as people retire or leave town employment; purchasing used or discounted supplies and furniture where possible. The winter of 2015-16 was mild which required the Town to use less contingency to cover unforeseen expenditures. In addition, the Police Department continued to experience turnover and have unfilled positions during the fiscal year which resulted in lower than normal expenses in that department, partially offset by additional overtime costs. Finally, through renegotiation of the pension consortium with all unions other than Police during FY15, the 200% defined contribution match by the Town was reduced to a 100% match for all employees hired after January 1, 2015; this change began to impact expenses favorably in FY16 and that impact will increase in future years.
- In the Capital Projects Fund, \$24,686 was expended for asset acquisition and improvements, most notably for major renovations to Berlin High School; roadway and bridge improvements; business continuity and disaster recovery initiatives and energy conservation projects. These capital expenses were funded through a combination of intergovernmental grants, bond and bond anticipation note proceeds (including \$16,770 bond and \$900 note issuance in May 2016 and a \$2,900 note issuance in September 2015) and a 20-year capital lease entered into in February 2016.
- For governmental activities, 61.5% of the Town's expenses are for education, 11.3% for physical services, 11.0% for public safety, 4.9% for parks and recreation and libraries, 4.8% for general government, 2.7% for health and human services, 2.2% for interest on long-term debt and 1.6% for Community Development. As a percent of total expenses, general government declined 1.5pp offset by increased weighting of public safety and physical services. Debt costs (primarily in education and physical services) increased as the Town made the first principal payments on debt used to finance the Berlin High School renovation project and incurred interest expense on the final issuance of debt for the same project.
- There were increases in employee wages as a result of negotiated step and general wage increases; however, contractual increases were limited to a maximum of 2.25% for the Town and 2.5% for the Board of Education. Two Town union contracts expired on June 30, 2016, and both are currently in negotiations. A 2.25% increase was budgeted starting in fiscal year 2017. One additional Town contract expires on June 30, 2017, and negotiations are expected to begin in early 2017. On the Board of Education side, four contracts expired on June 30, 2016; two were settled (the new contracts expire at the end of FY



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

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

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

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

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

## ***Business-Type Activities***

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

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

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

Currently, the Mattabassett District (presently including the Towns of Berlin, Cromwell and the Cities of New Britain and Middletown) is performing a major upgrade for nitrogen removal, increased capacity to accommodate increased flows and related required improvements to meet federal Environmental Protection Agency ("EPA") and state Department of Energy and Environmental Protection nitrogen removal requirements as well as the EPA's sewage sludge incinerator emissions requirements. This is a three-year construction project that began during fiscal year 2013 and was about 99.8% complete as of June 30, 2016. The Town will be annually assessed for a 14.35% share of the associated debt.

Please refer to the Notes to Financial Statements for further information on this project.

## **TOWN FUNDS FINANCIAL ANALYSIS**

### ***Governmental Funds***

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

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

### ***Proprietary Funds***

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

### ***Internal Service Funds***

In the internal service funds, the insurance funds experienced a combined decrease in net position of \$546, or 11.7% as compared to the prior year. The major driver of the decrease in net position is an increase in claims in the Medical and Health Insurance fund due to unfavorable experience. It should be noted that medical claim experience would have been more unfavorable if the Town did not maintain a \$150 stop-loss plan, so that any claims above this amount are paid by the insurer. The Town continues to take steps to reverse this negative medical claim experience including: introduction and promotion of a high-deductible HSA plan for both Town and Board of Education employees; the pursuit of wellness initiatives and promotion of preventative care; and the pursuit of a regional stop-loss insurance program that may reduce costs through a pooling arrangement. Effective July 1, 2016, all teachers, administrators and paraprofessionals with the Board

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

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

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

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

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

The Town's fiscal-year 2016-17 approved capital budget calls for it to spend another \$1,252 for capital projects funded in the General Fund operating budget, principally for building renovations, various tools and equipment (including technology equipment), trucks, vans, police and highway vehicles and equipment, playground improvements, school building improvements, and golf equipment leases. Bond anticipation notes of \$900 were outstanding at June 30, 2016 for the following projects: General Bridge Repair and Disaster Recovery/Business Continuity Initiatives. More detailed information about the Town's capital assets is presented in Note 1 and Note 3 to the financial statements.

### Long-Term Debt

At June 30, 2016, the Town had \$73,340 in bonds outstanding versus \$60,905 last year, an increase of \$12,435. The increase was the result of a bond issuance of \$16,770 in May 2016 to fund Berlin High School renovations, repairs to the Griswold School Roof and the purchase of a new Fire Fighting vehicle. This issuance was partially offset by repayment of existing debt per the Town's debt repayment schedule and the issuance of \$10,920 in refunding bonds to reduce long-term financing costs. The Town maintains a five-year Capital Improvement Plan as well as a Debt Issuance Plan to track projects that need to be completed and the funding for such projects.

Debt service expenditures will continue to increase over the next several years as the Town begins repaying debt for the \$84,500 renovation of Berlin High School and other improvements to the Town's infrastructure. In May 2016, the Town issued the final installment of the bonds to complete construction (including furniture,

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

Standard & Poor's Rating Services reaffirmed its general obligation bond rating of AA+ in FY 2015-16 due mainly to sound financial management. The Town's Bond Anticipation Notes are rated SP-1+ with Standard & Poor's Rating Services. In order to reduce bond issuance costs, the Town did not request a rating by Moody's during FY 2015-16.

The State of Connecticut limits the amount of general obligation debt that towns can issue based on a formula determined under State Statutes which considers the type of debt and tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit of \$477,145.

Other long-term obligations include accrued compensated absences (vacation pay and sick leave), a net pension obligation, capital lease obligations and a liability for other post-employment benefits. More detailed information about these long-term liabilities is presented in Note 3 & Note 4 to the financial statements.

Finally, on April 9, 2013, the Town entered into a twenty-year 2% loan with the State of Connecticut Department of Energy and Environmental Protection's Clean Water Fund in order to fund the inflow and infiltration project described under the "Business-Type Activities" section above. This project was completed during fiscal year 2015 and, on March 30, 2015, the interim funding obligation ("IFO") was converted to a Project Loan Obligation ("PLO") of \$2,236 which will be repaid in equal installments over twenty years. Per state requirement, the Town Council authorized \$4,500 for this project; however, no bonds have been issued nor are any expected to be issued for this project. This project is accounted for in the water and sewer enterprise fund. As of June 30, 2016, the outstanding obligation is \$2,415 (\$2,041 principal and \$374 interest).

### ***Capital Lease***

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

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

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

For the business-type activities, the Town, in conjunction with the Water Control Commission, has set related fees to offset the cost of operations. As described in detail in Note 5 as well as in the "Business-Type Activities" section above, the Mattabassett District, of which the Town is a member, performed a major upgrade for nitrogen removal, increased capacity and improvements required by state and federal regulation. The District borrowed approximately \$82 million to fund the cost of this project. This cost will be shared among the member cities and towns with Berlin's share currently estimated at 14.35%. Also, as noted in the previous section, the Town has entered into a clean water fund loan agreement with the state to fund an inflow and infiltration (i.e. clean water) project; this loan will be repaid over twenty years and the loan repayments will also impact future rates.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate and business-type fees for the 2016-17 fiscal year. The Town desires a stable level of service delivery and adopted a mill rate that reflects stable service delivery. The adverse economic conditions at the state and federal level continue to have a significant impact on the budget process. The Town will continue to be challenged in the future to match growing expenses with limited Grand List growth.

In addition, the Town faces the challenge of dealing with the continued budget instability occurring at the state and federal levels. The FY 2016-17 budget includes reductions in certain federal (Title I declined \$59) and state (Sheff Open Choice declined \$122) education grants. In December 2016, the State rescinded \$134 of ECS funding for FY 2016-17 due to the State budget deficit. The ECS grant represents approximately 75.7% of the FY 2016 grant revenue budget and 7.9% of the total revenue budget. The state is also continuing its initiative to make substantial changes to the motor vehicle tax; the Town will continue to monitor this situation as major changes could have a significant budgetary impact to the Town. Finally, continued budgetary issues at the federal level and the slow economic recovery from the 2008 recession will continue to impact the Town.

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

Overall, financial results were better than planned for fiscal year 2016 due to successful expense management efforts as well as positive results in tax revenues. The Town did not have to use any of the \$1.8 million assigned fund balance and the Town was able to return two-thirds of contingency to the General Fund balance. The Town has maintained a relatively strong level of General Fund balance, which has assisted the Town in dealing with the unfavorable economic climate and addressing contingencies such as large weather events while keeping tax increases relatively low compared to surrounding communities. Over the next few years, the Town will face continued growth in debt service due to recent large capital projects. It will be necessary to continue to identify projects with sustained savings to help offset these increases.

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

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

Statement of Net Position  
June 30, 2016

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

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

Statement of Activities  
For the Year Ended June 30, 2016

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

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

Balance Sheet  
Governmental Funds  
June 30, 2016

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

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



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

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

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

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

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

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

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

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

Net Change in Fund Balances - Total Governmental Funds \$ 14,288,012

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

Capital outlay expenditures	21,723,110
Depreciation expense	(3,393,714)
Undepreciated basis of assets disposed of or sold	(35,967)
	18,293,429

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Real property taxes and other revenues in the General Fund	75,878
Revenues in the Capital Projects Fund	460,913
	536,791

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Issuance of long-term debt - general obligation bonds	(16,770,000)
Issuance of long-term debt - refunding bonds	(10,920,000)
Issuance of long-term debt - capital leases	(10,372,169)
Premium on issuance of long-term debt	(2,290,415)
Principal payments on long-term debt	3,950,000
Payment to refunded bond escrow agent	12,085,509
Principal payments on capital leases	235,999
	(24,081,076)

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

Accrued interest	(2,155)
Premium amortization	439,012
Change in compensated absences	(7,345)
Pension related effects (net pension liability, deferred inflows and outflows of resources)	(125,297)
Other post employment benefits obligation	(314,781)
	(10,566)

Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

(545,917)

Change in Net Position of Governmental Activities \$ 8,480,673

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

Statement of Net Position  
 Proprietary Funds  
 June 30, 2016

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

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

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

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

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

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

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

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

Statement of Net Position  
 Fiduciary Funds  
 June 30, 2016

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

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

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

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

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



## **Town of Berlin, Connecticut**

Notes to Financial Statements  
June 30, 2016

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### **1. Summary of Significant Accounting Policies**

The Town of Berlin, Connecticut ("Town") was incorporated in 1785 from parts of Farmington, Middletown and Wethersfield. Under the Town Charter, adopted November 4, 1973, and most recently amended November 8, 2016, the Town Council is the legislative body for specific purposes. The Town Manager serves as the Chief Executive Officer of the Town and acts as the liaison to the Town Council. The Town Council is responsible establishing policy. Charter revisions on November 8, 1994 replaced an Executive Board, Board of Finance/Town Meeting form of government with a Town Manager/Council form of government, which took effect November 15, 1995.

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

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

#### **A. Financial Reporting Entity**

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

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

#### **B. Government-Wide Financial Statements**

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

**1. Summary of Significant Accounting Policies (Continued)**

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

**C. Fund Financial Statements**

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

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

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

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

**1. Summary of Significant Accounting Policies (Continued)**

**Fund Categories**

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

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

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

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

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

Additionally, the Town reports internal service funds to account for insured activities of the Town, including medical and health (self-insured) and liability (fully insured).

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

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

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

**1. Summary of Significant Accounting Policies (Continued)**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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

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

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

**Deposits, Investments and Risk Disclosure**

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

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

## 1. Summary of Significant Accounting Policies (Continued)

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

**Investments** - The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

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

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

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

**Interest Rate Risk** - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town limits their maximum final stated maturities to five years, unless specific authority is given to exceed. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

**1. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

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

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

**1. Summary of Significant Accounting Policies (Continued)**

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

**1. Summary of Significant Accounting Policies (Continued)**

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

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

The Town reports deferred outflows and inflows of resources related to pensions in the government-wide statement of net position. A deferred outflow or inflow of resources related to pension results from differences between expected and actual experience, the net difference between projected and actual earnings, and a change in assumptions. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Advance tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**Long-Term Liabilities** - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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

**Compensated Absences** – Accumulated unpaid vacation time is accrued by the Town. Town employees are required to use vacation time by June 30 of each year, however, employees may request to have their time extended by the Town Manager past June 30 to October 31. Vacation expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements.



## 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

**1. Summary of Significant Accounting Policies (Continued)**

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

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

**F. Encumbrances**

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

**G. Use of Estimates**

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

**1. Summary of Significant Accounting Policies (Continued)**

**H. Subsequent Events Evaluation by Management**

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

**2. Stewardship, Compliance and Accountability**

**A. Budget Basis**

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

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

**B. Budget Calendar**

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

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

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

## **Town of Berlin, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

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### **2. Stewardship, Compliance and Accountability (Continued)**

#### **C. Budget Control**

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

The Town Council may, at any time, appropriate funds from contingency. Town meeting approval is required for non-budgeted appropriations exceeding \$25,000 individually or exceeding \$250,000 cumulative annually. The Town Council may transfer funds from budget appropriation between departments only in the last three months of the fiscal year.

#### **D. Additional Appropriations in the General Fund**

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

#### **E. Application of Accounting Standards**

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 2. Stewardship, Compliance and Accountability (Continued)

#### F. Prior Period Adjustment

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

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

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

### 3. Detailed Notes on All Funds

#### A. Cash, Cash Equivalents and Investments

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 3. Detailed Notes on All Funds (Continued)

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

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

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

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

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

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

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

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

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

N/A Not Applicable

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 3. Detailed Notes on All Funds (Continued)

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

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

### B. Deferred Revenue and Unearned Revenue

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

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

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

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

### C. Interfund Transactions

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 3. Detailed Notes on All Funds (Continued)

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

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

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

### D. Capital Assets

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

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



## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 3. Detailed Notes on All Funds (Continued)

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

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

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

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

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 3. Detailed Notes on All Funds (Continued)

#### E. Long-Term Liabilities – Governmental Funds

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

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

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

#### General Obligation Bonds

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

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 3. Detailed Notes on All Funds (Continued)

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

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

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

### Overlapping Debt

A summary of overlapping debt is presented below:

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

### Bond Anticipation Notes

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

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 3. Detailed Notes on All Funds (Continued)

#### Conduit Debt Obligations

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

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

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

#### Capital Leases Payable

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

Total payments on capital lease(s) for year ending

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 3. Detailed Notes on All Funds (Continued)

#### Operating Leases Payable

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

#### Compensated Absences

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

#### Advance Refunding

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 3. Detailed Notes on All Funds (Continued)

#### Legal Debt Limit

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

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

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

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

#### F. Long-Term Liabilities – Enterprise Funds

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

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

#### Clean Water Fund Loan

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 3. Detailed Notes on All Funds (Continued)

As required by the rules of the program, the Town Council authorized bonds in the amount of \$4,500,000. This amount is reported in authorized, unissued debt. There are no plans for these bonds to be issued; rather, this project will be funded by a 20-year Clean Water Fund loan at 2% interest from the State of Connecticut Department of Energy and Environmental Protection. On April 9, 2013, the Town obtained an interim funding obligation of \$3,553,898 under the Clean Water Fund Program. While under the IFO, the Clean Water Fund note payable was considered a current liability. The project was completed during fiscal year 2015. On March 30, 2015, the IFO was converted to a Project Loan Obligation in the amount of \$2,236,514, which represents the project loan advances paid throughout the project, \$2,168,000 plus accrued interest of \$67,714. Project expenses are accounted for in the Water and Sewer Enterprise Fund and the liability is properly classified between current and long-term categories.

The annual requirement to amortize Clean Water Fund Loans outstanding as of June 30, 2016, including interest payments, are as follows:

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

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

### G. Net Position

The components of net position are detailed below:

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 3. Detailed Notes on All Funds (Continued)

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

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

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

### H. Fund Balances

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

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



## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 3. Detailed Notes on All Funds (Continued)

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

### 4. Pension and Other Post Retirement Plans

#### A. The Funded Retirement Plan of the Town of Berlin

**Plan Description** - The Town is the sponsor and administrator of a single employer public employee retirement system ("PERS") established and administered by the Town to provide pension benefits for its full-time employees who have elected to participate in the plan (excluding teachers covered under the CT State Teachers' Retirement System). The PERS was authorized by vote of the Town Meeting held October 1, 1961. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial statement as a pension trust fund. A separate stand-alone financial report is not issued. The Plan is governed by the Retirement Plans Investment Advisor Committee (the "Board") which is a subcommittee of the Board of Finance.

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

Management of the plans rests with the Pension Committee, which consists of 11 members. The 11 members are the Town Manager, Finance Director, Director of Human Resources, Town Accountant, BOE Business Manager, top management representative, and the presidents of each of the five bargaining units. The Committee is advised by Fiduciary Investment Associates, and convenes on a quarterly basis for detailed plan review.

**4. Pension and Other Post Retirement Plans (Continued)**

**Defined Contribution Segment**

The Town provides benefits for all of its full-time employees through a defined contribution plan. Employees enrolled in the plan before March 17, 1987 and police officers enrolled before July 1, 2000 will receive the better of the defined benefit or defined contribution plan. The defined contribution is computed first and accounted for in the defined contribution section of the plan, which is fully funded. Any difference to which the employee is entitled is computed in the defined benefit component of the plan.

Effective July 1, 2004 in the defined contribution component, the benefits depend upon the combination of the employee contributions (limited to 5% of base earnings, 6% of base earnings for police officers), which are matched by the employer contributions (200% of employee contribution), plus investment earnings. Employees are allowed to contribute additional funds, which are not matched by the Town. Employees enrolled in the plan prior to July 1, 2004 are fully vested from the date of employment. Effective July 1, 2004, all new participants in the Town's defined contribution plan shall not be vested as to the employer contribution until the fifth anniversary of his/her participation in the plan. Effective January 1, 2015, new employees (other than Police) must wait a year before receiving a match and the match is a 100% match up to 6%. Those employed prior to January 1, 2015 were grandfathered under the old rules.

The defined contribution plan became effective on April 1, 1988. The prior contributions were computed and matched by the Town and interest of 4% credited to the accounts. The total value of the plan is \$36,706,802 as of June 30, 2016. Employees contributed \$804,827, and covered payroll was \$14,984,576. The Town's matching share was \$1,578,286. Contribution requirements may be amended by the Town Council subject to various bargaining unit approvals and after the expiration dates specified in the collective bargaining agreements. Effective in fiscal year 2013, the Town has engaged Hooker and Holcombe, Inc., of West Hartford, Connecticut, as the defined benefit plan actuary. In addition, Fiduciary Investment Associates (FIA) serves as investment consultants for both the defined benefit and defined contribution plans. FIA meets with and advises the Pension Committee on a quarterly basis to ensure plan funds are invested prudently. The Town Council adopted the revised investment policy on September 2, 2015.

As of June 30, 2016, 14.4% of the investments are invested in the ICMA-RC Guaranteed Plus Mutual Fund. This fund invests in double A (AA) or better collateralized Guaranteed Investment Contracts. The remaining 85.6% of investments are held in ICMA-RC self-directed funds including bond funds, guaranteed life income funds, balanced/asset allocation funds, U.S. stock funds, specialty and international/global stock funds.

During fiscal year 2012, a separate defined contribution plan, the Robert Wolf Plan, was created specifically for the Town's volunteer firefighters. The firefighters have the option to contribute all or a portion of their paid-on-call earnings to the plan. There is no employer match; however, the Town annually contributes \$500 per qualifying firefighter. Contributions to this plan began in fiscal year 2013. The total value of this plan is \$138,907 as of June 30, 2016.

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 4. Pension and Other Post Retirement Plans (Continued)

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

All full-time employees hired and participating in the plan prior to March 17, 1987 and all police officers hired and participating before July 1, 2000 will receive the higher of the defined contribution earnings (as described above) or the benefit due under the old defined benefit plan. The PERS provides retirement, disability and death benefits to plan members and their beneficiaries. Plan members are entitled to a monthly benefit equal to 2% and 2.125% for police officers of final earnings times years of employment, times the ratio of benefit service to years of employment. The plan provides for normal retirement at age 65 (age 55 or 25 years of service for police officers); early retirements are allowable with reduced benefit.

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

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

The defined benefit segment plan is closed to new entrants.

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

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

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

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 4. Pension and Other Post Retirement Plans (Continued)

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

**Long-term expected rate of return** – The best estimate range for the long-term expected rate of return is determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

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

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

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 4. Pension and Other Post Retirement Plans (Continued)

#### Actuarial Methods and Significant Assumptions

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

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

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

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

**Discount Rate** – The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 4. Pension and Other Post Retirement Plans (Continued)

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

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

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

### B. Teacher's Retirement System

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

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

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

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

**4. Pension and Other Post Retirement Plans (Continued)**

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

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

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

**Funding Policy** – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

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

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

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

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

**4. Pension and Other Post Retirement Plans (Continued)**

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

**Changes in Assumptions** – In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

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

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



## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

### 4. Pension and Other Post Retirement Plans (Continued)

#### Town's Proportionate Share of the Collective Net Pension Liability

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

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

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

**Sensitivity Analysis** – Although this is paid by the State of Connecticut and not a liability of the Town, the following presents the net pension liability of the Town's proportionate share of the plan (paid by the State), calculated using the current discount rate, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

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

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

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

#### 4. Pension and Other Post Retirement Plans (Continued)

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

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

**Plan Description** – The Town, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses through a single-employer defined benefit plan administered by the Town. The Post-Retirement Medical Program (RMP) covers Town, Board of Education and Police employees. Retired program members and beneficiaries currently receiving benefits are required to contribute 100% towards the cost of receiving those benefits under the Town’s self-insured medical benefits program. Each police employee must contribute an amount equal to 3% of their annual base earnings to a separate Police Post-Retirement Medical Fund. The Town does not contribute to the Fund. The Fund will be used solely for the purpose of paying premiums of health insurance benefits for retirees. Each retiree shall receive from the Fund \$500 per month. The Town does not issue a separate stand-alone financial statement for this program.

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

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 4. Pension and Other Post Retirement Plans (Continued)

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

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

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

Amortization Component:

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

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 4. Pension and Other Post Retirement Plans (Continued)

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

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

Other actuarial methods and significant assumptions are summarized as follows:

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

Three year trend information is as follows:

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 4. Pension and Other Post Retirement Plans (Continued)

#### Funding Progress

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

#### Schedule of Funding Progress

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

#### Schedule of Employer Contributions

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

### 5. Other Information

#### A. Litigation

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

#### B. Contingencies

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 5. Other Information (Continued)

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

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

### C. Construction Commitments

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

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

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

(2) The amount bonded as of June 30, 2016 is \$47,000,000. Part of the cost is paid for by State grants. In June 2013, the State legislature authorized exceptions to square footage requirements which allowed the Town to obtain an additional \$15 million in State grants; this is included in the appropriation recorded.

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

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

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

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 5. Other Information (Continued)

#### D. Risk Management

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

#### Self-Insurance

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

The General Insurance Fund receives funds from various funds and departments. The fund purchases insurance and provides ancillary services for the administration of this fund and accumulates reserves. Claims have not exceeded insurance coverage in any of the past three years. Worker's Compensation coverage, which makes up the largest component of the general insurance needs, is provided by insurance through the Connecticut Interlocal Risk Management Association ("CIRMA"). CIRMA is a public entity risk pool established under the provisions of the Connecticut General Statutes section 7-479a et. seq. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing pool coverage with no deductible retention. A separate agreement limits the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so. The Town examines the coverage and has an actuarial study conducted periodically.

The Medical and Health Insurance Fund also receives funds from various funds and departments. The funds are used to purchase medical and health insurance and provide ancillary services. The Town self-insures its employees for medical and dental claims through the use of the Medical and Health Insurance Fund. Maximum liability to the Town per covered participant is \$150,000. The Town retains an insurance policy for employee claims in excess of \$150,000. A third party administers the plan for which the Town pays an administrative fee. The plan is funded monthly by Town and employee contributions, as required. An actuarial study is performed annually.

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

#### General Insurance Fund

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

## Town of Berlin, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2016

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### 5. Other Information (Continued)

#### Medical and Health Insurance Fund

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

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

#### E. Risks and Uncertainties

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

#### F. Jointly Governed Organizations

##### The Mattabassett District

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



**5. Other Information (Continued)**

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

Currently, the District is nearing completion on a major upgrade for nitrogen removal, increased capacity to accommodate increased flows from the City of Middletown and related required improvements to meet the EPA and DEEP nitrogen removal requirements as well as the EPA's sewage sludge incinerator emissions requirements and odor control enhancements. The three-year construction project began in the summer of 2012 and is approximately 99% complete as of June 30, 2016. As of June 30, the District has \$73,509,000 Clean Water Fund debt outstanding (net of grants received) to finance its sewage treatment plant and construction upgrade; this consists of an Interim Construction Funding Obligation of \$70,988,212 and a Project Design Loan Obligation of \$2,520,787. As the project is nearing completion, remaining costs are estimated to be less than 2% of the total contract value. It is estimated that, based on future treatment plant reserved capacity, the Town's annual assessment from the District will include 14.35% of Clean Water Fund Debt Service, which equals \$10,548,542. The District began loan payments for the interim Construction Fund Obligation in December 2015, and this has been factored into the Town's assessment.

**G. Joint Ventures**

**Bristol Resource Recovery Facility Operating Committee**

The Town is a participant with 14 other cities and towns (the "Contracting Municipalities") in a joint venture, the Bristol Resource Recovery Facility Operating Committee (the "BRRFOC"). The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of the Contracting Municipalities in dealing with the trash-to-energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.). The governing board consists of town officials appointed by each of the Contracting Municipalities, and assumes all management decisions.

The Town has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Inter-Community Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements. These obligations ended on June 30, 2014 with the expiration of the amended and restated service agreement by and among BRRFOC, its 14 member communities and Covanta Bristol, Inc. Waste disposal services previously provided under that agreement continue to be in place through the Municipal Solid Waste Disposal and Recycling Services Agreement with Covanta Bristol, Inc. commencing July 2014.

## **Town of Berlin, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2016

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### **5. Other Information (Continued)**

On December 21, 2012, the Bristol Facility Policy Board (the "Policy Board") was formed pursuant to a Municipal Solid Waste Disposal and Recycling Services Agreement (the "Agreement") by and among the Cities of Bristol and New Britain and the Towns of Berlin, Burlington, Branford, Hartland, Plainville, Plymouth, Prospect, Seymour, Southington, Warren, Washington, and Wolcott and Covanta Bristol, Inc. The Policy Board is the successor entity to the BRRFOC. The BRRFOC has been selected by resolution to serve as the Policy Board under the Agreement and continue in such capacity. The Town continues to participate as a member of the BRRFOC and the Policy Board, with limited obligations to fund activities of the combined agency. Tonnage commitments were revised under the new Agreement such that the overall minimum for the 14 communities is aggregated and no shortfall will occur if these municipalities in total reach the required threshold.

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

### **H. Subsequent Events**

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

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

### **I. Motor Vehicle Tax Cap**

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

### **J. Municipal Spending Cap**

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

**5. Other Information (Continued)**

**K. Minimum Budget Requirement**

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

**L. GASB Pronouncements Issued, But Not Yet Effective**

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

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

**5. Other Information (Continued)**

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

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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

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

(continued)

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

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

(continued)



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

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

(continued)

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

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

(continued)

## Required Supplementary Information

## Schedule of Revenues, Expenditures and Changes in Fund Balance

## Budget and Actual (Budgetary Basis) (Continued)

## General Fund

For the Year Ended June 30, 2016

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

(continued)

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

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

(continued)

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

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

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

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

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

See Independent Auditors' Report

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 918,862	\$1,001,122	\$ 935,628	\$1,005,393	\$ 493,732	\$ 473,550	\$ 355,088	\$ 254,732	\$ 260,595	\$ 251,783
Contributions in relation to the actuarially determined contribution	<u>700,537</u>	<u>1,406,809</u>	<u>700,000</u>	<u>700,000</u>	<u>350,000</u>	<u>200,000</u>	<u>175,000</u>	<u>150,000</u>	<u>-</u>	<u>258,402</u>
Contribution deficiency (excess)	<u>\$ 218,325</u>	<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>
Covered employee payroll	\$ 1,585,622	\$ 1,882,367	\$ 1,958,991	\$ 2,073,539	\$ 1,907,671	\$ 1,993,876	\$ 1,986,110	\$ 2,251,842	\$ 2,233,448	\$ 2,146,118
Contributions as a percentage of covered employee payroll	44.18%	74.74%	35.73%	33.76%	18.35%	10.03%	8.81%	6.66%	0.00%	12.04%

**Notes to the Schedule**

Valuation Date July 1, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of salary - open
Remaining amortization period	10 years
Asset valuation method	Fair value method
Inflation	3.00%
Salary increases	3.25% per year for Police and 2.75% for all others
Investment rate of return	Pre-retirement: 5.00%, Post-retirement: 3.11%
Retirement age	Police: 100% at 30 years of active service. All others: 100% at age 65. Pre-retirement
Mortality	Pre-retirement: RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015 Post-retirement: IRS 417(e) mortality table



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

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

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

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

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

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

Required Supplementary Information  
Connecticut Teachers Retirement System  
June 30, 2016

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

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

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

**Notes to Schedule**

Changes in benefit term	None
Changes in assumptions	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted as recommended by the Experience Study for the System.
Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4 year smoothed market
Investment rate of return	8.5% net of pension plan investment expense, including inflation

See Independent Auditors' Report

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND  
SCHEDULES**

## **MAJOR GOVERNMENTAL 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.

General Fund  
Comparative Balance Sheet

	June 30,	
	2016	2015
<b>ASSETS</b>		
Cash and equivalents	\$ 15,073,434	\$ 13,515,626
Taxes receivable, net of allowance for uncollectible amounts	1,038,075	1,025,802
Other receivables		
Accounts	82,902	211,872
Interest, net of allowance for uncollectible amounts	496,443	359,934
Intergovernmental	18,946	-
Due from other funds	133,177	605
Total Assets	<u>\$ 16,842,977</u>	<u>\$ 15,113,839</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 599,549	\$ 753,064
Intergovernmental payable	39,521	53,352
Accrued payroll and related	463,671	310,001
Accrued interest payable	5,581	5,581
Due to other funds	377,542	377,542
Unearned revenues	107,351	106,852
Total Liabilities	<u>1,593,215</u>	<u>1,606,392</u>
Deferred Inflows of Resources		
Deferred revenues	1,328,178	1,252,300
Taxes collected in advance	65,986	112,385
Total Deferred Inflows of Resources	<u>1,394,164</u>	<u>1,364,685</u>
Fund Balances		
Committed	398,567	327,968
Assigned	2,300,000	1,800,000
Unassigned	11,157,031	10,014,794
Total Fund Balances	<u>13,855,598</u>	<u>12,142,762</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 16,842,977</u>	<u>\$ 15,113,839</u>

See Independent Auditors' Report

Town of Berlin, Connecticut

Exhibit A-2

Report of the Property Tax Collector  
For the Year Ended June 30, 2016

Grand List October 1,	Due Date July 1,	Taxes Collectible	Lawful Corrections		Adjusted Taxes Collectible	Collections				Refunds	Transferred to Suspense Book	Taxes Receivable June 30, 2016
			Additions (2)	Deductions (5)		Taxes	Interest	Lien Fees	Total			
2015 (1)	2016	\$ -	\$ -	\$ -	\$ -	65,986	-	-	65,986	-	-	-
2014	2015	65,972,407	767,854	249,636	66,490,625	65,918,097	177,842	800	66,096,739	170,147	595	742,080
2013	2014	715,332	33,063	66,688	681,707	342,227	77,926	1,282	421,435	10,578	137,167	212,891
2012	2013	246,139	2,389	1,529	246,999	106,577	34,900	648	142,125	3,195	11,839	131,778
2011	2012	150,998	-	38	150,960	38,977	16,457	192	55,626	-	15,814	96,169
2010	2011	104,210	-	37	104,173	6,012	4,055	48	10,115	-	15,406	82,755
2009	2010	63,704	145	-	63,849	806	183	-	989	-	14,871	48,172
2008	2009	81,670	-	-	81,670	-	-	-	-	-	30,200	51,470
2007	2008	148,589	-	-	148,589	634	126	-	760	-	84,684	63,271
2006	2007	49,297	-	-	49,297	-	-	-	-	-	35,684	13,613
2005	2006	49,790	-	-	49,790	-	-	-	-	-	35,684	14,106
2004	2005	48,630	-	-	48,630	80	148	-	228	-	35,261	13,289
2003	2004	50,293	-	-	50,293	1,843	8,421	-	10,264	-	35,335	13,115
2002	2003	49,678	-	-	49,678	3,625	654	24	4,303	-	35,670	10,383
2001	2002	21,332	-	-	21,332	-	-	-	-	-	19,644	1,688
2000	2001	25,329	-	-	25,329	50	307	-	357	-	-	25,279

Tax suspense book, including interest	-	-	-	-	50,935	-	-	50,935	-	-	-
Total	\$ 67,777,398	\$ 803,451	\$ 317,928	\$ 68,262,921	\$ 66,535,849	\$ 321,019	\$ 2,994	\$ 66,859,862	\$ 183,920	\$ 507,854	\$ 1,520,059

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

Note 4: Property taxes receivable, June 30, 2016.

\$ 1,520,059

Note 2: Includes motor vehicle  
supplemental amounting to \$ 686,312

Less:  
Allowance for uncollectible taxes (481,984)  
Net property taxes receivable \$ 1,038,075

Note 3: Actual tax coll. excluding Susp. Taxes for the year ended June 30, 2016:  
Tax collections, June 30, 2016 \$ 66,535,849  
Deduct:  
Suspense tax and interest (50,935)  
Advance collections of taxes due July 1, 2016 (65,986)  
Tax Collections \$ 66,418,928

Note 5: Includes writeoffs amounting to \$ 122



## NON-MAJOR 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:

<b>Fund</b>	<b>Funding Source</b>	<b>Function</b>
Cafeteria	Sales and grants	School lunch program
Disadvantaged Education	State and Federal grants	Education
Adult Education	User fees	Adult education supplies
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
Scholarships and Donations	Donations	Scholarships
Special Grants and Donations	State and Federal grants	Various projects
Recreation	User fees	Recreational 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 or purposes that support the reporting government's programs.

<b>Fund</b>	<b>Funding Source</b>	<b>Function</b>
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

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016

	Special Revenue Funds						
	Cafeteria	Disadvantaged Education	Adult Education	School Rental Revolving	Police Drug Enforcement	Police Asset Forfeiture	Marjorie Moore
<b>ASSETS</b>							
Cash and equivalents	\$ 13,945	\$ 58,957	\$ 202	\$ 2,000	\$ 2,410	\$ 36,367	\$ 6,513
Receivables							
Accounts	814	-	-	-	-	-	-
Intergovernmental	34,475	29,807	-	-	-	-	-
Inventories	37,939	-	-	-	-	-	-
Total Assets	<u>\$ 87,173</u>	<u>\$ 88,764</u>	<u>\$ 202</u>	<u>\$ 2,000</u>	<u>\$ 2,410</u>	<u>\$ 36,367</u>	<u>\$ 6,513</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-	-	-	-
Unearned revenues	-	88,764	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>88,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance							
Nonspendable	37,939	-	-	-	-	-	-
Restricted	-	-	-	-	2,410	36,367	6,513
Assigned	49,234	-	202	2,000	-	-	-
Total Fund Balances	<u>87,173</u>	<u>-</u>	<u>202</u>	<u>2,000</u>	<u>2,410</u>	<u>36,367</u>	<u>6,513</u>
Total Liabilities and Fund Balances	<u>\$ 87,173</u>	<u>\$ 88,764</u>	<u>\$ 202</u>	<u>\$ 2,000</u>	<u>\$ 2,410</u>	<u>\$ 36,367</u>	<u>\$ 6,513</u>
							(continued)

Combining Balance Sheet (Continued)  
 Nonmajor Governmental Funds  
 June 30, 2016

	Special Revenue Funds					
	R & S Associates Bond	Summer Adventures	Afternoon Enrichment Program	Work Zone Safety	Elderly Oral Screening	Boundless Playground
<b>ASSETS</b>						
Cash and equivalents	\$ 13,519	\$ 1,350	\$ 12,350	\$ 5,000	\$ 2,466	\$ 4,505
Receivables						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	<u>\$ 13,519</u>	<u>\$ 1,350</u>	<u>\$ 12,350</u>	<u>\$ 5,000</u>	<u>\$ 2,466</u>	<u>\$ 4,505</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance						
Nonspendable	-	-	-	-	-	-
Restricted	13,519	-	-	-	2,466	4,505
Assigned	-	1,350	12,350	5,000	-	-
Total Fund Balances	<u>13,519</u>	<u>1,350</u>	<u>12,350</u>	<u>5,000</u>	<u>2,466</u>	<u>4,505</u>
Total Liabilities and Fund Balances	<u>\$ 13,519</u>	<u>\$ 1,350</u>	<u>\$ 12,350</u>	<u>\$ 5,000</u>	<u>\$ 2,466</u>	<u>\$ 4,505</u>

(continued)

Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
June 30, 2016

	Special Revenue Funds					
	Scholarship and Donations	Special Grants and Donations	Recreation	Veterans Brick Walkway	Berlin Playhouse Performing Arts	Total Special Revenue Funds
<b>ASSETS</b>						
Cash and equivalents	\$ 167,710	\$ 104,309	\$ 100,180	\$ 20,384	\$ 4,319	\$ 556,486
Receivables	-	-	-	-	-	-
Accounts	-	-	-	-	-	814
Intergovernmental	-	-	-	-	-	64,282
Inventories	-	-	-	-	-	37,939
Total Assets	<u>\$ 167,710</u>	<u>\$ 104,309</u>	<u>\$ 100,180</u>	<u>\$ 20,384</u>	<u>\$ 4,319</u>	<u>\$ 659,521</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 2,098	\$ 180	\$ -	\$ 2,278
Accrued payroll and related	-	543	6,017	-	-	6,560
Unearned revenues	-	-	-	-	-	88,764
Total Liabilities	<u>-</u>	<u>543</u>	<u>8,115</u>	<u>180</u>	<u>-</u>	<u>97,602</u>
Fund Balance						
Nonspendable	-	-	-	-	-	37,939
Restricted	167,710	103,766	-	20,204	4,319	361,779
Assigned	-	-	92,065	-	-	162,201
Total Fund Balances	<u>167,710</u>	<u>103,766</u>	<u>92,065</u>	<u>20,204</u>	<u>4,319</u>	<u>561,919</u>
Total Liabilities and Fund Balances	<u>\$ 167,710</u>	<u>\$ 104,309</u>	<u>\$ 100,180</u>	<u>\$ 20,384</u>	<u>\$ 4,319</u>	<u>\$ 659,521</u>

(continued)

Combining Balance Sheet (Continued)  
 Nonmajor Governmental Funds  
 June 30, 2016

	Permanent Funds					Total Nonmajor Governmental Funds
	Marjorie Moore Tree	Olive Seldon	Medical Aid	Blanche Delaney	Total Permanent Funds	
<b>ASSETS</b>						
Cash and equivalents	\$ 5,391	\$ 47,304	\$ 37,538	\$ 53,385	\$ 143,618	\$ 700,104
Receivables						
Accounts	-	-	-	-	-	814
Intergovernmental	-	-	-	-	-	64,282
Inventories	-	-	-	-	-	37,939
Total Assets	<u>\$ 5,391</u>	<u>\$ 47,304</u>	<u>\$ 37,538</u>	<u>\$ 53,385</u>	<u>\$ 143,618</u>	<u>\$ 803,139</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,278
Accrued payroll and related	-	-	-	-	-	6,560
Unearned revenues	-	-	-	-	-	88,764
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,602</u>
Fund Balance						
Nonspendable	5,000	46,394	21,965	41,332	114,691	152,630
Restricted	391	910	15,573	12,053	28,927	390,706
Assigned	-	-	-	-	-	162,201
Total Fund Balances	<u>5,391</u>	<u>47,304</u>	<u>37,538</u>	<u>53,385</u>	<u>143,618</u>	<u>705,537</u>
Total Liabilities and Fund Balances	<u>\$ 5,391</u>	<u>\$ 47,304</u>	<u>\$ 37,538</u>	<u>\$ 53,385</u>	<u>\$ 143,618</u>	<u>\$ 803,139</u>

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

	Special Revenue Funds						
	Cafeteria	Disadvantaged Education	Adult Education	School Rental Revolving	Police Drug Enforcement	Police Asset Forfeiture	Marjorie Moore
<b>REVENUES</b>							
Intergovernmental	\$ 244,572	\$ 2,094,070	\$ -	\$ -	\$ -	\$ 549	\$ -
Charges for services	529,005	-	8,407	21,283	150	-	-
Income on investments	-	-	-	-	-	-	-
Miscellaneous	52,332	-	-	-	-	-	30,000
Total Revenues	825,909	2,094,070	8,407	21,283	150	549	30,000
<b>EXPENDITURES</b>							
Current Expenditures							
General government	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	-	-	-	520	496	-
Parks, recreation and libraries	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	30,000
Schools	854,124	2,094,070	8,407	21,283	-	-	-
Total Expenditures	854,124	2,094,070	8,407	21,283	520	496	30,000
Net Change in Fund Balances	(28,215)	-	-	-	(370)	53	-
Fund Balances - Beginning of Year, as restated	115,388	-	202	2,000	2,780	36,314	6,513
Fund Balances - End of Year	\$ 87,173	\$ -	\$ 202	\$ 2,000	\$ 2,410	\$ 36,367	\$ 6,513

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2016

	Special Revenue Funds					
	R & S Associates Bond	Summer Adventures	Afternoon Enrichment Program	Work Zone Safety	Elderly Oral Screening	Boundless Playground
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	43,641	-	-	-
Income on investments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	-	-	43,641	-	-	-
<b>EXPENDITURES</b>						
Current Expenditures						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Parks, recreation and libraries	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Schools	-	-	46,605	-	-	-
Total Expenditures	-	-	46,605	-	-	-
Net Change in Fund Balances	-	-	(2,964)	-	-	-
Fund Balances - Beginning of Year, as restated	13,519	1,350	15,314	5,000	2,466	4,505
Fund Balances - End of Year	\$ 13,519	\$ 1,350	\$ 12,350	\$ 5,000	\$ 2,466	\$ 4,505

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2016

	Special Revenue Funds						
	Scholarship and Donations	Special Grants and Donations	Recreation	Veterans Brick Walkway	Health Guidance	Berlin Playhouse Performing Arts	Total Special Revenue Funds
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ 57,799	\$ -	\$ -	\$ -	\$ -	\$ 2,396,990
Charges for services	-	-	91,456	-	-	-	693,942
Income on investments	419	24	-	-	-	14	457
Miscellaneous	13,594	17,325	-	2,340	-	-	115,591
Total Revenues	14,013	75,148	91,456	2,340	-	14	3,206,980
<b>EXPENDITURES</b>							
Current Expenditures							
General government	-	3,000	-	-	-	-	3,000
Community development	-	11,685	-	640	-	-	12,325
Public safety	-	2,130	-	-	-	-	3,146
Parks, recreation and libraries	-	6,881	78,183	-	-	-	85,064
Health and human services	10,133	27,160	-	-	2,905	-	70,198
Schools	-	-	-	-	-	200	3,024,689
Total Expenditures	10,133	50,856	78,183	640	2,905	200	3,198,422
Net Change in Fund Balances	3,880	24,292	13,273	1,700	(2,905)	(186)	8,558
Fund Balances - Beginning of Year, as restated	163,830	79,474	78,792	18,504	2,905	4,505	553,361
Fund Balances - End of Year	\$ 167,710	\$ 103,766	\$ 92,065	\$ 20,204	\$ -	\$ 4,319	\$ 561,919

(continued)



Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2016

	Permanent Funds				Total Nonmajor Governmental Funds
	Marjorie Moore Tree	Olive Seldon	Medical Aid	Blanche Delaney	Total Permanent Funds
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Income on investments	17	145	114	163	439
Miscellaneous	-	-	449	-	449
Total Revenues	<u>17</u>	<u>145</u>	<u>563</u>	<u>163</u>	<u>888</u>
<b>EXPENDITURES</b>					
Current Expenditures					
General government	-	-	-	-	-
Community development	-	-	-	-	-
Public safety	-	-	-	-	-
Parks, recreation and libraries	-	-	-	-	-
Health and human services	-	-	150	-	150
Schools	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>
Net Change in Fund Balances	17	145	413	163	738
Fund Balances - Beginning of Year, as restated	<u>5,374</u>	<u>47,159</u>	<u>37,125</u>	<u>53,222</u>	<u>142,880</u>
Fund Balances - End of Year	<u>\$ 5,391</u>	<u>\$ 47,304</u>	<u>\$ 37,538</u>	<u>\$ 53,385</u>	<u>\$ 143,618</u>

## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations a) that are financed and operated in a manner similar to private business enterprise, 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.

Schedule of Water Assessments Receivable  
 Water and Sewer Enterprise Fund  
 June 30, 2016

Locations	Balance June 30, 2015	Assessments During Year	Interest and Penalties	Collections	Balance June 30, 2016
Town Wide, May 1st	\$ 23,382	\$ -	\$ 2,207	\$ 7,875	\$ 15,507
Town Wide, September 1st	2,575	-	193	858	1,717
Town Wide, November 1st	3,434	-	-	-	3,434
Town Wide, December 1st	-	6,350	-	6,350	-
TOTAL	<u>\$ 29,391</u>	<u>\$ 6,350</u>	<u>\$ 2,400</u>	<u>\$ 15,083</u>	<u>\$ 20,658</u>

Schedule of Sewer Assessments Receivable  
 Water and Sewer Enterprise Fund  
 June 30, 2016

Locations	Balance June 30, 2015	Assessments During Year	Interest and Penalties	Collections	Balance June 30, 2016
Town Wide, May 1st	\$ 13,416	\$ -	\$ 1,036	\$ 3,541	\$ 9,875
Town Wide, December 1st	-	8,155	-	8,155	-
Belcher Brook Interceptor, December 1st, due Town of Berlin	<u>605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>605</u>
TOTAL	<u>\$ 14,021</u>	<u>\$ 8,155</u>	<u>\$ 1,036</u>	<u>\$ 11,696</u>	\$ 10,480
Special fees for inflow and infiltration receivable					<u>26,319</u>
Total sewer assessments receivable					<u><u>36,799</u></u>

## **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.

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 Workmen's 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.

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.

Combining Statement of Net Position  
Internal Service Funds  
June 30, 2016

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	General Insurance	Medical and Health Insurance	Total Internal Service Funds
<b>ASSETS</b>			
Current Assets			
Cash and equivalents	\$ 2,230,418	\$ 2,120,822	\$ 4,351,240
Receivables			
Due from other funds	-	377,542	377,542
Total Assets	2,230,418	2,498,364	4,728,782
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 2,223	\$ 607,281	609,504
<b>NET POSITION</b>			
Unrestricted	\$ 2,228,195	\$ 1,891,083	\$ 4,119,278

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

	General Insurance	Medical and Health Insurance	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Insurance proceeds	\$ 68,224	\$ 37,952	\$ 106,176
Employee contributions	-	1,854,059	1,854,059
Charges for services	<u>1,486,304</u>	<u>6,544,579</u>	<u>8,030,883</u>
Total Operating Revenues	<u>1,554,528</u>	<u>8,436,590</u>	<u>9,991,118</u>
<b>OPERATING EXPENSES</b>			
Administration	148,934	1,105,699	1,254,633
Employee benefits	-	7,827,921	7,827,921
Insurance	<u>1,466,223</u>	<u>-</u>	<u>1,466,223</u>
Total Operating Expenses	<u>1,615,157</u>	<u>8,933,620</u>	<u>10,548,777</u>
Loss from Operations	(60,629)	(497,030)	(557,659)
<b>NON-OPERATING REVENUES</b>			
Interest income	<u>5,459</u>	<u>6,283</u>	<u>11,742</u>
Change in Net Position	(55,170)	(490,747)	(545,917)
Net Position - Beginning of Year	<u>2,283,365</u>	<u>2,381,830</u>	<u>4,665,195</u>
Net Position - End of Year	<u>\$ 2,228,195</u>	<u>\$ 1,891,083</u>	<u>\$ 4,119,278</u>

See Independent Auditors' Report

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2016

	General Insurance	Medical and Health Insurance	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from users	\$ 1,486,304	\$ 8,398,638	\$ 9,884,942
Cash received from insurance and others	68,224	37,952	106,176
Cash payments to providers of benefits	<u>(1,648,792)</u>	<u>(8,919,412)</u>	<u>(10,568,204)</u>
Net Cash from Operating Activities	<u>(94,264)</u>	<u>(482,822)</u>	<u>(577,086)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>5,459</u>	<u>6,283</u>	<u>11,742</u>
Net Decrease in Cash and Equivalents	(88,805)	(476,539)	(565,344)
Cash and Equivalents - Beginning of Year	<u>2,319,223</u>	<u>2,597,361</u>	<u>4,916,584</u>
Cash and Equivalents - End of Year	<u>\$ 2,230,418</u>	<u>\$ 2,120,822</u>	<u>\$ 4,351,240</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>			
Loss from operations	\$ (60,629)	\$ (497,030)	\$ (557,659)
Changes in operating assets and liabilities			
Accounts payable	<u>(33,635)</u>	<u>14,208</u>	<u>(19,427)</u>
Net Cash from Operating Activities	<u>\$ (94,264)</u>	<u>\$ (482,822)</u>	<u>\$ (577,086)</u>



## **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.

The Student Activity Fund was established to receive student funds and promote the educational and student activities of students.

The Town Fund was established to receive and disburse funds for special events, activities and services of outside agencies and departments.

The Performance Bond Fund was established to receive deposits from contractors and others.

The Miscellaneous Education Fund is used to account for funds collected for driver's education and adult education activities.

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2016

	Balance Beginning	Additions	Deductions	Balance Ending
<b>Student Activity Fund</b>				
<b>Assets</b>				
Cash	\$ 473,727	\$ 849,209	\$ 873,814	\$ 449,122
<b>Liabilities</b>				
Due to student and other groups	\$ 473,727	\$ 849,209	\$ 873,814	\$ 449,122
<b>Town Funds</b>				
<b>Assets</b>				
Cash	\$ 816,997	\$ 129,158	\$ 54,109	\$ 892,046
<b>Liabilities</b>				
Due to student and other groups	\$ 816,997	\$ 129,158	\$ 54,109	\$ 892,046
<b>Performance Bonds</b>				
<b>Assets</b>				
Cash	\$ 999,001	\$ 562,387	\$ 535,258	\$ 1,026,130
<b>Liabilities</b>				
Due to student and other groups	\$ 999,001	\$ 562,387	\$ 535,258	\$ 1,026,130
<b>Miscellaneous Education Fund</b>				
<b>Assets</b>				
Cash	\$ 1,598	\$ 28,774	\$ 28,774	\$ 1,598
<b>Liabilities</b>				
Due to student and other groups	\$ 1,598	\$ 28,774	\$ 28,774	\$ 1,598
<b>Combined Total</b>				
<b>Assets</b>				
Cash	\$ 2,291,323	\$ 1,569,528	\$ 1,491,955	\$ 2,368,896
<b>Liabilities</b>				
Due to student and other groups	\$ 2,291,323	\$ 1,569,528	\$ 1,491,955	\$ 2,368,896

See Independent Auditors' Report

## STATISTICAL SECTION (UNAUDITED)

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 statement, 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.

**Operation 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.

Net Position by Component  
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>GOVERNMENTAL ACTIVITIES</b>										
Net Investment in Capital Assets	\$ 78,636,418	\$ 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
Restricted	8,299,031	147,384	147,008	147,048	157,388	156,073	154,410	152,346	151,894	173,081
Unrestricted	19,604,198	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
Total Governmental Activities Net Position	<u>\$ 106,539,647</u>	<u>\$ 99,507,043</u>	<u>\$ 86,931,730</u>	<u>\$79,170,744</u>	<u>\$76,567,108</u>	<u>76,027,612</u>	<u>76,002,030</u>	<u>75,695,151</u>	<u>77,672,359</u>	<u>78,606,020</u>
<b>BUSINESS - TYPE ACTIVITIES</b>										
Net Investment in Capital Assets	\$ 10,871,455	\$ 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
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,247,097	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
Total Business - Type Activities Net Position	<u>\$ 17,118,552</u>	<u>\$ 17,126,651</u>	<u>\$ 15,741,413</u>	<u>\$14,968,981</u>	<u>\$14,569,424</u>	<u>\$14,044,789</u>	<u>\$13,627,947</u>	<u>\$13,086,133</u>	<u>\$12,349,519</u>	<u>\$12,202,390</u>
<b>PRIMARY GOVERNMENT</b>										
Net Investment in Capital Assets	\$ 89,507,873	\$ 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
Restricted	8,299,031	147,384	147,008	147,048	157,388	156,073	154,410	152,346	151,894	173,081
Unrestricted	25,851,295	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
Total Primary Government Net Position	<u>\$ 123,658,199</u>	<u>\$ 116,633,694</u>	<u>\$ 102,673,143</u>	<u>\$94,139,725</u>	<u>\$91,136,532</u>	<u>\$90,072,401</u>	<u>\$89,629,977</u>	<u>\$88,781,284</u>	<u>\$90,021,878</u>	<u>\$90,808,410</u>

**Town of Berlin, Connecticut**

Table 2

Changes In Net Position  
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>EXPENSES</b>										
Governmental activities:										
General government:	\$ 4,274,418	\$ 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
Community development	1,443,185	1,134,822	849,635	838,057	1,310,926	1,705,036	886,822	839,495	956,473	2,440,174
Public safety	9,759,219	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
Physical services	10,026,337	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
Parks, recreation, and libraries	4,346,520	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
Health and human services	2,441,507	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
Schools	54,823,969	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
Interest on long-term debt	1,969,056	1,907,325	1,257,292	1,123,833	1,141,429	612,457	604,382	451,341	539,200	524,378
Total Governmental Activities Expenses	<u>\$ 89,084,211</u>	<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>
Business-type Activities:										
Water services	1,526,748	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
Sewer services	2,235,886	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
Total Business-type Activities Expenses	<u>3,762,634</u>	<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>
Total Primary Government Expenses	<u>\$ 92,846,845</u>	<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>
<b>PROGRAM REVENUES</b>										
Governmental Activities:										
Charges for Services:										
General government	\$ 417,392	\$ 714,730	\$ 703,050	\$ 788,491	\$ 643,713	\$ 871,919	\$ 901,805	\$ 694,725	\$ 910,684	\$ 1,120,577
Community development	495,726	4,765	1,670	4,320	4,530	5,575	6,056	6,098	6,532	7,160
Public safety	455,090	445,831	351,580	336,275	343,246	566,870	327,880	334,571	345,534	635,148
Physical services	48,537	100,089	181,027	273,779	325,712	300,207	306,116	274,291	171,747	239,704
Parks, recreation, and libraries	1,421,128	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
Health and human services	1,078,553	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
Schools	654,668	629,809	602,187	662,195	717,242	745,821	749,505	809,939	846,762	863,638
Operating Grants and Contributions:	16,083,321	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
Capital Grants and Contributions:	9,327,347	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
Total Governmental Activities Program Revenues	<u>\$ 29,981,762</u>	<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>
										(continued)

**Town of Berlin, Connecticut**

**Table 2**

Changes In Net Position (Continued)  
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-type Activities:										
Charges for Services:										
Water services	\$ 1,254,994	\$ 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
Sewer services	2,465,959	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
Total Business-type Activities Revenues	\$ 3,720,953	\$ 4,679,717	\$ 3,597,099	\$ 3,176,569	\$ 3,141,951	\$ 3,137,552	\$ 3,022,894	\$ 3,177,746	\$ 2,746,106	\$ 1,671,774
Total Primary Government Program Revenues	\$ 33,702,715	\$ 39,411,320	\$ 36,113,944	\$ 23,611,261	\$ 23,177,953	\$ 21,867,768	\$ 22,255,220	\$ 20,427,269	\$ 31,356,985	\$ 21,822,573
Net Expense/Revenue										
Governmental Activities	(59,102,449)	(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)
Business-type Activities	(41,681)	1,358,891	749,807	386,646	513,093	575,044	653,339	723,895	98,718	(616,187)
Total Primary Government Net Expense	\$ (59,144,130)	\$ (50,655,849)	\$ (50,745,206)	\$ (58,330,213)	\$ (58,656,658)	\$ (55,782,629)	\$ (52,587,347)	\$ (54,861,435)	\$ (55,066,586)	\$ (47,295,945)
<b>GENERAL REVENUES</b>										
Governmental Activities:										
Property taxes	\$ 66,721,630	\$ 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
Grants and contributions not restricted to specific programs	197,234	157,991	278,928	985,652	1,054,761	932,269	1,024,352	1,225,329	1,164,634	1,132,808
Unrestricted investment earnings	218,786	164,724	81,123	176,577	275,834	203,116	284,541	939,238	1,607,677	1,893,894
Transfers in (transfers out)	4,610	4,500	8,544	8,490	(2,444)	194,380	133,435	36,987	12,437	9,161
Other general revenues	440,862	578,442	693,062	540,823	746,847	491,443	548,341	261,208	998,689	265,353
Total Governmental Activities	\$ 67,583,122	\$ 64,590,053	\$ 63,721,942	\$ 61,320,495	\$ 59,709,247	\$ 56,383,255	\$ 53,547,563	\$ 53,608,124	\$ 53,621,195	\$ 52,143,853
Business-type Activities:										
Other taxes	\$ 12,567	\$ 1,491	\$ 1,170	\$ 72	\$ 121	\$ 265	\$ 927	\$ 75	\$ 194	\$ 242
Unrestricted investment earnings	39,420	29,356	29,999	21,329	8,977	35,913	20,983	49,631	60,654	79,507
Transfers in (transfers out)	(4,610)	(4,500)	(8,544)	(8,490)	2,444	(194,380)	(133,435)	(36,987)	(12,437)	(9,161)
Total Business-type Activities	\$ 47,377	\$ 26,347	\$ 22,625	\$ 12,911	\$ 11,542	\$ (158,202)	\$ (111,525)	\$ 12,719	\$ 48,411	\$ 70,588
Total Primary Government General Revenues	\$ 67,630,499	\$ 64,616,400	\$ 63,744,567	\$ 61,333,406	\$ 59,720,789	\$ 56,225,053	\$ 53,436,038	\$ 53,620,843	\$ 53,669,606	\$ 52,214,441
Change in Net Position										
Governmental Activities	8,480,673	12,575,313	12,226,929	2,603,636	539,496	25,582	306,877	(1,977,206)	(1,544,109)	5,464,095
Business-type Activities	5,696	1,385,238	772,432	399,557	524,635	416,842	541,814	736,614	147,129	(545,599)
Total Primary Government	\$ 8,486,369	\$ 13,960,551	\$ 12,999,361	\$ 3,003,193	\$ 1,064,131	\$ 442,424	\$ 848,691	\$ (1,240,592)	\$ (1,396,980)	\$ 4,918,496

Fund Balances of Governmental Funds  
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>GENERAL FUND</b>										
Unreserved:										
Designated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,300,000	\$ 2,000,000	\$ 2,000,000	\$ 1,300,000
Undesignated	-	-	-	-	-	-	7,479,806	7,199,724	7,519,032	7,870,925
Committed	398,567	327,968	328,093	289,973	368,642	295,251	-	-	-	-
Assigned	2,300,000	1,800,000	2,600,000	1,800,000	1,550,000	1,550,000	-	-	-	-
Unassigned	11,157,031	10,014,792	9,775,266	10,701,294	9,379,361	8,522,461	-	-	-	-
Total General Fund	<u>\$13,855,598</u>	<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>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 629,526	\$ 215,092	\$ 281,133	\$ 134,115
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	2,173,277	(791,351)	8,726	932,125
Capital projects funds	-	-	-	-	-	-	(3,147,776)	(5,746,753)	2,818,974	2,427,877
Permanent funds	-	-	-	-	-	-	39,719	37,655	37,203	38,966
Nonspendable	156,496	149,751	139,247	145,352	142,047	138,069	-	-	-	-
Restricted	403,486	398,406	347,776	366,450	331,476	385,135	-	-	-	-
Committed	22,126,022	9,540,070	10,057,617	7,657,319	4,256,212	9,947,590	-	-	-	-
Assigned	162,201	184,584	176,973	185,639	153,462	169,393	-	-	-	-
Unassigned	-	-	-	-	-	(1,017)	-	-	-	-
Total All Other Governmental Funds	<u>\$22,848,205</u>	<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>
Total Governmental Funds	<u>\$36,703,803</u>	<u>\$22,415,571</u>	<u>\$23,424,972</u>	<u>\$21,146,027</u>	<u>\$16,181,200</u>	<u>\$21,006,882</u>	<u>\$ 8,474,552</u>	<u>\$ 2,914,367</u>	<u>\$12,665,068</u>	<u>\$12,704,008</u>

Note: Information for years prior to the implementation of GASB Statement No. 54 has not been restated.  
Prior year amounts for the fund balance classification have been restated to ensure consistency with 2016.

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>REVENUES</b>										
Taxes and assessments	\$ 66,691,876	\$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
Intergovernmental	24,981,600	29,845,476	28,324,562	16,630,100	16,549,659	14,480,713	14,219,822	13,265,831	24,809,576	11,698,299
Charges for services	4,493,614	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
Income from investments	207,044	164,729	81,123	176,577	275,834	203,116	284,541	859,021	1,515,342	1,765,694
Miscellaneous	626,729	692,276	793,616	629,863	842,715	587,448	485,284	307,709	754,877	493,769
Total Revenues	\$ 97,000,863	\$98,741,622	\$95,771,107	\$81,671,393	\$79,465,718	\$74,773,821	\$71,393,320	\$70,381,109	\$81,972,857	\$67,799,947
<b>EXPENDITURES</b>										
Current										
General government	\$ 4,215,074	\$ 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
Community development	724,905	733,560	705,478	721,746	738,779	725,211	709,015	720,335	691,162	661,771
Public safety	8,478,621	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
Physical services	7,569,573	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
Parks, recreation and libraries	3,995,225	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
Health and human services	2,417,273	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
Schools	52,501,570	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
Debt Service										
Principal	4,002,350	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
Interest	2,200,683	1,982,771	1,344,842	1,209,331	1,200,353	676,167	370,268	458,136	522,092	554,982
Bond issuance costs	207,898	-	-	-	-	-	-	-	-	-
Capital Outlay	24,718,209	30,664,648	31,109,069	8,238,449	8,046,639	9,448,162	2,588,360	9,686,682	2,423,331	3,713,936
Total Expenditures	\$111,031,381	114,213,584	113,574,880	85,895,297	84,410,964	81,217,507	74,067,177	80,168,797	82,024,234	68,707,873
Excess (Deficiency) of Revenues Over Expenditures	(14,030,518)	(15,471,962)	(17,803,773)	(4,223,904)	163,876,682	(6,443,686)	(2,673,857)	(9,787,688)	(51,377)	(907,926)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$ 995,906	\$ 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
Transfers out	(991,296)	(1,258,940)	(1,342,311)	(1,132,606)	(1,349,259)	(1,114,487)	(715,172)	(968,389)	(2,190,215)	(926,975)
Sale of capital assets	46,845	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	10,372,169	442,615	269,685	330,400	122,008	497,144	-	-	-	-
Issuance of long-term debt	16,770,000	13,720,000	18,355,000	8,495,000	-	16,610,000	8,195,000	-	-	-
Issuance of refunding bonds	10,920,000	-	-	295,446	-	-	4,645,000	-	-	-
Premium on financing	2,290,415	295,446	1,449,489	354,841	-	1,674,492	75,854	-	-	-
Payment to refunded bond escrow agent	(12,085,509)	-	-	-	-	-	(4,815,247)	-	-	-
Total Other Financing Sources (Uses)	28,318,530	14,462,561	20,082,718	9,484,177	119,564	18,976,016	8,234,042	36,987	12,437	9,161
Net Change in Fund Balances	\$ 14,288,012	\$ (1,009,401)	\$ 2,278,945	\$ 5,260,273	\$ (4,825,682)	\$12,532,330	\$ 5,560,185	\$ (9,750,701)	\$ (38,940)	\$ (898,765)
Debt Service as a Percentage of Non-Capital Expenditures	7.2%	5.1%	5.2%	3.8%	3.7%	2.4%	2.2%	3.2%	2.9%	4.3%



**Town of Berlin, Connecticut**

Table 5

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Dollars in Thousands)

Year	Real Estate	Personal Property	Motor Vehicle	Less Exemptions	Total Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Value
2016	\$ 1,813,647	\$ 247,328	\$ 202,278	\$ 86,098	\$ 2,177,155	\$ 30.35	\$ 3,110,221	70 %
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	2,245,323	22.69	3,207,604	70
2009	1,920,752	186,449	161,200	42,712	2,225,689	22.69	3,179,556	70
2008	1,401,636	184,248	158,442	37,354	1,706,972	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

Source: Town of Berlin Assessor's Office

Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years

Fiscal Year	Town Direct Rate (1)	Overlapping Rates	
		Kensington Fire District	Worthington Fire District
2016	\$ 30.350	\$ 1.100	\$ 2.000
2015	28.920	1.100	2.000
2014	28.770	1.100	2.100
2013	25.150	1.000	2.100
2012	24.500	1.000	1.989
2011	23.650	1.000	1.990
2010	22.690	0.800	1.910
2009	22.690	0.800	1.910
2008	28.740	1.000	1.910
2007	28.740	1.000	1.820

(1) The Town has no individual direct rates.

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

**Town of Berlin, Connecticut**

Table 7

Principal Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Valuation	Rank	Percent of Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percent of Taxable Assessed Valuation
Rocky River Realty Co.	\$ 188,024,240	1	8.64 %	\$ 115,738,020	1	6.96 %
Corbin Russwin Inc.	32,338,910	2	1.49	18,953,060	2	1.14
Cedar Brickyard	15,398,550	3	0.71	12,336,600	3	0.74
B & F Machine Inc.	9,063,920	4	0.42			
Stonebridge Berlin Assoc.	8,663,300	5	0.40			
Tomz Corporation	8,123,960	6	0.37			
Connecticut Natural Gas Corp.	7,373,160	7	0.34	4,754,920	10	0.29
Legion Square Associates LLC	6,679,600	8	0.31	4,784,600	9	0.29
Berlin Commerce Park	5,744,500	9	0.26			
Orchard Ridge Associates	5,290,500	10	0.24			
Atohaas North America Inc. & Arkema Inc.				7,812,030	4	0.47
Parker Hannifin Corporation				7,544,750	5	0.45
Sheffield Plastics Inc.				6,812,890	6	0.41
BRE Realty, LLC				6,079,600	7	0.37
National Amusements, Inc.				5,576,720	8	0.34
Total	<u>\$ 286,700,640</u>		<u>13.17 %</u>	<u>\$ 190,393,190</u>		<u>11.44 %</u>

Source: Town of Berlin Assessor's Office

**Town of Berlin, Connecticut**

Table 8

Property Tax Levies and Collections  
Last Ten Fiscal Years

Year	Town 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
2016	\$ 66,490,625	\$ 65,918,097	99.14 %	\$ -	\$ 65,918,097	99.14 %
2015	63,580,445	62,864,950	98.87	490,703	63,355,653	99.65
2014	61,995,090	61,321,496	98.91	529,977	61,851,473	99.77
2013	59,323,912	58,577,996	98.74	633,933	59,211,929	99.81
2012	57,082,130	56,246,044	98.54	737,925	56,983,969	99.83
2011	54,154,344	53,367,466	98.55	723,835	54,091,301	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	654,910	50,644,174	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

**Town of Berlin, Connecticut**

Table 9

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Dollars in thousands, except per capita)

Fiscal Year	Governmental Activities		Total Governmental Activities Debt Outstanding	Business-type Activities		Total Percentage of Personal Income	Bonded Debt Percentage of Actual Taxable Value of Property		Bonded Debt Per Capita	Total Debt Per Capita
	General Obligation Bonds (1)	Capital Leases		Loans Payable	Total Primary Government					
2016	\$ 77,723	\$ 10,584	\$ 88,307	\$ 2,041	\$ 90,348	N/A	2.50	%	\$ 3,819	\$ 4,439
2015	63,541	448	63,989	2,237	66,236	N/A	2.03		3,198	3,333
2014	52,360	468	52,828	2,042	54,870	N/A	1.70		2,628	2,754
2013	35,687	457	36,144	454	36,598	N/A	1.06		1,733	1,777
2012	28,633	368	29,001	-	29,001	N/A	0.87		1,399	1,417
2011	30,342	389	30,731	-	30,731	N/A	0.93		1,526	1,546
2010	13,181	-	13,181	-	13,181	N/A	0.41		663	663
2009	6,330	-	6,330	-	6,330	N/A	0.20		309	309
2008	8,095	-	8,095	-	8,095	N/A	0.33		398	398
2007	9,860	-	9,860	-	9,860	N/A	0.41		490	490

(1) Presented net of original issuance discounts and premiums for 2007 through 2014, and net of premiums for 2015 and 2016.

N/A - Data not available

Schedule of Debt Limitation  
June 30, 2016  
(Dollars in Thousands)

Total fiscal year 2016 tax collections (including interest and fees)	
General Fund	\$ 66,743
Fire Districts	1,309
State Reimbursement for Revenue Loss on Tax Relief for the Elderly	111
Base for Establishing Debt Limit	<u>\$ 68,163</u>

Debt Limitation Multiples	Statutory Debt Limitation Multiples by Classification				
	General Purpose	Schools	Sewer	Urban Renewal	Pension Deficit
2-1/4 times base	\$ 153,368	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	306,735	-	-	-
3-3/4 times base	-	-	255,613	-	-
3-1/4 times base	-	-	-	221,531	-
3 times base	-	-	-	-	204,491
Total debt limitation	<u>153,368</u>	<u>306,735</u>	<u>255,613</u>	<u>221,531</u>	<u>204,491</u>
Indebtedness					
Bonds payable	18,300	55,940	2,041	-	-
Bonds authorized but not issued	4,851	2,170	2,263	-	-
Overlapping indebtedness (1)	-	-	11,685	-	-
Total Indebtedness	<u>23,151</u>	<u>58,110</u>	<u>15,989</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Indebtedness	<u>\$ 130,217</u>	<u>\$ 248,625</u>	<u>\$ 239,624</u>	<u>\$ 221,531</u>	<u>\$ 204,491</u>

In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum permitted at this time is \$477,145.

(1) 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.

Direct and Overlapping Governmental Activities Debt  
 June 30, 2016  
 (Dollars in Thousands)

Government Unit	Debt Outstanding (1)	Percentage Applicable to Town (2)	Amount Applicable to Town
Kensington Fire District - Commercial Loan	\$ 727	100.00%	\$ 727
Worthington Fire District - USDA Loan	409	100.00%	409
Mattabassett District - Clean Water Fund Loan	73,509	14.35%	<u>10,549</u>
Subtotal, overlapping debt			11,685
Town of Berlin, direct debt			
General obligation bonds			77,723
Capital leases			<u>10,584</u>
Total direct and overlapping debt			<u><u>\$ 99,992</u></u>

(1) Excludes business-type activities debt

(2) 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.

The Town is responsible for a pro-rata share of the Mattabassett District's debt based on population.

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

**Town of Berlin, Connecticut**

Table 12

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Dollars in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Legal Debt Limit	\$ 477,145	\$ 461,531	\$ 446,831	\$ 434,483	\$ 409,864	\$ 389,949	\$ 366,898	\$ 362,544	\$ 351,540	\$ 342,678
Total Indebtedness (as defined) Applicable to Limit	<u>97,250</u>	<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>
Legal Debt Margin	<u>\$ 379,895</u>	<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>
Total Indebtedness (as defined) Applicable to the Limit as a % of Legal Debt Limit	20.38%	20.24%	22.94%	23.34%	21.47%	28.78%	10.11%	6.95%	5.73%	3.79%



Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	School Enrollment	Unemployment Rate (3)
2016	20,352	\$ N/A	\$ N/A	2,863	4.80 %
2015	19,870	N/A	N/A	2,898	4.30
2014	19,921	N/A	N/A	2,951	5.20
2013	20,590	N/A	38,738	2,981	6.40
2012	20,463	N/A	38,426	3,026	6.60
2011	19,881	N/A	37,526	3,123	7.80
2010	19,866	N/A	38,134	3,167	7.50
2009	20,467	N/A	N/A	3,223	6.70
2008	20,364	N/A	N/A	3,269	4.50
2007	20,137	N/A	N/A	3,277	3.60

(1) Population Sources: 2007-2009 State of Connecticut Department of Health. The 2010 population figure is a U.S. Census figure. The 2011-2016 population figures are Town of Berlin estimates.

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

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

N/A - Data not available.

**Town of Berlin, Connecticut**

Table 14

Principal Employers  
Current Year And Nine Years Ago

Employer	2016				2007			
	Employees	Rank	Percentage of Total Employment		Employees	Rank	Percentage of Total Employment	
Eversource (formerly Northeast Utilities)	1,231	1	10.97	%	1,450	1	13.00	%
Town of Berlin	677	2	6.03		602	2	5.40	
Comcast Cable/TCI, CT	497	3	4.43		468	3	4.20	
Assa Abloy	422	4	3.76					
Parker Fluid Control	232	5	2.07					
B & F Machine	216	6	1.92		135	9	1.21	
Budney Overhaul and Repair	164	7	1.46					
TOMZ Corporation	141	8	1.26					
Home Depot	140	9	1.25		162	7	1.45	
Stop and Shop	137	10	1.22					
Corbin Russwin					365	4	3.27	
ASCO					250	5	2.24	
Parker Hannifin					250	6	2.24	
Reliance Automotive					155	8	1.39	
Hartford Direct					130	10	1.17	
	<u>3,857</u>		<u>34.36</u>	%	<u>3,967</u>		<u>35.56</u>	%

Source: Town of Berlin Economic Development Department

Full-Time Equivalent Town Government Employees By Function/Program  
Last Ten Fiscal Years

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government:										
Manager's Office	2.40	2.40	2.40	2.40	2.40	2.40	2.40	3.00	3.00	3.00
Finance Department	7.00	7.00	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	2.25	2.40	2.40	2.62	2.62	2.62	2.62	2.62	2.62	2.53
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	4.57	4.64	4.00	4.00	4.00	4.00	4.00	4.70	4.70	4.70
Registrars 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
General Government Total	24.96	25.18	23.54	23.76	23.76	23.76	23.76	25.06	25.06	24.97
Community Development:										
Planning and Building Inspector	5.84	5.84	5.84	5.84	5.84	5.84	5.84	6.34	6.34	5.84
Economic Development	1.86	1.10	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.83
Community Development Total	7.70	6.94	6.70	6.70	6.70	6.70	6.70	7.20	7.20	6.67
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	0.43
Police Department										
Officers	42.00	42.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00	40.00
Civilians	13.00	13.00	13.00	13.00	13.00	12.00	12.00	12.00	12.00	12.00
Fire Marshal	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public Safety Total	58.93	58.93	57.93	57.93	57.93	56.93	56.93	56.93	56.93	55.93
Physical Services:										
Municipal Garage	7.07	7.07	7.07	7.07	6.07	6.07	6.07	6.07	6.07	6.07
Public Works	4.25	4.25	4.50	4.50	4.50	4.67	4.67	4.67	4.67	4.67
Highway	14.00	14.00	14.00	14.00	14.00	14.00	15.00	15.00	16.00	16.00
Public Building	17.44	17.95	17.95	17.95	17.95	17.95	17.35	17.35	16.35	15.35
Physical Services Total	42.76	43.27	43.52	43.52	42.52	42.69	43.09	43.09	43.09	42.09
Parks, Recreation, and Libraries:										
Recreation	2.02	2.02	2.17	2.67	2.67	2.67	2.67	2.67	2.67	2.67
Golf Course	5.00	5.00	5.00	5.00	6.00	7.00	7.00	7.00	7.00	7.00
Libraries	11.34	11.34	11.39	11.10	11.10	11.10	11.10	11.10	11.10	11.10
Public Grounds	11.33	11.33	11.33	10.33	10.33	11.33	11.33	11.33	11.33	11.33
Parks, Recreation, and Libraries Total	29.69	29.69	29.89	29.10	30.10	32.10	32.10	32.10	32.10	32.10
Health and Human Services:										
Nursing Services	14.43	14.75	15.00	15.00	15.00	15.00	15.00	15.00	15.00	16.00
Community Services	4.92	5.05	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Health and Human Services Totals	19.35	19.80	19.50	20.00	20.00	20.00	20.00	20.00	20.00	21.00

(continued)

**Town of Berlin, Connecticut**

Table 15

Full-Time Equivalent Town Government Employees By Function/Program (Continued)  
Last Ten Fiscal Years

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Schools:										
Private Schools	1.20	1.20	1.20	1.20	1.23	1.23	1.33	1.33	1.33	1.33
Board of Education										
Administration	17.00	19.22	18.60	18.60	17.60	17.60	17.60	18.00	18.00	18.00
Teachers	277.10	278.00	278.39	270.89	274.91	273.21	273.31	273.75	271.74	268.30
Other (1)	183.34	174.99	170.24	144.89	141.46	141.96	141.27	144.55	143.84	143.41
School Expenses	8.39	8.41	8.83	8.83	8.11	8.11	7.67	7.67	7.67	6.67
Schools Total	487.03	481.82	477.26	444.41	443.31	442.11	441.18	445.30	442.58	437.71
Water Control Commission:										
Administration	2.07	1.92	2.10	2.50	2.50	2.33	2.33	2.33	2.33	2.33
Operations	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Water Control Comm. Total	6.07	4.92	5.10	5.50	5.50	5.33	5.33	5.33	5.33	5.33
Total	676.49	670.55	663.44	630.92	629.82	629.62	629.09	635.01	632.29	625.80
Total Town Government	183.39	183.81	181.08	181.01	181.01	182.18	182.58	184.38	184.38	182.76
Total Education (1)	487.03	481.82	477.26	444.41	443.31	442.11	441.18	445.30	442.58	437.71
Total Water Control	6.07	4.92	5.10	5.50	5.50	5.33	5.33	5.33	5.33	5.33
	676.49	670.55	663.44	630.92	629.82	629.62	629.09	635.01	632.29	625.80

Source: Town of Berlin Finance Department

(1) Board of Education Other is higher than in the budget document because it includes non union workers paid by grants and cafeteria funds. The budget document only includes General Fund salaries. The fiscal year 2014 increase is due in part to new grants.

**Town of Berlin, Connecticut**

Table 16

Operating Indicators By Function/Program  
Last Ten Fiscal Years

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Physical arrests:										
Adult Arrest	401	380	443	471	488	639	668	1,124	1,147	1,267
Juvenile Arrest	34	32	32	32	39	37	21	15	51	62
Parking violations:										
Parking Tickets	-	-	-	-	-	-	24	74	101	92
Traffic violations:										
Infractions	2,389	3,360	2,208	2,148	2,451	2,513	2,605	2,802	2,348	2,426
Misdemeanor	318	414	500	1,033	585	585	578	508	514	662
Written Warning	1,967	2,355	2,758	3,278	3,039	2,539	2,775	2,407	1,956	1,909
Town Ordinance	-	-	-	-	-	1	66	22	34	26
Animal Control:										
Dog licenses issued	1,820	1,785	1,882	1,843	1,886	1,448	1,692	1,828	1,890	2,007
Animals adopted	55	56	74	81	77	57	59	95	77	84
Animal redemptions	34	50	46	65	59	52	58	52	58	54
Fire Suppression Services*:										
Alarms	141	135	168	163	133	121	101	122	702	382
Fires	98	81	91	65	80	63	56	71	77	45
Hazardous Materials	80	95	102	46	53	120	81	120	32	20
Assistance Calls	86	108	94	46	71	189	101	233	102	6
Rescue Calls	11	9	10	11	16	127	15	122	129	310
Fire Marshal:										
Inspections	357	269	241	205	218	245	269	321	340	410
Investigations	27	21	24	20	23	42	25	23	24	39
Refuse Collection:										
Solid Waste (tons)	7,998	6,351	9,023	10,682	11,723	10,805	10,482	9,667	9,621	9,955
Bulky Waste (tons)	**	**	**	**	**	383	285	**	34	178
Curbside recycling (tons):										
Commingled Containers	1,442	2,123	1,916	1,907	1,348	1,351	1,485	524	548	505
Corrugated	***	***	***	***	***	***	***	N/A	N/A	N/A
Newspaper	***	***	***	***	***	***	***	1,222	1,277	1,177
Leaves	842	663	780	730	727	644	741	787	1,434	659
Other Public Works:										
Street resurfacing (miles)	4.4	3.3	5.7	3.5	2.3	1.1	1.1	2.1	2.4	1.6
Building Department:										
Building permits issued	1,666	1,271	1,139	1,438	1,188	1,391	1,284	1,231	1,429	1,541
Planning:										
Zoning violations	70	74	93	64	103	130	191	245	255	180

(continued)

**Town of Berlin, Connecticut**
**Table 16**
**Operating Indicators By Function/Program (Continued)**  
**Last Ten Fiscal Years**

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Library:										
Volumes in collection	137,222	130,824	133,900	127,861	130,637	127,480	126,128	124,569	102,471	107,274
Total volumes borrowed	176,842	175,983	190,404	194,990	196,164	194,674	216,882	219,248	213,411	212,554
Water:										
New connections	6	35	17	29	27	7	25	19	89	105
Water main breaks	9	1	2	9	10	15	10	5	2	3
Average daily consumption (thousands of gallons)	1,097	1,089	1,041	956	951	950	955	950	933	800
Peak daily consumption (thousands of gallons)	1,769	1,530	1,457	1,338	1,331	1,330	1,337	1,330	1,306	1,120
Sewer:										
Average daily sewage treatment (thousands of gallons)	1,536	1,535	1,620	1,200	2,800	1,200	1,200	1,100	1,100	769

N/A = Not Available

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

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

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

Source: Town of Berlin

**Town of Berlin, Connecticut**
**Table 17**
**Capital Asset and Infrastructure Statistics by Function/Program  
Last Ten Fiscal Years**

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	14	14	14	14	14	15	14	14	14
<b>Fire:</b>										
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
<b>Public works:</b>										
Streets (Miles)	111.51	111.51	111.51	111.51	111.41	111.41	111.00	111.00	130.18	102.97
Streetlights	2,567	2,544	2,544	2,537	2,534	2,525	2,522	2,520	2,515	2,498
Traffic signals	6	6	6	6	6	6	6	6	6	6
Bridges*	37	37	37	37	37	37	37	37	37	37
<b>Parks and Recreation:</b>										
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	2,255	2,163	2,163	2,163	2,163	2,163	2,137	2,060	2,060
Playrongs	9	9	9	9	9	9	9	9	9	9
Baseball/softball fields	15	15	16	16	16	16	16	16	16	16
Soccer/football fields	11	11	11	11	11	11	11	11	11	11
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
<b>Water:</b>										
Water mains (miles)	47.0	47.0	47.0	47.0	47.0	46.6	46.5	46.4	46.0	42.0
Fire hydrants	545**	440	436	434	434	430	428	425	420	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
<b>Wastewater:</b>										
Sanitary sewers (miles)***	119.00	119.00	119.00	119.00	119.00	103.80	103.75	103.50	103.00	102.00
Storm sewers (miles)	55.21	55.21	55.21	55.21	55.21	55.21	54.84	54.78	54.50	53.82
Trtmnt. Capac. (thousands of gals.)	1,990,000	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
Pump stations	11	11	11	12	12	12	12	12	12	12
<b>Education:</b>										
Number of public schools	5	5	5	5	5	5	5	5	5	5

\* Prior year information has ben restated to conform with current information.

\*\* A hydrant inventory was done. Prior year numbers were understated.

\*\*\* This represents miles of sanitary sewers throughout the whole Town, not just the Water Control Commission district.

Source: Town Records