

TOWN OF BERLIN CONNECTICUT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

**TOWN OF BERLIN
CONNECTICUT**

FISCAL YEAR ENDED JUNE 30, 2013

Prepared by:

Finance Department

James Wren, Jr., Finance Director

TOWN OF BERLIN, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

PRINCIPAL ELECTED OFFICIALS

	Mayor	Adam P. Salina	
Deputy Mayor	Rachel Rochette	Councilor	Eric Buhrendorf
Councilor	David Evans	Councilor	Margaret Morelli
Councilor	William Rasmussen Jr.	Councilor	William Watson III

ADMINISTRATION

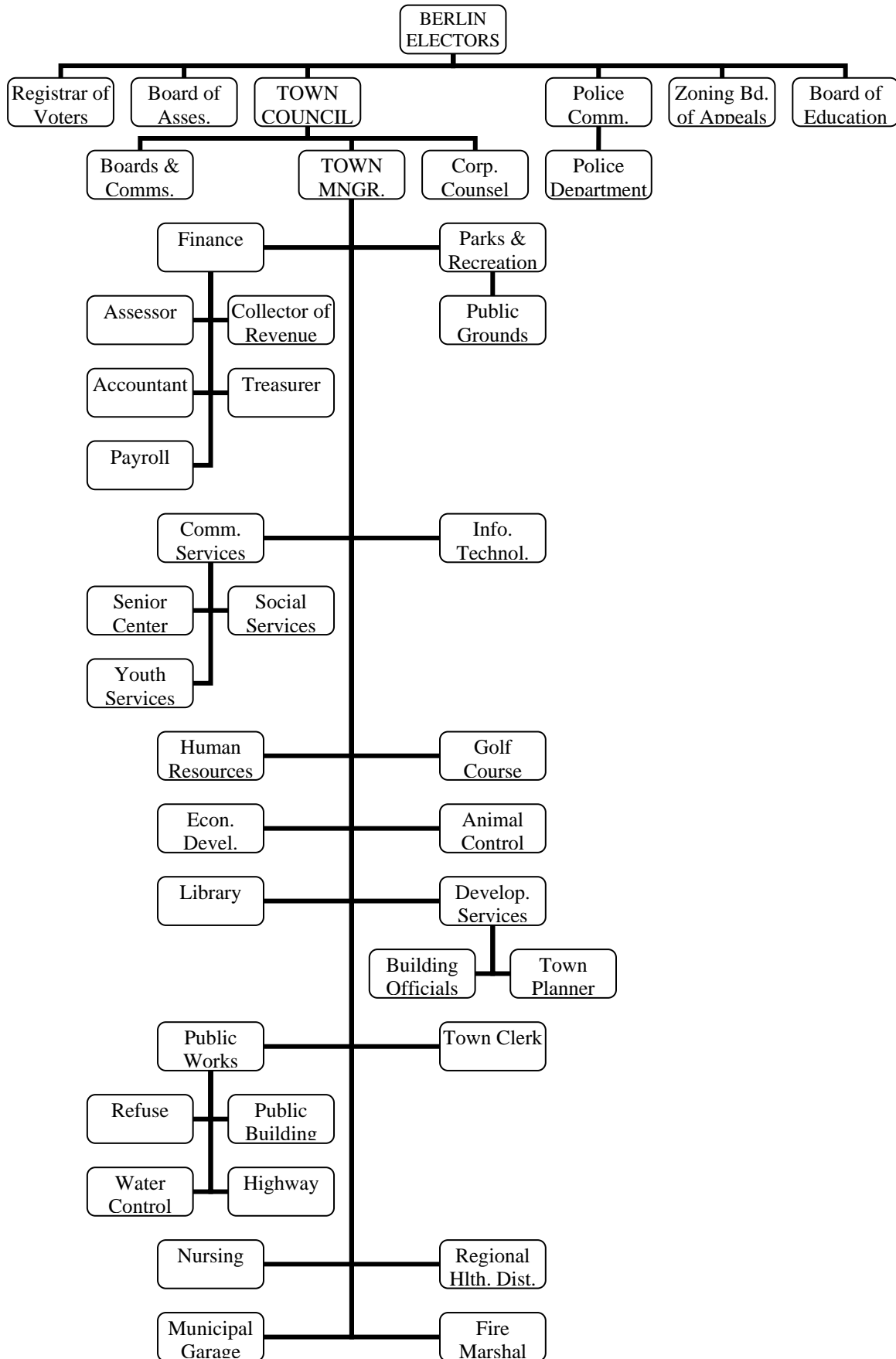
Town Manager	Denise M. McNair
Corporation Counsel	Robert F. Weber
Finance Director	James Wren Jr.
Nursing Supervisor	Linda Colella
Planner	Hellyn R. Riggins
Recreation Director	Vacant
Public Works Director	Arthur G. Simonian
Chief of Police	Paul D. Fitzgerald
Town Clerk	Kathryn J. Wall
Library Director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

BOARD OF EDUCATION

	Gary R. Brochu, President	
Irene H. Matulis, Secretary		Timothy J. Oakes
Kristin Campanelli		Kathleen A. O'Donnell-Moss
Jeffrey Cugno		John M. Richards
Julie M. Erickson		George Synnott
Superintendent of Schools		David B. Erwin
Business Manager		Roman J. Czuchta

TOWN OF BERLIN

Organization Chart





TOWN OF BERLIN

Finance Department

240 KENSINGTON ROAD • TOWN HALL • BERLIN, CT 06037

November 21, 2013

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

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

The Comprehensive Annual Financial Report (CAFR) of the Town of Berlin for the fiscal year ended June 30, 2013 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 2013.

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

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

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

PROFILE OF THE MUNICIPALITY

The Town of Berlin is an independent town and is a political subdivision of the State of Connecticut autonomous from any county, town or other political subdivision of the State of Connecticut. The Town of Berlin was incorporated in 1785 from parts of Farmington, Middletown, and Wethersfield. The Town, which covers an area of 27.0 square miles, is located in the geographic center of the state in Hartford County. Berlin's current population is approximately 19,921 as of June 30, 2013.

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

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

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

LOCAL ECONOMIC CONDITION AND OUTLOOK

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

The Town of Berlin entered the 2008 economic downturn in good condition with very high commercial/industrial occupancy rates and ongoing commercial and residential development projects across the Town. The pace of development has slowed and the Town has experienced some business closings but most of the impacted properties have already been sold or leased to new Berlin businesses. Notable new businesses include Fosdick Fulfillment (replacing Hartford Direct), Okay Industries (replacing Bayer-Sheffield Plastics), The Fletcher Terry Company (replacing Reliance Automotive) and Kohl's (being developed at the former Sam's Club site). Northeast Utilities' corporate office group relocated out of Town but this space has been filled by other Northeast Utilities administrative offices. Northeast Utilities subsidiaries Connecticut Light & Power and Yankee Gas are still headquartered in Berlin. In addition, Northeast Utilities acquired a 100,000-square-foot warehouse for its transmission group and an 18,500-square-foot office addition; the company has also expanded its aerial device facility at the Berlin campus. 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 3.5 million customers in three states. The newly-merged company will continue to be called Northeast Utilities and has dual headquarters in Hartford and Boston.

There are several other firms that are moving into or have moved into new or existing facilities in Berlin. These include Sportika, Cyclone Systems, Midsun Specialty Products, ABC Building Supply Company, Tyler Equipment, TIGHTCO, Czepiga and Daley LLC and Jacunski Humes Architects.

In addition, expansion of existing companies is a significant source of economic growth in Berlin. Among the businesses that have expanded recently are Letter Concepts, TOMZ Corporation, Harvey Industries, New Britain Transportation, TM Industries, Budney Industries, B&F Machine and Heise Industries, Inc. In total, these businesses added over 100,000 square feet of building space.

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

The Town's location makes it accessible to a large labor force without requiring commuting through congested areas in the State's major cities. From 2004 - 2013, the Town's unemployment rate has been consistently less than the State, regional and national averages. As of June 2013, the unemployment rate in Berlin was 6.4% (not seasonally adjusted) compared with 8.2% in the Hartford Labor Market Area, 8.2% in the State of Connecticut and 7.8% in the United States. Berlin has strong demographic characteristics including a median household income 25.7% higher than the State average. In addition, despite the slow economy, the Town's overall Grand List grew approximately 1.57% over the prior year.

Issuance of building permits (both commercial and industrial) improved in fiscal year 2013 with the number of permits issued increasing about 21% over fiscal year 2012.

MAJOR INITIATIVES

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

Major state and federal investments are also being made to upgrade commuter rail service through Berlin on the New Haven-to-Springfield corridor. These public investments will complement the Legion Square project anchored by Stop and Shop. In addition, the Berlin Turnpike corridor is benefiting from commercial developments including a \$12 million addition completed in 2010 by Connecticut Light & Power. Major Targeted Economic Development Sites (TEDS) were identified in the 2003 Plan of Conservation and Development and marketing of these sites in cooperation with property owners is expected to continue to yield future development successes.

In addition, the Town has undertaken several major capital projects including an \$84.95 million project to renovate Berlin High School as new; this project was approved at referendum in March 2011 at \$69.95 million but due to special state legislation, additional state reimbursement will cover the additional \$15 million. Currently, this project is in the construction phase with work projected to continue over the next three to four years. In addition, the Town has acquired the former Kensington Furniture property in order to relocate the police station to a more central location in Town; once environmental studies are completed, the existing building will be demolished in preparation for the construction of the new facility.

Several other projects that have recently been undertaken include major roadway improvements (the first phase of which is underway); the purchase and installation of a new emergency power generator, phone system and virtual hardware to better prepare the Town to respond to a disaster situation; upgrades to building security and a multi-year initiative to repair town bridges and sidewalks. Also, two school roofs have been replaced in the past 3 years.

A \$4 million inflow and infiltration project is underway with construction beginning in Spring 2013. 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.

Finally, the Mattabassett District (which currently provides sewer treatment services for Berlin, Cromwell and New Britain) is planning a major upgrade for nitrogen removal, increased capacity to accommodate a potential new member (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. The three year construction project is underway with construction estimated to be completed by 2015. Total construction costs are estimated at \$100 million. The project is funded by a combination of grants and a 2% 20 year Clean Water Fund loan. Ultimately, the cost of the project will be borne by sewer fee increases spread across the member towns. The Town's share of project cost is equal to its percentage of future plant reserved capacity, currently estimated to be 13.99%. This percentage is subject to change.

LONG-TERM FINANCIAL PLANNING AND IMPACT TO FUND BALANCE

During fiscal year 2013, 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 10 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 \$1,550,000 of fund balance to be used in fiscal year 2013; however, due to expenditure controls implemented by the Town as well as better than expected revenues, it was not necessary to utilize any of these funds. In the previous fiscal year, none of the \$1,550,000 assigned needed to be used. Favorable fiscal year 2013 results were achieved despite the occurrence of Blizzard Charlotte in February 2013; storm costs were controlled by minimizing use of outside contractors utilizing a small portion of budgeted contingency and by working with FEMA to obtain partial federal reimbursement of storm-related costs.

The unassigned fund balance in the general fund as a percentage of total general fund revenues (budgetary basis) increased from 13.2% of total general fund revenues at June 30, 2012 to 14.7% at June 30, 2013. For fiscal year 2014, \$1,800,000 of assigned fund balance was included in the budget with the expectation that the difficult economy will persist and continue to affect the federal, state and local governments. The increase in assigned fund balance over the previous year is due to the fact that state-mandated property revaluation occurred on the 2012 Grand List which impacts fiscal year 2014. Since real property values declined due to the revaluation, the mill rate increased before any changes were made to the budget; the increase in budgeted use of fund balance was intended to partially offset any further increase to the mill rate.

The Town's infrastructure and other capital needs (including investments in economic development to continue growth and revitalization of the commercial corridor) are incorporated into a five-year capital improvement plan which is developed and revised annually by individual department heads and reviewed and revised by a capital improvement committee as well as the Town Manager prior to presentation to the Town Council during the budget process. The capital needs identified through the capital planning process that require debt issuance for funding are then incorporated into a debt management plan that is presented to the Town Council during the budget process. The debt management plan identifies the timing of the proposed issuance of bonds and/or bond anticipation notes to fund major initiatives. The plan also estimates the debt service expenditures related to such projects to incorporate into the budget. The purpose of the debt management plan is to establish realistic goals, maintain a solid debt position and to protect credit quality. Currently, the Town of Berlin maintains a credit rating of AA by Standard & Poor's and Aa2 by Moody's.

OTHER RELEVANT FINANCIAL POLICIES AND PROCEDURES

The Town of Berlin has established a comprehensive set of internal financial policies. During fiscal year 2013, several of these policies were particularly relevant as follows:

The Town has a policy of including a contingency account in the Town's operating budget to address unexpected financial issues that arise during the year. This policy assisted the Town in managing the costs associated with Blizzard Charlotte in February 2013. This policy, in conjunction with the process described above for managing expenditures averted the need to utilize fund balance to cover storm expenditures. The Town's policy of canceling open purchase encumbrances in the general fund at the end of the fiscal year also assists in controlling expenditures.

During the fiscal year, the Town has also continued the process of implementing the comprehensive business continuity and disaster recovery plan created in fiscal year 2012. This plan is being phased in over several years. To date, the Town has purchased and installed a new generator at Town Hall to minimize the impact to business continuity in the event of major storms; implemented a virtual server environment to protect and preserve data; and began implementation of a new telephone system to enhance communication. The next phase will include building security enhancements, testing of the business continuity plan, enhancement of the Town website and development of an alternate operating location to be used in the event of a major disaster impacting the Town Hall building.

OTHER INFORMATION

Independent Auditor:

In accordance with Section 7-13 of the Town Charter, the Council shall select an independent public accountant, approved by the Secretary of the State Office of Policy and Management, to complete an annual audit. During fiscal year 2013, the Town solicited proposals from qualified auditing firms to provide audit services for the three-year period encompassing fiscal years 2013, 2014 and 2015 with the potential of a two-year extension. On March 19, 2013, based on a recommendation from the Director of Finance and the Audit Committee of the Town Council, the Town Council re-appointed Blum, Shapiro & Company as the Town's auditors.

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 twenty-eight consecutive years. The Certificate of Achievement is a prestigious national award recognizing conformity with the highest standards for preparation of state and local government financial reports.

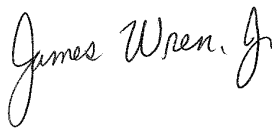
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable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

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 cursive script that reads "James Wren, Jr.".

James Wren, Jr.
Finance Director



Government Finance Officers Association

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

Presented to

**Town of Berlin
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Financial Section



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Berlin, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berlin, Connecticut, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the budgetary comparison information on pages 53 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 on our consideration of the Town of Berlin, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berlin, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 21, 2013

TOWN OF BERLIN, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. Please read this Management Discussion and Analysis (MD&A) in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX. All amounts are expressed in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

- The Town's net position increased by \$3,003, or 3.3%, as a result of this year's operations. Net position of the Town's governmental activities increased by \$2,603, or 3.4%, and net position of the Town's business-type activities increased by \$400, or 2.7%.
- During the year, the Town had governmental program expenses that were \$2,603 less than the \$81,747 generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, expenses were \$400 less than the \$3,198 generated in charges for services and other revenues.
- Due in large part to successful expense management, the total cost of all of the Town's programs increased by only .1% to \$81,941 with no new programs added this year. Increases in the costs of general government and education programs were mostly offset by decreases in the costs of community development and physical services programs. All other program expenses remained fairly consistent with prior year expenses.
- The General Fund reported a total fund balance this year of \$12,791, an increase of \$1,493, or 13.2%, from the previous year. The unassigned portion of fund balance increased by \$1,322, or 14.1%. None of the \$1,550 fund balance assigned to balance the fiscal year 2013 budget was utilized.
- Expenditures were kept at or below spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position increased from \$91,136 to \$94,140. 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 33,528	\$ 36,430	\$ 5,169	\$ 4,820	\$ 38,697	\$ 41,250
Capital assets, net of accumulated depreciation	88,209	83,216	10,569	9,824	98,778	93,040
Total assets	<u>121,737</u>	<u>119,646</u>	<u>15,738</u>	<u>14,644</u>	<u>137,475</u>	<u>134,290</u>
Long-term debt outstanding	37,680	30,272			37,680	30,272
Other liabilities	4,886	12,807	769	75	5,655	12,882
Total liabilities	<u>42,566</u>	<u>43,079</u>	<u>769</u>	<u>75</u>	<u>43,335</u>	<u>43,154</u>
Net Position:						
Net investment in capital assets	58,673	57,120	10,114	9,825	68,787	66,945
Restricted	147	157			147	157
Unrestricted	<u>20,351</u>	<u>19,290</u>	<u>4,855</u>	<u>4,744</u>	<u>25,206</u>	<u>24,034</u>
Total Net Position	<u>\$ 79,171</u>	<u>\$ 76,567</u>	<u>\$ 14,969</u>	<u>\$ 14,569</u>	<u>\$ 94,140</u>	<u>\$ 91,136</u>

Net position of the Town's governmental activities increased by 3.4%. Unrestricted governmental net position (i.e. the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased from \$19,290 at June 30, 2012 to \$20,351 at the end of this year.

The Town was able to achieve an increase in unrestricted governmental net position in 2013 due to successful expense management controls (especially those put in place during the last quarter of the fiscal year) to outpace declining intergovernmental (i.e., grant) revenues during the difficult economic times experienced over the past year and that are expected to continue into the future. Net investment in capital assets also increased from \$57,120 at June 30, 2012 to \$58,673 at June 30, 2013. This increase occurred because the value of capital assets added (including construction in progress on the major renovations to Berlin High School, roadway and bridge improvements, school roof replacement projects, new fire vehicles, and major infrastructure improvements in the water/sewer systems) exceeded additional debt issued during the year. Please refer to Notes 5 and 6 in the Notes to Financial Statements for further detail.

Authorized General Fund appropriations for operating expenses of approximately \$2.7 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, management has controlled expenditures through such practices as improving operational efficiencies including the following initiatives: substantially reducing telephone expenses through a detailed review of historical billing; minimizing additions to staff and re-evaluating rather than refilling some vacant positions; minimizing use of overtime where possible; prohibiting most air travel for conferences; offering an early retirement incentive; and managing the financial effects of Blizzard Charlotte in February 2013 through the use of internal resources and budgeted contingency. In addition, continued maintenance of low interest rates by the Federal Reserve has helped to keep debt service expenses below budget.

In addition to expense reduction efforts, there were also positive results in several revenue categories that contributed to an increase in net position. Most notably, tax revenues, especially related to motor vehicle taxes and collection of delinquent taxes and related interest, have continued to be better than expected, despite the difficult economy; and the Grand List, unlike that of many surrounding towns, has continued to grow (1.57% growth in fiscal year 2013). The Town has been able to continue to maintain a very high tax collection ratio (98.74% in the current fiscal year,

which is an increase of .2% over the prior year and higher than the 98.5% collection assumption used in the budget). In addition, due to the volatility of the information available from the State of Connecticut while the Governor's budget was being developed, the Town budgeted very conservatively for the Manufacturers' Machinery and Equipment runout and Municipal Revenue Sharing grants; as a result, even though the state provided less money than originally expected, the Town still showed a positive budget variance for these grants. The Town was fortunate that the State maintained current levels of Education Cost Sharing funding with only minor reductions from the prior year; these funds account for the vast majority of funds received from the State. Charges for services revenues also improved in many areas over the prior year, most notably in building permit fees; increases were partially offset by a decrease in public health nursing services revenue which declined primarily due to reductions in Medicare reimbursements at the federal level. In addition, investment earnings have declined due to very low interest rates. Please see the narrative following Table 2 for a more specific discussion of revenue variations by category.

Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,534	\$ 4,481	\$ 3,177	\$ 3,142	\$ 7,711	\$ 7,623
Operating grants and contributions	14,113	14,144			14,113	14,144
Capital grants and contributions	1,787	1,412			1,787	1,412
General revenues:						
Property taxes	59,609	57,634			59,609	57,634
Grants and contributions not restricted to specific programs	986	1,055			986	1,055
Unrestricted investment earnings	177	276	21	9	198	285
Other general revenues	541	746			541	746
Total revenues	<u>81,747</u>	<u>79,748</u>	<u>3,198</u>	<u>3,151</u>	<u>84,945</u>	<u>82,899</u>
Program expenses:						
General government	4,398	3,736			4,398	3,736
Community development	838	1,311			838	1,311
Public safety	8,072	8,029			8,072	8,029
Physical services	8,525	9,334			8,525	9,334
Parks, recreation and libraries	4,216	4,274			4,216	4,274
Health and human services	2,190	2,440			2,190	2,440
Schools	49,788	48,942			49,788	48,942
Interest on long-term debt	1,124	1,141			1,124	1,141
Water			1,249	1,242	1,249	1,242
Sewers			1,541	1,387	1,541	1,387
Total program expenses	<u>79,151</u>	<u>79,207</u>	<u>2,790</u>	<u>2,629</u>	<u>81,941</u>	<u>81,836</u>
Excess before transfers	2,596	541	408	522	3,004	1,063
Transfers	<u>8</u>	<u>(2)</u>	<u>(8)</u>	<u>2</u>	<u>-</u>	<u>-</u>
Increase in Net Position	<u>\$ 2,604</u>	<u>\$ 539</u>	<u>\$ 400</u>	<u>\$ 524</u>	<u>\$ 3,004</u>	<u>\$ 1,063</u>

The Town's total revenues (governmental and business-type) were \$84,945. The total cost of all programs and services (governmental and business-type) was \$81,941. 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 72.9%, followed by 17.3% from operating grants and contributions, and 5.5% from charges for services. Major revenue factors include:

- Property tax revenues recorded for fiscal year 2013 reflect a tax rate of 25.15 mills, an increase of .65 mills over the rate used in the previous fiscal year. The tax collection rate was higher than the prior year at 98.74% vs. 98.54% and remained relatively strong considering the difficult economy. The Grand List continues to increase slightly (1.57%) and although the increase is modest, the Town of Berlin's growth outpaces many neighboring cities and towns.
- Unrestricted governmental investment earnings decreased from \$276 in the prior fiscal year to \$177 in the current year. The decrease in investment earnings is the result of continued maintenance of low rates by the Federal Reserve as the U.S. economy continues to struggle.
- Combined revenue from capital and operating grants and contributions increased from the prior fiscal year by \$344, or 2.2%. Operating grants actually declined from the prior fiscal year due to lower than expected grants received from the State of Connecticut both for education and non-education. This decrease was offset by an increase in capital grants mainly due to school construction reimbursement grants received for the Berlin High School renovation project and other school-related projects. The Town also recorded a receivable of \$181 from the Federal Emergency Management Agency ("FEMA") related to the 75% reimbursement of costs associated with Blizzard Charlotte which impacted the town during fiscal year 2013. The State maintained Education Cost Sharing (ECS) at levels comparable to the prior year (with a slight decrease of \$24 from the prior year); this fact is significant as these grants represent approximately 76% of all intergovernmental funds received by the Town. Capital grants and contributions increased slightly from the prior year mainly due to school construction grants received from the State of Connecticut for various school-related projects.
- In the Capital Projects Fund, \$7.91 million 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; school roof replacement at Willard School. These capital expenses were funded through a combination of intergovernmental grants, and bond and bond anticipation note proceeds (including a \$9,820 bond and note issuance in May 2013 and a \$9,703 note issuance in September 2012).
- For governmental activities, 62.9% of the Town's expenses are for education, 10.8% for physical services, 10.2% for public safety, 5.6% for general government and 5.3% for parks and recreation and libraries. These percentages are fairly consistent with the prior year.

Major expense factors include:

- As mentioned previously, the Town employed various cost control methods to lower expenses during fiscal year 2013. In addition, with the exception of Blizzard Charlotte, the winter weather was somewhat milder than usual which resulted in a decrease in expenditures for snow removal and storm clean-up as compared to the previous two years when several major storms occurred. As mentioned previously, expenses related to Blizzard Charlotte were covered through FEMA reimbursement and budgeted contingency funds.
- There were increases in employee wages as a result of negotiated step and general wage increases; however, contractual increases were limited to a maximum of 2% for the Town and 2.25% for the Board of Education. All Town unions received a 2% general wage increase during fiscal year 2013 and all town unions have taken a zero percent increase at some point over the past three years. Three union contracts expired on June 30, 2013; these contracts were extended by 2 years with a 2% general wage increase in each year. Any increases as a result of this contract negotiation are budgeted in fiscal year 2014.
- One new Town position was added during the year; this position is a mechanic for the Town Garage and the position was needed due to the additional workload caused by an aging vehicle fleet. The Town also implemented a voluntary retirement program during fiscal year 2013, resulting in five retirements of full-time employees. Of these five positions, two remain unfilled at June 30, 2013, two were consolidated into other existing positions and one was replaced with a new employee with a lower rate of pay and benefits than the previous employee. For the Board of Education, one new certified position was added and 4.02 certified FTE's were eliminated and 3.43 non-certified FTE's were added; the net impact was an increase in Board of Education FTE's of .41 FTE.
- Town employee benefit costs were well-managed due to benefits that continue to be realized from the consolidation of the separate insurance plans previously offered to each bargaining unit into one standard plan. In order to try to control the level of medical insurance costs, the Town is in the process of implementing a wellness program and also investigating other options such as high-deductible HSA plan. In addition, the employee share of medical insurance costs has been increasing in each of the past several years.

- The cost of education services increased, due mainly to contractual wage obligations, employee health benefits and the provision of state and federal mandated services. Capital expenditures related to education also increased due to school construction projects (specifically, the high school renovation project and the roof replacement project at Willard School).
- The policy of budgeting for contingencies continues to have a favorable impact to the Town's financial results. Contrary to the prior year in which all contingency funds needed to be utilized due to two major weather events, nearly 60% of budgeted contingency was not utilized and returned to fund balance in fiscal year 2013.
- Cost of issuing new debt continues to be low due to the Federal Reserve's policy of maintaining low interest rates. Debt service expenses will continue to increase in the coming years due to principal payments on newly-issued debt beginning to come due as well as future bond issuances for the major Berlin High School renovation project. These increases will be partially offset by debt service payments expiring in fiscal years 2014 and 2016. The \$69.95 million high school renovate-as-new project that was approved at referendum during fiscal year 2011 has now been increased to an \$84.95 million project with the additional costs covered by state school construction grants. The project is in the construction phase and the first bonding of \$5 million was completed in May 2013; the financial impact of the principal payments will begin in fiscal year 2016.

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

Table 3
Governmental Activities
(in thousands)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General government	\$ 4,398	\$ 3,736	\$ 3,168	\$ 2,171
Public safety	8,072	8,029	7,668	7,559
Physical services	8,525	9,334	7,706	8,334
Parks, recreation and library	4,216	4,274	2,841	2,836
Schools	49,788	48,941	34,360	34,666

Business-Type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 1.5 % and expenses (including transfers) increased by 6.1%.

The major factors contributing to the increase in revenues are: an increase in charges for services due to a \$20 surcharge added to sewer bills in October 2012 to fund capital improvements, and an increase in investment earnings due to a negative accounting adjustment of \$14 that impacted the prior year.

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

- 1.) Currently, the Mattabassett District (presently including the towns of Berlin, Cromwell and the City of New Britain) is performing a major upgrade for nitrogen removal, increased capacity to accommodate increased flows and related required improvements to meet federal Environmental Protection Agency and state Department of Energy and Environmental Protection nitrogen removal requirements as well as the EPA's sewage sludge incinerator emissions requirements. This is a three year construction project that began during fiscal year 2013 and
- 2.) A \$4 million inflow and infiltration project began during fiscal year 2013 to abate a portion of inflow and infiltration (i.e. clean water) flowing from the Town to the Mattabassett District.

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

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$21,146, which is a 30.7% increase from last year's total of \$16,181. This increase is due primarily to the fact that there was an \$8,495 bond issuance during fiscal year 2013 compared with no bond issuance in fiscal year 2012. The next bond issuance will likely be in May 2014.

Included in this year's total change in governmental fund balance is an increase of \$1,493 in the Town's General Fund, compared to an increase of \$930 in the prior year. The primary reason for the General Fund balance's continued increase is better than expected collection of delinquent taxes and related interest due to aggressive collection efforts; sustained strong current tax collection rates; conservative budgeting of intergovernmental revenue and the expense controls discussed in detail above. The increase in fund balance in fiscal year 2013 is greater than the increase in the prior year primarily due to the fact that the majority of budgeted contingency was returned to fund balance during fiscal year 2013 because there was only one major storm that impacted the Town with most of the expenses related to that storm covered by federal government reimbursement; in the prior year, the entire budgeted contingency balance needed to be used. Other contributing factors include: a higher than average number of employees was out on workers' compensation during fiscal year 2013 with salary savings offsetting necessary overtime for coverage; as well as the effects of the voluntary retirement program described above.

It should also be noted that the Town assigned \$1,550 in fund balance to be used during fiscal year 2013 and that did not need to be used, so results are significantly better than expected.

Proprietary Funds

As the Town completed the year, its business-type proprietary funds (as presented in the balance sheet - Exhibit V) reported combined net position of \$14,969 which is an increase of \$400 from the previous year's total of \$14,569. The last implemented rate increase was a 5% increase in April 2011 which impacted the October 2011 bills. However, there was also a \$20 surcharge added to sewer bills beginning in October 2012 to assist in funding of major capital improvements. In addition, a 12% sewer rate increase will be implemented in October 2013.

Internal Service Funds

In the internal service funds, the insurance funds experienced a combined increase in net position of \$204. Net position in the Medical and Health Insurance fund increased \$245 due to more favorable claims experience including a decrease from the prior year in catastrophic, large-dollar claims. It should be noted that this claim experience would have been more unfavorable if the Town did not maintain a \$150,000 stop-loss plan, so that any claims above this amount are paid by the insurer. The net position in the General Insurance Fund decreased by \$41, which is primarily due to the fact that a lower transfer from the General Fund to the General Insurance Fund was budgeted in fiscal year 2013 due to savings anticipated with going to a new insurance carrier; although there were savings, they were less than anticipated at the time resulting in insurance-related expenses exceeding the transfers in from the General Fund. It should be noted that expenses would have been higher if not for the 3 year rate guarantee for liability insurance with the Town's carrier. This guarantee expires at the end of fiscal year 2014. The Town is continuing to work with the insurance carrier to do reviews of higher risk areas and provide staff training in order to try to improve workers' compensation claim experience.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Town had \$98,777 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines (see Table 4). This amount represents a net increase (including additions and deductions) of \$5,736 or 6.2%, over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 21,944	\$ 21,944	\$ 993	\$ 993	\$ 22,937	\$ 22,937
Land improvements	1,759	2,029			1,759	2,029
Buildings and improvements	25,782	24,801	521	543	26,303	25,344
Equipment	5,543	4,154	171	105	5,714	4,259
Construction in progress	13,374	10,818	2,414	1,553	15,788	12,371
Infrastructure	19,807	19,470	6,469	6,631	26,276	26,101
Totals	<u>\$ 88,209</u>	<u>\$ 83,216</u>	<u>\$ 10,569</u>	<u>\$ 9,825</u>	<u>\$ 98,777</u>	<u>\$ 93,041</u>

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

Berlin High School Renovation	\$ 3,947
Fire Vehicles	1,428
Street Resurfacing	770
McGee School Wall Braces	363
Dump Trucks (lease-purchase)	336

The Town's fiscal-year 2013-14 capital budget calls for it to spend another \$2,546 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 golf equipment leases. Bond anticipation notes of \$1.325 million were outstanding at June 30, 2013 for the following projects: Land Acquisition, Beckley Road Bridge Improvements, Material Storage Yard, Town Hall Chiller Replacement, General Bridge Repair and Disaster Recovery/Business Continuity Initiatives. More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

At June 30, 2013, the Town had \$34,020 in bonds outstanding versus \$27,215 last year, an increase of \$6,805. The increase was the result of a bond issuance of \$8,495 in May 2013 to fund Willard School roof improvements, purchase of fire-fighting vehicles, purchase of land to construct a new police station and Berlin High School renovations. This issuance was partially offset by repayment of existing debt per the Town's debt repayment schedule. The Town maintains a five-year Capital Improvement Plan as well as a Debt Issuance Plan to track projects that need to be completed and the funding for such projects.

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

The Town's general obligation bond ratings of Aa2 with Moody's Investor Services and AA with Standard & Poor's Rating Services were re-affirmed during fiscal year 2013. The Town's Bond Anticipation Notes are rated MIG 1 with Moody's Investor Services and SP-1+ with Standard & Poor's Rating Services.

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 \$434,483 state-imposed limit.

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

Finally, on April 9, 2013, the Town entered into a twenty-year 2% loan with the State of Connecticut Department of Energy and Environmental Protection's Clean Water Fund in order to fund the inflow and infiltration project described under the "Business-Type Activities" section above. The Town's Interim Funding Obligation ("IFO") is \$3,554. Within six months after completion of the project, the IFO will be converted to a Project Loan Obligation ("PLO") 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year budget 2013-2014, General Fund appropriations total \$76,497. This is an increase of approximately 4.18% over 2012-2013 and resulted in a tax mill rate increase of 3.62 to 28.77 mills. This increase is substantially larger than that in the previous year, since state-mandated property revaluation occurred during the development of the 2012 Grand List. Due to the current economic conditions (particularly in the housing market), real property values declined on average (as they did in most surrounding Connecticut municipalities undergoing revaluation) resulting in an increase in the mill rate. The majority of the mill rate increase is due to the property revaluation; the increase driven by the budget was less than one mill. The 2013-14 General Fund budget includes \$1,800 (an increase of \$250 over the previous year in order to partially offset the effects of property revaluation) of assigned General Fund fund balance in order to mitigate the tax increase needed.

For the business-type activities, the Town, in conjunction with the Water Control Commission, has set related fees to offset the cost of operations. As described in detail in Note 12 as well as in the "Business-Type Activities" section above, the Mattabassett District, of which the Town is a member, is performing a major upgrade for nitrogen removal, increased capacity and improvements required by state and federal regulation. The district has borrowed approximately \$86 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 13.99%. Future sewer rate increases will be impacted by these projects beginning with a 12% rate increase in October 2013. The Town has also borrowed \$3,554 from 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 2013-14 fiscal year. The Town desires a stable level of service delivery and adopted a mill rate that reflects stable service delivery. The adverse economic conditions at the state and federal level continue to have a significant impact on the budget process. Like most surrounding towns, Berlin experienced a decrease in its Grand List for fiscal year 2013-14 following state-mandated property revaluation which reflected the impacts of the adverse real estate market over the past several years. The Town will be continually challenged in the future to match growing expenses with limited Grand List growth.

In addition, the Town faces the challenge of dealing with the budget instability occurring at the State and Federal level. Since approximately 11% of 2014 budgeted General Fund revenues are anticipated to be generated from operational intergovernmental grants, the sustainability of this revenue stream is a significant concern for the Town. The Town has so far been spared a major reduction in Education Cost Sharing funds, which represent approximately 76% of the 2014 grant revenue budget and 8.3% of the total revenue budget. The Governor's 2013 biennial budget reduced many of the Town's grants with a total negative impact to the General Fund of about \$40. Grants that were increased such as Local Capital Improvements ("LOCIP") and Town Aid Road ("TAR") are not recorded in the General Fund; however, this allowed some expenditures to be removed from the operating budget to be funded instead by these grant funds. The next State biennial budget will be set in 2015 following the 2014 gubernatorial elections; therefore there is a lot of uncertainty at this point as to what the impacts to the Town's budget will be. Also, there is a continuing state 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 issues at the Federal level will also impact the Town. The Federal sequester will continue to impact the funds that the Federal government provides to the State and, in turn the funds that the State provides to the municipalities.

Overall, financial results were better than planned for fiscal year 2013 due to successful expense management efforts as well as positive results in tax revenues. Over the previous years, the Town has maintained a relatively strong level of General Fund fund balance, which has assisted the Town in dealing with the unfavorable economic climate as well as addressing contingencies such as large weather events while keeping tax increases relatively low (the Town currently has one of the lowest historical mill rate increase of the 169 cities and towns in Connecticut). The growth in General Fund fund balance was maintained during fiscal year 2013 and will continue to put Berlin in a strong position to continue to weather the economic crisis and also to deal with other contingencies as well as to maintain its bond rating. The sustained statewide and national economic downturns will continue to be a significant challenge for the Town's management and elected officials for the next several budget years.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 29,910,207	\$ 4,119,513	\$ 34,029,720
Receivables, net	3,582,796	987,556	4,570,352
Internal balances	3,781	(3,781)	-
Inventory	30,661		30,661
Capital assets not subject to depreciation	35,318,439	3,407,589	38,726,028
Capital assets - depreciable, net of accumulated depreciation	52,890,852	7,161,068	60,051,920
Other		65,828	65,828
Total assets	<u>121,736,736</u>	<u>15,737,773</u>	<u>137,474,509</u>
Liabilities:			
Accounts and other payables	2,782,105	314,092	3,096,197
Unearned revenue	778,699		778,699
Bond anticipation and clean water notes	1,325,000	454,700	1,779,700
Noncurrent liabilities:			
Due within one year	3,361,506		3,361,506
Due in more than one year	34,318,682		34,318,682
Total liabilities	<u>42,565,992</u>	<u>768,792</u>	<u>43,334,784</u>
Net Position:			
Net investment in capital assets	58,673,095	10,113,957	68,787,052
Restricted for:			
Trust purposes:			
Expendable	32,357		32,357
Nonexpendable	114,691		114,691
Unrestricted	<u>20,350,601</u>	<u>4,855,024</u>	<u>25,205,625</u>
Total Net Position	<u>\$ 79,170,744</u>	<u>\$ 14,968,981</u>	<u>\$ 94,139,725</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 4,397,969	\$ 788,491	\$ 441,455	\$	\$ (3,168,023)	\$	\$ (3,168,023)
Community development	838,057	4,320			(833,737)		(833,737)
Public safety	8,072,109	336,275	63,920	4,400	(7,667,514)		(7,667,514)
Physical services	8,524,981	273,779		544,908	(7,706,294)		(7,706,294)
Parks, recreation and libraries	4,215,896	1,365,171	9,350		(2,841,375)		(2,841,375)
Health and human services	2,190,406	1,104,063	70,347		(1,015,996)		(1,015,996)
Schools	49,788,300	662,195	13,527,986	1,238,032	(34,360,087)		(34,360,087)
Interest on long-term debt	1,123,833				(1,123,833)		(1,123,833)
Total governmental activities	79,151,551	4,534,294	14,113,058	1,787,340	(58,716,859)	-	(58,716,859)
Business-type activities:							
Water services	1,249,273	1,517,215				267,942	267,942
Sewer services	1,540,650	1,659,354				118,704	118,704
Total business-type activities	2,789,923	3,176,569	-	-	-	386,646	386,646
Total	\$ 81,941,474	\$ 7,710,863	\$ 14,113,058	\$ 1,787,340	(58,716,859)	386,646	(58,330,213)
General revenues:							
Property taxes					59,608,953	72	59,609,025
Grants and contributions not restricted to specific programs					985,652		985,652
Unrestricted investment earnings					176,577	21,329	197,906
Other					540,823		540,823
Transfers					8,490	(8,490)	-
Total general revenues and transfers					61,320,495	12,911	61,333,406
Change in net position					2,603,636	399,557	3,003,193
Net Position at Beginning of Year					76,567,108	14,569,424	91,136,532
Net Position at End of Year					\$ 79,170,744	\$ 14,968,981	\$ 94,139,725

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 13,748,508	\$ 10,394,032	\$ 608,911	\$ 24,751,451
Receivables, net	3,431,050	103,125	48,621	3,582,796
Due from other funds	3,781			3,781
Inventories			30,661	30,661
Total Assets	<u>\$ 17,183,339</u>	<u>\$ 10,497,157</u>	<u>\$ 688,193</u>	<u>\$ 28,368,689</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and other payables	\$ 905,975	\$ 1,168,651	\$ 11,933	\$ 2,086,559
Taxes paid in advance	254,497			254,497
Due to other funds	377,543			377,543
Deferred revenue	2,854,057	301,944	23,062	3,179,063
Bond anticipation notes		1,325,000		1,325,000
Total liabilities	<u>4,392,072</u>	<u>2,795,595</u>	<u>34,995</u>	<u>7,222,662</u>
Fund balances:				
Nonspendable			145,352	145,352
Restricted		7,701,562	305,396	8,006,958
Committed	289,973		202,450	492,423
Assigned	1,800,000			1,800,000
Unassigned	10,701,294			10,701,294
Total fund balances	<u>12,791,267</u>	<u>7,701,562</u>	<u>653,198</u>	<u>21,146,027</u>
Total Liabilities and Fund Balances	<u>\$ 17,183,339</u>	<u>\$ 10,497,157</u>	<u>\$ 688,193</u>	<u>\$ 28,368,689</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 21,146,027
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 159,293,775	
Less accumulated depreciation	<u>(71,084,484)</u>	
Net capital assets		88,209,291

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

Property tax receivables greater than 60 days	1,573,768
Interest receivable on property taxes	1,081,093

Internal service funds are used by management to charge the costs of
risk management to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities
in the statement of net position.

5,001,353

Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds:

Net OPEB obligation	(611,889)
Net pension obligation	(667,623)
Bonds payable	(34,020,000)
Interest payable on bonds and notes	(160,600)
Compensated absences	(256,735)
Capital lease	(457,141)
Bond premium	(1,698,468)
Deferred charges on refunding	<u>31,668</u>

Net Position of Governmental Activities (Exhibit I)	<u><u>\$ 79,170,744</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 59,750,689	\$	\$	\$ 59,750,689
Intergovernmental	12,927,657	1,570,300	2,132,143	16,630,100
Charges for services	3,685,526	77,626	721,012	4,484,164
Income on investments	175,858		719	176,577
Miscellaneous	518,728	18,555	92,580	629,863
Total revenues	<u>77,058,458</u>	<u>1,666,481</u>	<u>2,946,454</u>	<u>81,671,393</u>
Expenditures:				
Current:				
General government	3,996,715		15,081	4,011,796
Community development	720,613		1,133	721,746
Public safety	7,766,822		11,853	7,778,675
Physical services	7,424,137			7,424,137
Parks, recreation and libraries	3,732,289		56,177	3,788,466
Health and human services	2,047,903		98,449	2,146,352
Schools	46,108,451		2,735,636	48,844,087
Debt service:				
Principal retirement	1,732,258			1,732,258
Interest and fiscal charges	1,102,828	106,503		1,209,331
Capital outlay	330,400	7,908,049		8,238,449
Total expenditures	<u>74,962,416</u>	<u>8,014,552</u>	<u>2,918,329</u>	<u>85,895,297</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,096,042</u>	<u>(6,348,071)</u>	<u>28,125</u>	<u>(4,223,904)</u>
Other Financing Sources (Uses):				
Transfers in	103,959	1,037,137		1,141,096
Transfers out	(1,037,137)	(95,469)		(1,132,606)
Issuance of capital leases	330,400			330,400
Bond premiums		354,841		354,841
Issuance of bonds		8,495,000		8,495,000
Total other financing sources (uses)	<u>(602,778)</u>	<u>9,791,509</u>	<u>-</u>	<u>9,188,731</u>
Net Change in Fund Balances	1,493,264	3,443,438	28,125	4,964,827
Fund Balances at Beginning of Year	<u>11,298,003</u>	<u>4,258,124</u>	<u>625,073</u>	<u>16,181,200</u>
Fund Balances at End of Year	<u>\$ 12,791,267</u>	<u>\$ 7,701,562</u>	<u>\$ 653,198</u>	<u>\$ 21,146,027</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 4,964,827
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	7,956,198
Depreciation expense	(3,164,392)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	217,040
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The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	(15,498)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	(27,992)
Property tax interest and lien revenue - accrual basis change	(113,744)

Change in pension and OPEB assets and liabilities:

Net OPEB expense	(170,917)
Net pension expense	(281,046)

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

Bond principal payments	1,690,000
Issuance of bonds and notes	(8,495,000)
Issuance of capital leases	(330,400)
Capital lease principal payments	241,497
Premium on debt issuance	(354,841)
Amortization of premiums on debt issuance	121,553

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

Compensated absences	186,980
Accrued interest	(9,073)
Amortization of deferred amount on refunding	(15,833)

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

204,277

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 2,603,636</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013

	Business-Type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Fund
Assets:		
Current:		
Cash and cash equivalents	\$ 4,119,513	\$ 5,158,756
Accounts receivable	987,556	
Due from other funds		377,543
Total current assets	<u>5,107,069</u>	<u>5,536,299</u>
Noncurrent:		
Capital assets, net	10,568,657	
Other	65,828	
Total noncurrent assets	<u>10,634,485</u>	<u>-</u>
Total assets	<u>15,741,554</u>	<u>5,536,299</u>
Liabilities:		
Accounts and other payables	314,092	508,475
Due to other funds	3,781	
Clean water fund note payable	454,700	
Due to MIRMA		26,471
Total liabilities	<u>772,573</u>	<u>534,946</u>
Net Position:		
Net investment in capital assets	10,113,957	
Unrestricted	<u>4,855,024</u>	<u>5,001,353</u>
Total Net Position	<u>\$ 14,968,981</u>	<u>\$ 5,001,353</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities <u>Water and Sewer Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues:		
Insurance proceeds	\$	\$ 83,767
Employee contributions		1,903,328
Charges for services	3,172,736	7,298,049
Other	3,833	
Total operating revenues	<u>3,176,569</u>	<u>9,285,144</u>
Operating Expenses:		
Administrative expense	84,423	1,007,459
Employee benefits	140,072	6,986,228
Insurance and benefits		1,097,535
Purchase of water	603,256	
Source of supply	1,136,102	
Pumping expense	151,676	
Transmission and distribution	9,617	
Salaries - administrative and general	156,311	
Salaries - operating and maintenance	253,715	
Depreciation	254,751	
Total operating expenses	<u>2,789,923</u>	<u>9,091,222</u>
Operating Income	<u>386,646</u>	<u>193,922</u>
Nonoperating Revenue:		
Income on investments	21,329	10,355
Taxes	72	
Total nonoperating revenue	<u>21,401</u>	<u>10,355</u>
Income Before Transfers	408,047	204,277
Transfers Out	<u>(8,490)</u>	
Change in Net Position	399,557	204,277
Net Position at Beginning of Year	<u>14,569,424</u>	<u>4,797,076</u>
Net Position at End of Year	\$ <u><u>14,968,981</u></u>	\$ <u><u>5,001,353</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Water and Sewer Enterprise Fund	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from users	\$ 3,212,869	\$ 8,952,316
Cash received from customers	(410,026)	
Cash payments to employees for services		(9,251,197)
Cash payments to providers of benefits	(1,889,495)	
Cash payments to suppliers for goods and services	3,833	83,767
Cash received from others	<u>917,181</u>	<u>(215,114)</u>
Net cash provided by (used in) operating activities		
Cash Flows from Noncapital Financing Activities:		
Transfers out	(8,490)	
Cash received from tax collections	72	
Net cash used in noncapital financing activities	<u>(8,418)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from clean water fund notes	454,700	
Acquisition of capital assets	(998,224)	
Net cash used in capital and related financing activities	<u>(543,524)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Income on investments	<u>21,329</u>	<u>10,355</u>
Net Increase (Decrease) in Cash and Cash Equivalents	386,568	(204,759)
Cash and Cash Equivalents at Beginning of Year	<u>3,732,945</u>	<u>5,363,515</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,119,513</u>	<u>\$ 5,158,756</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ 386,646	\$ 193,922
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	254,751	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	40,133	(249,061)
Decrease in due to MIRMA		(105,731)
Increase (decrease) in accounts payable	<u>235,651</u>	<u>(54,244)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 917,181</u>	<u>\$ (215,114)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$	\$ 3,205,123
Mutual funds - equity securities	37,289,276	
Accounts receivable	10,000	
	<u> </u>	<u> </u>
Total assets	<u>37,299,276</u>	<u>\$ 3,205,123</u>
Liabilities:		
Accounts payable	73,261	\$
Due to other		3,205,123
	<u> </u>	<u> </u>
Total liabilities	<u>73,261</u>	<u>\$ 3,205,123</u>
Net Position:		
Held in Trust for Pension Benefits	<u>\$ 37,226,015</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 2,274,872
Plan members	976,829
Total contributions	<u>3,251,701</u>
Investment income:	
Net appreciation in fair value of investments	2,275,236
Interest and dividends	278,626
Net investment income	<u>2,553,862</u>
Total additions	<u>5,805,563</u>
Deductions:	
Benefits	3,486,796
Administration	<u>110,455</u>
Total deductions	<u>3,597,251</u>
Net Increase	2,208,312
Net Position at Beginning of Year	<u>35,017,703</u>
Net Position at End of Year	<u>\$ 37,226,015</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

D. Deposits and Investments

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

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

Investments are reported at fair value.

E. Receivables and Payables

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

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

An amount of \$141,350 has been established as an allowance for uncollectible taxes. At June 30, 2013, this represents 7.6% of all property taxes receivable.

F. Inventories and Prepaid Items

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

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

G. Capital Assets

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

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

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

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

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

H. Compensated Absences

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

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

I. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Net Position / Fund Equity

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

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

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

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

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

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

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

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is legally adopted for the General Fund. The budget is prepared on a modified accrual basis. The Town does not budget for revenue or expenditures related to the State of Connecticut pension contribution to the State Teachers' Retirement Fund on behalf of the Town, which amounted to \$4,527,888. The contribution and expenditure, while not included in the budgetary reporting (RSI-1 and RSI-2), are included in Exhibit IV, which reports in accordance with GAAP.

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

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

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

The Town Council may, at any time, appropriate funds from contingency. Town meeting approval is required for nonbudgeted appropriations exceeding \$25,000 individually or exceeding \$250,000 cumulative annually. The Town Council may transfer funds from budget appropriations only in the last three months of the fiscal year. There was \$350,154 of supplemental appropriations during the year. This figure decreased substantially from the previous year because of the appropriation of FEMA grant money related to the two significant weather events in fiscal year 2012. All appropriations were approved in accordance with Charter provisions.

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

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

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

A. Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$34,492,486 of the Town’s bank balance of \$35,780,277 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 30,993,237
Collateralized, held by banks	<u>3,499,249</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 34,492,486</u>

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

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2013, the Town's cash equivalents amounted to \$2,963,092. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

B. Investments

Investments as of June 30, 2013 in all funds are as follows:

Investment Type	Fair Value
Pooled open-end mutual fund accounts:	
Pension trust funds	\$ <u>37,289,276</u>

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

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

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

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2013, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Water and Sewer</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 1,081,093	\$	\$	\$	\$ 1,081,093
Taxes	1,866,016				1,866,016
Accounts	139,836		987,556	4,416	1,131,808
Intergovernmental	485,455	103,125		44,205	632,785
Pension receivables				10,000	10,000
Gross receivables	<u>3,572,400</u>	<u>103,125</u>	<u>987,556</u>	<u>58,621</u>	<u>4,721,702</u>
Less allowance for uncollectibles	<u>(141,350)</u>				<u>(141,350)</u>
Net Total Receivables	<u>\$ 3,431,050</u>	<u>\$ 103,125</u>	<u>\$ 987,556</u>	<u>\$ 58,621</u>	<u>\$ 4,580,352</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Taxes collected in advance	\$	\$ 254,497	\$ 254,497
Delinquent property taxes receivable	1,573,768		1,573,768
Accrued interest on property taxes	1,081,093		1,081,093
Grant drawdowns		325,006	325,006
Other unearned amounts		<u>199,196</u>	<u>199,196</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 2,654,861</u>	<u>\$ 778,699</u>	<u>\$ 3,433,560</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 21,944,064	\$	\$	\$	\$ 21,944,064
Construction in progress	<u>10,817,771</u>	<u>(1,598,110)</u>	<u>4,154,714</u>		<u>13,374,375</u>
Total capital assets not being depreciated	<u>32,761,835</u>	<u>(1,598,110)</u>	<u>4,154,714</u>	<u>-</u>	<u>35,318,439</u>
Capital assets being depreciated:					
Land improvements	4,123,891				4,123,891
Buildings	52,310,007	1,553,150	363,230		54,226,387
Machinery and equipment	12,886,743	44,960	2,208,257	475,007	14,664,953
Infrastructure	<u>49,513,068</u>		<u>1,447,037</u>		<u>50,960,105</u>
Total capital assets being depreciated	<u>118,833,709</u>	<u>1,598,110</u>	<u>4,018,524</u>	<u>475,007</u>	<u>123,975,336</u>
Less accumulated depreciation for:					
Land improvements	2,094,589		269,825		2,364,414
Buildings	27,508,911		935,266		28,444,177
Machinery and equipment	8,732,615		849,227	459,509	9,122,333
Infrastructure	<u>30,043,486</u>		<u>1,110,074</u>		<u>31,153,560</u>
Total accumulated depreciation	<u>68,379,601</u>	<u>-</u>	<u>3,164,392</u>	<u>459,509</u>	<u>71,084,484</u>
Total capital assets being depreciated, net	<u>50,454,108</u>	<u>1,598,110</u>	<u>854,132</u>	<u>15,498</u>	<u>52,890,852</u>
Governmental Activities Capital Assets, Net	<u>\$ 83,215,943</u>	<u>\$ -</u>	<u>\$ 5,008,846</u>	<u>\$ 15,498</u>	<u>\$ 88,209,291</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 993,100	\$	\$	\$	\$ 993,100
Construction in progress	<u>1,552,601</u>	<u>918,269</u>	<u>56,381</u>		<u>2,414,489</u>
Total capital assets not being depreciated	<u>2,545,701</u>	<u>918,269</u>	<u>56,381</u>		<u>3,407,589</u>
Capital assets being depreciated:					
Buildings	1,977,764	36,600			2,014,364
Machinery and equipment	584,744	99,736			684,480
Infrastructure	<u>11,790,990</u>				<u>11,790,990</u>
Total capital assets being depreciated	<u>14,353,498</u>	<u>136,336</u>	<u>-</u>		<u>14,489,834</u>
Less accumulated depreciation for:					
Buildings	1,434,677	59,170			1,493,847
Machinery and equipment	479,211	33,960			513,171
Infrastructure	<u>5,160,127</u>	<u>161,621</u>			<u>5,321,748</u>
Total accumulated depreciation	<u>7,074,015</u>	<u>254,751</u>	<u>-</u>		<u>7,328,766</u>
Total capital assets being depreciated, net	<u>7,279,483</u>	<u>(118,415)</u>	<u>-</u>		<u>7,161,068</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,825,184</u>	<u>\$ 799,854</u>	<u>\$ 56,381</u>		<u>\$ 10,568,657</u>

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

Governmental activities:	
General government	\$ 112,969
Public safety	403,490
Physical services	1,283,723
Parks, recreation and libraries	518,986
Health and human services	39,594
Schools	<u>805,630</u>
Total Depreciation Expense - Governmental Activities	\$ <u>3,164,392</u>
Business-type activities:	
Water services	\$ 116,726
Sewer services	<u>138,025</u>
Total Depreciation Expense - Business-Type Activities	\$ <u>254,751</u>

Construction Commitments

The Town has active construction projects as of June 30, 2013. The projects include the following:

<u>Project</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Balance</u>
Bonded Road Improvements	\$ 5,109,449	\$ 4,379,452	\$	\$ 729,997
Veterans Memorial Park****	1,844,500	1,308,124		536,376
Façade program	500,000			500,000
Train Station Rehabilitation*	400,000	94,189	21,756	284,055
Sage Park Maintenance*****	320,000	11,805		308,195
Berlin High School Renovations**	84,950,000	4,926,810	2,952,701	77,070,489
Berlin Police Station - New Construction***	2,000,000	980,725	75,546	943,729
Willard School Roof Replacement	1,700,000	13,150	1,000	1,685,850

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

** Only \$5,000,000 has been bonded to date. Part of this will come from State grants.
In June 2013, the state legislature authorized exceptions to allow the Town to obtain an additional \$15,000,000 from the State grants. Therefore the total appropriation has been increased \$15,000,000.

*** Only \$2,000,000 was initially borrowed to purchase and remediate land. The total project is estimated to cost between \$12,000,000 and \$15,000,000. Due to environmental delays, the funds were not spent in accordance with the IRS timelines. An arbitrage calculation was done, and there is no liability. All but \$990,000 of funds borrowed were transferred to other projects. Total authorization remains at \$2,000,000.

**** An additional \$500,000 was appropriated in fiscal year 2013 for Phase II of the project.

***** An additional \$100,000 grant was awarded by the State and \$20,000 was appropriated from other accounts during fiscal year 2013.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Enterprise Fund	\$ 3,781
Internal Service Fund	General Fund	<u>377,543</u>
Total		\$ <u><u>381,324</u></u>

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

Interfund transfers:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Transfers out:			
General Fund	\$	\$ 1,037,137	\$ 1,037,137
Capital Projects	95,469		95,469
Water and Sewer Enterprise Fund	<u>8,490</u>	<u></u>	<u>8,490</u>
Total Transfers In	\$ <u><u>103,959</u></u>	\$ <u><u>1,037,137</u></u>	\$ <u><u>1,141,096</u></u>

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

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and loans payable:					
General obligation bonds	\$ 27,215,000	\$ 8,495,000	\$ 1,690,000	\$ 34,020,000	\$ 2,925,000
Less deferred amounts:					
On refunding	(47,501)		(15,833)	(31,668)	
For issuance premiums	<u>1,465,180</u>	<u>354,841</u>	<u>121,553</u>	<u>1,698,468</u>	
	<u>28,632,679</u>	<u>8,849,841</u>	<u>1,795,720</u>	<u>35,686,800</u>	<u>2,925,000</u>
Other liabilities:					
Compensated absences	443,715	6,239	193,219	256,735	256,735
Capital leases	368,238	330,400	241,497	457,141	179,771
Net pension obligation	386,577	281,046		667,623	
Net OPEB obligation	<u>440,972</u>	<u>170,917</u>	<u></u>	<u>611,889</u>	<u></u>
Total Governmental Activities					
Long-Term Liabilities	\$ <u><u>30,272,181</u></u>	\$ <u><u>9,638,443</u></u>	\$ <u><u>2,230,436</u></u>	\$ <u><u>37,680,188</u></u>	\$ <u><u>3,361,506</u></u>

The annual requirements to amortize all bonds outstanding as of June 30, 2013, including interest payments, are as follows:

<u>Year Ending June 30,</u>	<u>Debt Service, Annual Requirements</u>		
	<u>Long-Term Debt</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,925,000	\$ 1,161,629	\$ 4,086,629
2015	2,265,000	1,072,876	3,337,876
2016	2,940,000	987,751	3,927,751
2017	2,665,000	897,213	3,562,213
2018	2,685,000	808,507	3,493,507
2019-2023	11,615,000	2,506,919	14,121,919
2024-2028	7,000,000	731,918	7,731,918
2029-2033	1,925,000	144,372	2,069,372
Total	\$ <u>34,020,000</u>	\$ <u>8,311,185</u>	\$ <u>42,331,185</u>

Outstanding debt by issue is as follows:

	<u>Issue</u>	<u>Original Amount</u>	<u>Year of Maturity</u>	<u>Interest Rate %</u>	<u>Balance June 30, 2013</u>
General Purpose	Sep-09	\$ 8,195,000	2025	2.0-3.625	\$ 6,995,000
Refunding	Apr-10	4,645,000	2016	2.0-4.0	1,920,000
General Purpose	Jun-11	16,610,000	2026	3.0-5.0	16,610,000
General Purpose	May-13	8,495,000	2033	2.25-4.0	8,495,000
Total Outstanding					\$ <u>34,020,000</u>

The Town currently has authorized the issuance of \$95.21 million of bonds for various projects. Bond anticipation notes of \$1.325 million are outstanding on these authorizations.

A summary of overlapping debt is presented below:

<u>Debt Outstanding</u>	<u>Total</u>	<u>Considered Overlapping</u>
Kensington Fire District	\$ 1,007,309	\$ 1,007,309
Worthington Fire District	495,196	495,196
Mattabassett District	12,069,080	12,069,080
Total	\$ <u>13,571,585</u>	\$ <u>13,571,585</u>

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

Category	(In Thousands)		
	Debt Limit	Net Indebtedness*	Balance
General purpose	\$ 139,655	\$ 28,315	\$ 111,340
Schools	279,311	40,024	239,287
Sewers	232,759	18,072	214,687
Urban renewal	201,724		201,724
Pension deficit	186,207		186,207

* Includes bonds authorized unissued and overlapping debt.

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$434,483.

Conduit Debt Obligations

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

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

At June 30, 2013, the aggregate principal amount payable pursuant to the agreement was \$405,584.

Clean Water Fund Loan

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

As required by the rules of the program, the Town Council authorized bonds in the amount of \$4.5 million. This amount is reported in authorized, unissued debt. There are no plans for these bonds to be issued; rather, this project will be funded by a 20-year Clean Water Fund loan at 2% interest from the State of Connecticut Department of Energy and Environmental Protection. On April 9, 2013, the Town obtained an interim funding obligation of \$3,553,898 under the Clean Water Fund Program. Within six months of the completion of the project, the IFO will be converted to a Project Loan Obligation in an amount not less than the project loan advances paid throughout the project. Project loan advances through June 30, 2013 total \$454,700, and they are accounted for in the water and sewer enterprise fund.

8. LEASES

Operating Leases

The Town leases a fiber optic communications network under a noncancelable operating lease. The future minimum lease payments for these leases amount to \$16,800 per year for the next 15 fiscal years, ending in 2028.

Capital Lease

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

The assets acquired through the capital lease are as follows:

	Governmental Activities
Equipment	\$ 787,146
Less accumulated depreciation	(270,910)
Total	<u>\$ 516,236</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2013 were as follows:

<u>Year Ending June 30</u>	Governmental Activities
2014	\$ 187,987
2015	259,290
2016	24,402
Less amount representing interest	(14,538)
Present Value of Minimum Lease Payments	<u>\$ 457,141</u>

9. BOND ANTICIPATION NOTES

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2013:

Project	Date Issued	Maturity Date	Interest Rate (%)	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
Open Space	5/31/2012	9/20/2012	1	\$ 187,000	\$	\$ 187,000	\$ -
Open Space	9/20/2012	5/23/2013	1.25		93,000	93,000	-
Open Space	5/23/2013	9/26/2013	1		93,000		93,000
Land Acquisition	5/31/2012	9/20/2012	1	223,000		223,000	-
Land Acquisition	9/20/2012	5/23/2013	1.25		112,000	112,000	-
Land Acquisition	5/23/2013	9/26/2013	1		112,000		112,000
Beckley Rd Bridge	5/31/2012	9/20/2012	1	210,000		210,000	-
Beckley Rd Bridge	9/20/2012	5/23/2013	1.25		97,000	97,000	-
Beckley Rd Bridge	5/23/2013	9/26/2013	1		97,000		97,000
Material Storage Yard	5/31/2012	9/20/2012	1	120,000		120,000	-
Material Storage Yard	9/20/2012	5/23/2013	1.25		80,000	80,000	-
Material Storage Yard	5/23/2013	9/26/2013	1		80,000		80,000
Town Hall Chiller	5/31/2012	9/20/2012	1	196,000		196,000	-
Town Hall Chiller	9/20/2012	5/23/2013	1.25		143,000	143,000	-
Town Hall Chiller	5/23/2013	9/26/2013	1		143,000		143,000
High School Renovations	5/31/2012	9/20/2012	1	5,000,000		5,000,000	-
High School Renovations	9/20/2012	5/23/2013	1.25		5,000,000	5,000,000	-
Bridges / Sidewalks	9/20/2012	5/23/2013	1.25		300,000	300,000	-
Bridges / Sidewalks	5/23/2013	9/26/2013	1		300,000		300,000
Disaster Recovery	9/20/2012	5/23/2013	1.25		500,000	500,000	-
Disaster Recovery	5/23/2013	9/26/2013	1		500,000		500,000
Police Station Construction	5/31/2012	9/20/2012	1	2,000,000		2,000,000	-
Police Station Construction	9/20/2012	5/23/2013	1.25		988,000	988,000	-
Fire Vehicles	5/31/2012	9/20/2012	1	1,490,000		1,490,000	-
Fire Vehicles	9/20/2012	5/23/2013	1.25		1,490,000	1,490,000	-
Willard School Roof	9/20/2012	5/23/2013	1.25		900,000	900,000	-
				<u>\$ 9,426,000</u>	<u>\$ 11,028,000</u>	<u>\$ 19,129,000</u>	<u>\$ 1,325,000</u>

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

10. RISK MANAGEMENT

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

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

The Medical and Health Insurance Fund also receives funds from various funds and departments. The funds are used to purchase medical and health insurance and provide ancillary services. This fund is used to pay claims and administrative fees directly to Anthem Blue Cross/Blue Shield. The Town does not have to pay the State insurance premium tax to the State, since a self-insurance fund is not subject to this tax. An actuarial study is made annually. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. These liabilities amounted to \$505,049 in the Medical and Health Insurance Fund at June 30, 2013. The following table reflects the activity of the past two years:

		Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2011-2012	\$	431,925	\$ 7,468,690	\$ 7,369,176	\$ 531,439
2012-2013		531,439	7,259,712	7,286,102	505,049

Claims decreased year over year primarily due to larger than usual catastrophic cases during fiscal year 2012. Catastrophic claims are subject to the stop loss limitation.

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

After further evaluation based on claim experience, MIRMA ultimately reduced the assessment to \$316,439. The Town paid \$70,094 in fiscal year 2010, \$87,672 in fiscal year 2011, and \$66,101 in each fiscal year 2012 and 2013. The remaining unpaid liability is \$26,471 at June 30, 2013. The final payment will be made in fiscal year 2014.

11. FUND BALANCE

The components of fund balance for the governmental funds as of June 30, 2013 are as follows:

	Major Special Revenue Fund		Nonmajor Governmental Funds	Total
	General Fund	Capital Projects		
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 30,661	\$ 30,661
Permanent fund principal			114,691	114,691
Restricted for:				
Permanent funds			32,357	32,357
Unspent grant balances			112,019	112,019
Marjorie Moore donations			28,052	28,052
Capital projects		7,701,562		7,701,562
General government			13,519	13,519
Education			119,449	119,449
Committed to:				
Bargaining unit contracts to be settled during the subsequent fiscal year	132,304			132,304
Revaluation	157,669			157,669
Community development			16,257	16,257
Public safety			5,000	5,000
Parks, recreation and libraries			51,746	51,746
Health and human services			2,466	2,466
Education			126,981	126,981
Assigned to:				
Future year budgets	1,800,000			1,800,000
Unassigned	10,701,294			10,701,294
Total Fund Balances	\$ 12,791,267	\$ 7,701,562	\$ 653,198	\$ 21,146,027

Significant encumbrances of \$3,051,003 are included in the above table in the restricted category of the Capital Projects Fund.

12. JOINTLY GOVERNED ORGANIZATION

The Mattabassett District

The Mattabassett District is a quasi-municipal district established in accordance with State Statutes to provide sewer treatment services for the Constituent Towns of Berlin and Cromwell and the Constituent City of New Britain and contractually to the City of Middletown, the Metropolitan District and the Town of Farmington. As a result of the 2010 census data released in February 2011, the Mattabassett Board of Directors representation is now as follows: New Britain - six members, Berlin - three members and Cromwell - three members. In June 2011, the State Statutes creating the Mattabassett District were amended to allow for the City of Middletown to become a Constituent Community. When this process is fully vested out, the Board representation will be as follows: New Britain - five members, Middletown - four members, Berlin - three members and Cromwell - three members. These changes are subject to ratification by the current constituents.

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

Currently, the Mattabassett District is performing 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. The three-year construction project began in the summer of 2012. The District currently has \$86,269 Clean Water Fund debt outstanding to finance its sewage treatment plant and upgrade; this consists of an Interim Funding Obligation of \$83,184 and a Project Loan Obligation of \$3,085. It is estimated that, based on future treatment plant reserved capacity, the Town's annual assessment from the District will include 13.99% of Clean Water Fund Debt Service, which equals \$12,069. The Town's percentage share is subject to change based upon the ratification of the changes to the Mattabassett District described above.

13. JOINT VENTURES

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

Tunxis Recycling Operating Committee

The Town is a participant with 13 other cities and towns in a joint venture, the Tunxis Recycling Operating Committee (TROC). TROC is responsible for the development, operations and management of a solid waste recycling program for all Contracting Municipalities. The governing board consists of town officials appointed by each of the Contracting Municipalities and assumes all the management decisions. The Town has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Inter-Community Agreement dated as of June 21, 1990. Expenditures of \$14,400 were incurred in 2012-13 related to the Town's participation in TROC.

During 2013, TROC's Budget Committee closed out Capital Non-Recurring funds and approved a total of \$250,000 in refunds to the member towns. The Town's share is \$21,500.

Fund balance for fiscal year ended June 30, 2013 as reflected in TROC's financial statements is \$1,006,497. A complete set of financial statements for TROC can be obtained from TROC's administrative office at 43 Enterprise Drive, Bristol, Connecticut.

Bristol Resource Recovery Facility Operating Committee

The Town is a participant with 13 other cities and towns in a joint venture, the Bristol Resource Recovery Facility Operating Committee (BRRFOC). BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of Contracting Municipalities in dealing with the trash-to-energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.). The governing board consists of town officials appointed by each of the Contracting Municipalities, and assumes all the management decisions. The Town has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Inter-Community Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements.

The Town expenditures to BRRFOC amounted to \$665,051 this year. The fund balance for fiscal year ended June 30, 2013 as reflected in BRRFOC's financial statements is \$6,382,817 (\$2,564,551 assigned and \$3,818,266 unassigned). A complete set of financial statements for BRRFOC can be obtained from the administrative office at 43 Enterprise Drive, Bristol, Connecticut.

Under the Service Agreement, the service fee is an obligation of the Contracting Municipalities to which each has pledged its full faith and credit. Should any Contracting Municipality default in its obligation to pay the service fee, the other Contracting Municipalities shall have an obligation to continue to pay the aggregate service fee. If BRRFOC does not perform its obligations under the service agreement and Covanta Bristol, Inc., fails to perform such obligations pursuant to its guarantee, the Contracting Municipalities have certain rights to terminate the service agreement and, upon termination, would no longer be obligated to pay the service fee.

On June 25, 2013, the remaining amount of BRRFOC's \$41,920,000 Solid Waste Refunding Bonds for the Covanta Bristol, Inc., Project dated April 28, 2005 was defeased. These 2005 bonds refunded BRRFOC's 1995 refunding bonds, which had refunded the original issue of BRRFOC bonds in 1985. In accordance with the terms of the bond indenture and an Escrow Deposit Agreement, sufficient funds were made available to provide for the payment of all remaining debt service: three amounts payable on July 1, 2013, January 1, 2014 and July 1, 2014. The defeasance was accomplished to address the issue that debt service has averaged approximately 25% of BRRFOC's operating expenses since the 2005 refunding. The defeasance is documented in the Escrow Deposit Agreement between BRRFOC and US Bank, as the escrow agent. As a result of the defeasance, \$605,754 was distributed to the member towns. The Town received \$26,027. This amount has been recorded as deferred revenue pending the identification of a recycling-related project for which to use the funds.

During 2013, BRRFOC closed out Capital Non-Recurring funds and approved a total of \$2,100,000 in refunds to the member towns. The Town's share is \$90,230.

14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

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

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.

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. Future improvements regarding the defined contribution plan shall not have an effective date prior to June 30, 2014.

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 \$36,733,573 as of June 30, 2013. Employees contributed \$874,640, and covered payroll was \$17,734,858. The Town's matching share was \$1,577,111. 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. During fiscal year 2013, the Town has updated the investment policy statement for the pension plans. The Town Council adopted the revised policy on September 19, 2012.

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 \$42,368 as of June 30, 2013.

Defined Benefit Segment

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

At July 1, 2012, PERS membership consisted of:

	<u>Total</u>	<u>Defined Contribution Plan</u>	<u>Defined Benefit Plan</u>	
Retirees, disabled and beneficiaries currently receiving benefits	32		32	
Terminated employees entitled to benefits but not yet receiving them	5		5	
Current employees:				
Police	59	39	20	*
Other	260	253	7	*
Total	<u>356</u>	<u>292</u>	<u>64</u>	

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

B. Summary of Significant Accounting Policies and Plan Asset Matters

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

Method Used to Value Investments: All funds are invested and administered through various portfolio management plans and are reported at market value. Currently, 51% 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. Additionally, 49% of investments are held in ICMA-RC self-directed funds including bond funds, guaranteed life income funds, balances/asset allocation funds, U.S. stock funds and international/global stock funds.

C. Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council, subject to union contract negotiation. Plan members are required to contribute up to 5% (6% for police officers) of covered wages. The Town is required to contribute at an actuarially determined rate for the defined benefit segment; for the defined contribution segment the current rate is 12% for police officers and 10% for all other employees of annual covered payroll.

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

D. Summary of Actuarial Changes

In fiscal year 2010, significant changes in actuarial assumptions were made as follows:

The assumed rate of investment return on employer contributions for the defined contribution plan was changed from 7% to 6%. Because participants get the higher of the defined contribution account balance or the defined benefit lump-sum amount, the change impacts the defined benefit component negatively by increasing the required lump-sum payout. The second change was a “strengthening” of the assumptions that convert the defined benefit plan monthly benefit into a lump sum. The conversion factors reflected a lower interest rate and a longer life expectancy. These changes increased the conversion factor and thus increased the defined benefit plan lump-sum liability. A change was also made from the Frozen Entry Age method to Entry Age Normal with a reset of the amortization period to ten years. The net effect of the changes was to increase the accrued actuarial liability by \$1,789,314 in the prior year. These changes have an ongoing effect on the calculation of the accrued actuarial liability.

Due to this situation, the contribution included in the budget increased from \$200,000 in fiscal year 2011 to \$350,000 in 2012 and \$700,000 in 2013 and 2014 in order to begin to address the unfunded obligation.

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

E. Annual Pension Cost and Net Pension Obligations

The Town’s annual pension cost and net pension obligation to the PERS for the current year were as follows:

Annual required contribution*	\$ 1,005,393
Interest on net pension obligation	27,060
Adjustment to annual required contribution	<u>(51,407)</u>
Annual pension cost	981,046
Contributions made	<u>700,000</u>
Increase in net pension obligation	281,046
Net pension obligation at beginning of year	<u>386,577</u>
Net Pension Obligation at End of Year	<u><u>\$ 667,623</u></u>

*Represents recommended contribution. Refer to disclosure under “Summary of Actuarial Changes” above.

The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date	July 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Amount - Open
Remaining amortization period	10 years
Asset valuation method	Fair Value, except Book Value of Insurance Contracts
Actuarial assumptions:	
Investment rate of return*	7% per annum pre-retirement, 2.7% post-retirement
Interest on employer contributions	6% per year
Projected salary increases*	3.75% per annum - police 3.00% per annum - all others
Mortality	1983 GAM Male, pre-retirement; 1994 GAR mortality, post- retirement
Retirement Age	100% at 30 years of active service - police 100% at age 65 - all others
Lump Sum Election	100% of participants are assumed to take a lump sum at retirement.

*Includes inflation rate of 3%

F. Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/11	\$ 473,386	42.2%	\$ 274,902
6/30/12	461,675	75.8	386,577
6/30/13	981,046	71.4	667,623

G. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Under Funded AAL as a % of Covered Payroll ((a-b)/c)
7/01/07	\$ 1,807,648	\$ 1,932,779	\$ (125,131)	93.5%	\$ 2,233,448	(5.6)%
7/01/08	2,013,793	2,062,275	(48,482)	97.6	2,251,842	(2.2)
7/01/09	1,303,836	4,974,116	(3,670,280)	26.2	1,986,110	(184.8)
7/01/10	1,248,885	6,553,019	(5,304,134)	19.1	1,993,876	(266.0)
7/01/11	590,790	6,202,794	(5,612,004)	9.5	1,907,671	(294.2)
7/01/12	697,912	6,946,328	(6,248,416)	10.0	2,073,539	(301.3)

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/08	\$ 260,595	0.0%
6/30/09	254,732	58.9
6/30/10	355,088	49.3
6/30/11	473,550	42.2
6/30/12	493,732	70.9
6/30/13*	1,005,393	69.6

*FY13 is based on recommended contribution versus required minimum contribution. Refer to disclosure under "Summary of Actuarial Changes" above.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section E above.

Teacher Retirement

All Town teachers participate in the State of Connecticut Teacher's Retirement System, a cost sharing plan with a special funding situation, under Section 10.183 of the General Statutes of the State of Connecticut. This is a multiple-employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has:

- Attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or;
- Attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$21,525,143 or 54.4% of the total Town and Board of Education payroll of \$39,533,264.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. For the year ended June 30, 2013, the Town has recorded in the General Fund (Exhibit IV) intergovernmental revenue schools and schools expenditures in the amount of \$4,527,888 as payments made by the State of Connecticut on behalf of the Town. The Town does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

15. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

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

At July 1, 2012, plan membership consisted of the following:

	Post- Retirement Medical Program
Retired members	33
Spouses of retired members	12
Active plan members	433
Total Participants	478

B. Funding Policy

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

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

C. Annual OPEB Cost and Net OPEB Obligations

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$ 476,000
Interest on net OPEB obligation	17,639
Adjustment to annual required contribution	<u>(18,722)</u>
Annual OPEB cost	474,917
Contributions made	<u>304,000</u>
Increase in net OPEB obligation	170,917
Net OPEB obligation at beginning of year	<u>440,972</u>
Net OPEB Obligation at End of Year	<u>\$ 611,889</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2011, 2012, and 2013, is presented below.

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/11	\$ 394,087	\$ 296,000	75.11%	\$ 318,284
6/30/12	451,688	329,000	72.84	440,972
6/30/13	474,917	304,000	64.01	611,889

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$5.682 million, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$5.682 million. The covered payroll (annual payroll of active employees covered by the plan) is approximately \$29.7 million at June 30, 2013.

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 3,738,000	\$ (3,738,000)	0%	\$ N/A	N/A
7/1/10	-	4,675,000	(4,675,000)	0	29,294,867	(23.04)%
7/1/12	-	5,682,000	(5,682,000)	0	29,701,000	(19.13)

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed
6/30/11	\$ 394,000	75%
6/30/12	452,000	73
6/30/13	476,000	64

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return assuming the benefits are not prefunded, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate varies by age and between the Board of Education and the Town and ranges from 0% to 5.23%. The ultimate medical inflation assumption is 4.7%. Projected salary increases were 3.5%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2013 was 26 years.

16. CONTINGENT LIABILITIES

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

17. SUBSEQUENT EVENTS

On September 26, 2013, the Town issued \$9,259,000 of Bond Anticipation Notes, with a coupon rate of 1% and a net interest cost of .1919% and a maturity date of May 30, 2014. These notes were to reissue expiring notes as well as provide \$8,300,000 new money for the Berlin High School, Disaster Recovery Project and the Bridge Repair Projects.

**Required Supplementary
Information**

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2013

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2012
Taxes:					
Current tax collections	\$ 58,488,970	\$ 58,488,970	\$ 58,363,613	\$ (125,357)	\$ 56,412,884
Back taxes	372,000	372,000	786,461	414,461	555,832
Interest from overdue taxes	220,000	220,000	508,329	288,329	319,387
Lien fees	1,728	1,728	4,140	2,412	2,850
Suspense taxes and interest	45,000	45,000	45,738	738	49,791
Elderly housing	44,000	44,000	42,408	(1,592)	43,628
Total	59,171,698	59,171,698	59,750,689	578,991	57,384,372
Licenses, Permits and Other Departments:					
Town clerk fees	300,000	300,000	368,445	68,445	362,124
Zoning Commission and Building Inspector	415,000	415,000	409,310	(5,690)	270,490
Zoning Board of Appeals	4,000	4,000	4,320	320	4,530
Animal control fees	13,000	13,000	12,129	(871)	12,406
Animal control rent			5,820	5,820	
Police Department	40,000	40,000	54,961	14,961	47,983
Police services to other agencies	30,000	30,000	19,306	(10,694)	38,666
Outside police services	312,500	312,500	260,215	(52,285)	254,749
Engineering and public works	210,000	210,000	220,741	10,741	258,533
Scrap metal	35,000	35,000	40,084	5,084	54,669
New road fee	3,000	3,000		(3,000)	
Parks and recreation	113,000	113,000	125,738	12,738	115,172
Golf course revenues	800,000	800,000	732,790	(67,210)	781,046
Golf cart revenue	280,000	281,602	312,046	30,444	319,466
Berlin-Peck Memorial Library	17,300	17,300	15,558	(1,742)	14,484
Berlin Public Health Nursing Service	1,250,000	1,250,000	1,087,767	(162,233)	1,002,818
Summer/field trips	15,324	15,324	11,410	(3,914)	9,439
Senior citizen center	5,135	5,135	4,886	(249)	6,077
Total	3,843,259	3,844,861	3,685,526	(159,335)	3,552,652
Intergovernmental Revenues - Schools:					
Private schools	25,741	25,741	25,564	(177)	28,296
School transportation	113,151	113,151	94,866	(18,285)	126,136
Miscellaneous school grants	1	1		(1)	
Equalized cost sharing	6,280,132	6,280,132	6,256,477	(23,655)	6,143,835
Excess special education grant	772,290	772,290	570,939	(201,351)	781,383
Adult education	15,470	15,470		(15,470)	
Total	7,206,785	7,206,785	6,947,846	(258,939)	7,079,650
Intergovernmental Revenues - Other:					
In lieu of taxes	25,465	25,465	25,342	(123)	25,505
PILOT - New Britain Stadium	30,000	30,000	30,000	-	30,000
Elderly property tax relief	144,137	144,137	123,168	(20,969)	134,229
Municipal Revenue Sharing	635,000	635,000	743,069	108,069	793,163
Disability, Social Security	2,560	2,560	2,433	(127)	2,516
Additional veteran exemption	12,963	12,963	13,526	563	14,610
Friends Against Drugs	3,300	3,300	3,300	-	3,300
Pequot grant	57,665	57,665	50,547	(7,118)	57,254
Child and youth services grant	14,000	20,110	20,110	-	20,250
State and federal grants	13,000	172,860	406,369	233,509	870,109
Police overtime grant	72,900	72,900	34,059	(38,841)	20,704
Total	1,010,990	1,176,960	1,451,923	274,963	1,971,640

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2013

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2012
Other Services and Earnings on Investments:					
Interest on investments	\$ 250,000	\$ 250,000	\$ 175,858	\$ (74,142)	\$ 274,415
Refund of expenditures	70,000	70,000	60,018	(9,982)	105,846
Sale of land, labor and materials	25,000	25,000	16,868	(8,132)	20,841
Mobile home rent	57,600	57,600	55,785	(1,815)	55,096
Cell tower rental	115,676	115,676	103,976	(11,700)	99,879
Other receipts	10,000	162,113	225,997	63,884	336,777
Telephone access line share	40,000	40,000	56,084	16,084	63,596
Total	<u>568,276</u>	<u>720,389</u>	<u>694,586</u>	<u>(25,803)</u>	<u>956,450</u>
Total revenues	<u>71,801,008</u>	<u>72,120,693</u>	<u>72,530,570</u>	<u>409,877</u>	<u>70,944,764</u>
Other Financing Sources:					
Operating transfers from other funds:					
Water Control Commission - other	4,500	4,500	5,541	1,041	5,851
Water Control Commission - receivables	2,500	2,500	2,949	449	9,363
Special Revenue Funds	5,200	35,669	30,469	(5,200)	237,176
Capital Project Funds	65,000	65,000	65,000	-	65,000
Total other financing sources	<u>77,200</u>	<u>107,669</u>	<u>103,959</u>	<u>(3,710)</u>	<u>317,390</u>
Total Revenues and Other Financing Sources	<u>\$ 71,878,208</u>	<u>\$ 72,228,362</u>	<u>72,634,529</u>	<u>\$ 406,167</u>	<u>\$ 71,262,154</u>
Budgetary revenues are different than GAAP revenues because:					
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			4,527,888		
The Town does not budget for the proceeds from the issuance of capital leases			<u>330,400</u>		
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 77,492,817</u>		

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2013

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2012
General Government:					
Manager's Office:					
Wages	\$ 166,903	\$ 170,416	\$ 170,377	\$ 39	\$ 165,623
Fringe benefits	54,749	55,453	51,055	4,398	47,731
Operational	3,975	3,975	2,053	1,922	1,685
Total	<u>225,627</u>	<u>229,844</u>	<u>223,485</u>	<u>6,359</u>	<u>215,039</u>
Finance Department:					
Wages	404,167	410,454	407,779	2,675	397,058
Fringe benefits	160,622	161,778	155,817	5,961	151,321
Operational	58,535	58,535	54,230	4,305	53,179
Total	<u>623,324</u>	<u>630,767</u>	<u>617,826</u>	<u>12,941</u>	<u>601,558</u>
Technology Department:					
Wages	154,700	157,742	157,741	1	153,970
Fringe benefits	54,896	55,446	46,533	8,913	46,854
Operational	68,100	68,100	66,489	1,611	78,023
Capital	29,895	26,639	26,639	-	54,000
Total	<u>307,591</u>	<u>307,927</u>	<u>297,402</u>	<u>10,525</u>	<u>332,847</u>
Collector of Revenue:					
Wages	151,488	158,478	153,730	4,748	140,759
Fringe benefits	48,946	53,803	50,335	3,468	45,640
Operational	33,024	36,568	36,216	352	28,227
Total	<u>233,458</u>	<u>248,849</u>	<u>240,281</u>	<u>8,568</u>	<u>214,626</u>
Treasurer:					
Wages	48,174	49,112	49,111	1	48,174
Fringe benefits	23,459	23,629	23,448	181	22,112
Operational	550	550	344	206	796
Total	<u>72,183</u>	<u>73,291</u>	<u>72,903</u>	<u>388</u>	<u>71,082</u>
Corporation Counsel:					
Wages	110,650	111,850	110,950	900	110,233
Fringe benefits	38,932	38,937	38,744	193	37,088
Operational	89,685	88,480	76,613	11,867	83,735
Total	<u>239,267</u>	<u>239,267</u>	<u>226,307</u>	<u>12,960</u>	<u>231,056</u>
Townwide expenditures:					
Wages	79,150	3,000	2,434	566	5,140
Fringe benefits	809,872	793,458	756,664	36,794	399,113
Operational	989,967	851,885	611,003	240,882	672,049
Capital	500	500	-	500	343
Total	<u>1,879,489</u>	<u>1,648,843</u>	<u>1,370,101</u>	<u>278,742</u>	<u>1,076,645</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2012
Assessor:					
Wages	\$ 234,426	\$ 233,793	\$ 230,488	\$ 3,305	\$ 227,484
Fringe benefits	88,708	90,699	84,553	6,146	82,822
Operational	24,610	24,610	18,991	5,619	18,376
Total	<u>347,744</u>	<u>349,102</u>	<u>334,032</u>	<u>15,070</u>	<u>328,682</u>
Registrar of Voters:					
Wages	58,500	58,500	55,815	2,685	54,032
Fringe benefits	11,843	11,843	11,517	326	10,720
Operational	57,260	57,260	34,687	22,573	26,765
Total	<u>127,603</u>	<u>127,603</u>	<u>102,019</u>	<u>25,584</u>	<u>91,517</u>
Town Clerk:					
Wages	232,919	235,432	235,424	8	229,173
Fringe benefits	93,934	94,394	92,602	1,792	89,490
Operational	25,285	25,285	23,945	1,340	24,605
Capital	10,665	10,665	10,665	-	4,431
Total	<u>362,803</u>	<u>365,776</u>	<u>362,636</u>	<u>3,140</u>	<u>347,699</u>
Board of Assessment Appeals:					
Wages	1,200	1,200	925	275	475
Fringe benefits	95	95	70	25	35
Operational	300	300	-	300	-
Total	<u>1,595</u>	<u>1,595</u>	<u>995</u>	<u>600</u>	<u>510</u>
Town Council:					
Operational	<u>500</u>	<u>500</u>	<u>57</u>	<u>443</u>	<u>-</u>
Total general government	<u>4,421,184</u>	<u>4,223,364</u>	<u>3,848,044</u>	<u>375,320</u>	<u>3,511,261</u>
Community Development:					
Planning and building inspection:					
Wages	420,810	422,780	402,158	20,622	412,599
Fringe benefits	169,356	169,422	143,840	25,582	151,566
Operational	20,397	20,397	17,327	3,070	16,607
Capital	25,000		-		-
Total	<u>635,563</u>	<u>612,599</u>	<u>563,325</u>	<u>49,274</u>	<u>580,772</u>
Planning and Zoning Commission:					
Operational	<u>420</u>	<u>420</u>	<u>226</u>	<u>194</u>	<u>400</u>
Zoning Board of Appeals:					
Wages	1,300	1,300	596	704	975
Fringe benefits	103	103	46	57	77
Operational	370	370	269	101	277
Total	<u>1,773</u>	<u>1,773</u>	<u>911</u>	<u>862</u>	<u>1,329</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2012
Economic Development:					
Wages	\$ 93,634	\$ 95,317	\$ 93,816	\$ 1,501	\$ 91,688
Fringe benefits	31,069	31,372	31,063	309	29,604
Operational	19,184	19,184	14,812	4,372	14,667
Total	143,887	145,873	139,691	6,182	135,959
Conservation Commission:					
Wages	1,300	1,300	1,100	200	1,125
Fringe benefits	103	103	85	18	85
Operational	3,770	3,770	3,635	135	2,651
Total	5,173	5,173	4,820	353	3,861
Inland Wetlands Commission:					
Wages	1,400	1,400	1,300	100	1,225
Fringe benefits	112	112	89	23	91
Operational	2,700	2,700	2,230	470	2,211
Total	4,212	4,212	3,619	593	3,527
Veterans Commission:					
Operational	4,290	4,290	2,912	1,378	2,585
Aquifer Protection Commission:					
Wages	600	600	300	300	-
Fringe benefits	48	48	22	26	-
Operational	150	150	-	150	-
Total	798	798	322	476	-
Berlin Historic District:					
Wages	1,375	1,375	1,125	250	900
Fringe benefits	110	110	89	21	71
Operational	350	350	102	248	175
Total	1,835	1,835	1,316	519	1,146
Commission for Disabled:					
Wages	600	600	300	300	100
Fringe benefits	48	48	22	26	8
Operational	25	25	-	25	-
Total	673	673	322	351	108
Public Building Commission:					
Wages	3,200	3,200	2,875	325	2,750
Fringe benefits	253	253	199	54	205
Operational	100	100	71	29	40
Total	3,553	3,553	3,145	408	2,995
Total community development	802,177	781,199	720,609	60,590	732,682

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2013

	2013				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual 2012</u>
Public Safety:					
Ambulance contract:					
Operational	\$ 308,117	\$ 308,117	\$ 307,932	\$ 185	\$ 225,796
Animal Control:					
Wages	86,462	93,262	92,755	507	90,918
Fringe benefits	34,326	32,317	31,853	464	30,534
Operational	14,547	14,627	13,895	732	13,931
Total	<u>135,335</u>	<u>140,206</u>	<u>138,503</u>	<u>1,703</u>	<u>135,383</u>
Fire Department:					
Wages	255,446	254,411	235,977	18,434	233,915
Fringe benefits	137,849	129,084	97,818	31,266	119,496
Operational	340,679	348,154	304,236	43,918	300,099
Capital	21,500	22,500	22,110	390	7,411
Total	<u>755,474</u>	<u>754,149</u>	<u>660,141</u>	<u>94,008</u>	<u>660,921</u>
Police:					
Wages	4,632,941	4,640,264	4,483,956	156,308	4,437,852
Fringe benefits	1,742,187	1,740,881	1,600,253	140,628	1,554,471
Operational	225,045	223,545	197,441	26,104	198,057
Capital	175,000	132,936	132,936	-	98,987
Total	<u>6,775,173</u>	<u>6,737,626</u>	<u>6,414,586</u>	<u>323,040</u>	<u>6,289,367</u>
Fire Marshal:					
Wages	165,852	169,082	168,945	137	165,868
Fringe benefits	75,269	76,030	74,123	1,907	70,246
Operational	6,990	5,990	2,590	3,400	3,199
Total	<u>248,111</u>	<u>251,102</u>	<u>245,658</u>	<u>5,444</u>	<u>239,313</u>
Total public safety	<u>8,222,210</u>	<u>8,191,200</u>	<u>7,766,820</u>	<u>424,380</u>	<u>7,550,780</u>
Physical Services:					
Municipal garage:					
Wages	459,062	452,148	442,842	9,306	434,078
Fringe benefits	211,713	212,421	187,935	24,486	164,445
Operational	466,470	477,378	457,914	19,464	428,761
Capital	90,000	12,340	12,340		-
Total	<u>1,227,245</u>	<u>1,154,287</u>	<u>1,101,031</u>	<u>53,256</u>	<u>1,027,284</u>
Public Works:					
Wages	340,517	306,704	304,062	2,642	273,057
Fringe benefits	135,209	136,801	110,858	25,943	109,253
Operational	2,274,590	2,274,590	2,089,552	185,038	2,145,962
Total	<u>2,750,316</u>	<u>2,718,095</u>	<u>2,504,472</u>	<u>213,623</u>	<u>2,528,272</u>

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TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2013

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2012
Highway:					
Wages	\$ 908,064	\$ 913,813	\$ 869,092	\$ 44,721	\$ 902,407
Fringe benefits	447,832	448,814	401,861	46,953	418,647
Operational	255,400	338,877	294,080	44,797	904,470
Capital	132,000	60,000	60,000		30,450
Total	<u>1,743,296</u>	<u>1,761,504</u>	<u>1,625,033</u>	<u>136,471</u>	<u>2,255,974</u>
Public building:					
Wages	1,086,022	1,090,968	1,043,966	47,002	1,033,839
Fringe benefits	488,004	488,785	446,552	42,233	435,439
Operational	764,617	808,870	672,569	136,301	679,814
Capital	55,522	32,692	30,512	2,180	60,400
Total	<u>2,394,165</u>	<u>2,421,315</u>	<u>2,193,599</u>	<u>227,716</u>	<u>2,209,492</u>
Total physical services	<u>8,115,022</u>	<u>8,055,201</u>	<u>7,424,135</u>	<u>631,066</u>	<u>8,021,022</u>
Parks, Recreation and Libraries:					
Mobile home park:					
Operational	<u>8,550</u>	<u>8,550</u>	<u>7,163</u>	<u>1,387</u>	<u>7,210</u>
Recreation:					
Wages	304,068	309,226	246,859	62,367	292,909
Fringe benefits	89,620	89,620	59,867	29,753	87,017
Operational	52,368	52,536	43,833	8,703	40,957
Total	<u>446,056</u>	<u>451,382</u>	<u>350,559</u>	<u>100,823</u>	<u>420,883</u>
Golf course:					
Wages	425,057	424,440	424,395	45	470,545
Fringe benefits	164,506	159,643	156,321	3,322	172,456
Operational	452,837	470,993	463,475	7,518	459,367
Capital	48,451	48,201	48,191	10	48,451
Total	<u>1,090,851</u>	<u>1,103,277</u>	<u>1,092,382</u>	<u>10,895</u>	<u>1,150,819</u>
Libraries:					
Wages	617,387	623,268	611,451	11,817	590,288
Fringe benefits	221,140	222,192	200,508	21,684	201,664
Operational	174,510	174,510	173,389	1,121	179,768
Capital	6,000	1,579	1,579		-
Total	<u>1,019,037</u>	<u>1,021,549</u>	<u>986,927</u>	<u>34,622</u>	<u>971,720</u>

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TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2013

	2013			Variance Positive (Negative)	Actual 2012
	Original Budget	Final Budget	Actual		
Public grounds:					
Wages	\$ 680,358	\$ 680,358	\$ 648,146	\$ 32,212	\$ 657,275
Fringe benefits	306,669	306,669	281,837	24,832	271,744
Operational	297,900	297,900	255,428	42,472	233,374
Capital	100,000	115,093	109,848	5,245	63,952
Total	<u>1,384,927</u>	<u>1,400,020</u>	<u>1,295,259</u>	<u>104,761</u>	<u>1,226,345</u>
Total parks, recreation and libraries	<u>3,949,421</u>	<u>3,984,778</u>	<u>3,732,290</u>	<u>252,488</u>	<u>3,776,977</u>
Health and Human Services:					
Health Department:					
Operational	<u>88,159</u>	<u>88,159</u>	<u>88,158</u>	<u>1</u>	<u>84,372</u>
Nursing services:					
Wages	976,815	980,964	896,347	84,617	888,392
Fringe benefits	366,793	367,667	320,205	47,462	315,384
Operational	419,688	419,688	267,598	152,090	303,598
Capital	12,873	10,073	5,672	4,401	-
Total	<u>1,776,169</u>	<u>1,778,392</u>	<u>1,489,822</u>	<u>288,570</u>	<u>1,507,374</u>
Community services:					
Wages	326,494	328,539	305,228	23,311	320,315
Fringe benefits	153,881	155,186	135,023	20,163	141,318
Operational	<u>26,850</u>	<u>33,560</u>	<u>29,670</u>	<u>3,890</u>	<u>36,084</u>
Total	<u>507,225</u>	<u>517,285</u>	<u>469,921</u>	<u>47,364</u>	<u>497,717</u>
Total health and human services	<u>2,371,553</u>	<u>2,383,836</u>	<u>2,047,901</u>	<u>335,935</u>	<u>2,089,463</u>
Schools:					
Private schools:					
Wages	72,393	72,373	67,600	4,773	62,451
Fringe benefits	32,514	32,534	31,038	1,496	27,834
Operational	<u>1,308</u>	<u>1,308</u>	<u>1,000</u>	<u>308</u>	<u>1,140</u>
Total	<u>106,215</u>	<u>106,215</u>	<u>99,638</u>	<u>6,577</u>	<u>91,425</u>
Board of Education	<u>39,088,279</u>	<u>38,810,184</u>	<u>38,810,184</u>		<u>37,920,799</u>
School expenditures:					
Wages	504,762	514,690	497,894	16,796	489,462
Fringe benefits	871,513	900,472	844,226	56,246	772,824
Operational	1,225,531	1,248,433	1,012,740	235,693	1,158,478
Capital	<u>320,529</u>	<u>316,036</u>	<u>315,891</u>	<u>145</u>	<u>342,953</u>
Total	<u>2,922,335</u>	<u>2,979,631</u>	<u>2,670,751</u>	<u>308,880</u>	<u>2,763,717</u>
Total schools	<u>42,116,829</u>	<u>41,896,030</u>	<u>41,580,573</u>	<u>315,457</u>	<u>40,775,941</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2013

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2012
Debt Principal:					
Town Government	\$ 1,732,258	\$ 1,732,258	\$ 1,732,258	\$	\$ 1,662,257
Schools		145,336	-	145,336	-
Total debt principal	<u>1,732,258</u>	<u>1,877,594</u>	<u>1,732,258</u>	<u>145,336</u>	<u>1,662,257</u>
Interest and Fiscal Charges:					
Town Government	663,259	693,728	629,818	63,910	689,153
Schools	<u>583,695</u>	<u>583,695</u>	<u>473,010</u>	<u>110,685</u>	<u>465,119</u>
Total interest and fiscal charges	<u>1,246,954</u>	<u>1,277,423</u>	<u>1,102,828</u>	<u>174,595</u>	<u>1,154,272</u>
Total Expenditures	<u>72,977,608</u>	<u>72,670,625</u>	<u>69,955,458</u>	<u>2,715,167</u>	<u>69,274,655</u>
Other Financing Uses:					
Transfers to Other Funds:					
Capital Projects fund	380,600	626,200	625,600	600	618,566
Revaluation fund	70,000	70,000	70,000		-
Capital and Nonrecurring fund		411,537	411,537		428,517
Union Negotiation Reserve Fund			-		83,544
Total other financing uses	<u>450,600</u>	<u>1,107,737</u>	<u>1,107,137</u>	<u>600</u>	<u>1,130,627</u>
Total Expenditures and Other Financing Uses	<u>\$ 73,428,208</u>	<u>\$ 73,778,362</u>	71,062,595	<u>\$ 2,715,767</u>	<u>\$ 70,405,282</u>
Budgetary expenditures are different than GAAP expenditures because:					
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			4,527,888		
The Town does not budget for capital outlay relating to the issuance of capital leases			330,400		
The Town does not budget for revaluation fund expenditures			148,670		
The Town budgets for union negotiation reserve fund transfers that are eliminated under GAAP			<u>(70,000)</u>		
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds - Exhibit IV			<u>\$ 75,999,553</u>		

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

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

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 13,748,508	\$ 11,490,612
Receivables, net of allowances for uncollectibles:		
Taxes (net of allowance for uncollectibles of \$141,350 in 2013 and \$168,639 in 2012)	1,724,666	1,840,502
Other	1,706,384	2,405,599
Due from other funds	<u>3,781</u>	<u>6,730</u>
Total Assets	<u>\$ 17,183,339</u>	<u>\$ 15,743,443</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 905,975	\$ 1,167,123
Taxes collected in advance	254,497	269,944
Due to other funds	377,543	128,482
Deferred revenue	<u>2,854,057</u>	<u>2,879,891</u>
Total liabilities	<u>4,392,072</u>	<u>4,445,440</u>
Fund balance:		
Committed	289,973	368,642
Assigned	1,800,000	1,550,000
Unassigned	<u>10,701,294</u>	<u>9,379,361</u>
Total fund balance	<u>12,791,267</u>	<u>11,298,003</u>
Total Liabilities and Fund Balance	<u>\$ 17,183,339</u>	<u>\$ 15,743,443</u>

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2013

Grand List October 1,	Due Date July 1,	Taxes Collectible	Lawful Corrections		Net Amount Collectible	Collections				Refunds	Transferred to Suspense Book	Uncollected Taxes June 30, 2013
			Additions(2)	Deductions		Taxes	Interest	Lien Fees	Total			
2012 (1)	2013	\$	\$	\$	\$	\$ 254,497	\$	\$	\$ 254,497	\$	\$	\$
2011	2012	58,929,237	682,658	287,983	59,323,912	58,623,100	181,759	456	58,805,315	45,104		745,916
2010	2011	836,086	3,268	3,378	835,976	457,025	125,576	1,686	584,287	150	74,032	305,069
2009	2010	319,237	1,904		321,141	157,204	77,703	870	235,777			163,937
2008	2009	197,124			197,124	85,946	47,172	480	133,598			111,178
2007	2008	193,748			193,748	36,383	25,921	216	62,520			157,365
2006	2007	72,173			72,173	22,569	19,477	192	42,238			49,604
2005	2006	61,946			61,946	11,849	9,714	96	21,659			50,097
2004	2005	55,358			55,358	6,424	4,995	48	11,467			48,934
2003	2004	53,640			53,640	3,053	4,854	24	7,931			50,587
2002	2003	52,765			52,765	2,816	4,984	24	7,824			49,949
2001	2002	25,335			25,335	3,057	5,952	24	9,033			22,278
2000	2001	26,623			26,623	339	56	24	419			26,284
1999	2000	26,813			26,813				-			26,813
1998	1999	28,951			28,951				-			28,951
1997	1998	29,054			29,054		165		165			29,054
Tax suspense book, including interest						45,738			45,738			-
Total		\$ 60,908,090	\$ 687,830	\$ 291,361	\$ 61,304,559	\$ 59,710,000	\$ 508,328	\$ 4,140	\$ 60,222,468	\$ 45,254	\$ 74,032	\$ 1,866,016

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

Note 2: Includes motor vehicle supplement amounting to \$ 517,058

Note 3: Actual tax collections excluding suspense taxes for the year ended June 30, 2013:

Note 4: Property taxes receivable, end of year \$ 1,866,016
Less: Allowance for uncollectible taxes (141,350)

Tax collections, end of year \$ 59,710,000

Deduct:

Net Property Taxes Receivable \$ 1,724,666

Suspense tax and interest (45,738)

Advance collections of taxes due, beginning of year (254,497)

Tax Collections \$ 59,409,765

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Fund	Funding Source	Function
Cafeteria	Sales and grants	School lunch program
Disadvantaged Education	State and Federal grants	Education
School Rental Revolving	Rental fees	After hours use of buildings
Police Drug Enforcement	State and Federal grants	Drug enforcement/education
Police Asset Forfeiture	Seizure funds	Drug enforcement
Marjorie Moore	Foundation grants	Various public service
R & S Associates Bond	Forfeited bonds	Construction
Summer Adventures	User fees	Education
Disaster Recovery	General Fund and grants	Emergency funding
Afternoon Enrichment Program	User fees	Education
Work Zone Safety	General Fund and grants	Highway safety equipment
Elderly Oral Screening	Donations	Dental screening
Caravan	Donations	Educational diversity
Boundless Playground	Donations	Construct ADA playground
Scholarship and Donations	Donations	Scholarships
Special Grants and Donations	State and Federal grants	Various projects
Recreation	User fees	Recreation programs
Veterans Brick Walkway	Donations	Walkway created with bricks that have veterans names imprinted on them

Permanent Funds

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

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

TOWN OF BERLIN, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

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Special Revenue Funds										
	Cafeteria	Disadvantaged Education	School Rental Revolving	Police Drug Enforcement	Police Asset Forfeiture	Marjorie Moore	R & S Associates Bond	Summer Adventures	Disaster Recovery	Afternoon Enrichment Program
ASSETS										
Cash and cash equivalents	\$ 56,018	\$ 23,062	\$ 2,000	\$ 3,730	\$ 30,857	\$ 28,052	\$ 13,519	\$ 1,350	\$	\$ 18,992
Receivables:										
Other	4,416									
Intergovernmental	44,205									
Inventory at cost	30,661									
Total Assets	<u>\$ 135,300</u>	<u>\$ 23,062</u>	<u>\$ 2,000</u>	<u>\$ 3,730</u>	<u>\$ 30,857</u>	<u>\$ 28,052</u>	<u>\$ 13,519</u>	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ 18,992</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	\$	\$	\$	\$ 1,180	\$	\$	\$	\$	\$
Deferred revenue		23,062								
Total liabilities	<u>-</u>	<u>23,062</u>	<u>-</u>	<u>-</u>	<u>1,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:										
Nonspendable	30,661									
Restricted				3,730	29,677	28,052	13,519			
Committed	104,639		2,000					1,350		18,992
Total fund balance	<u>135,300</u>	<u>-</u>	<u>2,000</u>	<u>3,730</u>	<u>29,677</u>	<u>28,052</u>	<u>13,519</u>	<u>1,350</u>	<u>-</u>	<u>18,992</u>
Total Liabilities and Fund Balances	<u>\$ 135,300</u>	<u>\$ 23,062</u>	<u>\$ 2,000</u>	<u>\$ 3,730</u>	<u>\$ 30,857</u>	<u>\$ 28,052</u>	<u>\$ 13,519</u>	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ 18,992</u>

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TOWN OF BERLIN, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue Funds								
	Work Zone Safety	Elderly Oral Screening	Caravan	Boundless Playground	Scholarship and Donations	Special Grants and Donations	Recreation	Veterans Brick Walkway	Total
ASSETS									
Cash and cash equivalents	\$ 5,000	\$ 2,466	\$	\$ 4,505	\$ 114,944	\$ 88,597	\$ 52,514	\$ 16,257	\$ 461,863
Receivables:									
Other									4,416
Intergovernmental									44,205
Inventory at cost									30,661
Total Assets	<u>\$ 5,000</u>	<u>\$ 2,466</u>	<u>\$ -</u>	<u>\$ 4,505</u>	<u>\$ 114,944</u>	<u>\$ 88,597</u>	<u>\$ 52,514</u>	<u>\$ 16,257</u>	<u>\$ 541,145</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$	\$	\$	\$	\$	\$ 9,985	\$ 768	\$	\$ 11,933
Deferred revenue									23,062
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,985</u>	<u>768</u>	<u>-</u>	<u>34,995</u>
Fund Balances:									
Nonspendable									30,661
Restricted				4,505	114,944	78,612			273,039
Committed	5,000	2,466					51,746	16,257	202,450
Total fund balance	<u>5,000</u>	<u>2,466</u>	<u>-</u>	<u>4,505</u>	<u>114,944</u>	<u>78,612</u>	<u>51,746</u>	<u>16,257</u>	<u>506,150</u>
Total Liabilities and Fund Balances	<u>\$ 5,000</u>	<u>\$ 2,466</u>	<u>\$ -</u>	<u>\$ 4,505</u>	<u>\$ 114,944</u>	<u>\$ 88,597</u>	<u>\$ 52,514</u>	<u>\$ 16,257</u>	<u>\$ 541,145</u>

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

JUNE 30, 2013

	Permanent Funds						Total Nonmajor Governmental Funds
	Marjorie Moore Tree	Olive Seldon	Berlin Playhouse Performing Arts	Medical Aid	Blanche Delaney	Total	
ASSETS							
Cash and cash equivalents	\$ 5,340	\$ 47,262	\$ 4,875	\$ 36,689	\$ 52,882	\$ 147,048	\$ 608,911
Receivables:							
Other						-	4,416
Intergovernmental						-	44,205
Inventory at cost						-	30,661
Total Assets	<u>\$ 5,340</u>	<u>\$ 47,262</u>	<u>\$ 4,875</u>	<u>\$ 36,689</u>	<u>\$ 52,882</u>	<u>\$ 147,048</u>	<u>\$ 688,193</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$	\$	\$	\$	\$ -	\$ 11,933
Deferred revenue						-	23,062
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,995</u>
Fund Balances:							
Nonspendable	5,000	46,394		21,965	41,332	114,691	145,352
Restricted	340	868	4,875	14,724	11,550	32,357	305,396
Committed						-	202,450
Total fund balance	<u>5,340</u>	<u>47,262</u>	<u>4,875</u>	<u>36,689</u>	<u>52,882</u>	<u>147,048</u>	<u>653,198</u>
Total Liabilities and Fund Balances	<u>\$ 5,340</u>	<u>\$ 47,262</u>	<u>\$ 4,875</u>	<u>\$ 36,689</u>	<u>\$ 52,882</u>	<u>\$ 147,048</u>	<u>\$ 688,193</u>

TOWN OF BERLIN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Special Revenue Funds</u>									
	<u>Cafeteria</u>	<u>Disadvantaged Education</u>	<u>School Rental Revolving</u>	<u>Police Drug Enforcement</u>	<u>Police Asset Forfeiture</u>	<u>Marjorie Moore</u>	<u>R & S Associates Bond</u>	<u>Summer Adventures</u>	<u>Disaster Recovery</u>	<u>Afternoon Enrichment Program</u>
Revenues:										
Intergovernmental revenue - schools	\$ 286,168	\$ 1,766,084	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenue - other					5,751					
Licenses, permits and fees										12,185
Other sales and services	615,733		34,277							
Earnings on investments										
Other	59,325			755		15,000				
Total revenues	<u>961,226</u>	<u>1,766,084</u>	<u>34,277</u>	<u>755</u>	<u>5,751</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,185</u>
Expenditures:										
Current:										
General government									11,081	
Community development										
Public safety				2,185	6,967					
Parks, recreation and libraries										
Health and human services						36,546				
Schools	922,092	1,766,084	34,277							12,563
Total expenditures	<u>922,092</u>	<u>1,766,084</u>	<u>34,277</u>	<u>2,185</u>	<u>6,967</u>	<u>36,546</u>	<u>-</u>	<u>-</u>	<u>11,081</u>	<u>12,563</u>
Excess (Deficiency) of Revenues over Expenditures	<u>39,134</u>	<u>-</u>	<u>-</u>	<u>(1,430)</u>	<u>(1,216)</u>	<u>(21,546)</u>	<u>-</u>	<u>-</u>	<u>(11,081)</u>	<u>(378)</u>
Other Financing Sources (Uses):										
Transfers in										
Transfers out										
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	39,134	-	-	(1,430)	(1,216)	(21,546)	-	-	(11,081)	(378)
Fund Balances at Beginning of Year	<u>96,166</u>	<u>-</u>	<u>2,000</u>	<u>5,160</u>	<u>30,893</u>	<u>49,598</u>	<u>13,519</u>	<u>1,350</u>	<u>11,081</u>	<u>19,370</u>
Fund Balances at End of Year	<u>\$ 135,300</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 3,730</u>	<u>\$ 29,677</u>	<u>\$ 28,052</u>	<u>\$ 13,519</u>	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ 18,992</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Special Revenue Funds									
	Work Zone Safety	Elderly Oral Screening	Caravan	Boundless Playground	Scholarship and Donations	Special Grants and Donations	Recreation	Veterans Brick Walkway	Total
Revenues:									
Intergovernmental revenue - schools	\$	\$	\$	\$	\$	\$	\$	\$	2,052,252
Intergovernmental revenue - other						74,140			79,891
Licenses, permits and fees						400	58,417		71,002
Other sales and services									650,010
Earnings on investments					293	23			316
Other					4,599	8,224		3,440	91,343
Total revenues	-	-	-	-	4,892	82,787	58,417	3,440	2,944,814
Expenditures:									
Current:									
General government						4,000			15,081
Community development						123		1,010	1,133
Public safety						2,701			11,853
Parks, recreation and libraries						5,567	50,610		56,177
Health and human services						50,543			87,089
Schools									2,735,016
Total expenditures	-	-	-	-	-	62,934	50,610	1,010	2,906,349
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-	4,892	19,853	7,807	2,430	38,465
Other Financing Sources (Uses):									
Transfers in				4,243					4,243
Transfers out			(4,243)						(4,243)
Total other financing sources (uses)	-	-	(4,243)	4,243	-	-	-	-	-
Net Change in Fund Balances	-	-	(4,243)	4,243	4,892	19,853	7,807	2,430	38,465
Fund Balances at Beginning of Year	5,000	2,466	4,243	262	110,052	58,759	43,939	13,827	467,685
Fund Balances at End of Year	\$ 5,000	\$ 2,466	\$ -	\$ 4,505	\$ 114,944	\$ 78,612	\$ 51,746	\$ 16,257	\$ 506,150

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Permanent Funds					Interfund Eliminations	Total Nonmajor Governmental Funds
	Marjorie Moore Tree	Olive Seldon	Berlin Playhouse Performing Arts	Medical Aid	Blanche Delaney		
Revenues:							
Intergovernmental revenue - schools	\$	\$	\$	\$	\$	-	\$ 2,052,252
Intergovernmental revenue - other						-	79,891
Licenses, permits and fees						-	71,002
Other sales and services						-	650,010
Earnings on investments	13	123	13	118	136	403	719
Other				1,237		1,237	92,580
Total revenues	<u>13</u>	<u>123</u>	<u>13</u>	<u>1,355</u>	<u>136</u>	<u>1,640</u>	<u>2,946,454</u>
Expenditures:							
Current:							
General government						-	15,081
Community development						-	1,133
Public safety						-	11,853
Parks, recreation and libraries						-	56,177
Health and human services				11,360		11,360	98,449
Schools		420	200			620	2,735,636
Total expenditures	<u>-</u>	<u>420</u>	<u>200</u>	<u>11,360</u>	<u>-</u>	<u>11,980</u>	<u>2,918,329</u>
Excess (Deficiency) of Revenues over Expenditures	<u>13</u>	<u>(297)</u>	<u>(187)</u>	<u>(10,005)</u>	<u>136</u>	<u>(10,340)</u>	<u>28,125</u>
Other Financing Sources (Uses):							
Transfers in						-	(4,243)
Transfers out						-	4,243
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	13	(297)	(187)	(10,005)	136	(10,340)	28,125
Fund Balances at Beginning of Year	<u>5,327</u>	<u>47,559</u>	<u>5,062</u>	<u>46,694</u>	<u>52,746</u>	<u>157,388</u>	<u>625,073</u>
Fund Balances at End of Year	<u>\$ 5,340</u>	<u>\$ 47,262</u>	<u>\$ 4,875</u>	<u>\$ 36,689</u>	<u>\$ 52,882</u>	<u>\$ -</u>	<u>\$ 653,198</u>

Enterprise Funds

ENTERPRISE FUNDS

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

TOWN OF BERLIN, CONNECTICUT
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF WATER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2013

<u>Locations</u>	<u>Balance June 30, 2012</u>	<u>Assessments During Year</u>	<u>Adjustments</u>	<u>Interest and Penalties</u>	<u>Collections</u>	<u>Balance June 30, 2013</u>
Town Wide, May 1st	\$ 1,467	\$	\$	\$ 110	\$ 733	\$ 734
Town Wide, September 1st	4,366	5,150	(1,555)	274	2,303	5,658
Town Wide, December 1st	4,705	4,940		1,148	881	8,764
Due Town of Berlin: December 1st	<u>4,091</u>	<u></u>	<u></u>	<u>706</u>	<u>2,046</u>	<u>2,045</u>
Total	<u>\$ 14,629</u>	<u>\$ 10,090</u>	<u>\$ (1,555)</u>	<u>\$ 2,238</u>	<u>\$ 5,963</u>	<u>\$ 17,201</u>

TOWN OF BERLIN, CONNECTICUT
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2013

<u>Locations</u>	<u>Balance June 30, 2012</u>	<u>Assessments During Year</u>	<u>Adjustments</u>	<u>Interest and Penalties</u>	<u>Collections</u>	<u>Balance June 30, 2013</u>
Town Wide, September 1st and October 1st	\$ 979	\$	\$	\$ 73	\$ 979	\$ -
Town Wide, December 1st	9,364	11,432			1,177	19,619
Belcher Brook Interceptor (due Town of Berlin):						
Due September 1st	2,033			135	903	1,130
Due December 1st	605			200		605
Total	<u>\$ 12,981</u>	<u>\$ 11,432</u>	<u>\$ -</u>	<u>\$ 408</u>	<u>\$ 3,059</u>	<u>\$ 21,354</u>

Internal Service Funds

INTERNAL SERVICE FUNDS

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

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

TOWN OF BERLIN, CONNECTICUT

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

JUNE 30, 2013

	General Insurance Fund	Medical and Health Insurance Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 2,438,055	\$ 2,720,701	\$ 5,158,756
Due from other funds		377,543	377,543
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>2,438,055</u>	<u>3,098,244</u>	<u>5,536,299</u>
Liabilities:			
Accounts payable and claims liability	3,426	505,049	508,475
Due to MIRMA	26,471		26,471
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>29,897</u>	<u>505,049</u>	<u>534,946</u>
Net Position:			
Unrestricted	<u>2,408,158</u>	<u>2,593,195</u>	<u>5,001,353</u>
Total Net Position	<u>\$ 2,408,158</u>	<u>\$ 2,593,195</u>	<u>\$ 5,001,353</u>

TOWN OF BERLIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	General Insurance Fund	Medical and Health Insurance Fund	Total
Operating revenues:			
Insurance proceeds	\$ 33,807	\$ 49,960	\$ 83,767
Employee contributions		1,903,328	1,903,328
Charges for services	1,052,578	6,245,471	7,298,049
Total operating revenues	<u>1,086,385</u>	<u>8,198,759</u>	<u>9,285,144</u>
Operating expenses:			
Administration	34,609	972,850	1,007,459
Benefits		6,986,228	6,986,228
Insurance	1,097,535		1,097,535
Total operating expenses	<u>1,132,144</u>	<u>7,959,078</u>	<u>9,091,222</u>
Operating Income (Loss)	(45,759)	239,681	193,922
Nonoperating revenue:			
Earnings on investments	<u>4,957</u>	<u>5,398</u>	<u>10,355</u>
Change in Net Position	(40,802)	245,079	204,277
Net Position at Beginning of Year	<u>2,448,960</u>	<u>2,348,116</u>	<u>4,797,076</u>
Net Position at End of Year	<u>\$ 2,408,158</u>	<u>\$ 2,593,195</u>	<u>\$ 5,001,353</u>

TOWN OF BERLIN, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Insurance Fund	Medical and Health Insurance Fund	Total
Cash Flows from Operating Activities:			
Cash received from insurance and others	\$ 33,807	\$ 49,960	\$ 83,767
Cash received from users	1,052,578	7,899,738	8,952,316
Cash paid to vendors	<u>(1,269,498)</u>	<u>(7,981,699)</u>	<u>(9,251,197)</u>
Net cash used in operating activities	(183,113)	(32,001)	(215,114)
Cash Flows from Investing Activities:			
Interest on investments	<u>4,957</u>	<u>5,398</u>	<u>10,355</u>
Net Decrease in Cash and Cash Equivalents	(178,156)	(26,603)	(204,759)
Cash and Cash Equivalents at Beginning of Year	<u>2,616,211</u>	<u>2,747,304</u>	<u>5,363,515</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,438,055</u>	<u>\$ 2,720,701</u>	<u>\$ 5,158,756</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Used in Operating Activities:			
Operating income (loss)	\$ (45,759)	\$ 239,681	\$ 193,922
Adjustments to reconcile operating income (loss)			
to net cash used in operating activities:			
Increase in accounts receivable		(249,061)	(249,061)
Decrease in due to MIRMA	(105,731)		(105,731)
Decrease in accounts payable	<u>(31,623)</u>	<u>(22,621)</u>	<u>(54,244)</u>
Net Cash Used in Operating Activities	<u>\$ (183,113)</u>	<u>\$ (32,001)</u>	<u>\$ (215,114)</u>

Fiduciary Funds

AGENCY FUNDS

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

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

TOWN OF BERLIN, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>443,463</u>	\$ <u>999,340</u>	\$ <u>1,002,063</u>	\$ <u>440,740</u>
Liabilities:				
Due to student and other groups	\$ <u>443,463</u>	\$ <u>999,340</u>	\$ <u>1,002,063</u>	\$ <u>440,740</u>
Town Funds				
Assets:				
Cash and cash equivalents	\$ <u>748,216</u>	\$ <u>829,625</u>	\$ <u>815,781</u>	\$ <u>762,060</u>
Liabilities:				
Due to student and other groups	\$ <u>748,216</u>	\$ <u>829,625</u>	\$ <u>815,781</u>	\$ <u>762,060</u>
Performance Bond Fund				
Assets:				
Cash and cash equivalents	\$ <u>1,955,355</u>	\$ <u>2,668,111</u>	\$ <u>2,623,055</u>	\$ <u>2,000,411</u>
Liabilities:				
Due to contractors	\$ <u>1,955,355</u>	\$ <u>2,668,111</u>	\$ <u>2,623,055</u>	\$ <u>2,000,411</u>
Miscellaneous Education Fund				
Assets:				
Cash and cash equivalents	\$ <u>1,912</u>	\$ <u>34,912</u>	\$ <u>34,912</u>	\$ <u>1,912</u>
Liabilities:				
Due to student and other groups	\$ <u>1,912</u>	\$ <u>34,912</u>	\$ <u>34,912</u>	\$ <u>1,912</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ <u>3,148,946</u>	\$ <u>4,531,988</u>	\$ <u>4,475,811</u>	\$ <u>3,205,123</u>
Liabilities:				
Due to student and other groups	\$ <u>3,148,946</u>	\$ <u>4,531,988</u>	\$ <u>4,475,811</u>	\$ <u>3,205,123</u>

Statistical Section

Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

TABLE 1

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

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets	\$ 58,673,095	\$ 57,119,702	\$ 56,582,569	\$ 56,765,965	\$ 56,546,105	\$ 58,306,096	\$ 59,854,926	\$ 36,935,971	\$ 32,706,871	\$ 32,758,768
Restricted	147,048	157,388	156,073	154,410	152,346	151,894	173,081	168,268	149,932	153,053
Unrestricted	<u>20,350,601</u>	<u>19,290,018</u>	<u>19,288,970</u>	<u>19,081,655</u>	<u>18,996,700</u>	<u>19,214,369</u>	<u>18,578,013</u>	<u>17,600,305</u>	<u>17,007,912</u>	<u>14,731,226</u>
Subtotal governmental activities net position	<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>	<u>54,704,544</u>	<u>49,864,715</u>	<u>47,643,047</u>
Business-type activities:										
Net investment in capital assets	10,113,957	9,825,184	9,827,738	9,774,780	9,857,160	9,928,237	9,996,420	9,755,452	9,857,905	9,889,856
Restricted										
Unrestricted	<u>4,855,024</u>	<u>4,744,240</u>	<u>4,217,051</u>	<u>3,853,167</u>	<u>3,228,973</u>	<u>2,421,282</u>	<u>2,205,970</u>	<u>2,992,537</u>	<u>3,239,655</u>	<u>3,911,933</u>
Subtotal business-type activities net position	<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>	<u>12,747,989</u>	<u>13,097,560</u>	<u>13,801,789</u>
Primary government:										
Net investment in capital assets	68,787,052	66,944,886	66,410,307	66,540,745	66,403,265	68,234,333	69,851,346	46,691,423	42,564,776	42,648,624
Restricted	147,048	157,388	156,073	154,410	152,346	151,894	173,081	168,268	149,932	153,053
Unrestricted	<u>25,205,625</u>	<u>24,034,258</u>	<u>23,506,021</u>	<u>22,934,822</u>	<u>22,225,673</u>	<u>21,635,651</u>	<u>20,783,983</u>	<u>20,592,842</u>	<u>20,247,567</u>	<u>18,643,159</u>
Total primary government net position	<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>	<u>\$ 67,452,533</u>	<u>\$ 62,962,275</u>	<u>\$ 61,444,836</u>

TOWN OF BERLIN, CONNECTICUT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
General Government	\$ 4,397,969	\$ 3,736,129	\$ 3,616,360	\$ 3,619,079	\$ 4,621,878	\$ 4,239,561	\$ 3,946,358	\$ 3,340,580	\$ 2,954,885	\$ 2,570,378
Community Development	838,057	1,310,926	1,705,036	886,822	839,495	956,473	2,440,174	733,914	648,086	626,621
Public Safety	8,072,109	8,028,805	7,449,690	6,984,300	7,097,794	7,170,214	6,975,850	6,408,827	6,074,315	5,773,502
Physical Services	8,524,981	9,333,507	8,574,797	8,262,981	8,429,763	10,129,428	7,694,018	6,287,383	5,802,030	5,796,477
Parks, Recreation and Libraries	4,215,896	4,273,783	4,388,416	4,402,401	4,846,694	4,473,542	3,899,395	3,766,608	3,572,496	3,239,284
Health and Human Services	2,190,406	2,439,771	2,655,144	2,172,130	2,226,650	2,456,113	1,894,580	1,853,167	1,799,214	1,714,915
Schools	49,788,300	48,941,403	46,085,989	45,540,917	44,321,238	53,811,652	39,455,804	38,162,289	35,794,805	32,504,802
Interest on long-term debt	1,123,833	1,141,429	612,457	604,382	451,341	539,200	524,378	521,937	495,777	535,329
Total governmental activities expenses	<u>79,151,551</u>	<u>79,205,753</u>	<u>75,087,889</u>	<u>72,473,012</u>	<u>72,834,853</u>	<u>83,776,183</u>	<u>66,830,557</u>	<u>61,074,705</u>	<u>57,141,608</u>	<u>52,761,308</u>
Business-type activities:										
Water Services	1,249,273	1,241,969	1,258,098	1,123,138	1,247,991	1,462,405	1,154,067	1,351,093	1,288,775	1,254,282
Sewer Services	1,540,650	1,386,889	1,304,410	1,246,417	1,205,860	1,184,983	1,133,894	1,011,714	881,237	796,560
Total business-type activities expenses	<u>2,789,923</u>	<u>2,628,858</u>	<u>2,562,508</u>	<u>2,369,555</u>	<u>2,453,851</u>	<u>2,647,388</u>	<u>2,287,961</u>	<u>2,362,807</u>	<u>2,170,012</u>	<u>2,050,842</u>
Total Primary Government Expenses	<u>\$ 81,941,474</u>	<u>\$ 81,834,611</u>	<u>\$ 77,650,397</u>	<u>\$ 74,842,567</u>	<u>\$ 75,288,704</u>	<u>\$ 86,423,571</u>	<u>\$ 69,118,518</u>	<u>\$ 63,437,512</u>	<u>\$ 59,311,620</u>	<u>\$ 54,812,150</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 788,491	\$ 643,713	\$ 871,919	\$ 901,805	\$ 694,725	\$ 910,684	\$ 1,120,577	\$ 1,158,892	\$ 1,149,647	\$ 979,147
Community Development	4,320	4,530	5,575	6,056	6,098	6,532	7,160	37,354	7,160	6,926
Public Safety	336,275	343,246	566,870	327,880	334,571	345,534	635,148	510,266	390,799	282,926
Physical Services	273,779	325,712	300,207	306,116	274,291	171,747	239,704	113,581	83,599	60,055
Parks, Recreation and Libraries	1,365,171	1,427,958	1,306,716	1,269,759	1,301,301	1,410,686	1,302,048	1,037,539	973,245	917,698
Health and Human Services	1,104,063	1,018,334	1,258,023	1,616,125	1,826,991	1,351,026	1,172,895	1,182,198	1,301,913	838,935
Schools	662,195	717,242	745,821	749,505	809,939	846,762	863,638	922,582	897,302	837,798
Operating grants and contributions	14,113,058	14,143,757	12,330,467	11,941,777	11,530,990	22,506,260	9,011,723	8,890,491	8,043,223	6,760,002
Capital grants and contributions	1,787,340	1,411,510	1,344,618	2,113,303	470,617	1,061,648	5,797,906	2,764,801	320,467	917,414
Total governmental activities program revenues	<u>20,434,692</u>	<u>20,036,002</u>	<u>18,730,216</u>	<u>19,232,326</u>	<u>17,249,523</u>	<u>28,610,879</u>	<u>20,150,799</u>	<u>16,617,704</u>	<u>13,167,355</u>	<u>11,600,901</u>
Business-type activities:										
Charges for services:										
Water Services	1,517,215	1,754,934	1,688,781	1,733,560	1,684,705	1,537,976	833,303	968,213	835,451	709,810
Sewer Services	1,659,354	1,387,017	1,448,771	1,289,334	1,493,041	1,208,130	838,471	969,877	539,905	640,542
Total business-type activities program revenues	<u>3,176,569</u>	<u>3,141,951</u>	<u>3,137,552</u>	<u>3,022,894</u>	<u>3,177,746</u>	<u>2,746,106</u>	<u>1,671,774</u>	<u>1,938,090</u>	<u>1,375,356</u>	<u>1,350,352</u>
Total Primary Government Program Revenues	<u>\$ 23,611,261</u>	<u>\$ 23,177,953</u>	<u>\$ 21,867,768</u>	<u>\$ 22,255,220</u>	<u>\$ 20,427,269</u>	<u>\$ 31,356,985</u>	<u>\$ 21,822,573</u>	<u>\$ 18,555,794</u>	<u>\$ 14,542,711</u>	<u>\$ 12,951,253</u>
Net (Expense) Revenue:										
Governmental activities	<u>\$ (58,716,859)</u>	<u>\$ (59,169,751)</u>	<u>\$ (56,357,673)</u>	<u>\$ (53,240,686)</u>	<u>\$ (55,585,330)</u>	<u>\$ (55,165,304)</u>	<u>\$ (46,679,758)</u>	<u>\$ (44,457,001)</u>	<u>\$ (43,974,253)</u>	<u>\$ (41,160,407)</u>
Business-type activities	<u>386,646</u>	<u>513,093</u>	<u>575,044</u>	<u>653,339</u>	<u>723,895</u>	<u>98,718</u>	<u>(616,187)</u>	<u>(424,717)</u>	<u>(794,656)</u>	<u>(700,490)</u>
Total Primary Government Net Expense	<u>\$ (58,330,213)</u>	<u>\$ (58,656,658)</u>	<u>\$ (55,782,629)</u>	<u>\$ (52,587,347)</u>	<u>\$ (54,861,435)</u>	<u>\$ (55,066,586)</u>	<u>\$ (47,295,945)</u>	<u>\$ (44,881,718)</u>	<u>\$ (44,768,909)</u>	<u>\$ (41,860,897)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
General revenues:										
Property taxes	\$ 59,608,953	\$ 57,634,249	\$ 54,562,047	\$ 51,556,894	\$ 51,145,362	\$ 49,837,758	\$ 48,842,637	\$ 46,696,996	\$ 44,333,205	\$ 39,345,255
Unrestricted grants and contributions	985,652	1,054,761	932,269	1,024,352	1,225,329	1,164,634	1,132,808	1,010,214	793,218	955,364
Unrestricted investment earnings	176,577	275,834	203,116	284,541	939,238	1,607,677	1,893,894	1,499,630	726,248	383,435
Other	540,823	746,847	491,443	548,341	261,208	998,689	265,353	82,000	336,535	22,334
Transfers	8,490	(2,444)	194,380	133,435	36,987	12,437	9,161	7,990	6,715	10,696
Total governmental activities	<u>61,320,495</u>	<u>59,709,247</u>	<u>56,383,255</u>	<u>53,547,563</u>	<u>53,608,124</u>	<u>53,621,195</u>	<u>52,143,853</u>	<u>49,296,830</u>	<u>46,195,921</u>	<u>40,717,084</u>
Business-type activities:										
General revenues:										
Property Taxes	72	121	265	927	75	194	242	31	195	678
Unrestricted investment earnings	21,329	8,977	35,913	20,983	49,631	60,654	79,507	83,105	96,947	92,183
Transfers	(8,490)	2,444	(194,380)	(133,435)	(36,987)	(12,437)	(9,161)	(7,990)	(6,715)	(10,696)
Total business-type activities	<u>12,911</u>	<u>11,542</u>	<u>(158,202)</u>	<u>(111,525)</u>	<u>12,719</u>	<u>48,411</u>	<u>70,588</u>	<u>75,146</u>	<u>90,427</u>	<u>82,165</u>
Total Primary Government	<u>\$ 61,333,406</u>	<u>\$ 59,720,789</u>	<u>\$ 56,225,053</u>	<u>\$ 53,436,038</u>	<u>\$ 53,620,843</u>	<u>\$ 53,669,606</u>	<u>\$ 52,214,441</u>	<u>\$ 49,371,976</u>	<u>\$ 46,286,348</u>	<u>\$ 40,799,249</u>
Change in Net Position:										
Governmental activities	<u>\$ 2,603,636</u>	<u>\$ 539,496</u>	<u>\$ 25,582</u>	<u>\$ 306,877</u>	<u>\$ (1,977,206)</u>	<u>\$ (1,544,109)</u>	<u>\$ 5,464,095</u>	<u>\$ 4,839,829</u>	<u>\$ 2,221,668</u>	<u>\$ (443,323)</u>
Business-type activities	<u>399,557</u>	<u>524,635</u>	<u>416,842</u>	<u>541,814</u>	<u>736,614</u>	<u>147,129</u>	<u>(545,599)</u>	<u>(349,571)</u>	<u>(704,229)</u>	<u>(618,325)</u>
Total Primary Government	<u>\$ 3,003,193</u>	<u>\$ 1,064,131</u>	<u>\$ 442,424</u>	<u>\$ 848,691</u>	<u>\$ (1,240,592)</u>	<u>\$ (1,396,980)</u>	<u>\$ 4,918,496</u>	<u>\$ 4,490,258</u>	<u>\$ 1,517,439</u>	<u>\$ (1,061,648)</u>

TOWN OF BERLIN, CONNECTICUT
FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

		FISCAL YEAR									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:											
Reserved											
Unreserved:											
Designated	\$		\$		\$ 1,300,000	\$ 2,000,000	\$ 2,000,000	\$ 1,300,000	\$ 1,120,000	\$ 650,000	\$ 500,000
Undesignated					7,479,806	7,199,724	7,519,032	7,870,925	6,735,039	5,637,646	4,410,350
Committed		289,973	368,642	295,251							
Assigned		1,800,000	1,550,000	1,550,000							
Unassigned		10,701,294	9,379,361	8,522,461							
Total General Fund											
	\$	12,791,267	11,298,003	10,367,712	8,779,806	9,199,724	9,519,032	9,170,925	7,855,039	6,287,646	4,910,350
All Other Governmental Funds:											
Reserved	\$		\$		\$ 629,526	\$ 215,092	\$ 281,133	\$ 134,115	\$ 556,172	\$ 379,492	\$ 1,139,371
Unreserved, reported in:											
Special revenue funds					2,173,277	(791,351)	8,726	932,125	1,424,196	1,698,541	1,566,288
Capital projects funds					(3,147,776)	(5,746,753)	2,818,974	2,427,877	3,731,791	3,189,583	2,941,420
Permanent funds					39,719	37,655	37,203	38,966	35,575	76,573	79,694
Nonspendable		145,352	142,047	138,069							
Restricted		8,006,958	4,573,307	10,332,426							
Committed		202,450	167,843	169,692							
Unassigned				(1,017)							
Total All Other Governmental Funds											
	\$	8,354,760	4,883,197	10,639,170	(305,254)	(6,285,357)	3,146,036	3,533,083	5,747,734	5,344,189	5,726,773

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

TOWN OF BERLIN, CONNECTICUT

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Property taxes	\$ 59,750,689	\$ 57,384,370	\$ 54,508,377	\$ 51,226,824	\$ 50,700,632	\$ 49,846,526	\$ 48,565,796	\$ 46,523,609	\$ 44,265,223	\$ 40,291,616
Intergovernmental	16,630,100	16,533,609	14,480,713	14,219,822	13,265,831	24,809,576	11,698,299	10,283,903	9,032,912	8,180,428
Charges for services	4,484,164	4,413,140	4,994,167	5,176,849	5,247,916	5,046,536	5,276,389	4,898,682	4,783,119	4,051,088
Income on investments	176,577	275,834	203,116	284,541	859,021	1,515,342	1,765,694	1,381,670	648,816	290,604
Miscellaneous	629,863	858,765	587,448	485,284	307,709	754,877	493,769	324,930	450,411	282,777
Total revenues	<u>81,671,393</u>	<u>79,465,718</u>	<u>74,773,821</u>	<u>71,393,320</u>	<u>70,381,109</u>	<u>81,972,857</u>	<u>67,799,947</u>	<u>63,412,794</u>	<u>59,180,481</u>	<u>53,096,513</u>
Expenditures:										
General government	4,011,796	3,541,728	3,300,025	2,930,181	3,295,436	3,415,941	3,591,432	3,025,871	2,717,920	2,263,861
Community development	721,746	738,779	725,211	709,015	720,335	691,162	661,771	613,080	580,973	546,204
Public safety	7,778,675	7,560,017	7,136,824	7,483,644	7,025,587	7,110,341	6,820,530	6,179,221	5,854,348	5,472,447
Physical services	7,424,137	8,021,028	7,147,149	8,058,192	7,479,379	7,353,311	6,694,309	6,885,793	5,902,125	5,435,744
Parks, recreation and libraries	3,788,466	3,850,122	3,839,350	3,827,112	3,914,116	3,971,585	3,609,781	3,396,419	3,297,015	2,921,050
Health and human services	2,146,352	2,368,124	2,629,702	2,176,324	2,268,618	2,415,194	1,885,792	1,793,955	1,770,896	1,667,444
Schools	48,844,087	47,421,917	45,239,863	44,716,115	43,555,508	52,355,011	38,910,340	36,930,167	33,938,839	31,476,981
Debt service										
Principal	1,732,258	1,662,257	1,075,054	1,207,966	1,765,000	1,766,266	2,265,000	1,980,000	1,980,000	2,365,000
Interest	1,209,331	1,200,353	676,167	370,268	458,136	522,092	554,982	486,553	499,579	530,953
Capital outlay	8,238,449	8,036,819	9,448,162	2,588,360	9,686,682	2,423,331	3,713,936	4,718,787	1,650,789	2,594,281
Total expenditures	<u>85,895,297</u>	<u>84,401,144</u>	<u>81,217,507</u>	<u>74,067,177</u>	<u>80,168,797</u>	<u>82,024,234</u>	<u>68,707,873</u>	<u>66,009,846</u>	<u>58,192,484</u>	<u>55,273,965</u>
Excess (Deficiency) of Revenues										
Over Expenditures	<u>(4,223,904)</u>	<u>(4,935,426)</u>	<u>(6,443,686)</u>	<u>(2,673,857)</u>	<u>(9,787,688)</u>	<u>(51,377)</u>	<u>(907,926)</u>	<u>(2,597,052)</u>	<u>987,997</u>	<u>(2,177,452)</u>
Other Financing Sources (Uses):										
Transfers in	1,141,096	1,346,815	1,308,867	848,607	1,005,376	2,202,652	936,136	819,007	858,675	915,776
Transfers out	(1,132,606)	(1,349,259)	(1,114,487)	(715,172)	(968,389)	(2,190,215)	(926,975)	(811,017)	(851,960)	(905,080)
Proceeds from refunding bond issuance				4,645,000						
Payments to escrow agents				(4,815,247)						
Proceeds from the issuance of capital leases	330,400	112,188	497,144							
Bond premiums	354,841		1,674,492	75,854						
Proceeds from the issuance of bonds	8,495,000		16,610,000	8,195,000				4,560,000		6,680,000
Total other financing sources (uses)	<u>9,188,731</u>	<u>109,744</u>	<u>18,976,016</u>	<u>8,234,042</u>	<u>36,987</u>	<u>12,437</u>	<u>9,161</u>	<u>4,567,990</u>	<u>6,715</u>	<u>6,690,696</u>
Net Changes in Fund Balances	<u>\$ 4,964,827</u>	<u>\$ (4,825,682)</u>	<u>\$ 12,532,330</u>	<u>\$ 5,560,185</u>	<u>\$ (9,750,701)</u>	<u>\$ (38,940)</u>	<u>\$ (898,765)</u>	<u>\$ 1,970,938</u>	<u>\$ 994,712</u>	<u>\$ 4,513,244</u>
Debt Service as a Percentage of										
Noncapital Expenditures	3.8%	3.7%	2.4%	2.2%	3.1%	2.9%	4.3%	4.0%	4.4%	5.5%

TABLE 5

TOWN OF BERLIN, CONNECTICUT

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended June 30,	Real Estate	Personal Property	Motor Vehicle	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Value
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
2006	1,345,360	169,334	141,070	33,753	1,622,011	28.40	2,317,159	70
2005	1,328,094	169,848	130,071	32,549	1,595,464	27.43	2,279,234	70
2004	1,307,884	164,259	131,651	35,011	1,568,783	25.30	2,241,119	70

Source: Town of Berlin Assessor's Office

TOWN OF BERLIN, CONNECTICUT

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)

Fiscal Year	Town Direct Rate	Overlapping Rates	
		Kensington Fire District	Worthington Fire District
2013	2.515	0.10	0.2100
2012	2.450	0.10	0.1989
2011	2.365	0.10	0.1990
2010	2.269	0.08	0.1910
2009	2.269	0.08	0.1910
2008	2.874	0.10	0.1910
2007	2.874	0.10	0.1820
2006	2.840	0.09	0.1400
2005	2.743	0.09	0.1400
2004	2.530	0.09	0.1212

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

TABLE 7

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

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Rocky River Realty Co.	\$ 182,171,730	1	7.75%	\$ 107,173,470	1	6.83%
Cedar Brickyard LLC	23,307,550	2	0.99%			
Corbin Russwin, Inc.	23,307,010	3	0.99%	15,835,080	2	1.01%
Stonebridge Berlin Assoc	9,175,700	4	0.39%			
Atohaas North America Inc.	9,078,990	5	0.39%	5,825,670	5	0.37%
Paradigm Precision Holdings LLC	8,832,940	6	0.38%			
BRE Realty LLC	8,564,480	7	0.36%	6,335,100	4	0.40%
B&F Machine Inc.	7,536,870	8	0.32%			
Blue Dog Properties Trust	7,414,500	9	0.32%			
Berlin Commerce Park	7,172,000	10	0.30%			
Gateway Conn. Properties, Inc.				12,336,600	3	0.79%
National Amusements				5,389,020	6	0.34%
Parker Hannifin Corporation				5,042,940	7	0.32%
Orchard Ridge Associates				4,688,300	8	0.30%
One Twenty Nine Worthington Ridge Road, LLC				4,137,700	9	0.26%
Sherwood Properties, Inc.				3,673,300	10	0.23%
Total	\$ 286,561,770		12.19%	\$ 170,437,180		10.85%

Source: Town of Berlin Assessor's Office

TABLE 8

TOWN OF BERLIN, CONNECTICUT

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year		Collected Within the		Collections in Subsequent Years	Total Collections to Date	
			Fiscal Year of the Levy			Amount	Percentage of Levy
			Amount	Percentage of Levy			
2013	\$	59,323,912	\$	58,577,996	\$	58,577,996	98.74%
2012		57,082,130		56,246,044	531,017	56,777,061	99.47%
2011		54,154,344		53,367,466	622,941	53,990,407	99.70%
2010		51,124,528		50,315,554	697,796	51,013,350	99.78%
2009		50,792,129		49,989,264	645,500	50,634,764	99.69%
2008		49,549,590		48,988,081	511,905	49,499,986	99.90%
2007		48,323,207		47,803,630	469,480	48,273,110	99.90%
2006		46,494,295		45,964,653	480,708	46,445,361	99.89%
2005		43,947,848		43,580,111	317,150	43,897,261	99.88%
2004		39,902,471		39,434,045	418,477	39,852,522	99.87%

TOWN OF BERLIN, CONNECTICUT

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities						Debt Per Capita
	General Obligation Bonds(2)	Capital Leases	Total Outstanding Debt	Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property		
2013	\$ 35,687	\$ 457	\$ 36,144		% 1.08	% \$	1,814
2012	28,633	368	29,001		0.88		1,457
2011	30,342	389	30,731		0.94		1,547
2010	13,181		13,181		0.41		663
2009	6,330		6,330		0.20		309
2008	8,095		8,095		0.33		398
2007	9,860		9,860		0.41		490
2006	12,125		12,125		0.52		618
2005	9,545		9,545	1.39	0.42		487
2004	11,525		11,525	1.68	0.51		592

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

(2) Presented net of original issuance discounts and premiums

TOWN OF BERLIN, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2013

(in Thousands)

Total tax collections (including interest and lien fees)
received by Treasurer for year ended June 30, 2013:

General Fund	\$ 59,922
Fire Districts	2,145
Reimbursement for revenue loss on:	
Tax relief for elderly	<u>2</u>
Total Base	<u>\$ 62,069</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2 1/4 times base	\$ 139,655	\$	\$	\$	\$
4 1/2 times base		279,311			
3 3/4 times base			232,759		
3 1/4 times base				201,724	
3 times base					186,207
Total debt limitation*	<u>139,655</u>	<u>279,311</u>	<u>232,759</u>	<u>201,724</u>	<u>186,207</u>
Indebtedness:					
Bonds payable	16,872	17,148			
Bonds authorized, unissued	11,443	79,271	4,500		
Overlapping indebtedness**			13,572		
Anticipated school construction grants		(56,395)			
Total indebtedness	<u>28,315</u>	<u>40,024</u>	<u>18,072</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 111,340</u>	<u>\$ 239,287</u>	<u>\$ 214,687</u>	<u>\$ 201,724</u>	<u>\$ 186,207</u>

* In no case shall total indebtedness exceed seven times annual receipts from taxation.
The maximum permitted at this time is \$434,483.

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

TOWN OF BERLIN, CONNECTICUT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2013
(Dollars in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Kensington Fire District Commercial Loan	\$ 1,008	100.00 %	\$ 1,008
Worthington Fire District USDA Loan	430	100.00	430
Worthington Fire District Capital Projects	65	100.00	65
Mattabassett District Clean Water Fund Loan	12,069**	100.00	<u>12,069</u>
Subtotal, overlapping debt			13,572
Town of Berlin, direct debt			<u>36,144</u>
Total Direct and Overlapping Debt			<u><u>\$ 49,716</u></u>

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

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

**This represents the Town of Berlin's 13.99% share of the loan.

TOWN OF BERLIN, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2013:

Revenue Base	\$ <u>62,069</u>
Debt limit (Revenue Base x 7)	\$ <u>434,483</u>
Debt applicable to limit:	
General obligation bonds	34,020
Plus: bonds authorized, unissued	95,214
Overlapping debt	13,572
Less: Grant commitments	<u>(56,395)</u>
Total debt applicable to limit	<u>86,411</u>
Legal Debt Margin	\$ <u>348,072</u>

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	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	\$ 434,483	\$ 409,864	\$ 389,949	\$ 366,898	\$ 362,544	\$ 351,540	\$ 342,678	\$ 331,513	\$ 315,791	\$ 287,630
Total net debt applicable to limit	<u>86,411</u>	<u>88,009</u>	<u>112,210</u>	<u>37,100</u>	<u>25,181</u>	<u>20,160</u>	<u>12,972</u>	<u>14,992</u>	<u>10,462</u>	<u>12,205</u>
Legal debt margin	\$ <u>348,072</u>	\$ <u>321,855</u>	\$ <u>277,739</u>	\$ <u>329,798</u>	\$ <u>337,363</u>	\$ <u>331,380</u>	\$ <u>329,706</u>	\$ <u>316,521</u>	\$ <u>305,329</u>	\$ <u>275,425</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	19.89%	21.47%	28.78%	10.11%	6.95%	5.73%	3.79%	4.52%	3.31%	4.24%

TOWN OF BERLIN, CONNECTICUT

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (4)</u>	<u>Personal Income (1) (thousands of dollars)</u>	<u>Per Capita Personal Income (1)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (3)</u>
2013	19,921	\$ (2)	\$ (2)	2,981	6.4%
2012	19,901			3,015	6.6%
2011	19,866			3,118	7.8%
2010	19,866			3,159	7.5%
2009	20,467			3,217	6.7%
2008	20,364			3,269	4.5%
2007	20,137			3,274	3.6%
2006	19,611		30,456	3,343	3.8%
2005	19,590	690,234	35,234	3,352	4.7%
2004	19,471	673,891	34,610	3,345	3.9%

Notes:

(1) Personal Income Source: Connecticut Economic Resource Center, Inc.

(2) The 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 data is not available yet

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

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

The 2013 population figure is a Town of Berlin estimate

The 2012 population figure is a Town of Berlin estimate

The 2011 population figure is a Town of Berlin estimate

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

TABLE 14

TOWN OF BERLIN, CONNECTICUT

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2013			2004 (1)		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Northeast Utilities	1,396	1	13.60%	1,886	1	17.76%
Town of Berlin	618	2	6.02%	566	2	5.33%
Comcast Cable/TCI, CT	473	3	4.61%	401	3	3.78%
Corbin Russwin	422	4	4.11%	380	4	3.58%
Parker Hannifin	194	5	1.89%			
B & F Machine	186	6	1.81%			
Home Depot	140	7	1.36%			
Stop & Shop	139	8	1.35%			
TOMZ Corporation	132	9	1.29%	184	7	1.73%
TIGHITCO	120	10	1.17%			
Parker Skinner Valve				230	5	2.17%
Reliance Automotive				220	6	2.07%
Hartford Direct				130	8	1.22%
Indalex Alum. Solutions				100	9	0.94%
Total	3,820		37.21%	4,097		38.58%

Note:

(1) Only 9 employers are available for 2004.

Source: Town of Berlin Economic Development Department

TOWN OF BERLIN, CONNECTICUT

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Manager's Office	2.40	2.40	2.40	2.40	3.00	3.00	3.00	3.00	3.00	3.00
Finance Department	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Technology Department	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Collector of Revenue	2.62	2.62	2.62	2.62	2.62	2.62	2.53	2.45	2.45	2.45
Treasurer	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Corporation Counsel	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Assessor	4.00	4.00	4.00	4.00	4.70	4.70	4.70	4.70	4.70	4.70
Registrar of Voters	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Town Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Community Development:										
Planning and Building Inspection	5.84	5.84	5.84	5.84	6.34	6.34	5.84	5.84	5.84	5.84
Economic Development	0.86	0.86	0.86	0.86	0.86	0.86	0.83	0.83	1.33	1.33
Public Safety:										
Animal Control	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Fire Department	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.00	0.00	0.00
Police Department:										
Officers	41.00	41.00	41.00	41.00	41.00	41.00	40.00	40.00	40.00	40.00
Civilians	13.00	13.00	12.00	12.00	12.00	12.00	12.00	11.00	10.00	9.00
Fire Marshal	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.20	1.20
Physical Services:										
Municipal Garage	7.07	6.07	6.07	6.07	6.07	6.07	6.07	5.83	5.33	5.33
Public Works	4.50	4.50	4.67	4.67	4.67	4.67	4.67	4.67	4.67	4.67
Highway	14.00	14.00	14.00	15.00	15.00	16.00	16.00	16.50	16.50	16.50
Public Building	17.95	17.95	17.95	17.35	17.35	16.35	15.35	14.83	14.83	14.83
Parks, Recreation and Libraries:										
Recreation	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.33
Golf Course	5.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.33
Libraries	11.10	11.10	11.10	11.10	11.10	11.10	11.10	11.10	11.10	11.10
Public Grounds	10.33	10.33	11.33	11.33	11.33	11.33	10.33	10.33	10.33	10.33

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TOWN OF BERLIN, CONNECTICUT

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (CONTINUED)

LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Health and Human Services:										
Nursing Services	15.00	15.00	15.00	15.00	15.00	15.00	16.00	15.90	15.90	15.90
Community Services	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Schools:										
Private Schools	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.34	1.34	1.34
Board of Education										
Administration	18.60	17.60	17.60	17.60	18.00	18.00	18.00	16.00	16.00	16.00
Teachers	270.89	274.91	273.21	273.31	273.75	271.74	268.3	266.48	260.22	249.79
Other	144.89	141.46	141.96	141.27	144.55	143.84	143.41	142.63	139.84	131.33
School Expenses	7.67	7.67	7.67	7.67	7.67	7.67	6.67	6.78	6.78	6.78
Water Control Comm.:										
Administration	2.50	2.50	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
Operations	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total	<u>629.59</u>	<u>629.18</u>	<u>628.98</u>	<u>628.79</u>	<u>634.71</u>	<u>631.99</u>	<u>624.50</u>	<u>618.15</u>	<u>607.30</u>	<u>587.35</u>
 Total - Town Government	180.71	180.71	181.88	182.28	184.08	184.08	181.46	179.59	177.79	176.78
Total - Education	443.38	442.97	441.77	441.18	445.30	442.58	437.71	433.23	424.18	405.24
Total - Water Control	<u>5.50</u>	<u>5.50</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>	<u>5.33</u>
	<u>629.59</u>	<u>629.18</u>	<u>628.98</u>	<u>628.79</u>	<u>634.71</u>	<u>631.99</u>	<u>624.50</u>	<u>618.15</u>	<u>607.30</u>	<u>587.35</u>

Source: Town of Berlin Finance Department

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

Function/Program	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police:										
Physical arrests:										
Adult arrest	471	488	639	668	1,124	1,147	1,267	1,479	1,581	1,296
Juvenile arrest	32	39	37	21	15	51	62	67	71	34
Parking violations:										
Parking tickets	0	0	0	24	74	101	92	116	98	92
Traffic violations:										
Infractions	2,148	2,451	2,513	2,605	2,802	2,348	2,426	2,994	3,043	4,029
Misdemeanor	1,033	585	585	578	508	514	662	877	934	1,004
Written warning	3,278	3,039	2,539	2,775	2,407	1,956	1,909	1,976	1	0
Town ordinance	0	0	1	66	22	34	26	31	43	28
Animal Control:										
Dog licenses issued	1,843	1,886	1,448	1,692	1,828	1,890	2,007	1,920	2,045	2,070
Animals adopted	81	77	57	59	95	77	84	114	172	213
Dog redemptions	65	59	52	58	52	58	54	73	59	90
Fire Suppression Services: *										
Alarms	163	133	121	101	122	702	382	N/A	169	138
Fires	65	80	63	56	71	77	45	N/A	161	148
Hazardous materials	46	53	120	81	120	32	20	N/A	69	61
Assistance calls	46	71	189	101	233	102	6	N/A	370	237
Rescue calls	11	16	127	15	122	129	310	N/A	7	9
Fire Marshal:										
Inspections	205	218	245	269	321	340	410	490	358	316
Investigations	20	23	42	25	23	24	39	60	36	52
Refuse Collection:										
Solid waste (tons)	10,682	11,723	10,805	10,482	9,667	9,621	9,955	9,522	8,660	8,604
Bulky waste (tons)	**	**	383	285	**	34	178	57	71	219
Curbside recycling (tons):										
Commingled containers	1,907	1,348	1,351	1,485	524	548	505	513	524	520
Corrugated	***	***	***	***	N/A	N/A	N/A	N/A	N/A	N/A
Newspaper	***	***	***	***	1,222	1,277	1,177	1,209	1,235	1,241
Leaves	730	727	644	741	787	1,434	659	688	480	511
Other Public Works:										
Street resurfacing (miles)	3.5	2.3	1.1	1.1	2.1	2.4	1.6	1.0	N/A	N/A

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TOWN OF BERLIN, CONNECTICUT

OPERATING INDICATORS BY FUNCTION/PROGRAM (CONTINUED)

LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Building Department:										
Building permits issued	1,438	1,188	1,391	1,284	1,231	1,429	1,541	1,421	1,349	1,584
Planning:										
Zoning violations	64	103	130	191	245	255	180	108	14	N/A
Library:										
Volumes in collection	127,861	130,637	127,480	126,128	124,569	102,471	107,274	106,162	101,255	100,503
Total volumes borrowed	194,990	196,164	194,674	216,882	219,248	213,411	212,554	215,187	225,075	235,911
Water:										
New connections	29	27	7	25	19	89	105	77	73	100
Water main breaks	9	10	15	10	5	2	3	2	2	0
Average daily consumption (thousands of gallons)	956	951	950	955	950	933	800	750	730	860
Peak daily consumption (thousands of gallons)	330	332	330	325	325	325	300	250	280	290
Sewer:										
Average daily sewage treatment (thousands of gallons)	1,200	2,800	1,200	1,200	1,100	1,100	769	880	960	104

N/A = Not Available

Source: Town of Berlin

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

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

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

TOWN OF BERLIN, CONNECTICUT

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	15	14	14	14	14	14
Fire:										
Stations	4	4	4	4	4	4	4	4	4	4
Number of fire apparatus	15	15	15	15	15	15	15	15	15	15
Public Works:										
Streets (miles)	111.51	111.41	111.41	111.00	111.00	103.18	102.97	102.25	101.80	101.80
Streetlights	2,537	2,534	2,525	2,522	2,520	2,515	2,498	2,483	2,481	2,481
Traffic signals	6	5	5	5	5	5	5	5	5	4
Bridges*	37	37	37	37	37	37	37	37	37	37
Parks and Recreation:										
Golf courses	1	1	1	1	1	1	1	1	1	1
Pools	2	2	2	2	2	2	2	2	2	2
Parks acreage	2,163	2,163	2,163	2,163	2,137	2,060	2,060	1,610	1,610	1,610
Playgrounds	9	9	9	9	9	9	9	9	9	9
Baseball/softball fields	16	16	16	16	16	16	16	16	16	15
Soccer/football fields	11	11	11	11	11	11	11	10	10	10
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	47.0	47.0	46.6	46.5	46	46	42	42	42	42
Fire hydrants	434	434	430	428	425	420	400	400	400	400
Storage capac. (thousands of gals.)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	2,000	2,000	2,000
Wastewater:										
Sanitary sewers (miles)	119.00	119.00	103.80	103.75	103.50	103.00	102.00	99.23	99.23	99.23
Storm sewers (miles)	55.21	55.21	55.21	54.84	54.78	54.50	53.82	53.22	52.80	53.10
Trtmnt. capac. (thousands of gals.)	1,462,600	1,468,000	1,463,000	1,462,600	1,462,570	1,457,674	1,495,669	1,495,669	1,495,669	1,495,669
Pump stations	12	12	12	12	12	12	12	12	12	12
Education:										
Number of schools	5	5	5	5	5	5	5	5	5	5

Source: Town of Berlin

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