

TOWN OF BERLIN, CONNECTICUT

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



FISCAL YEAR ENDED JUNE 30, 2018

TOWN OF BERLIN, CONNECTICUT

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018**



Published by the Finance Department

**240 Kensington Road
Berlin, Connecticut 06037**

**Kevin Delaney
Finance Director**

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Town of Berlin, Connecticut
Comprehensive Annual Financial Report

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

INTRODUCTORY SECTION

PRINCIPAL ELECTED AND APPOINTED OFFICIALS

TOWN COUNCIL

Deputy Mayor Brendan Luddy	Mayor Mark Kaczynski	Councilor JoAnn Angelico-Stetson
Councilor Alex Giannone		Councilor Amy Maier-Daniele
Councilor Karen A. Pagliaro		Councilor Peter Rosso

BOARD OF FINANCE

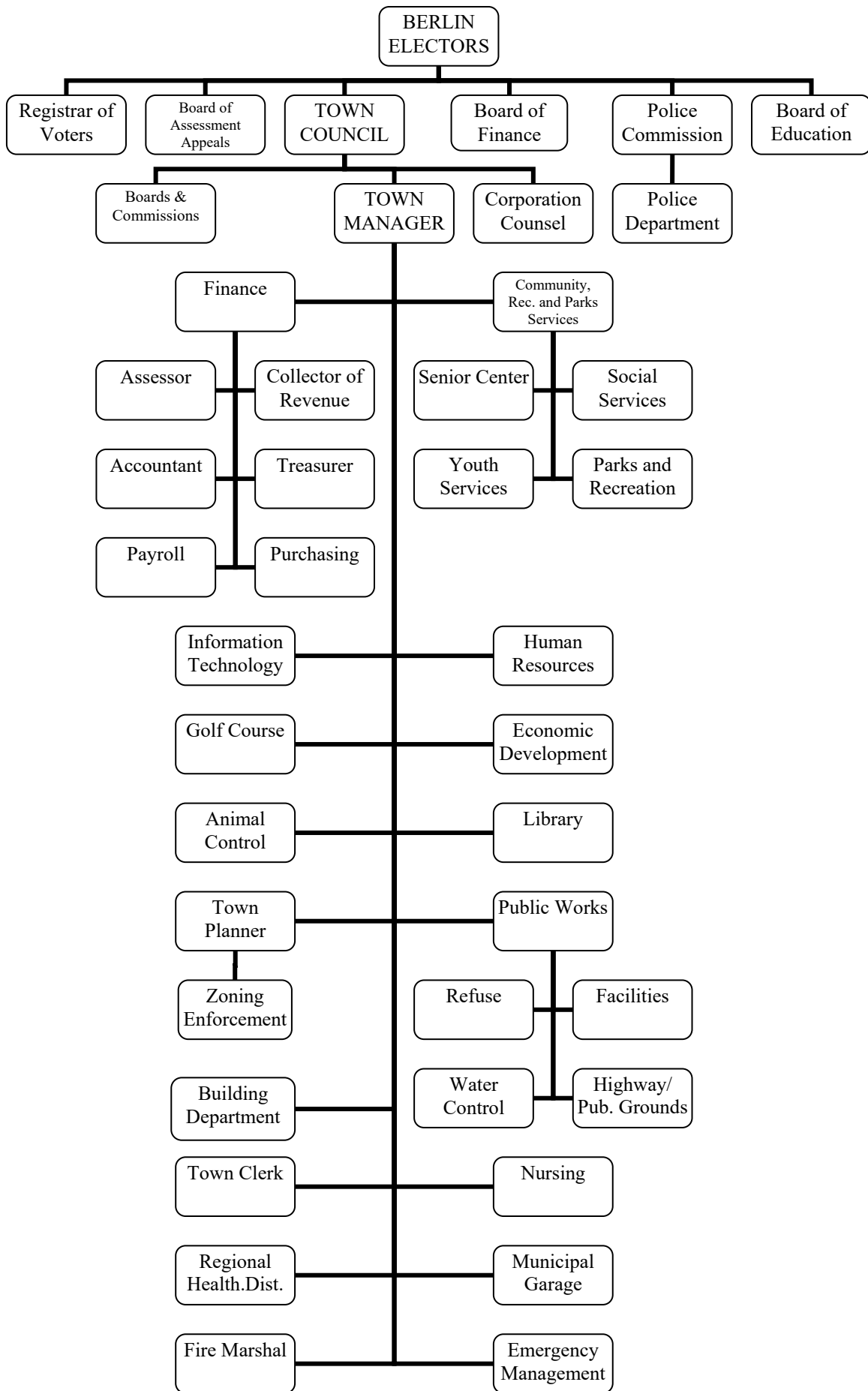
Sam Lomaglio, Chairman	Gerry Paradis, Vice Chairman
Sal Bordonaro	Kevin Guite
Mark Holmes	John Richards

ADMINISTRATION

Town Manager	Jack Healy
Corporation Counsel	Jeffrey M. Donofrio
Finance Director	Kevin Delaney
Nursing Supervisor	Wendy Russo
Planner	Marek Kozikowski
Director of Parks & Rec./Community Services	Jennifer Ochoa
Public Works Director	Vacant
Chief of Police	John M. Klett
Town Clerk	Kathryn J. Wall
Library Director	Helen Malinka
Information Technology Coordinator	Barbara Sagan
Fire Marshal	Steven Waznia
Economic Development Director	Christopher Edge
Director of Golf	Jonathan P. Zuk
Director of Human Resources	Denise Parsons
Chief Mechanic	James Simons

BOARD OF EDUCATION

Matthew Tencza, President	
Richard Aroian	Julia Dennis
Jake Fisher	Jaymee Miller
Timothy J. Oakes	Adam Salina
Kari Sassu, Ph. D., Secretary	Tracy Sisti
Superintendent of Schools	Brian Benigni
Business Manager	Jeffrey Cugno





TOWN OF BERLIN

Finance Department

240 KENSINGTON ROAD • TOWN HALL • BERLIN CT 06037

December 7, 2018

Chairman Lomaglio
Members of the Board of Finance
Mr. Jack Healy, Town Manager
Town of Berlin
240 Kensington Road
Berlin, Connecticut 06037

To the Chairman, Members of the Board of Finance, Citizens of the Town of Berlin and Town Manager Healy:

The Comprehensive Annual Financial Report ("CAFR") of the Town of Berlin, Connecticut ("Town") for the fiscal year ended June 30, 2018 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 2018.

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.

Section 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 Board of Finance. The Town has complied with this requirement and PKF O'Connor Davies, LLP's report with an unmodified opinion has been included in this report. In addition, the Town is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 100, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, as well as the Connecticut Single Audit Act. Information related to these single audits, including the schedule of expenditures of federal awards and state financial assistance, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations are issued under separate cover and are not included in this report. A copy of these reports is on file in the Town Clerk's office.

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

PROFILE OF THE MUNICIPALITY

The Town of Berlin is an independent town and is a political subdivision of the State of Connecticut autonomous from any county, town or other political subdivision of the State of Connecticut. The Town of Berlin was incorporated in 1785 from parts of Farmington, Middletown, and Wethersfield. The Town, which covers an area of 27.0 square miles, is located in the geographic center of the state in Hartford County. Berlin's current population is approximately 20,505 as of June 30, 2018.

Under the Town Charter, adopted November 4, 1973 and most recently amended November 8, 2016, the Town Council acts as the legislative body. The Town Council consists of six members plus the Mayor elected biennially for terms of two years each. The Town Council appoints a Town Manager, who is the chief executive officer of the Town and has appointive and removal authority over department directors and other employees of the Town. The Town Manager and the Town Council are responsible for the administration of all Town matters, with the exception of the education system, Kensington and Worthington Fire Districts, the Mattabassett District (which provides water and sewer services to industrial and residential customers) and the Police Department (which is overseen by an elected five-member Police Commission). An elected nine-member Board of Education appoints a Superintendent of Schools, who administers the education system of the Town. As part of the charter revisions approved by voters on November 8, 2016, a Board of Finance was formed in November 2017. The Board of Finance consists of six members elected biennially for terms of four years each. The Board of Finance has financial and budgetary responsibility.

The annual budget serves as the foundation for the Town's financial planning and control. The Town maintains budgetary controls with the objectives to ensure compliance with legal provisions embodied in the annual appropriated budget, approved by the budget referendum. As demonstrated by the budgetary schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management. In addition to the budgetary schedules, the Notes to Financial Statements describe the budget process used by the Town.

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

LOCAL ECONOMIC CONDITION AND OUTLOOK

The Town has continued to implement an economic development strategy to bolster the tax base and to create local job opportunities. The Town's Plan of Conservation and Development was adopted in 2013. Many proposals included in this plan have been implemented including significant amendments to the Town's commercial and industrial zones, including expansion of the zones at the margins in certain areas and use adjustments in zones that better fit local conditions and market opportunities. There has been progress toward the creation of a Town Center and a significant amount of open space has been acquired.

Major businesses located in Berlin include Eversource and its subsidiary, Yankee Gas, 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), PetSmart (retail) and TOMZ Corporation (a manufacturer of medical and aerospace parts).

In fiscal year 2018, new or expanded businesses continued to fuel grand list growth in Berlin. Acura of Berlin opened a new dealership and companion 17,000 square foot retail building on the Berlin Turnpike. Swedish manufacturer Steelwrist made significant progress on its new US headquarters in Berlin, opening its new facility in August 2018. Finally, Forrest Machine was near completion of a new 55,000-square foot manufacturing facility on Christian Lane at year-end.

Overall, the Town continued to be an attractive location for a diverse mix of projects including office, industrial, commercial and age-restricted residential developments. Investments to maintain and enhance the quality of living in Berlin were made including additional sidewalks connecting the Town Hall area to the Town Center. Issuance of building permits (both commercial and industrial) increased 12% in fiscal year 2018.

The Town's location makes it accessible to a large labor force without the need to commute through congested cities. The Town's unemployment rate continued to be less than the State, regional and national averages. As of June 2018, the unemployment rate in Berlin was 3.7% (not seasonally adjusted) compared to 4.5% in the Hartford Labor Market Area, 4.5% in the State of Connecticut and 4.2% in the United States. Berlin has strong demographic characteristics including a median household income 30.7% higher than the State average.

MAJOR INITIATIVES

The federally-funded \$20+ million New Haven-to-Springfield AMTRAK rail enhancements were completed and service began during fiscal year 2018. This new transportation option opens up new economic growth opportunities in the downtown area. The Town issued a Request for Qualifications (RFQ) in December 2017 seeking concepts for use of Town-owned land surrounding the train station. The Town received five (5) responses and agreed to engage in exclusive negotiations with one respondent starting early in fiscal year 2019. In related efforts, the Town received a \$536,000 State grant for the purchase of two additional parcels around the train station. These two parcels will enhance the Town's downtown growth efforts as outlined in the 2013 Plan of Conservation and Development. Negotiations for the land purchases will continue into fiscal year 2019.

The Town completed several important capital projects including a \$1.6 million upgrade of the Police dispatch & radio system, the completion of a new elevator at the Berlin-Peck Memorial Library to enhance ADA compliance and security enhancements at all five schools and several town buildings. Berlin partnered with Federal and State agencies to continue making critical infrastructure investments in bridges and roads. Each of these investments is necessary to maintain public safety and a high quality of life for Berlin residents and businesses.

Finally, the Town completed a \$10.4 million multi-faceted energy saving program. The program included the purchase of more than 2,500 street lights and conversion to Light Emitting Diode (LED) lighting to reduce energy consumption, new solar panels on four of the Town's five schools and several smaller energy conservation measures. To fund the project, the Town continued making lease payments and the payments will continue through fiscal year 2036. In the early years of the lease, the projected savings will be applied toward lease payments. Longer-term the Town is expected to realize cost savings beyond the required lease payments.

LONG-TERM FINANCIAL PLANNING

During fiscal year 2018, the Town Council formally adopted a policy targeting an unassigned General Fund balance of at least 11% of total budgeted General Fund expenditures. The unassigned fund balance represents that portion of fund balance which is available for appropriation. Because of conservative financial management in past years, the Town 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's infrastructure and other capital needs (including investments in economic development to continue growth and revitalization of the commercial corridor) are incorporated into a ten-year capital plan. The plan is reviewed quarterly and revised annually as part of the budget process. The project process calls for a cross-functional committee to revise the plan and present it to the Town Manager for review and approval. The Town Manager presents the plan to the Board of Finance during the budget process.

The capital needs identified through the capital planning process that require debt funding are then incorporated into a debt management plan that is presented to the Board of Finance during the budget process. The debt management plan identifies the timing of the proposed bonding and 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. The Town's AA+ rating was affirmed by Standard & Poor's as part of the May 2017 bonding. Since the Town did not issue new bonds during fiscal year 2018, a new rating was not obtained.

OTHER RELEVANT FINANCIAL POLICIES AND PROCEDURES

One of the new policies adopted by the Town Council in fiscal year 2017 requires full funding of the Actuarially-Determined Contribution ("ADC") to the Town's closed defined benefit pension plan. The plan is operating with a pay-as-you-go strategy due to the historically low funding level. The Town complied with this policy in fiscal year 2018 and budgeted the full ADC for fiscal year 2019, as well. Furthermore, the ADC funding allowed the Town to fund four retirements during fiscal year 2018 – leaving the Town with thirteen (13) active participants in the defined benefit plan.

During the fiscal year, the Town continued implementing a comprehensive business continuity and disaster recovery plan created in fiscal year 2012. The Town moved several technology programs to the Cloud - including the accounting system, a document storage program, an emergency management communication program - and progress was made to automate part of the payroll process.

OTHER INFORMATION

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 report for the last thirty-two consecutive years including the most recently completed fiscal year ended June 30, 2017.


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

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

Acknowledgments:

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department, the Town Treasurer, Town Manager and the members of the Board of Finance and 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 Chairman, Mayor, Board of Finance, 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,



Kevin Delaney
Finance Director



Government Finance Officers Association

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

Presented to

**Town of Berlin
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION

Independent Auditors' Report

Town Council
Town of Berlin, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Connecticut ("Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Prior Year Financial Information

We previously audited the Town's basic financial statements for the year ended June 30, 2017 (not presented herein), 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 and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The financial information on supplemental Exhibit A-1 for the year ended June 30, 2017, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 financial information in Exhibit A-1 is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

December 7, 2018
Wethersfield, CT

TOWN OF BERLIN, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS **FOR THE YEAR ENDED JUNE 30, 2018** **(THOUSANDS)**

This discussion and analysis of the Town of Berlin, Connecticut's ("Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read this Management Discussion and Analysis ("MD&A") in conjunction with the transmittal letter and the Town's financial statements, Exhibits 1 to 9. All amounts are expressed in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased by \$3,539 or 2.9% as a result of this year's operations. Net position of the Town's governmental activities increased by \$2,991 or 2.9% and net position of the Town's business-type activities increased by \$548 or 3.2%.
- The total cost of all of the Town's programs decreased by \$1,205 or 1.2% to \$99,357 with no new programs added this year. This compares to an increase of 8.3% in the prior year. Physical Services and General Government were the main drivers of the reduction, partially offset by an increase in Public Safety. The reduction in Physical Services was driven by the completion of several energy saving projects in the prior fiscal year. The savings in General Government was driven by lower pension expense as a due to pension plan as a result of continued retirements. These reductions were partially offset by increases in Public Safety as the result of negotiated wage increases for the Police and Dispatcher unions.
- The General Fund reported a total fund balance this year of \$15,069, an increase of \$774, or 5.4%, from the previous year. The increase was due to rigorous cost management and the proceeds of a tax sale, partially offset by lower intergovernmental revenue. The unassigned portion of fund balance increased by a total of \$946 or 8.5%.
- The Capital Projects Fund reported a total fund balance this year of \$4,844, a decrease of \$3,634, or 42.9%, from the previous year. The decrease was driven by the completion of an energy conservation project and the completion of the construction phase of the Farmington Ave. bridge replacement project financed in previous years.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

- *Governmental funds (Exhibits 3 and 4)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits 5, 6 and 7)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that support the Town's other programs and activities—such as the Town's General Insurance and Medical and Health Insurance internal service funds.
- *Fiduciary funds (Exhibits 8 and 9)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries and assets held as custodian for student groups. 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 \$120,384 to \$123,924 (with prior year restated for the effects of implementing GASB 75 and GASB 84). The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017*	2018	2017	2018	2017
Current and other assets	\$ 31,717	\$ 35,056	\$ 6,529	\$ 6,315	\$ 38,246	\$ 41,371
Capital assets	176,422	173,758	13,217	13,044	189,639	186,803
Total assets	<u>208,139</u>	<u>208,815</u>	<u>19,747</u>	<u>19,359</u>	<u>227,885</u>	<u>228,174</u>
Deferred outflows of resources	<u>2,350</u>	<u>4,085</u>	<u>-</u>	<u>-</u>	<u>2,350</u>	<u>4,085</u>
Non-current liabilities	96,710	103,253	1,817	1,929	98,527	105,182
Other liabilities	7,510	6,625	109	158	7,618	6,783
Total liabilities	<u>104,220</u>	<u>109,879</u>	<u>1,926</u>	<u>2,087</u>	<u>106,146</u>	<u>111,965</u>
Deferred inflows of resources	<u>166</u>	<u>196</u>	<u>-</u>	<u>-</u>	<u>166</u>	<u>196</u>
Net position						
Net investment in capital assets	93,713	85,860	11,400	11,115	105,113	96,975
Restricted	841	1,066	-	-	841	1,066
Unrestricted	<u>11,549</u>	<u>16,186</u>	<u>6,421</u>	<u>6,157</u>	<u>17,970</u>	<u>22,343</u>
Total net position	<u>\$ 106,103</u>	<u>\$ 103,112</u>	<u>\$ 17,821</u>	<u>\$ 17,273</u>	<u>\$ 123,924</u>	<u>\$ 120,384</u>

* Restated for GASB 75 & GASB 84 implementation

Net position of the Town's governmental activities increased by 2.9%. The increase in net investment in capital assets was offset by a decrease in unrestricted net position as current assets were used to finance important capital projects and deferred outflows from the defined benefit pension plan were lower.

Authorized General Fund budget appropriations for operating expenses of approximately \$2.8 million remained unspent at year end; this is the result of prioritizing needs and funding only the most critical of these needs throughout the fiscal year. In addition, expenses were lower than normal as the Town began to realize benefits from energy conservation investments started in 2016 and from salary and benefit savings caused by position vacancies during the year. The most significant example was in the Police Department where position vacancies were the result of attrition and the lengthy process to backfill open positions. The Town continued several efforts to control expenses such as: minimizing use of overtime where possible; prohibiting most air travel for conferences; continuing efforts to reduce the cost of employee benefits through wellness initiatives, higher employee cost shares and participation in a high-deductible health savings account.

Revenue was \$1.9 million below budget (including the use of fund balance during the budget process) driven by the proceeds of a tax sale initiated during the fiscal year and higher than planned interest on cash reserves, partially offset by lower State education grants. The State of Connecticut distributed funds from a new grant (Municipal Stabilization grant) intended to lessen the impact of changes the State implemented in the major education grant distributed to towns. The Town maintained a high tax collection ratio of 98.77% in the current fiscal year.

Total charges for services revenues were flat to prior year. Water and sewer service charges increased slightly as volumes increased year-over-year. Governmental Activities charges for services increased modestly.

Investment earnings improved over prior year as interest rates increased. The Town's management continued to utilize various financial institutions each with strong collateral levels and competitive interest rates. The Town is somewhat limited in its investment choices by state statutes regarding investment of public funds and by the Town's investment policy. The narrative following Table 2 includes a more specific discussion of revenue variations by category.

Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 4,468	\$ 4,339	\$ 4,377	\$ 3,967	\$ 8,845	\$ 8,306
Operating grants and contributions	19,893	19,446	-	-	19,893	19,446
Capital grants and contributions	2,324	3,164	-	-	2,324	3,164
General Revenues						
Property taxes, interest and liens	70,904	68,423	1	-	70,905	68,423
Grants and contributions not restricted to specific programs	78	1,021	-	-	78	1,021
Unrestricted investment income	522	269	88	57	610	326
Miscellaneous	228	531	13	8	242	539
Total revenues	<u>98,417</u>	<u>97,192</u>	<u>4,479</u>	<u>4,032</u>	<u>102,896</u>	<u>101,224</u>
Program expenses						
General government	4,088	4,946	-	-	4,088	4,946
Community development	1,434	1,290	-	-	1,434	1,290
Public safety	11,412	9,734	-	-	11,412	9,734
Physical services	8,699	12,250	-	-	8,699	12,250
Parks, recreation and libraries	4,334	4,431	-	-	4,334	4,431
Health and human services	2,691	2,634	-	-	2,691	2,634
Schools	60,584	59,101	-	-	60,584	59,101
Interest expense	2,193	2,302	-	-	2,193	2,302
Water services	-	-	1,476	1,436	1,476	1,436
Sewer services	-	-	2,446	2,437	2,446	2,437
Total expenses	<u>95,435</u>	<u>96,688</u>	<u>3,922</u>	<u>3,874</u>	<u>99,357</u>	<u>100,562</u>
Excess (deficiency) before special items and transfers	2,982	504	557	159	3,539	662
Special Items	-	(48)	-	-	-	(48)
Transfers in (transfers out)	<u>9</u>	<u>5</u>	<u>(9)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>
Change in net position	2,991	461	548	154	3,539	615
Net position - beginning of year	<u>103,112</u>	<u>106,540</u>	<u>17,273</u>	<u>17,118</u>	<u>120,384</u>	<u>123,658</u>
Prior period adjustments	-	(3,889)	-	-	-	(3,889)
Net position - end of year	<u>\$ 106,103</u>	<u>\$ 103,112</u>	<u>\$ 17,821</u>	<u>\$ 17,273</u>	<u>\$ 123,924</u>	<u>\$ 120,384</u>

The Town's total revenues (governmental and business-type) were \$102,896. The total cost of all programs and services (governmental and business-type) was \$99,357. The analysis below separately discusses the operations of governmental and business-type activities.

Governmental Activities

The largest source of revenues was derived from property taxes at 72.0%, followed by 20.2% from operating grants and contributions, 4.5% from charges for services and 2.4% from capital grants and contributions. Major revenue factors include:

- Property tax revenues recorded for fiscal year 2018 reflect a tax rate of 31.61 mills, an increase of 0.80 mills over the rate used in the previous fiscal year of 30.81, a continued strong collection rate of 98.77% and a grand list increase of 0.8% driven by all three categories: real estate values increased by 0.7%, personal property values increased by 5.0% and motor vehicle values increased by 0.4%. The net effect of grand list changes, increased mill rate and tax sale proceeds resulted in increased property tax receipts of \$2,482.
- Unrestricted governmental investment earnings increased from \$269 in the prior fiscal year to \$522 in the current year. The increase in investment earnings is the result of improved interest rates and the continued effort by management to invest in safe, higher yielding money market funds.
- Combined revenue from capital and operating grants and contributions decreased from the prior fiscal year by \$392, or 1.7%. The primary reasons for this decrease were lower total State education grants and the mix of lower cost capital projects than in the prior year.

Major expense factors include:

- For governmental activities, 63.5% of the Town's operating expenses were for education, 12.0% for public safety, 9.1% for physical services, 4.5% for parks, recreation and libraries, 4.3% for general government, 2.8% for health and human services, 2.3% for interest expense and 1.5% for community development. As a percent of total expenses, public safety increased 1.9%, schools increased 2.4%, physical services decreased 3.6% and general government decreased 0.8%.
- General Fund expenditures declined driven by a lower net pension expense. The Town fully funded lump sum payouts to four members during the year. However, the liability for continuing members increased driven by contractual wage increases and continued service credits.
- The Town continued to employ various cost control methods to keep expenditures as low as possible. These involve regular monthly review of all town expenditures as compared to budget; Town Manager review of all purchase order requests valued at \$2,500 and above; active review and reevaluation of positions as people retire or leave town employment; and purchasing used or discounted supplies and furniture where possible. In addition, the Police Department continued to experience turnover and had unfilled positions during the fiscal year which resulted in lower than planned expenditures in that department, partially offset by additional overtime costs.
- There were increases in employee wages as a result of negotiated step and general wage increases; however, contractual increases were limited to a maximum of 2.25% for the Town and 2.5% for the Board of Education. One Town union contract expired on June 30, 2018, and was settled in early fiscal year 2019. A 2.25% increase was budgeted starting in fiscal year 2018 for this contract. One Town contract expires on June 30, 2019, and negotiations are expected to begin in early calendar year 2019. On the Board of Education side, one contract expired on June 30, 2018 and was being negotiated.
- There were two net full time Town positions removed during fiscal year 2018. One position was eliminated in Public Grounds and one in Public Buildings due to position consolidations. For the Board of Education, there was a net reduction of six administrative and teaching positions.

- Employee benefit costs continued to be an area of focus for both the Town and Board of Education. The Town continued to take measures to control the level of medical insurance costs through the implementation of wellness incentives and offering a high-deductible HSA plan. The high-deductible HSA plan is currently voluntary for the Town, but the Board of Education will have all employees on a single-option high-deductible plan starting in fiscal year 2018-19. While the Town continues to offer a preferred provider plan, employees who elect this plan are required to pay a higher percentage of premiums than those who elect the high-deductible plan. Finally, the Town continued to experience benefits from the reduction in defined contribution match (from 200% to 100% for all employees, except for police officers, hired after January 1, 2015) negotiated with the pension consortium of all unions other than Police during fiscal year 2015. The Police contract was settled during fiscal year 2017-18 and included a reduction in pension funding from 12% to 8% of wages.

Table 3 presents the cost of each of the Town's programs, 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	
	2018	2017	2018	2017
General government	\$ 4,088	\$ 4,946	\$ 2,897	\$ 4,094
Community development	1,434	1,290	306	369
Public safety	11,412	9,734	10,928	9,284
Physical services	8,699	12,250	6,249	8,741
Parks, recreation and libraries	4,334	4,431	2,829	2,965
Health and human services	2,691	2,634	1,563	1,531
Schools	60,584	59,101	41,782	40,454

Business-Type Activities

Revenues of the Town's business-type activities (see Table 2) increased 11.1% and expenses (including transfers) increased 1.2%.

The increase in revenues was driven by higher volumes, new assessments and improved interest rates. There have been no rate increases since July 1, 2015; however, both water and sewer rates were under review at the end of the fiscal year. The increase in expenses and transfers of the Town's business-type activities was driven by higher volumes and infrastructure investments necessary to maintain the water and sewer systems.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit 3) reported a combined fund balance of \$21,039, which is a 10.9% decrease from last year's restated total of \$23,623. This decrease was driven by the Town's decision not to issue long-term bonds during the fiscal year and lower cost capital projects completed during the year, partially offset by improved General Fund performance.

Included in this year's total change in governmental fund balance is an increase of \$774 in the Town's General Fund, compared to an increase of \$440 in the prior year. The primary reasons for the General Fund balance's increase was expenditures coming in below budget and the proceeds of a tax sale initiated during the fiscal year.

Due to the continued volatility of information available from the State of Connecticut while the State budget was being developed, the Town maintained the practice of budgeting conservatively for all state grants. The State experienced a protracted budget process that did not culminate until the Governor's final implementation measures in November 2017. The final State budget resulted in \$584 in lower total State funding to the Town than was included in the Town's adopted budget. The Town was able to offset this budget shortfall through strict expenditure management in both Education and General Government operations.

In the Capital Projects Fund, \$6,623 was expended for asset acquisitions and improvements, most notably implementing various energy conservation initiatives; road and bridge improvements and upgrades to the Police dispatch center and related equipment. These capital expenditures were funded through a combination of intergovernmental grants, bond and bond anticipation note proceeds (including a \$2,028 note issuance in May 2018).

Proprietary Funds

As the Town completed the year, its business-type proprietary funds (as presented in the balance sheet - Exhibit 5) reported combined net position of \$17,821 which is an increase of \$548 or 3.2% from the previous year's total of \$17,273. This improvement was driven by higher volumes applied against a semi-fixed cost structure.

Internal Service Funds

In the internal service funds, the insurance funds experienced a combined decrease in net position of \$877, or 25.4% as compared to the prior year. The major driver of the decrease in net position was an increase in claims in the Medical and Health Insurance fund due to unfavorable experience. It should be noted that medical claim experience would have been more unfavorable if the Town did not maintain a \$150 stop-loss plan, so that any claims above this amount are paid by the insurer. The Town, including the Board of Education, became more aggressive with cost containment efforts during the fiscal year. As mentioned earlier, by July 1, 2018, all of the Board of Education employees will be enrolled in a high deductible plan. Starting July 1, 2017, the Town introduced incentives to encourage Town employees to migrate to the high deductible plan, and the Town began a more rapid cost sharing formula for those who elect not to migrate to the high deductible option. In the first year of these efforts, 50% of Town employees moved to the high deductible plan, up from 7% in fiscal year 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town had a \$189,639 net investment in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, street lights and water and sewer lines (see Table 4). This amount represents a net increase (including additions and deductions) of \$2,836 or 1.5%, over last year.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 23,572	\$ 23,231	\$ 481	\$ 481	\$ 24,052	\$ 23,711
Construction in progress	83,266	82,796	2,285	1,818	85,552	84,614
Intangible assets	-	-	565	565	565	565
Land improvements	3,371	2,899	-	-	3,371	2,899
Buildings and systems	34,393	34,920	1,001	1,082	35,394	36,001
Machinery and equipment	8,007	7,172	199	209	8,205	7,381
Infrastructure	23,813	22,742	8,687	8,890	32,501	31,632
	<u>\$ 176,422</u>	<u>\$ 173,758</u>	<u>\$ 13,217</u>	<u>\$ 13,044</u>	<u>\$ 189,639</u>	<u>\$ 186,803</u>

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

Police Radio Upgrade	\$	1,602
Farmington Ave Bridge		430
Berlin High School Renovation		593

More detailed information about the Town's capital assets is presented in Note 1 and Note 3 to the financial statements.

Debt

The Town had \$68,300 in bonds outstanding versus \$73,645 last year, a decrease of \$5,345. The decrease was the result of scheduled bond repayments and the Town did not issue new bonds during the fiscal year. The Town maintains a Capital Improvement Plan as well as a Debt Issuance Plan to track projects that need to be completed and the funding for such projects.

Bond anticipation notes of \$2,028 were outstanding at year end, for the following projects: improvements to basketball/tennis courts, installation of a whole-school generator at the high school, road and bridge repairs and business continuity initiatives.

Debt service expenditures are expected to increase over the next few years as principal payments related to the existing debt continue, and new borrowing will be necessary for critical infrastructure projects. The Town will review future debt issuances critically with a goal of lowering the overall debt level and reducing debt service payments longer-term.

Standard & Poor's Rating Services affirmed its general obligation bond rating of AA+ in May 2017. The Town's Bond Anticipation Notes are rated SP-1+ with Standard & Poor's Rating Services. Since the Town did not issue new bonds in fiscal year 2018, an updated rating was not secured. A new round of bonding is expected at the end of fiscal year 2019, and an updated rating will be obtained at that time.

The State of Connecticut limits the amount of general obligation debt that towns can issue based on a formula determined under State Statutes which considers the type of debt and tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit of \$504,720.

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

The Town has 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. This project is accounted for in the water and sewer enterprise fund and is funded exclusively by a separate charge on consumer's bills. The future debt service for the loan is \$2,114 (\$1,817 principal and \$297 interest).

Capital Lease

In addition to the existing capital leases for equipment and vehicles, on February 12, 2016, the Town entered into a \$10.4 million, 20-year capital lease for a multi-faceted energy saving program. The program includes new solar panels on the middle school and each of the three elementary schools, the purchase of more than 2,500 street lights and the conversion to Light Emitting Diode ("LED") lighting to reduce energy consumption. During the early years the savings will be used to finance the lease payments. Longer-term, the Town is expected to realize energy savings that will help mitigate future cost increases. Total payments on the energy lease in the fiscal year were \$702 (\$408 principal and \$294 interest). The outstanding future debt service for this lease is \$12,754 (\$9,742 principal and \$3,012 interest).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund appropriations totaled \$87,930 in the fiscal year 2018-19 budget. This is an increase of approximately 3.2% over fiscal year 2017-18 and resulted in a tax mill rate increase of 0.89 to 32.50 mills. This mill rate increase is consistent with recent years as new debt service payments continue to impact the tax rate.

The 2017 Grand List increased 3.7% as 2017 was a statutorily required revaluation year. Revaluation requires a detailed review of all real estate (residential and commercial) applied against recent sales data. Revaluation years typically experience larger than normal changes in the grand list, and the 2017 revaluation in Berlin was no exception. The fiscal year 2018-19 General Fund budget includes \$2,600 of assigned General Fund balance in order to mitigate the tax increase and fully fund the actuarially determined contribution to the closed pension fund.

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

The Town faces the challenge of dealing with the continued budget instability at the state level. The ECS grant represents approximately 77.6% of the fiscal year 2018 intergovernmental grant revenue budget and 7.6% of the total revenue budget. As the State attempts to address education grant funding going forward, the Town is managing the uncertainty with tight expense management, evaluating capital requests carefully and taking steps to lower long-term liabilities.

The Town's defined benefit plan has been closed to new participants since 2000, and is a unique type of plan that offers the higher of the defined benefit or defined contribution calculation. As many of the remaining active participants are starting to retire and choose a lump sum distribution, the Town is employing a pay-as-you-go funding approach to address the short-term cash flow demand. A legislative change passed during the 2016 State legislative session allows the Town the additional option of using short-term borrowing to make lump sum payouts; however, State statutes include requirements the Town must comply with if pension obligation notes are issued. Beginning in fiscal year 2018, the Town increased the amount of General Fund contribution to the Pension Fund to adequately fund anticipated retirement costs. The Town intends to fully fund the annual required contribution as part of the annual budget process, and will seek to avoid issuing bonds to meet its pension obligation.

Overall, financial results were in-line with the plan for fiscal year 2017-18 due to successful expenditure management efforts. The Town did not have to use any of the \$2.8 million assigned fund balance. The Town has maintained a relatively strong level of General Fund balance. This balance has assisted the Town in dealing with the unfavorable economic climate and addressing contingencies while keeping tax increases relatively low compared to surrounding communities. Over the next few years, the Town will face continued growth in debt service and short-term cash flow needs driven by the pension plan. It will be necessary for the Town to manage new debt issuances closely and to continue to identify projects with sustained savings to help offset these increases.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

**BASIC FINANCIAL
STATEMENTS**

Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 16,385,375	\$ 5,343,410	\$ 21,728,785
Restricted cash	1,082,637	-	1,082,637
Investments	11,162,425	-	11,162,425
Receivables (net)			
Property taxes	1,286,465	-	1,286,465
Interest on property taxes	478,760	-	478,760
Intergovernmental	959,148	-	959,148
Usage	-	1,113,335	1,113,335
Special assessments and connection charges	-	73,261	73,261
Accounts	333,903	-	333,903
Internal balances	605	(605)	-
Inventories	27,289	-	27,289
Capital assets			
Nondepreciable	106,838,125	3,330,446	110,168,571
Depreciable, net of accumulated depreciator	69,583,778	9,886,820	79,470,598
Total Assets	<u>208,138,510</u>	<u>19,746,667</u>	<u>227,885,177</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	1,806,525	-	1,806,525
Deferred charge on refunding bonds	543,630	-	543,630
Total Deferred Outflows of Resources	<u>2,350,155</u>	<u>-</u>	<u>2,350,155</u>
LIABILITIES			
Accounts payable	1,494,768	86,408	1,581,176
Claims payable	929,119	-	929,119
Retainage payable	482,149	-	482,149
Accrued payroll and related	530,515	22,197	552,712
Accrued interest payable	287,234	-	287,234
Bond anticipation notes payable	2,028,000	-	2,028,000
Performance bonds	1,082,637	-	1,082,637
Unearned revenues	675,162	-	675,162
Non-current liabilities			
Other post-employment benefits liability	6,005,729	-	6,005,729
Net pension liability	8,679,763	-	8,679,763
Due within one year	7,636,880	111,826	7,748,706
Due in more than one year	74,387,820	1,705,341	76,093,161
Total Liabilities	<u>104,219,776</u>	<u>1,925,772</u>	<u>106,145,548</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB related	166,184	-	166,184
NET POSITION			
Net investment in capital assets	93,712,628	11,400,099	105,112,727
Restricted for			
Endowments			
Nonexpendable	68,297	-	68,297
Expendable	32,603	-	32,603
Community development	22,033	-	22,033
Public safety	29,100	-	29,100
Health and human services	31,980	-	31,980
Parks, recreation and libraries	229,616	-	229,616
Schools	427,318	-	427,318
Unrestricted	11,549,130	6,420,796	17,969,926
Total Net Position	<u>\$ 106,102,705</u>	<u>\$ 17,820,895</u>	<u>\$ 123,923,600</u>

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

Town of Berlin, Connecticut

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities						
General government	\$ 4,088,097	\$ 408,029	\$ 726,701	\$ 55,948	\$ (2,897,419)	\$ -
Community development	1,434,058	381,560	6,280	739,836	(306,382)	-
Public safety	11,411,877	447,018	36,760	-	(10,928,099)	-
Physical services	8,699,197	79,895	841,395	1,528,623	(6,249,284)	-
Parks, recreation and libraries	4,333,615	1,441,126	63,135	-	(2,829,354)	-
Health and human services	2,690,952	1,098,129	29,538	-	(1,563,285)	-
Schools	60,583,795	612,220	18,189,312	-	(41,782,263)	-
Interest expense	2,193,460	-	-	-	(2,193,460)	-
Total Governmental Activities	95,435,051	4,467,977	19,893,121	2,324,407	(68,749,546)	-
Business-type activities						
Water services	1,475,639	1,518,166	-	-	-	42,527
Sewer services	2,446,328	2,858,443	-	-	-	412,115
Total Business-type Activities	3,921,967	4,376,609	-	-	-	454,642
Totals	\$ 99,357,018	\$ 8,844,586	\$19,893,121	\$ 2,324,407	(68,749,546)	(68,294,904)
General Revenues						
Property taxes, interest and liens				70,904,222		639
Grants and contributions not restricted to specific programs				78,140		-
Unrestricted investment income				521,515		88,245
Miscellaneous				228,092		13,472
Total General Revenues				71,731,969		102,356
Transfers in (transfers out)				8,639		(8,639)
Change in Net Position				2,991,062		548,359
Net Position - Beginning of Year (as restated)				103,111,643		17,272,536
Net Position - End of Year				\$ 106,102,705		\$ 17,820,895
						\$ 123,923,600

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

Balance Sheet
Governmental Funds
June 30, 2018

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 4,609,166	\$ 7,574,343	\$ 1,150,764	\$ 13,334,273
Restricted cash	1,082,637	-	-	1,082,637
Investments	11,162,425	-	-	11,162,425
Receivables (net)				
Property taxes	1,286,465	-	-	1,286,465
Interest	478,760	-	-	478,760
Accounts	91,733	3,866	173	95,772
Intergovernmental	16,423	886,142	56,583	959,148
Due from other funds	162,349	-	-	162,349
Inventories	-	-	27,289	27,289
Total Assets	<u>\$18,889,958</u>	<u>\$ 8,464,351</u>	<u>\$ 1,234,809</u>	<u>\$ 28,589,118</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 863,938	\$ 594,604	\$ 36,226	\$ 1,494,768
Retainage payable	-	482,149	-	482,149
Accrued payroll and related	516,442	-	14,073	530,515
Due to other funds	377,542	-	-	377,542
Bond anticipation notes payable	-	2,028,000	-	2,028,000
Performance bonds	1,082,637	-	-	1,082,637
Unearned revenues	101,319	515,281	58,562	675,162
Total Liabilities	<u>2,941,878</u>	<u>3,620,034</u>	<u>108,861</u>	<u>6,670,773</u>
Deferred Inflows of Resources				
Unavailable revenues	<u>878,870</u>	<u>-</u>	<u>-</u>	<u>878,870</u>
Fund Balances				
Nonspendable	-	-	95,586	95,586
Restricted	-	-	772,650	772,650
Committed	206,994	4,844,317	-	5,051,311
Assigned	2,837,000	-	257,712	3,094,712
Unassigned	12,025,216	-	-	12,025,216
Total Fund Balances	<u>15,069,210</u>	<u>4,844,317</u>	<u>1,125,948</u>	<u>21,039,475</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$18,889,958</u>	<u>\$ 8,464,351</u>	<u>\$ 1,234,809</u>	<u>\$ 28,589,118</u>

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

Reconciliation of Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2018

Fund Balances - Total Governmental Funds	\$ 21,039,475
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	176,421,903
Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	2,575,912
Other long-term assets and deferred outflows of resources are not available resources and, therefore, are not reported in the funds.	
Receivables not considered available (deferred inflows of resources)	878,870
Deferred outflows of resources - pension related	1,806,525
Deferred outflows of resources - deferred charge on refunding bonds	543,630
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(68,300,000)
Premiums on debt issues	(3,170,473)
Capital leases	(9,754,432)
Compensated absences	(799,795)
Pension obligations	(8,679,763)
Other post-employment benefits obligations	(6,005,729)
Accrued interest	(287,234)
Deferred inflows of resources - OPEB related	<u>(166,184)</u>
Net Position of Governmental Activities	<u>\$ 106,102,705</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 71,746,019	\$ -	\$ -	\$ 71,746,019
Intergovernmental	17,080,557	2,520,390	2,691,542	22,292,489
Charges for services	3,634,395	67,436	634,460	4,336,291
Investment income	487,630	2,461	2,267	492,358
Miscellaneous	293,824	77,327	161,215	532,366
Total Revenues	<u>93,242,425</u>	<u>2,667,614</u>	<u>3,489,484</u>	<u>99,399,523</u>
EXPENDITURES				
Current Expenditures				
General government	4,817,216	56,862	4,000	4,878,078
Community development	782,894	7,570	1,555	792,019
Public safety	8,623,104	2,097	15,075	8,640,276
Physical services	7,135,797	194,693	-	7,330,490
Parks, recreation and libraries	3,709,905	646	354,310	4,064,861
Health and human services	2,439,955	-	78,713	2,518,668
Schools	55,662,839	-	2,783,941	58,446,780
Debt Service				
Principal	5,475,259	407,881	-	5,883,140
Interest	2,495,639	293,626	-	2,789,265
Bond issuance costs	-	29,287	-	29,287
Capital Outlay	-	6,623,361	-	6,623,361
Total Expenditures	<u>91,142,608</u>	<u>7,616,023</u>	<u>3,237,594</u>	<u>101,996,225</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,099,817</u>	<u>(4,948,409)</u>	<u>251,890</u>	<u>(2,596,702)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,639	1,334,901	25,619	1,369,159
Transfers out	(1,334,901)	(25,619)	-	(1,360,520)
Sale of capital assets	-	4,313	-	4,313
Net Other Financing Sources (Uses)	<u>(1,326,262)</u>	<u>1,313,595</u>	<u>25,619</u>	<u>12,952</u>
Net Change in Fund Balances	773,555	(3,634,814)	277,509	(2,583,750)
Fund Balances - Beginning of Year (as restated)	<u>14,295,655</u>	<u>8,479,131</u>	<u>848,439</u>	<u>23,623,225</u>
Fund Balances - End of Year	<u>\$ 15,069,210</u>	<u>\$ 4,844,317</u>	<u>\$ 1,125,948</u>	<u>\$ 21,039,475</u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds \$ (2,583,750)

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

Capital outlay	6,084,327
Depreciation expense	(3,404,191)
Loss on assets disposals	<u>(16,590)</u>

Total	<u>2,663,546</u>
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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.

Property taxes and interest	(793,219)
Intergovernmental revenues - accrual basis difference	<u>(205,710)</u>

Total	<u>(998,929)</u>
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term debt	5,345,000
Principal payments on capital leases	<u>479,874</u>

Total	<u>5,824,874</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in

Accrued interest	(120,360)
Premium amortization	745,453
Change in compensated absences	(141,186)
Pension related accounts (net pension liability, deferred inflows and outflows of resources)	(1,249,644)
OPEB related accounts (OPEB liability, deferred inflows and outflows of resources)	<u>(271,764)</u>

Total	<u>(1,037,501)</u>
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Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

	<u>(877,178)</u>
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Change in Net Position of Governmental Activities	<u>\$ 2,991,062</u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2018

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Sewer Fund</u>	Governmental Activities <u>Internal Service Funds</u>
ASSETS		
Current Assets		
Cash	\$ 5,343,410	\$ 3,051,102
Receivables		
Accounts	-	76,387
Usage	1,113,335	-
Special assessments and connection charges	73,261	-
Due from other funds	-	377,542
Total Current Assets	<u>6,530,006</u>	<u>3,505,031</u>
Long-term Assets		
Capital assets		
Land	480,579	-
Construction-in-progress	2,285,316	-
Intangibles	564,551	-
Buildings and systems	2,861,024	-
Machinery and equipment	828,791	-
Infrastructure	<u>14,959,235</u>	<u>-</u>
	21,979,496	-
Less - Accumulated depreciation	<u>(8,762,230)</u>	<u>-</u>
Total Capital Assets, net of accumulated depreciation	<u>13,217,266</u>	<u>-</u>
Total Assets	<u>19,747,272</u>	<u>3,505,031</u>
LIABILITIES		
Current Liabilities		
Accounts payable	86,408	-
Claims payable	-	929,119
Accrued payroll and related	22,197	-
Due to other funds	605	-
Current maturities of notes payable	<u>111,826</u>	<u>-</u>
Total Current Liabilities	221,036	929,119
Long-term Liabilities		
Notes payable, less current maturities	<u>1,705,341</u>	<u>-</u>
Total Liabilities	<u>1,926,377</u>	<u>929,119</u>
NET POSITION		
Net investment in capital assets	11,400,099	-
Unrestricted	<u>6,420,796</u>	<u>2,575,912</u>
Total Net Position	<u>\$ 17,820,895</u>	<u>\$ 2,575,912</u>

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2018

	Business-type Activities <u>Enterprise Fund</u> Water and Sewer Fund	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES		
Premiums	\$ -	\$ 7,104,340
Charges for services	4,376,609	-
Employee contributions	-	1,876,931
Insurance proceeds	-	131,583
Other	<u>13,472</u>	<u>-</u>
Total Operating Revenues	<u>4,390,081</u>	<u>9,112,854</u>
OPERATING EXPENSES		
Administration	100,582	309,107
Employee benefits	204,596	-
Claims	-	9,710,082
Purchase of water	541,617	-
Source of supply	1,901,310	-
Pumping expense	165,294	-
Transmission and distribution	132,821	-
Salaries - administrative and general	195,153	-
Salaries - operating and maintenance	343,748	-
Depreciation	<u>299,291</u>	<u>-</u>
Total Operating Expenses	<u>3,884,412</u>	<u>10,019,189</u>
Income (Loss) from Operations	<u>505,669</u>	<u>(906,335)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	88,245	29,157
Interest expense	(37,555)	-
Lien fees	<u>639</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>51,329</u>	<u>29,157</u>
Income (Loss) Before Transfers	556,998	(877,178)
Transfers out	<u>(8,639)</u>	<u>-</u>
Change in Net Position	548,359	(877,178)
Total Net Position - Beginning of Year	<u>17,272,536</u>	<u>3,453,090</u>
Total Net Position - End of Year	<u>\$ 17,820,895</u>	<u>\$ 2,575,912</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities Enterprise Fund Water and Sewer Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from premiums and employees	\$ -	\$ 8,979,668
Cash received from customers	4,150,488	-
Cash received from insurance and others	13,472	131,583
Cash payments to employees for services	(537,008)	-
Cash payments to providers of benefits	-	(9,895,271)
Cash payments to suppliers for goods and service	(3,096,694)	-
Net Cash from Operating Activities	530,258	(784,020)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from lien fee collections	639	-
Transfers out	(8,639)	-
Net Cash from Non-Capital Financing Activities	(8,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments	(111,826)	-
Interest expense	(37,555)	-
Acquisition of capital assets	(472,281)	-
Net Cash from Capital and Related Financing Activities	(621,662)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	88,245	29,157
Net Increase (Decrease) in Cash	(11,159)	(754,863)
Cash - Beginning of Year	5,354,569	3,805,965
Cash - End of Year	\$ 5,343,410	\$ 3,051,102
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ 505,669	\$ (906,335)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	299,291	-
Changes in operating assets and liabilities		
Accounts receivable	-	(1,603)
Usage receivables	(260,816)	-
Special assessments and connection charges	34,695	-
Accounts payable	(50,474)	-
Claims payable	-	123,918
Accrued payroll and related	1,893	-
Net Cash from Operating Activities	\$ 530,258	\$ (784,020)

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	Pension Trust Fund	Private Purpose Trust Fund Memorial Fund	Custodial Fund Student Activity Fund
ASSETS			
Cash	\$ 7,335	\$ 65,310	\$ 468,134
Investments, at fair value			
Mutual funds - equity	31,437,386	-	-
Mutual funds - money market	5,004,075	-	-
Mutual funds - bonds	12,761,315	-	-
Total Investments	49,202,776	-	-
 Total Assets	 49,210,111	 65,310	 468,134
LIABILITIES			
Due to other funds	161,744	-	-
NET POSITION			
Restricted for			
Defined contribution pension benefits	48,979,524	-	-
Defined benefit pension benefits	68,843	-	-
Individuals and organizations	-	65,310	468,134
 Total net position	 \$ 49,048,367	 \$ 65,310	 \$ 468,134

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

Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Pension Trust Fund	Private Purpose Trust Fund Memorial Fund	Custodial Fund Student Activity Fund
ADDITIONS			
Contributions			
Employer - defined benefit plan	\$ 1,448,395	\$ -	\$ -
Employer - defined contribution plan	1,605,034	-	-
Employee - defined contribution plan	897,999	-	-
Private	-	649	-
Other	37,626	-	-
Charges for services	-	-	553,276
Total contributions and revenues	<u>3,989,054</u>	<u>649</u>	<u>553,276</u>
Investment Income			
Net change in fair value of investments	3,461,017	-	-
Interest and dividends	159,909	-	-
Total investment income	3,620,926	-	-
Less investment management fees	(37,500)	-	-
Net investment income	<u>3,583,426</u>	<u>-</u>	<u>-</u>
Total Additions	<u>7,572,480</u>	<u>649</u>	<u>553,276</u>
DEDUCTIONS			
Benefits - defined benefit plan	1,663,462	-	-
Benefits - defined contribution plan	4,710,956	-	-
Administration	178,918	-	-
Scholarship awards	-	1,450	-
Activities and events	-	-	568,583
Total Deductions	<u>6,553,336</u>	<u>1,450</u>	<u>568,583</u>
Change in Net Position	1,019,144	(801)	(15,307)
Net Position - Beginning of Year (as restated)	<u>48,029,223</u>	<u>66,111</u>	<u>483,441</u>
Net Position - End of Year	<u>\$ 49,048,367</u>	<u>\$ 65,310</u>	<u>\$ 468,134</u>

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

History and Organization

The Town of Berlin, Connecticut ("Town") was incorporated in 1785 from parts of Farmington, Middletown and Wethersfield. Under the Town Charter, adopted November 4, 1973, and most recently amended November 8, 2016, the Town Council is the legislative body for specific purposes. The Town Manager serves as the Chief Executive Officer of the Town and acts as the liaison to the Town Council. The Town Council is responsible for establishing policy. Charter revisions on November 8, 1994 replaced an Executive Board, Board of Finance/Town Meeting form of government with a Town Manager/Council form of government, which took effect November 15, 1995. Charter revisions on November 8, 2016 reinstated a Board of Finance effective November 20, 2017.

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position (Exhibit 1) and the Statement of Activities (Exhibit 2) report information on all non-fiduciary activities of the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements.

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

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

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

- **Water and Sewer Fund** – The Water and Sewer Fund is used to account for the operations of the Water Control Commission, which oversees the water and sewer services to a portion of the Town. The major source of revenues for this fund is charges for services.
- **Internal Service Funds** – Internal Service Funds are used to account for the Town's risk financing activities; specifically medical and health (self-insured) and general liability (fully insured).

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

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

Deposits, Investments and Risk Disclosure

Cash - Cash consists of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, and treasury bills with maturities of less than three months.

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

Foreign Currency Risk – Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk. Currently, the Town only invests a small amount in mutual funds that hold non-US equity stocks. These investments are stated in US dollars.

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

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

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

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

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

Restricted Assets – The restricted assets for the Town are restricted for performance bonds. Performance bonds are restricted until the monies are returned to the vendor after satisfactory completion of the contract, or the Town can call the bond for nonperformance.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

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.

Property, plant, and equipment of the Town is depreciated or amortized using the straight line method over the following estimated useful lives:

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

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

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

The Town reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide statement of net position. A deferred outflow or inflow of resources related to pension and OPEB results from differences between expected and actual experience, the net difference between projected and actual earnings, and a change in assumptions. The deferred outflow or inflow related to the differences between expected and actual experience and changes in assumptions will be amortized over the average of the expected remaining service lives of all plan members. The deferred outflow or inflow related to the net difference between projected and actual earnings will be amortized over a five year period.

Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

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

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

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

Net Position - Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources.

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Town which is not restricted.

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

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

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

The Town Council has adopted a minimum fund balance policy for the General Fund. The policy establishes the intent to maintain a level of unassigned fund balance of at least 11% of the budgeted year's total expenditures (including debt service and transfers). Any budgeted contingency shall be included in the current year unassigned fund balance when calculating compliance with this policy.

F. Encumbrances

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

G. Estimates

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

H. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

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

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

In accordance with Section 7-3 of the Town Charter, the Board of Finance 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 Board of Finance, which shall submit a revised budget to the Town Council. The Town Council shall send a revised budget to a Second Town Budget Referendum, and the revised budget may be the same as recommended by the Board of Finance or different. If the budget fails at the Second Town Budget Referendum, the budget shall be returned to the Board of Finance. The Board of Finance shall recommend a revised budget to the Town Council. The Town Council shall adopt the Town budget, and that budget may be the same as recommended by the Board of Finance or different.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

2. Stewardship, Compliance and Accountability (Continued)

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.

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

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

B. Additional Appropriations in the General Fund

During the year \$278,315 of additional appropriations were made, \$262,517 from fund balance and \$15,798 from additional revenue sources.

C. Capital Projects Authorizations

The following is a summary of Capital Projects:

Project	Appropriations	Expenditures	Committed	Balance
Bonded road improvements	\$ 10,962,152	\$ 10,141,391	\$ 31,496	\$ 789,265
Veterans Memorial Park	1,840,069	1,840,069	-	-
Façade program	500,000	455,942	41,608	2,450
Boulevard at Berlin Train Station	500,000	24,000	67,000	409,000
Train Station rehab	150,000	111,888	6,040	32,072 (1)
Streetscape improvements	475,180	475,180	-	-
Downtown sidewalks	500,000	461,748	-	38,252
Berlin High School renovations	84,500,000	80,881,218	-	3,618,782 (2)
Berlin Police Station - new construction	2,049,091	1,982,476	-	66,615 (3)
Recycling Center improvements	484,485	15,175	-	469,310 (4)
Bridge rehabilitation program	1,098,314	358,977	8,184	731,153 (5)
889 Farmington Ave remediation	1,288,557	296,130	26,705	965,722 (6)
Griswold School Roof	1,088,145	1,088,145	-	-
Transit-oriented development plan	150,000	149,990	-	10
Farmington Avenue bridge	3,078,839	3,085,647	-	(6,808) (7)
Firetruck	1,601,830	1,572,834	-	28,996
Transit-oriented development façade program	500,000	5,450	11,481	483,069
Police radios	1,576,279	1,602,102	-	(25,823) (8)
BHS Track Resurfacing	200,000	7,600	-	192,400
High Road Bridge	1,985,754	262,914	879,067	843,773
	<u>\$ 114,528,695</u>	<u>\$ 104,818,876</u>	<u>\$ 1,071,581</u>	<u>\$ 8,638,238</u>

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

(2) The amount bonded as of June 30, 2018 is \$47,000,000. Part of the cost is paid for by State grants. In June 2013, the State legislature authorized exceptions to square footage requirements which allowed the Town to obtain an additional \$15 million in State grants; this is included in the appropriation recorded.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

2. Stewardship, Compliance and Accountability (Continued)

- (3) Only \$2,000,000 was authorized to date to purchase land, perform demolition of existing structures and environmental remediation. During fiscal year 2015, the building of a new police station for \$21,000,000 was defeated at referendum. During FY 2016, the Town Council voted not to send a revised proposal for \$16,000,000 to referendum. The project is in the process of being evaluated.
- (4) Funds appropriated from payments received from the TROC and BRRFOC reorganizations plus surplus funds from other areas used to make improvements in recycling operations.
- (5) This program borrows funds to repair town bridges.
- (6) Remediation is being funded by Municipal and Regional Brownfields Grants.
- (7) The Town continues to work with the State on payment of final change orders.
- (8) The Police Radios were authorized for \$1,800,000 of borrowing, but the Town only borrowed \$1,600,000. The balance was paid in early FY19 using funds from a closed capital project.

D. Donor Restricted Endowments

The Town has received certain endowments for purchase of trees, medical assistance and library resources. The amounts are reflected in net position as restricted for endowments. Investment income is approved for disbursement by the applicable Trustee and is included in restricted fund balance. At year end, net appreciation available for appropriation is \$32,603.

The Town allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net position or unrestricted net position, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

3. Detailed Notes on All Funds

A. Cash and Investments

The bank balance of the deposits was \$26,022,967 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 1,555,976
Collateralized, held by banks	6,116,748
Uninsured and uncollateralized	18,350,243
	<u>\$ 26,022,967</u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

Below is a summary of the interest rate risk and credit risk of the Town's investments:

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)			
			N/A	Less Than 1 Year	1-5 Years	Over 5 Years
Pooled fixed income	AAA	\$ 11,162,425	\$ -	\$ 11,162,425	\$ -	\$ -
Mutual funds - equity	N/A	31,437,386	31,437,386	-	-	-
Mutual funds - money market	N/A	5,004,075	-	1,838,997	2,264,344	900,734
Mutual funds - bonds	AA-	12,761,315	-	5,473,767	4,837,784	2,449,764
Total		<u>\$ 60,365,201</u>	<u>\$ 31,437,386</u>	<u>\$ 18,475,189</u>	<u>\$ 7,102,128</u>	<u>\$ 3,350,498</u>

N/A Not Applicable

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

Type of Investment	Investments using a Cost-Based Measure, not Subject to Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Pooled fixed income	\$ 11,162,425	\$ -
Mutual funds - equity	-	31,437,386
Mutual funds - money market	-	5,004,075
Mutual funds - bonds	-	12,761,315
Total	<u>\$ 11,162,425</u>	<u>\$ 49,202,776</u>

B. Receivables, Deferred Inflows of Resources and Unearned Revenue

An allowance for uncollectible property taxes and interest on taxes of \$533,446 and \$348,898, respectively, have been recorded net with the receivable.

Revenue Not Available – Governmental funds report deferred inflows on the modified accrual basis in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred inflows of resources* because they were not received within 60 days of the year end:

	General Fund
Property taxes	\$ 602,334
Interest	276,536
	<u>\$ 878,870</u>

Town of Berlin, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

Unearned Revenue – Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue*:

	General Fund	Capital Projects	Nonmajor Governmental Funds
Advances on grants	\$ -	\$ 515,281	\$ 58,562
Fees collected in advance	101,319	-	-
	<u>\$ 101,319</u>	<u>\$ 515,281</u>	<u>\$ 58,562</u>

C. Interfund Transactions

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

Receivable fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 605
General Fund	Pension Trust Fund	161,744
Internal Service Funds	General Fund	377,542
		<u>\$ 539,891</u>

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

	Transfers into			
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Transfers out of				
General Fund	\$ -	\$ 1,334,901	\$ -	\$ 1,334,901
Capital Projects Fund	-	-	25,619	25,619
Enterprise Fund - Water and Sewer	8,639	-	-	8,639
	<u>\$ 8,639</u>	<u>\$ 1,334,901</u>	<u>\$ 25,619</u>	<u>\$ 1,369,159</u>

Town of Berlin, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 23,230,516	\$ 341,400	\$ -	\$ 23,571,916
Construction in progress	82,795,697	1,335,302	864,790	83,266,209
	<u>106,026,213</u>	<u>1,676,702</u>	<u>864,790</u>	<u>106,838,125</u>
Capital assets being depreciated				
Land improvements	6,241,714	642,876	-	6,884,590
Buildings and systems	68,454,406	737,974	-	69,192,380
Machinery and equipment	18,578,495	1,918,611	775,764	19,721,342
Infrastructure	58,074,963	1,972,954	-	60,047,917
	<u>151,349,578</u>	<u>5,272,415</u>	<u>775,764</u>	<u>155,846,229</u>
Less accumulated depreciation				
Land improvements	3,342,889	171,167	-	3,514,056
Buildings and systems	33,534,798	1,264,090	-	34,798,888
Machinery and equipment	11,406,555	1,067,297	759,174	11,714,678
Infrastructure	35,333,192	901,637	-	36,234,829
	<u>83,617,434</u>	<u>3,404,191</u>	<u>759,174</u>	<u>86,262,451</u>
Net Capital Assets being Depreciated	<u>67,732,144</u>	<u>1,868,224</u>	<u>16,590</u>	<u>69,583,778</u>
	<u>\$ 173,758,357</u>	<u>\$ 3,544,926</u>	<u>\$ 881,380</u>	<u>\$ 176,421,903</u>

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

General government	\$ 129,547
Community development	2,000
Public safety	421,439
Physical services	1,095,230
Parks, recreation and libraries	388,902
Health and human services	30,162
Schools	1,336,911
Total	<u>\$ 3,404,191</u>

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 480,579	\$ -	\$ -	\$ 480,579
Construction in progress	1,818,435	466,881	-	2,285,316
Intangible assets	564,551	-	-	564,551
	<u>2,863,565</u>	<u>466,881</u>	<u>-</u>	<u>3,330,446</u>
Capital assets being depreciated				
Buildings and systems	2,861,024	-	-	2,861,024
Machinery and equipment	823,391	5,400	-	828,791
Infrastructure	14,959,235	-	-	14,959,235
	<u>18,643,650</u>	<u>5,400</u>	<u>-</u>	<u>18,649,050</u>
Less accumulated depreciation				
Buildings and systems	1,779,229	81,186	-	1,860,415
Machinery and equipment	614,449	15,565	-	630,014
Infrastructure	6,069,261	202,540	-	6,271,801
	<u>8,462,939</u>	<u>299,291</u>	<u>-</u>	<u>8,762,230</u>
Net Capital Assets Being Depreciated	<u>10,180,711</u>	<u>(293,891)</u>	<u>-</u>	<u>9,886,820</u>
	<u>\$ 13,044,276</u>	<u>\$ 172,990</u>	<u>\$ -</u>	<u>\$ 13,217,266</u>

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

Water Fund	\$ 130,542
Sewer Fund	168,749
Total	<u>\$ 299,291</u>

E. Bond Anticipation Notes

The following table summarizes changes in the Town's bond anticipation notes:

Purpose	Date Issued	Maturity Date	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance
General Purpose	5/18/2017	9/19/2017	1.50%	\$ 1,455,000	\$ -	\$ 1,455,000	\$ -
General Purpose/School	9/19/2017	5/17/2018	1.20%	-	1,028,000	1,028,000	-
General Purpose/School	5/17/2018	9/27/2018	2.00%	-	2,028,000	-	2,028,000
				<u>\$ 1,455,000</u>	<u>\$ 3,056,000</u>	<u>\$ 2,483,000</u>	<u>\$ 2,028,000</u>

The notes are reported in the Capital Projects Fund and will be retired or permanently financed. The bond anticipation notes due September 27, 2018 were refinanced with \$3,731,000 of new bond anticipation notes with an interest rate of 2.10% per year due on June 26, 2019.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

F. Long-Term Liabilities – Governmental Funds

The following table summarizes changes in the Town's long-term liabilities:

	Beginning Balance <i>(as restated)</i>	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 73,645,000	\$ -	\$ 5,345,000	\$ 68,300,000	\$ 5,865,000
Premium on bonds	3,915,926	-	745,453	3,170,473	669,309
	<u>77,560,926</u>	<u>-</u>	<u>6,090,453</u>	<u>71,470,473</u>	<u>6,534,309</u>
Capital leases	10,234,307	-	479,875	9,754,432	302,776
Compensated absences	658,609	459,915	318,729	799,795	799,795
Net pension liability	8,899,298	1,244,101	1,463,636	8,679,763	-
Total OPEB liability	<u>5,900,149</u>	<u>302,353</u>	<u>196,773</u>	<u>6,005,729</u>	<u>-</u>
	<u>\$ 103,253,289</u>	<u>\$ 2,006,369</u>	<u>\$ 8,549,466</u>	<u>\$ 96,710,192</u>	<u>\$ 7,636,880</u>

Each governmental funds liability is liquidated by the respective fund to which it relates, primarily the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 10- or 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Various School and General Projects	2011	\$ 16,610,000	6/1/2021	3-5%	\$ 4,015,000
Various School and General Projects	2013	8,495,000	12/1/2032	2.5-4%	6,965,000
Various School and General Projects	2014	18,355,000	12/1/2033	3-5%	15,325,000
General and School Renovations	2015	13,720,000	12/1/2034	2-4%	12,270,000
Various School and General Projects	2016	16,770,000	12/1/2035	2-4%	15,730,000
Various School and General Projects	2016	10,920,000	9/1/2025	2-5%	9,330,000
Various School and General Projects	2017	4,665,000	12/1/2029	2-4%	4,665,000
					<u>\$ 68,300,000</u>

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

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

Year End	Governmental Activities General Obligation Bonds		Year End	Governmental Activities General Obligation Bonds	
	Principal	Interest		Principal	Interest
2019	\$ 5,865,000	\$ 2,241,050	2028	\$ 3,465,000	\$ 589,669
2020	5,900,000	1,991,225	2029	2,985,000	502,863
2021	5,410,000	1,757,075	2030	2,855,000	422,606
2022	5,160,000	1,513,088	2031	2,775,000	342,800
2023	5,200,000	1,299,650	2032	2,660,000	261,809
2024	5,240,000	1,106,625	2033	2,655,000	179,119
2025	5,265,000	953,563	2034	2,265,000	100,828
2026	5,040,000	803,766	2035	1,400,000	42,444
2027	3,475,000	680,803	2036	685,000	10,275
				<u>\$ 68,300,000</u>	<u>\$ 14,799,258</u>

The Town has debt authorized but unissued as follows:

Project	Total Bond Authorization	Bonds Issued	Authorized but Unissued
Bradley Land Acquisition	\$ 1,500,000	\$ 825,000	\$ 675,000
Open Space (2003)	2,000,000	1,400,000	600,000
Police Radio Station Replacement	1,800,000	1,600,000	200,000
Road Improvement	4,000,000	2,050,000	1,950,000
Open Space (2006)	2,000,000	790,000	1,210,000
Public Works Storage Yard	300,000	115,000	185,000
Beckley Bridge	500,000	307,000	193,000
Police Station	2,000,000	1,011,557	988,443
High School Renovations	84,950,000	83,298,644	1,651,356
Infiltration/Inflow (2013)	4,500,000	2,236,514	2,263,486
Griswold Roof Replacement	1,530,000	1,114,168	415,832
School Vestibules	500,000	-	500,000
Hubbard School Roof	1,300,000	858,000	442,000
Infiltration/Inflow (2018)	3,000,000	-	3,000,000
	<u>\$ 109,880,000</u>	<u>\$ 95,605,883</u>	<u>\$ 14,274,117</u>

Overlapping Debt

A summary of overlapping debt is presented below:

Debt Outstanding	Total	Overlapping
Kensington Fire District	\$ 516,485	\$ 516,485
Worthington Fire District	398,844	398,844
Mattabassett District	65,311,853	9,372,251
	<u>\$ 66,227,182</u>	<u>\$ 10,287,580</u>

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

Conduit Debt Obligations

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

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

The aggregate principal amount payable pursuant to the agreement is \$143,086.

Capital Leases Payable

The Town has entered into various lease agreements to finance the acquisition of heavy equipment, golf carts, and energy improvements. The equipment and improvements for each of these leases are included in the capital assets as follows:

	Cost	Accumulated Depreciation
Buildings and systems	\$3,552,251	\$ 144,325
Machinery and equipment	28,981	7,970
Infrastructure	1,459,761	101,373
	<u>\$5,040,993</u>	<u>\$ 253,668</u>

These leases qualify as capital leases for accounting purposes. The Town's capital lease obligation is as follows:

Total payments on capital lease(s) for year ending:

2019	\$ 586,309
2020	602,707
2021	613,598
2022	631,077
2023	649,128
2024-2028	3,525,930
2029-2033	4,059,152
2024-2036	2,098,626
	<u>12,766,527</u>
Less the amount representing interest	<u>(3,012,095)</u>
Present value of future minimum lease payments	<u>\$ 9,754,432</u>

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

Prior Year Defeasance of Debt

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At year end \$6,260,000 of bonds outstanding are considered defeased.

Legal Debt Limit

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

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 162,231,539	\$ 24,703,577	\$ 137,527,962
Schools	324,463,077	52,607,054	271,856,023
Sewer	270,385,898	17,368,234	253,017,664
Urban renewal	234,334,445	-	234,334,445
Pension deficit	216,308,718	-	216,308,718

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$504,720,342.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding

G. Long-Term Liabilities – Enterprise Funds

Clean Water Fund Loan

On March 30, 2015, the Town entered into a 20-year Clean Water Fund loan at 2% interest from the State of Connecticut Department of Energy and Environmental Protection in the amount of \$2,236,514.

The following table summarizes changes in the Town's long-term indebtedness in the enterprise funds:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Project loan obligation	\$ 1,928,993	\$ -	\$ 111,826	\$ 1,817,167	\$ 111,826

The annual requirement to amortize Clean Water Fund Loans outstanding are as follows:

Year End	Business-Type Activities		Year End	Business-Type Activities	
	Notes and Loans			Notes and Loans	
	Principal	Interest		Principal	Interest
2019	\$ 111,826	\$ 35,319	2024	\$ 111,826	\$ 24,136
2020	111,826	33,082	2025	111,826	21,899
2021	111,826	30,845	2026	111,826	19,663
2022	111,826	28,609	2027-2031	559,129	64,766
2023	111,826	26,372	2032-2034	363,430	12,114
				\$ 1,817,167	\$ 296,805

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

3. Detailed Notes on All Funds (Continued)

H. Fund Balances

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

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Not in Spendable Form				
Inventory	\$ -	\$ -	\$ 27,289	\$ 27,289
Legally Required to be Maintained Intact				
Marjorie Moore Tree	-	-	5,000	5,000
Medical Aid	-	-	21,965	21,965
Blanche Delaney	-	-	41,332	41,332
Total	<u>-</u>	<u>-</u>	<u>95,586</u>	<u>95,586</u>
Restricted				
Community development	-	-	22,514	22,514
Public safety	-	-	29,100	29,100
Health and human services	-	-	51,156	51,156
Parks, recreation and libraries	-	-	242,562	242,562
Schools	-	-	427,318	427,318
Total	<u>-</u>	<u>-</u>	<u>772,650</u>	<u>772,650</u>
Committed				
Capital projects				
Highway	-	711,228	-	711,228
Land acquisition and development	-	309,500	-	309,500
School buildings	-	2,575,952	-	2,575,952
Other capital projects	-	1,247,637	-	1,247,637
Union negotiation	121,995	-	-	121,995
Revaluation	84,999	-	-	84,999
Total	<u>206,994</u>	<u>4,844,317</u>	<u>-</u>	<u>5,051,311</u>
Assigned				
General government	-	-	13,519	13,519
Public safety	-	-	14,092	14,092
Health and human services	-	-	92,155	92,155
Parks, recreation and libraries	-	-	123,736	123,736
Schools	-	-	14,210	14,210
Capital projects	237,000	-	-	237,000
Pension funding	800,000	-	-	800,000
Subsequent year's budget	1,800,000	-	-	1,800,000
Total	<u>2,837,000</u>	<u>-</u>	<u>257,712</u>	<u>3,094,712</u>
Unassigned	<u>12,025,216</u>	<u>-</u>	<u>-</u>	<u>12,025,216</u>
	<u>\$ 15,069,210</u>	<u>\$ 4,844,317</u>	<u>\$ 1,125,948</u>	<u>\$ 21,039,475</u>

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans

A. The Retirement Plan of the Town of Berlin

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

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

Management of the plans rests with the Pension Committee, which consists of 12 members. The 12 members are the Town Manager, Finance Director, Director of Human Resources, Town Accountant, BOE Business Manager, top management representative, and the presidents of each of the six bargaining units. The Committee convenes on a quarterly basis for detailed plan review.

Defined Contribution Segment Plan Description and Benefits Provided

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

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. Employees contributed \$814,068 and covered payroll was \$16,906,916. The Town's matching share was \$1,564,034. 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. The Town Council adopted the revised investment policy on September 2, 2015.

The Plan invests 26% of the investments in the ICMA-RC Guaranteed Plus Mutual Fund. This fund invests in double A (AA) or better collateralized Guaranteed Investment Contracts. The remaining 74% of investments are held in ICMA-RC self-directed funds including bond funds, guaranteed life income funds, balanced/asset allocation funds, U.S. stock funds, specialty and international/global stock funds.

During fiscal year 2012, a separate defined contribution plan, the Robert Wolf Plan, was created specifically for the Town's volunteer firefighters. The firefighters have the option to contribute all or a portion of their paid-on-call earnings to the plan. There is no employer match; however, the Town annually contributes \$500 per qualifying firefighter. Contributions to this plan began in fiscal year 2013. The total value of this plan is \$257,493 at year end.

Defined Benefit Segment Plan Description and Benefits Provided

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

The defined benefit segment plan is closed to new entrants.

Plan Membership – As of the date of the latest actuarial valuation (July 1, 2017), membership consisted of the following:

	Defined Contribution Plan	Defined Benefit Plan	Total
Retirees and beneficiaries receiving benefits	-	21	21
Terminated employees entitled to benefits, but not yet receiving them	-	3	3
Active members	260	15	275
	<u>260</u>	<u>39</u>	<u>299</u>

For defined benefit eligible members, there is only one plan. It is a hybrid plan with both defined benefit and defined contribution funding. At the time of retirement, the member receives the higher of the defined benefit and defined contribution value.

Town of Berlin, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

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

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

Contribution and Funding Policy

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

Investments

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Guaranteed Deposit Account	100%	1.00%

Town of Berlin, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Guaranteed Deposit Account	100.00%	1.00%

Calculation of Money-Weighted Rate of Return – For the fiscal year, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the Town were as follows:

Pension liability	\$ 8,748,606
Plan fiduciary net position	<u>68,843</u>
Net pension liability	<u>\$ 8,679,763</u>
Plan fiduciary net position as a percentage of total pension liability	0.79%

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

Changes in the Net Pension Liability

The Town's net pension liability was measured at June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2017	\$ 9,167,967	\$ 268,669	\$ 8,899,298
Service cost	170,718	-	170,718
Interest	340,605	-	340,605
Differences between expected and actual experience	378,919	-	378,919
Changes in assumptions	353,859	-	353,859
Contributions - employer	-	1,448,395	(1,448,395)
Net investment income	-	15,241	(15,241)
Benefit payments, including refunds of member contributions	(1,663,462)	(1,663,462)	-
Net change	(419,361)	(199,826)	(219,535)
Balance at June 30, 2018	\$ 8,748,606	\$ 68,843	\$ 8,679,763

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the July 1, 2017 valuation and projected forward to June 30, 2018:

Valuation timing	Actuarially determined contribution rates are calculated as of July 1, 2016.
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	
Level percent or level dollar	Level percent
Closed, open or layered	Open periods
Amortization period at 1/1/14	10 years
Asset valuation method	
Recognition method	Equal to the Market Value of Assets
Corridor	None
Inflation	2.60%
Salary increases	3.25% for Police. 2.75% for all
Investment rate of return	4.0% Pre-retirement, 2.45% post-retirement
Cost of living adjustment	None
Retirement age	Differing for Police and all other employees
Turnover	None
Pre-retirement mortality	RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016
Post-retirement mortality	IRS 417(e) mortality table

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

Changes in the Plan and the Plan Assumptions – For the year ended June 30, 2018 the expected rate of return (net of investment-related and administrative expenses) was reduced from 4.00% to 3.50% for pre-retirement, and increased from 2.45% to 2.80% for post-retirement.

Discount Rate – The discount rate used to measure the total pension liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 3.50% as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Net Pension Liability	<u>\$ 10,805,978</u>	<u>\$ 8,679,763</u>	<u>\$ 6,940,074</u>

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

The Town recognized pension expense of \$2,698,338. The Town reported deferred outflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 612,305
Changes in assumptions	1,178,334
Net difference between projected and actual earnings on pension plan investments	<u>15,886</u>
Total	<u>\$ 1,806,525</u>

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

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

Year Ending June 30,	
2019	\$ 1,298,116
2020	510,759
2021	(662)
2022	<u>(1,688)</u>
Total	<u>\$ 1,806,525</u>

B. Teacher's Retirement System

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

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

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

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

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

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

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

Funding Policy – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the teachers' retirement board and appropriated by the general assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contribution. Contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Members are required to contribute 6% of their annual salary for the pension benefit.

Effective January 1, 2018, each teacher is required to contribute 7% of pensionable salary.

The Town is not required to make contributions to the plan. The Town's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions – The following assumptions were used in the pension valuation, prepared as of June 30, 2016 (the valuation date and measurement date) for use in the June 30, 2018 financial statements (reporting date):

Experience study dates	July 1, 2005 - June 30, 2010
Inflation	2.75%
Salary increases	3.25% to 6.50%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation
Discount rate	8.00%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate.
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 2.00% to 6.00%
Post-retirement mortality	RPH-2014 White Collar Mortality Table projected to 2020

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

Changes in Assumptions – 1.) Reduce the inflation assumption from 3.00% to 2.75%; 2.) Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption rate of return assumption from 8.50% to 8.00%; 3.) Reduce the annual rate of wage increase assumption from 0.75% to 0.50%; 4.) Slightly modify the merit portion of the salary scale; 5.) Reduce the payroll growth assumption from 3.75% to 3.25%; 6.) Update mortality tables to projected versions of the RPH-2014 mortality tables; 7.) Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females. 8.) Increase rate of withdrawal; 9.) Decrease rates of disability for males.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap U.S. equities	21.00%	5.80%
Developed non-U.S. equities	18.00%	6.60%
Emerging markets (non-U.S.)	9.00%	8.30%
Real estate	7.00%	5.10%
Private equity	11.00%	7.60%
Alternative investments	8.00%	4.10%
Core fixed income	7.00%	1.30%
High yield bonds	5.00%	3.90%
Emerging market bond	5.00%	3.70%
Inflation linked bond fund	3.00%	1.00%
Cash	6.00%	0.40%

Town's Proportionate Share of the Collective Net Pension Liability – Connecticut school teachers participate in the TRS pursuant to Section 10-183b et seq. of the Connecticut General Statutes (the "Teachers' Retirement Act"). The teachers' retirement act governs the pension benefits and eligibility of the active and retired teachers of the Town's public schools. The teachers' retirement act requires the Connecticut general assembly, not any town, city or local school district, to appropriate the funds necessary to pay the pension benefits due to retirees under the system, including retired teachers of the Town's public schools.

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	75,796,445
Total	<u>\$ 75,796,445</u>

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town has no proportionate share of the net pension liability.

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

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

Support Provided by Nonemployer Contributing Entities – The Town has a special funding situation whereby the State is obligated to pay the pension costs of the TRS and the Town is not required to pay any of the costs. However, the Town must record the costs paid by the State on behalf of the Town's employees as revenue and expense in its GAAP financial statements which amounted to \$8,767,434.

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

C. Other Post-Employment Benefits ("OPEB")

Plan Description

Plan Administration – The Town, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses through a single-employer defined benefit plan administered by the Town. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Town does not issue a separate stand-alone financial statement for this program.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

Eligibility – The Post-Retirement Medical Program (RMP) covers Town, Board of Education and Police employees.

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

Contributions – Retired program members and beneficiaries currently receiving benefits are required to contribute 100% towards the cost of receiving those benefits under the Town's self-insured medical benefits program. Each police employee must contribute an amount equal to 3% of their annual base earnings to a separate Police Post-Retirement Medical Fund. The Town does not contribute to the Fund.

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. Since the Town's liability is solely from the implicit rate subsidy calculation, the Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. Although a trust fund may be established in the future to exclusively control the funding and reporting of postemployment benefits, since a combination of trust fund and internal service fund control may be used, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

Plan Members – At July 1, 2016, plan membership consisted of the following:

Retired members	23
Spouses of retired members	9
Beneficiaries	1
Active plan members	443
	<hr/>
	476
	<hr/>

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

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

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

Other actuarial methods and significant assumptions are summarized as follows:

Valuation Date	July 1, 2016
Measurement Date	June 30, 2018
Reporting Date	June 30, 2018
Actuarial Cost Method	Entry age normal
Discount Rate	3.87% (6/30/2018)
Medical Inflation	5.20% - 4.40% over 67 years
Amortization Method	Level percentage of projected payroll
Amortization	21 years
Mortality	Teachers and Administrators – RP-2000 Combined Healthy Mortality Table projected forward 19 years using Scale AA All Others – RP-2000 Healthy Mortality Table with generational projection per Scale AA
Participation	25% of Town, 50% of Police, 75% of Teachers and Administrators, and 10% of BOE Non-Certified
Retirement	Based on percentages at differing ages depending on department

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87%. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Total OPEB Liability – The Town’s total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation dated July 1, 2016.

OPEB Expense – The total OPEB expense recognized for the year was \$468,537.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

Changes in the OPEB Liability – the changes in the total OPEB liability are as follows:

	Increase (Decrease) Total OPEB Liability
Balance as of July 1, 2017	<u>\$ 5,900,149</u>
Changes for the year:	
Service cost	271,596
Interest on total OPEB liability	217,457
Effect of assumptions changes or inputs	(186,700)
Benefit payments, including refunds of member contributions	(196,773)
Net Changes	<u>105,580</u>
Balance as of June 30, 2018	<u><u>\$ 6,005,729</u></u>

Sensitivity Analysis

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

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	<u>\$ 6,680,160</u>	<u>\$ 6,005,729</u>	<u>\$ 5,413,188</u>

The following presents the total OPEB liability of the Town if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ending June 30, 2018:

	1% Decrease 4.20% decreasing to 3.40%	Current 5.20% decreasing to 4.40%	1% Increase 6.20% decreasing to 5.40%
Total OPEB Liability	<u>\$ 5,162,687</u>	<u>\$ 6,005,729</u>	<u>\$ 7,032,994</u>

Town of Berlin, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Town reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes in assumptions	<u>\$ (166,184)</u>

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

Year ended June 30,	
2019	\$ (20,516)
2020	(20,516)
2021	(20,516)
2022	(20,516)
2023	(20,516)
Thereafter	(63,604)
	<u>\$ (166,184)</u>

D. OPEB Plans – Connecticut State Teachers' Retirement Plan

Plan Description

Teachers, principals, superintendents, supervisors and professional employees at State schools of higher education if they choose to be covered that are currently receiving a retirement or disability benefit are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan ("TRS-RHIP") - a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers' Retirement Board (TRB). Chapter 167a Section 10-183 (t) of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Town of Berlin, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

Benefit Provisions

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

- **Normal Retirement: Eligibility** - Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.
- **Early Retirement:** Eligibility - 25 years of Credited Service including 20 years of Connecticut service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service.
- **Proratable Retirement:** Eligibility - Age 60 with 10 years of Credited Service.
- **Disability Retirement:** Eligibility - 5 years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.
- **Termination of Employment:** Eligibility - 10 or more years of Credited Service.

Retiree Health Care Coverage

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

• Medicare Supplement with Prescriptions	\$ 92
• Medicare Supplement with Prescriptions and Dental	136
• Medicare Supplement with Prescriptions, Dental, Vision & Hearing	141

Those participants electing vision, hearing, and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the Plan for these benefits.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the Plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB -Sponsored Medicare Supplemental Plans, as long as they do not remarry.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183t, contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

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

Employees

Each member is required to contribute 1.25% of their annual salary. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

Town of Berlin, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>19,509,156</u>
Total	<u>\$ 19,509,156</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The Town has no proportionate share of the net OPEB liability.

The Town recognized OPEB expense and revenue of \$904,153 for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	7.25% decreasing to 5.00% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2018

Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale was used.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

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

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 2.75%.

Changes in assumptions and inputs

As a result of the experience study for the five-year period ending June 30, 2015:

- The payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase.
- The demographic assumptions of salary growth, payroll growth, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.

Other changes were as follows:

- The discount rate has been increased from 3.01% to 3.56% as a based upon the increase in the municipal bond index.

Affordable Care Act (ACA)

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Sensitivity of the OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate

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

Plan Fiduciary Net Position

Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2017.

5. Other Information

A. Commitments and Litigation

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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

B. Risk Management

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

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

5. Other Information (Continued)

Self-Insurance

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

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

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

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

General Insurance Fund

Year Ended June 30,	Beginning Claims Payable	Current Year Claims and Changes in Estimates	Claim Payments	Ending Claims Payable
2018	\$ 80,129	\$ 1,907,609	\$ 1,686,718	\$ 301,020
2017	2,223	1,559,126	1,481,220	80,129

Medical and Health Insurance Fund

Year Ended June 30,	Beginning Claims Payable	Current Year Claims and Changes in Estimates	Claim Payments	Ending Claims Payable
2018	\$ 725,072	\$ 7,802,473	\$ 7,899,446	\$ 628,099
2017	607,281	7,779,220	7,661,429	725,072

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

5. Other Information (Continued)

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

C. Jointly Governed Organizations

The Mattabassett District

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

D. Tax Abatements

The Town is authorized by Connecticut State Statutes to enter into property tax abatement agreements for the purpose of economic development, competitiveness and to encourage business investment. The Town has the following abatement programs:

Town of Berlin, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

5. Other Information (Continued)

	Local
Purpose of the Program or Agreement	Economic Development
Tax being abated	Real Estate
Authority under which abatement agreements are entered into	State Statute
Criteria to be eligible to receive abatement	See Tax Abatement Program document adopted 12/2012; CGS 12-81 Projects must involve real property improvements with at least one of the following: <ul style="list-style-type: none"> • For office use. • For manufacturing use. • For warehouse, storage or distribution use. • For information technology. • For restaurants other than fast food, new retail developments or redevelopment of existing retail properties that involve substantial renovations or restoration of the exterior of the building and improvements to landscaping. • For recreation facilities.
How recipients' taxes are reduced	Reduced assessment
How the abatement amount is determined	Consistent with State statute, the Town abates taxes over three years with a schedule of 50%/40%/30% for an investment of at least \$50,000 7-year option exists if investment is over \$3 million - only one exists which abates at 50%/50%/40%/40%/30%/30%/10%
Provision for recapturing abated tax, if any	None
Types of commitments made by the Town other than to reduce taxes	None
Gross dollar amount, by which the Town's tax revenues were reduced as a result of abatement agreement	\$71,633
Assessment Impact	\$3,237,360

Town of Berlin, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2018

5. Other Information (Continued)

E. Prior Period Adjustments

Beginning equity balances were restated as follows for implementation of new accounting standards.

	Government Wide Activities - Governmental Activities	Nonmajor Governmental Funds	Private Purpose Trust Funds	Custodial Funds
Net position/fund balance as previously reported at June 30, 2017	\$ 107,000,506	\$ 723,956	\$ -	\$ -
To reclassify funds as a result of the implementation of GASB 84				
Town Funds	124,483	124,483	-	-
Memorial Fund	-	-	66,111	-
Student Activity Funds	-	-	-	483,441
To remove net OPEB obligation as a result of the implementation of GASB 75	1,886,803	-	-	-
To record total OPEB liability as a result of the implementation of GASB 75	<u>(5,900,149)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position/fund balance as restated at July 1, 2017	<u>\$ 103,111,643</u>	<u>\$ 848,439</u>	<u>\$ 66,111</u>	<u>\$ 483,441</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Town of Berlin, Connecticut

RSI-1

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts				
		Additional		Actual	
	Original	Appropriations	Final	Budgetary	Variance with
		and Transfers		Basis	Final Budget
REVENUES					
Property Taxes					
Current tax collections	\$ 69,785,516	\$ -	\$ 69,785,516	\$ 69,429,764	\$ (355,752)
Back taxes	512,000	-	512,000	1,599,277	1,087,277
Interest from overdue taxes	300,000	-	300,000	585,794	285,794
Lien fees	3,000	-	3,000	3,590	590
Suspense taxes and interest	45,000	-	45,000	79,016	34,016
Elderly housing	46,545	-	46,545	48,578	2,033
	70,692,061	-	70,692,061	71,746,019	1,053,958
Charges for Services (Licenses, Permits)					
Town clerk fees	330,000	-	330,000	386,575	56,575
Zoning commisison and building inspector	375,000	-	375,000	361,653	(13,347)
Planning	15,000	-	15,000	16,342	1,342
Zoning board of appeals	3,000	-	3,000	3,565	565
Animal control fees	12,644	-	12,644	11,004	(1,640)
Animal control rent	5,820	-	5,820	5,820	-
Police department	40,000	-	40,000	41,561	1,561
Police services to other agencies	30,000	-	30,000	21,111	(8,889)
Outside police services	287,500	-	287,500	377,231	89,731
Engineering and public works	43,500	-	43,500	39,206	(4,294)
Scrap metal	10,000	-	10,000	32,368	22,368
Parks and recreation	135,000	-	135,000	135,576	576
Golf course revenue	615,000	-	615,000	625,592	10,592
Golf restaurant rent	12,006	-	12,006	11,988	(18)
Golf course season pass revenue	148,500	-	148,500	127,987	(20,513)
Golf cart revenue	325,928	-	325,928	374,866	48,938
Berlin-Peck memorial library	19,460	-	19,460	12,169	(7,291)
Library copy fees	1,050	-	1,050	1,006	(44)
Passport fees	3,000	-	3,000	11,425	8,425
Berlin public health nursing service	1,000,000	-	1,000,000	944,486	(55,514)
Summer/field trips	19,360	-	19,360	12,102	(7,258)
Homemaking services	32,720	-	32,720	73,394	40,674
Senior citizen center	7,500	-	7,500	7,368	(132)
	3,471,988	-	3,471,988	3,634,395	162,407
Intergovernmental Revenue - Schools					
Private schools	-	-	-	21,632	21,632
Equalized cost sharing	6,249,212	-	6,249,212	5,373,271	(875,941)
Excess special education grant	580,000	-	580,000	576,409	(3,591)
Adult education	13,556	-	13,556	-	(13,556)
	6,842,768	-	6,842,768	5,971,312	(871,456)
Intergovernmental Revenue - Other					
In lieu of taxes	19,236	-	19,236	409	(18,827)
PILOT - New Britian stadium	25,000	-	25,000	25,000	-
Elderly property tax relief	122,026	-	122,026	-	(122,026)
Revenue Sharing - additional sales tax	843,048	-	843,048	-	(843,048)
Municipal projects grant	-	-	-	786,396	786,396
Municipal stabilization grant	-	-	-	470,835	470,835
Disability, social security	3,597	-	3,597	2,891	(706)
Additional veteran exemption	11,052	-	11,052	9,624	(1,428)
Friends against drugs	3,300	-	3,300	4,153	853
Pequot grant	44,319	-	44,319	43,425	(894)
Child and youth services grant	14,000	5,798	19,798	19,798	-
State and federal grant	45,000	-	45,000	38,367	(6,633)
Police overtime grant	72,900	-	72,900	36,760	(36,140)
	1,203,478	5,798	1,209,276	1,437,658	228,382

(continued)

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Other Services and Earnings on Investments					
Interest on investments	\$ 150,000	\$ -	\$ 150,000	\$ 487,630	\$ 337,630
Refund of expenditures	42,886	-	42,886	15,085	(27,801)
Sale of land, labor and materials	19,107	-	19,107	9,281	(9,826)
Mobile home rent	57,600	-	57,600	57,735	135
Cell tower rental	111,794	-	111,794	112,058	264
Other receipts	35,000	10,000	45,000	52,408	7,408
Telephone access line share	52,000	-	52,000	47,257	(4,743)
	<u>468,387</u>	<u>10,000</u>	<u>478,387</u>	<u>781,454</u>	<u>303,067</u>
Total Revenues	<u>82,678,682</u>	<u>15,798</u>	<u>82,694,480</u>	<u>83,570,838</u>	<u>876,358</u>
Other Financing Sources					
Fund balance designated for future years	1,800,000	172,517	1,972,517	-	(1,972,517)
Fund balance designated for pension funding	748,395	-	748,395	-	(748,395)
Use of fund balance	-	90,000	90,000	-	(90,000)
Water control commission - transfers in	4,500	-	4,500	8,639	4,139
	<u>2,552,895</u>	<u>262,517</u>	<u>2,815,412</u>	<u>8,639</u>	<u>(2,806,773)</u>
Total Revenues and Other Financing Sources	<u>85,231,577</u>	<u>278,315</u>	<u>85,509,892</u>	<u>83,579,477</u>	<u>(1,930,415)</u>
EXPENDITURES					
General Government					
Managers Office					
Wages	195,887	(66,647)	129,240	117,365	11,875
Fringe benefits	99,961	(21,150)	78,811	39,049	39,762
Operational	2,661	-	2,661	1,538	1,123
	<u>298,509</u>	<u>(87,797)</u>	<u>210,712</u>	<u>157,952</u>	<u>52,760</u>
Finance Department					
Wages	456,670	13,642	470,312	465,944	4,368
Fringe benefits	187,268	2,509	189,777	161,832	27,945
Operational	63,409	(75)	63,334	58,440	4,894
	<u>707,347</u>	<u>16,076</u>	<u>723,423</u>	<u>686,216</u>	<u>37,207</u>
Technology Department					
Wages	171,109	7,669	178,778	178,778	-
Fringe benefits	49,034	1,417	50,451	47,751	2,700
Operational	80,845	-	80,845	76,545	4,300
Capital	5,311	-	5,311	5,311	-
	<u>306,299</u>	<u>9,086</u>	<u>315,385</u>	<u>308,385</u>	<u>7,000</u>
Collector of Revenue					
Wages	124,835	8,345	133,180	117,196	15,984
Fringe benefits	65,969	(7,244)	58,725	30,401	28,324
Operational	35,962	250	36,212	15,945	20,267
	<u>226,766</u>	<u>1,351</u>	<u>228,117</u>	<u>163,542</u>	<u>64,575</u>
Treasurer					
Wages	52,387	1,964	54,351	54,350	1
Fringe benefits	18,205	365	18,570	17,389	1,181
Operational	730	-	730	65	665
	<u>71,322</u>	<u>2,329</u>	<u>73,651</u>	<u>71,804</u>	<u>1,847</u>
Corporation Counsel					
Operational	223,330	80,000	303,330	294,387	8,943

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Townwide Expenditures					
Wages	\$ 464,903	\$ (447,001)	\$ 17,902	\$ 6,428	\$ 11,474
Fringe benefits	1,593,030	(77,632)	1,515,398	1,500,944	14,454
Operational	1,080,577	(359,500)	721,077	670,600	50,477
	<u>3,138,510</u>	<u>(884,133)</u>	<u>2,254,377</u>	<u>2,177,972</u>	<u>76,405</u>
Board of Finance					
Wages	2,375	300	2,675	2,675	-
Fringe benefits	192	25	217	214	3
Operational	250	(250)	-	-	-
	<u>2,817</u>	<u>75</u>	<u>2,892</u>	<u>2,889</u>	<u>3</u>
Assessor					
Wages	276,884	9,734	286,618	283,281	3,337
Fringe benefits	113,471	2,125	115,596	100,183	15,413
Operational	29,976	-	29,976	27,838	2,138
	<u>420,331</u>	<u>11,859</u>	<u>432,190</u>	<u>411,302</u>	<u>20,888</u>
Registrar of Voters					
Wages	68,000	3	68,003	65,438	2,565
Fringe benefits	22,003	(3)	22,000	14,581	7,419
Operational	53,120	-	53,120	31,822	21,298
	<u>143,123</u>	<u>-</u>	<u>143,123</u>	<u>111,841</u>	<u>31,282</u>
Town Clerk					
Wages	259,687	7,114	266,801	250,506	16,295
Fringe benefits	107,256	1,285	108,541	98,162	10,379
Operational	21,612	-	21,612	19,997	1,615
Capital	2,000	-	2,000	2,000	-
	<u>390,555</u>	<u>8,399</u>	<u>398,954</u>	<u>370,665</u>	<u>28,289</u>
Board of Assessment Appeals					
Wages	925	175	1,100	1,100	-
Fringe benefits	75	11	86	86	-
Operational	225	(186)	39	-	39
	<u>1,225</u>	<u>-</u>	<u>1,225</u>	<u>1,186</u>	<u>39</u>
Town Council					
Operational	100	-	100	47	53
Total General Government	<u>5,930,234</u>	<u>(842,755)</u>	<u>5,087,479</u>	<u>4,758,188</u>	<u>329,291</u>
Community Development					
Planning and building inspection					
Wages	432,999	10,289	443,288	429,353	13,935
Fringe benefits	199,472	2,630	202,102	170,070	32,032
Operational	9,363	1,590	10,953	9,335	1,618
	<u>641,834</u>	<u>14,509</u>	<u>656,343</u>	<u>608,758</u>	<u>47,585</u>
Planning and Zoning Commission					
Operational	335	-	335	110	225
Zoning Board of Appeals					
Wages	1,175	-	1,175	775	400
Fringe benefits	95	-	95	62	33
Operational	290	-	290	206	84
	<u>1,560</u>	<u>-</u>	<u>1,560</u>	<u>1,043</u>	<u>517</u>

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Economic Development					
Wages	\$ 116,366	\$ (1,093)	\$ 115,273	\$ 114,668	\$ 605
Fringe benefits	37,703	(667)	37,036	35,278	1,758
Operational	7,160	5,402	12,562	10,137	2,425
	<u>161,229</u>	<u>3,642</u>	<u>164,871</u>	<u>160,083</u>	<u>4,788</u>
Conservation Commission					
Wages	1,300	-	1,300	900	400
Fringe benefits	105	-	105	68	37
Operational	3,190	-	3,190	2,473	717
	<u>4,595</u>	<u>-</u>	<u>4,595</u>	<u>3,441</u>	<u>1,154</u>
Inland Wetlands Commission					
Wages	1,400	-	1,400	1,050	350
Fringe benefits	114	-	114	72	42
Operational	2,450	-	2,450	2,211	239
	<u>3,964</u>	<u>-</u>	<u>3,964</u>	<u>3,333</u>	<u>631</u>
Veterans Commission					
Operational	4,250	-	4,250	4,122	128
Aquifer Protection Commission					
Wages	300	-	300	-	300
Fringe benefits	25	-	25	-	25
Operational	150	-	150	-	150
	<u>475</u>	<u>-</u>	<u>475</u>	<u>-</u>	<u>475</u>
Berlin Historic District					
Wages	1,250	-	1,250	400	850
Fringe benefits	101	-	101	30	71
Operational	250	-	250	75	175
	<u>1,601</u>	<u>-</u>	<u>1,601</u>	<u>505</u>	<u>1,096</u>
Charter Revision Commission					
Wages	350	-	350	-	350
Fringe benefits	29	-	29	-	29
Operational	2,621	-	2,621	-	2,621
	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Commission for Disabled					
Wages	600	-	600	400	200
Fringe benefits	49	-	49	30	19
	<u>649</u>	<u>-</u>	<u>649</u>	<u>430</u>	<u>219</u>
Public Building Commission					
Wages	2,300	-	2,300	1,000	1,300
Fringe benefits	185	-	185	69	116
Operational	400	-	400	-	400
	<u>2,885</u>	<u>-</u>	<u>2,885</u>	<u>1,069</u>	<u>1,816</u>
Total Community Development	<u>826,377</u>	<u>18,151</u>	<u>844,528</u>	<u>782,894</u>	<u>61,634</u>
Public Safety					
Ambulance Contract					
Operational	357,609	-	357,609	357,059	550

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Animal Control					
Wages	\$ 104,942	\$ -	\$ 104,942	\$ 97,348	\$ 7,594
Fringe benefits	30,224	(175)	30,049	27,956	2,093
Operational	14,845	175	15,020	12,382	2,638
	<u>150,011</u>	<u>-</u>	<u>150,011</u>	<u>137,686</u>	<u>12,325</u>
Fire Department					
Wages	263,245	528	263,773	255,261	8,512
Fringe benefits	139,554	(3,187)	136,367	117,089	19,278
Operational	336,205	(568)	335,637	315,458	20,179
Capital	-	3,850	3,850	3,850	-
	<u>739,004</u>	<u>623</u>	<u>739,627</u>	<u>691,658</u>	<u>47,969</u>
Police					
Wages	5,006,908	330,870	5,337,778	5,107,897	229,881
Fringe benefits	1,923,485	17,110	1,940,595	1,784,767	155,828
Operational	233,825	2,025	235,850	214,042	21,808
Capital	-	-	-	-	-
	<u>7,164,218</u>	<u>350,005</u>	<u>7,514,223</u>	<u>7,106,706</u>	<u>407,517</u>
Emergency Management					
Fringe benefits	250	-	250	-	250
Operational	14,650	-	14,650	13,056	1,594
	<u>14,900</u>	<u>-</u>	<u>14,900</u>	<u>13,056</u>	<u>1,844</u>
Fire Marshal					
Wages	193,044	8,574	201,618	199,892	1,726
Fringe benefits	96,250	2,389	98,639	91,218	7,421
Operational	5,140	-	5,140	3,807	1,333
	<u>294,434</u>	<u>10,963</u>	<u>305,397</u>	<u>294,917</u>	<u>10,480</u>
Total Public Safety	<u>8,720,176</u>	<u>361,591</u>	<u>9,081,767</u>	<u>8,601,082</u>	<u>480,685</u>
Physical services					
Municipal Garage					
Wages	451,531	9,767	461,298	446,136	15,162
Fringe benefits	172,249	(3,826)	168,423	152,238	16,185
Operational	451,985	(9,750)	442,235	393,160	49,075
	<u>1,075,765</u>	<u>(3,809)</u>	<u>1,071,956</u>	<u>991,534</u>	<u>80,422</u>
Public Works					
Wages	268,381	9,669	278,050	271,290	6,760
Fringe benefits	106,251	1,947	108,198	96,632	11,566
Operational	1,868,052	(27,499)	1,840,553	1,688,252	152,301
Capital	1,717	(1,717)	-	-	-
	<u>2,244,401</u>	<u>(17,600)</u>	<u>2,226,801</u>	<u>2,056,174</u>	<u>170,627</u>
Highway					
Wages	1,074,781	9,949	1,084,730	1,057,153	27,577
Fringe benefits	586,110	(22,719)	563,391	518,980	44,411
Operational	276,400	57,736	334,136	318,789	15,347
Capital	44,931	38,500	83,431	83,134	297
	<u>1,982,222</u>	<u>83,466</u>	<u>2,065,688</u>	<u>1,978,056</u>	<u>87,632</u>
Public Building					
Wages	1,028,089	5,100	1,033,189	965,781	67,408
Fringe benefits	454,794	(34,820)	419,974	392,994	26,980
Operational	775,183	105,700	880,883	796,188	84,695
	<u>2,258,066</u>	<u>75,980</u>	<u>2,334,046</u>	<u>2,154,963</u>	<u>179,083</u>
Total Physical Services	<u>7,560,454</u>	<u>138,037</u>	<u>7,698,491</u>	<u>7,180,727</u>	<u>517,764</u>

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Parks, Recreation and Libraries					
Mobile Home Park					
Operational	\$ 7,690	\$ -	\$ 7,690	\$ 5,325	\$ 2,365
Recreation					
Wages	320,978	5,673	326,651	298,745	27,906
Fringe benefits	86,566	1,222	87,788	79,445	8,343
Operational	53,076	153	53,229	46,780	6,449
	<u>460,620</u>	<u>7,048</u>	<u>467,668</u>	<u>424,970</u>	<u>42,698</u>
Golf Course					
Wages	425,242	11,185	436,427	434,312	2,115
Fringe benefits	175,797	(14,124)	161,673	160,438	1,235
Operational	478,712	17,646	496,358	495,072	1,286
Capital	28,860	-	28,860	28,860	-
	<u>1,108,611</u>	<u>14,707</u>	<u>1,123,318</u>	<u>1,118,682</u>	<u>4,636</u>
Libraries					
Wages	640,213	20,434	660,647	612,526	48,121
Fringe benefits	225,620	(1,744)	223,876	186,227	37,649
Operational	190,710	-	190,710	177,169	13,541
	<u>1,056,543</u>	<u>18,690</u>	<u>1,075,233</u>	<u>975,922</u>	<u>99,311</u>
Public Grounds					
Wages	654,744	17,539	672,283	663,021	9,262
Fringe benefits	309,179	(12,673)	296,506	279,023	17,483
Operational	300,250	-	300,250	269,234	31,016
Capital	5,000	(2,412)	2,588	2,588	-
	<u>1,269,173</u>	<u>2,454</u>	<u>1,271,627</u>	<u>1,213,866</u>	<u>57,761</u>
Total Parks, Recreation and Libraries	<u>3,902,637</u>	<u>42,899</u>	<u>3,945,536</u>	<u>3,738,765</u>	<u>206,771</u>
Health and Human Services					
Health Department					
Operational	115,022	4,588	119,610	119,610	-
Nursing Services					
Wages	1,165,584	11,441	1,177,025	1,034,093	142,932
Fringe benefits	444,966	(9,646)	435,320	358,727	76,593
Operational	382,223	3,200	385,423	289,053	96,370
	<u>1,992,773</u>	<u>4,995</u>	<u>1,997,768</u>	<u>1,681,873</u>	<u>315,895</u>
Community Services					
Wages	368,178	10,977	379,155	372,421	6,734
Fringe benefits	172,673	2,426	175,099	152,688	22,411
Operational	27,913	6,253	34,166	32,852	1,314
	<u>568,764</u>	<u>19,656</u>	<u>588,420</u>	<u>557,961</u>	<u>30,459</u>
Homemaking Services					
Wages	119,433	(90)	119,343	63,221	56,122
Fringe benefits	22,288	289	22,577	13,317	9,260
Operational	22,775	(155)	22,620	3,973	18,647
	<u>164,496</u>	<u>44</u>	<u>164,540</u>	<u>80,511</u>	<u>84,029</u>
Total Health and Human Services	<u>2,841,055</u>	<u>29,283</u>	<u>2,870,338</u>	<u>2,439,955</u>	<u>430,383</u>

(continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) (Continued)
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Schools					
Private Schools					
Wages	\$ 86,432	\$ -	\$ 86,432	\$ 63,656	\$ 22,776
Fringe benefits	40,552	-	40,552	25,270	15,282
Operational	1,382	-	1,382	1,081	301
	<u>128,366</u>	<u>-</u>	<u>128,366</u>	<u>90,007</u>	<u>38,359</u>
Board of Education	<u>43,023,684</u>	<u>-</u>	<u>43,023,684</u>	<u>42,580,093</u>	<u>443,591</u>
School Expenditures					
Wages	697,527	(1,202)	696,325	603,653	92,672
Fringe benefits	752,315	(20,602)	731,713	703,679	28,034
Operational	1,688,667	451,300	2,139,967	2,013,820	126,147
Capital	10,000	(10,000)	-	-	-
	<u>3,148,509</u>	<u>419,496</u>	<u>3,568,005</u>	<u>3,321,152</u>	<u>246,853</u>
Total Schools	<u>46,300,559</u>	<u>419,496</u>	<u>46,720,055</u>	<u>45,991,252</u>	<u>728,803</u>
Debt Principal					
Town government	1,649,833	-	1,649,833	1,649,832	1
Schools	<u>3,753,434</u>	<u>-</u>	<u>3,753,434</u>	<u>3,753,434</u>	<u>-</u>
	<u>5,403,267</u>	<u>-</u>	<u>5,403,267</u>	<u>5,403,266</u>	<u>1</u>
Interest and Fiscal Charges					
Town government	748,024	(82,500)	665,524	665,076	448
Schools	<u>1,855,287</u>	<u>(26,500)</u>	<u>1,828,787</u>	<u>1,828,766</u>	<u>21</u>
	<u>2,603,311</u>	<u>(109,000)</u>	<u>2,494,311</u>	<u>2,493,842</u>	<u>469</u>
Total Expenditures	<u>84,088,070</u>	<u>57,702</u>	<u>84,145,772</u>	<u>81,389,971</u>	<u>2,755,801</u>
Other Financing Uses					
Transfers to other funds					
Capital projects fund	1,128,507	206,394	1,334,901	1,334,901	-
Other funds	<u>15,000</u>	<u>14,219</u>	<u>29,219</u>	<u>29,219</u>	<u>-</u>
	<u>1,143,507</u>	<u>220,613</u>	<u>1,364,120</u>	<u>1,364,120</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>85,231,577</u>	<u>278,315</u>	<u>85,509,892</u>	<u>82,754,091</u>	<u>2,755,801</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 825,386</u>	<u>\$ 825,386</u> (continued)

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2018

Reconciliation to Exhibit 4

	Revenues	Expenditures	Other Financing Uses
Budgetary Basis - RSI 1	\$ 83,570,838	\$ 81,389,971	\$ 1,364,120
State Teachers' Retirement on behalf amount	8,767,434	8,767,434	-
State Teachers' OPEB on behalf amount	904,153	904,153	-
Accrued payroll adjustment	-	(319,008)	-
Union Negotiation Reserve	-	341,030	(14,219)
Revaluation Fund	-	44,028	-
Pension and insurance funding	-	15,000	(15,000)
GAAP Basis - Exhibit 4	<u>\$ 93,242,425</u>	<u>\$ 91,142,608</u>	<u>\$ 1,334,901</u>

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as revenue or expenditures payments made for the teacher's pension and OPEB by the State of Connecticut on the Town's behalf; 2. The Union Negotiation Fund and Revaluation Fund are not reported in the budget.

(concluded)

Town of Berlin, Connecticut

RSI-2a

Required Supplementary Information
Town of Berlin Employee Retirement Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last 5 Fiscal Years

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 170,718	\$ 93,056	\$ 117,272	\$ 113,033	\$ 104,337
Interest on total pension liability	340,605	287,446	306,265	363,095	450,167
Differences between expected and actual experience	378,919	1,080,795	788,138	(558,319)	-
Changes of assumptions	353,859	2,459,951	655,798	740,472	-
Benefit payments	(1,663,462)	(808,399)	(1,576,058)	(1,666,241)	(215,290)
Net change in total pension liability	(419,361)	3,112,849	291,415	(1,007,960)	339,214
Total pension liability, beginning	9,167,967	6,055,118	5,763,703	6,771,663	6,432,449
Total pension liability, ending	8,748,606	9,167,967	6,055,118	5,763,703	6,771,663
Fiduciary Net Position					
Employer contributions	1,448,395	700,399	700,537	1,406,809	700,000
Member contributions	-	-	-	-	290,417
Net investment income	15,241	10,494	19,456	37,101	24,338
Benefit payments	(1,663,462)	(808,399)	(1,576,058)	(1,666,241)	(215,290)
Net change in plan fiduciary net position	(199,826)	(97,506)	(856,065)	(222,331)	799,465
Fiduciary net position, beginning	268,669	366,175	1,222,240	1,444,571	645,106
Fiduciary net position, ending	68,843	268,669	366,175	1,222,240	1,444,571
Net pension liability, ending	\$ 8,679,763	\$ 8,899,298	\$ 5,688,943	\$ 4,541,463	\$ 5,327,092
Fiduciary net position as a % of total pension liability	0.79%	2.93%	6.05%	21.21%	21.33%
Covered payroll	\$ 1,343,801	\$ 1,452,832	\$ 1,585,622	\$ 1,882,367	\$ 1,958,991
Net pension liability as a % of covered payroll	645.91%	612.55%	358.78%	241.26%	271.93%
Defined Contribution Plan					
Fiduciary net position, beginning	\$ 47,760,554	\$ 42,897,062	\$ 42,673,544	\$ 41,800,940	\$ 36,580,909
Employer contributions	1,605,034	1,650,999	1,587,749	1,644,079	1,626,498
Member contributions	897,999	1,104,338	928,038	1,040,435	688,409
Other contributions	37,626	50,000	40,000	-	-
Net investment income	3,568,185	4,343,638	15,261	1,013,384	3,822,548
Benefit payments	(4,710,956)	(2,187,650)	(2,271,722)	(2,746,656)	(796,586)
Administration	(178,918)	(97,833)	(75,808)	(78,638)	(120,838)
Fiduciary net position, ending	\$ 48,979,524	\$ 47,760,554	\$ 42,897,062	\$ 42,673,544	\$ 41,800,940

(1) Net of net investment income related to the defined contribution plan, presented below.

(2) Net of defined contribution plan net position, presented below.

This schedule is intended to show 10 years of data. Additional years will be displayed as it becomes available.

Town of Berlin, Connecticut

RSI-2b

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,448,395	\$ 913,803	\$ 918,862	\$ 1,001,122	\$ 935,628	\$ 1,005,393	\$ 493,732	\$ 473,550	\$ 355,088	\$ 254,732
Contributions in relation to the actuarially determined contribution	1,448,395	700,399	700,537	1,406,809	700,000	700,000	350,000	200,000	175,000	150,000
Contribution deficiency (excess)	\$ -	\$ 213,404	\$ 218,325	\$ (405,687)	\$ 235,628	\$ 305,393	\$ 143,732	\$ 273,550	\$ 180,088	\$ 104,732
Covered payroll	\$ 1,343,801	\$ 1,452,832	\$ 1,585,622	\$ 1,882,367	\$ 1,958,991	\$ 2,073,539	\$ 1,907,671	\$ 1,993,876	\$ 1,986,110	\$ 2,251,842
Contributions as a percentage of covered payroll	107.78%	48.21%	44.18%	74.74%	35.73%	33.76%	18.35%	10.03%	8.81%	6.66%

Notes to the Schedule

Valuation Date

July 1, 2016

Methods and assumptions used to determine contribution rates:

Changes in benefit terms	None
Changes in assumptions	Expected rate of return was reduced from 4.00% to 3.50% for pre-retirement and increased from 2.45% to 2.80% for post-retirement
Actuarial cost method	Entry age normal
Amortization method	Level percentage of salary - open
Remaining amortization period	8 years
Asset valuation method	Fair value method
Inflation	2.60%
Salary increases	3.25% per year for Police and 2.75% for all others
Investment rate of return	Pre-retirement: 3.50%, Post-retirement: 2.80%
Retirement age	Police: 100% at 30 years of active service. All others: 100% at age 65.
Mortality	Pre-retirement: RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017 Post-retirement: IRS 417(e) mortality table

Required Supplementary Information
 Town of Berlin Employee Retirement Plan
 Schedule of Money-Weighted Rate of Return
 Last Five Years

Fiscal Year Ending June 30,	Net Money-Weighted Rate of Return
2018	1.57%
2017	1.95%
2016	2.46%
2015	2.17%
2014	2.02%

This schedule is intended to show 10 years of data.
 Additional years will be displayed as it becomes available.

Town of Berlin, Connecticut

RSI-3

Required Supplementary Information
Connecticut Teachers Retirement System
Last Four Years

**Schedule of Changes in Net Pension Liability and Related Ratios
Last 4 Fiscal Years**

	2018	2017	2016	2015
Town's percentage of collective net pension liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the employer	<u>\$75,796,445</u>	<u>\$79,965,829</u>	<u>\$62,277,260</u>	<u>\$57,488,298</u>
Total proportionate share of the collective net pension liability	<u>\$75,796,445</u>	<u>\$79,965,829</u>	<u>\$62,277,260</u>	<u>\$57,488,298</u>
Town's covered payroll	(1) <u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Town's proportionate share of the collective net pension liability as a % of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a % of total pension liability	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

**Schedule of Employer Contributions
Last 4 Fiscal Years**

Contractually required Town contribution

(2) \$	-	\$	-	\$	-
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(1) Not applicable since 0% proportional share of the net pension liability.

(2) The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

This schedule is intended to show 10 years of data. Additional years will be displayed as it becomes available.

(Continued)

Required Supplementary Information
Connecticut Teachers Retirement System (*continued*)
Last 4 Years

Notes to Required Supplementary Information

Changes of benefit terms	None
Changes of assumptions	<ol style="list-style-type: none"> 1. Reduce the inflation assumption from 3.00% to 2.75%. 2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%. 3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%. 4. Slightly modify the merit portion of the salary scale. 5. Reduce the payroll growth assumption from 3.75% to 3.25%. 6. Update mortality tables to projected versions of the RPH-2014 mortality tables. 7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females. 8. Increase rates of withdrawal. 9. Decrease rates of disability for males.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	21.4 years
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.25%-6.50% average, including inflation
Investment rate of return	8.00% net of pension plan investment expense, including inflation

This schedule is intended to show 10 years of data.
Additional years will be displayed as it becomes available.

(Concluded)

Required Supplementary Information
 Other Post-Employment Benefits Plan
 Schedule of Changes in Total OPEB Liability and Related Ratios
 For the Year Ended June 30, 2018

Total OPEB Liability

Service cost	\$ 271,596
Interest on total OPEB liability	217,457
Changes of assumptions	(186,700)
Benefit payments	<u>(196,773)</u>
Net change in total OPEB liability	105,580
Total OPEB liability, beginning	<u>5,900,149</u>
Total OPEB liability, ending *	<u><u>\$ 6,005,729</u></u>
 Covered payroll	 \$ 30,769,557
 Total OPEB liability as a % of covered payroll	 19.52%

*There are no assets that are being accumulated in a trust that meets the criteria in GASB 75 to pay benefits.

This schedule is intended to show 10 years of data.
 Additional years will be displayed as it becomes available.

Town of Berlin, Connecticut

State Teachers' Retirement Board Retiree Health Insurance Plan
 Required Supplementary Information
 June 30, 2018

Schedule of Proportionate Share of the Net OPEB Liability

		<u>2018</u>
Town's proportion of the net OPEB liability		<u>0.00%</u>
Town's proportionate share of the net OPEB liability		\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the Town		<u>19,509,156</u>
Total		<u>\$ 19,509,156</u>
Town's covered payroll	(2)	<u>N/A</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll		<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability		<u>0.00%</u>

Schedule of Contributions

		<u>2018</u>
Contractually required contribution	(1)	\$ -
Contributions in relation to the contractually required contribution		<u>-</u>
Contribution deficiency (excess)		<u>\$ -</u>
Town's covered payroll	(2)	<u>N/A</u>
Contributions as a percentage of covered payroll		<u>0.00%</u>

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net
OPEB liability

Note: These schedules are intended to present information for 10 years.
 Additional years will be presented as they become available.

Town of Berlin, Connecticut

State Teachers' Retirement Board Retiree Health Insurance Plan
 Required Supplementary Information
 Notes to Required Supplementary Information
 June 30, 2018

Changes of benefit terms	None
Changes of assumptions	2016:
	The discount rate has been lowered from 4.50% to 4.25% to reflect the decrease in the rate of inflation
	The payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase
	The demographic assumptions of salary growth, payroll growth, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board
	The assumed initial per capita health care costs, the assumed rates of healthcare inflation used to project the per capita costs, and the participation assumptions have been revised
Actuarial Cost Method	Entry age
Amortization Method	Level percentage, open
Asset Valuation Method	Fair Value
Inflation	2.75%
Healthcare inflation rate - Initial	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary Increases	3.25% to 6.50%, including inflation

(continued)

Town of Berlin, Connecticut

State Teachers' Retirement Board Retiree Health Insurance Plan
 Required Supplementary Information
 Notes to Required Supplementary Information
 June 30, 2018

Investment Rate of Return	4.25%
Mortality Rate	RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale

Note: These schedules are intended to present information for 10 years.
 Additional years will be presented as they become available.

(concluded)

SUPPLEMENTARY SCHEDULES

MAJOR GOVERNMENTAL FUND

GENERAL FUND

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

General Fund
Comparative Balance Sheet

	June 30,	
	2018	2017
ASSETS		
Cash	\$ 4,609,166	\$ 7,104,511
Restricted cash	1,082,637	-
Investments	11,162,425	8,485,370
Receivables (net)		
Property taxes	1,286,465	1,298,388
Interest	478,760	532,562
Accounts	91,733	70,944
Intergovernmental	16,423	2,936
Due from other funds	162,349	162,349
Total Assets	<u>\$ 18,889,958</u>	<u>\$ 17,657,060</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 863,938	\$ 688,605
Accrued payroll and related	516,442	455,237
Due to other funds	377,542	377,542
Performance bonds	1,082,637	-
Unearned revenues	101,319	111,384
Total Liabilities	<u>2,941,878</u>	<u>1,632,768</u>
Deferred Inflows of Resources		
Unavailable revenues	878,870	1,672,089
Property taxes collected in advance	-	56,548
Total Deferred Inflows of Resources	<u>878,870</u>	<u>1,728,637</u>
Fund Balances		
Committed	206,994	577,833
Assigned	2,837,000	2,638,395
Unassigned	12,025,216	11,079,427
Total Fund Balances	<u>15,069,210</u>	<u>14,295,655</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 18,889,958</u>	<u>\$ 17,657,060</u>

Report of the Property Tax Collector
For the Year Ended June 30, 2018

Grand List	Due Date	Taxes		Lawful Corrections		Transferred to Suspende	Adjusted Taxes Collectible	Collections			Taxes Receivable June 30, 2018	
		Collectible		Additions (2)	Deductions (5)			Taxes	Interest	Lien Fees		Total
October 1,	July 1,											
2016 (1)	2017	\$ 69,795,722	\$ 1,083,537	\$ 216,115	\$ 3,054	\$ 70,660,090	\$ 69,789,191	\$ 172,010	\$ 1,154	\$ 69,962,355	\$ 870,899	
2015	2016	826,726	2,665	12,059	113,930	703,402	425,369	89,107	1,640	516,116	278,033	
2014	2015	317,088	320	534	2,932	313,942	121,695	56,491	666	178,852	192,247	
2013	2014	159,788	155	217	2,794	156,932	60,241	26,711	432	87,384	96,691	
2012	2013	89,586	-	86	2,779	86,721	19,195	17,970	144	37,309	67,526	
2011	2012	82,474	-	-	3,159	79,315	10,230	12,211	72	22,513	69,085	
2010	2011	77,943	-	-	3,077	74,866	4,608	1,977	48	6,633	70,258	
2009	2010	48,172	-	-	2,971	45,201	4	613	24	641	45,197	
2008	2009	51,470	-	-	2,850	48,620	6,741	18,713	24	25,478	41,879	
2007	2008	62,835	-	258	2,850	59,727	6,648	8,370	48	15,066	53,079	
2006	2007	13,613	717	-	4,734	9,596	250	491	24	765	9,346	
2005	2006	14,093	-	-	4,733	9,360	250	6,527	24	6,801	9,110	
2004	2005	13,289	-	-	4,678	8,611	4,317	3,844	48	8,209	4,294	
2003	2004	11,028	-	-	4,518	6,510	239	598	24	861	6,271	
2002	2003	10,383	-	-	4,167	6,216	220	591	24	835	5,996	
2001	2002	1,688	-	1,688	-	-	-	-	-	-	-	
Suspende collections												
Total		\$ 71,575,898	\$ 1,087,394	\$ 230,957	\$ 163,226	\$ 72,269,109	\$ 70,528,214	\$ 416,224	\$ 4,396	\$ 70,948,834	\$ 1,819,911	
Note 1:	The fiscal year begins on July 1, and taxes become due on that date.											
Note 2:	Includes motor vehicle supplemente amounting tc \$ 977,453											
Note 3:	Actual tax collections, excluding suspende collections:											
	Tax collections											
	Deduct:											
	Suspende tax and interes											
	Tax Collections:											
							\$ 70,528,214				\$ 75	
							(79,016)					
							\$ 70,449,198					

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Fund	Funding Source	Function
Cafeteria	Sales and grants	School lunch program
Disadvantaged Education	State and Federal grants	Education
Adult Education	User fees	Adult education supplies
Police Drug Enforcement	State and Federal grants	Drug enforcement/education
Police Asset Forfeiture	Seizure funds	Drug enforcement
Marjorie Moore	Foundation grants	Various public service
R & S Associates Bond	Forfeited bonds	Construction
Summer Adventures	User fees	Education
Afternoon Enrichment Program	User fees	Education
Elderly Oral Screening	Donations	Dental screening
Boundless Playground	Donations	Construct ADA playground
Town Funds	Donations	Special events, activities and services of outside agencies and departments
Special Grants and Donations	State and Federal grants	Various projects
Recreation	User fees	Recreational programs
Veterans Brick Walkway	Donations	Construction of a brick walkway to honor local veterans
Sage Park Improvement	User Fees	Improvements to Sage Park

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
Medical Aid	Donations	Medical assistance
Blanche Delaney	Donations	Library resources

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds						
	Cafeteria	Disadvantaged Education	Police Drug Enforcement	Police Asset Forfeiture	Marjorie Moore	
ASSETS						
Cash	\$ 46,369	\$ 421,408	\$ 2,665	\$ 26,435	\$ 6,513	
Receivables						
Accounts	173	-	-	-	-	
Intergovernmental	49,080	-	-	-	-	
Inventories	27,289	-	-	-	-	
Total Assets	\$ 122,911	\$ 421,408	\$ 2,665	\$ 26,435	\$ 6,513	
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 31,150	\$ -	\$ -	\$ -	
Accrued payroll and related	-	-	-	-	-	
Unearned revenues	-	58,562	-	-	-	
Total Liabilities	-	89,712	-	-	-	
Fund Balance						
Nonspendable	27,289	-	-	-	-	
Restricted	95,622	331,696	2,665	26,435	6,513	
Assigned	-	-	-	-	-	
Total Fund Balances	122,911	331,696	2,665	26,435	6,513	
Total Liabilities and Fund Balances	\$ 122,911	\$ 421,408	\$ 2,665	\$ 26,435	\$ 6,513	(continued)

Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds					
	R & S Associates Bond	Summer Adventures	Afternoon Enrichment Program	Elderly Oral Screening	Boundless Playground	Town Funds
ASSETS						
Cash	\$ 13,519	\$ 1,350	\$ 12,860	\$ 2,466	\$ 4,505	\$ 123,330
Receivables						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	\$ 13,519	\$ 1,350	\$ 12,860	\$ 2,466	\$ 4,505	\$ 123,330
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Fund Balance						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	2,466	4,505	123,330
Assigned	13,519	1,350	12,860	-	-	-
Total Fund Balances	13,519	1,350	12,860	2,466	4,505	123,330
Total Liabilities and Fund Balances	\$ 13,519	\$ 1,350	\$ 12,860	\$ 2,466	\$ 4,505	\$ 123,330

(continued)

Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				Total Special Revenue Funds
	Special Grants and Donations	Recreation	Veterans Brick Walkway	Sage Park Improvement	
ASSETS					
Cash	\$ 252,440	\$ 119,564	\$ 15,682	\$ 758	\$ 1,049,864
Receivables					
Accounts	-	-	-	-	173
Intergovernmental	7,503	-	-	-	56,583
Inventories	-	-	-	-	27,289
Total Assets	\$ 259,943	\$ 119,564	\$ 15,682	\$ 758	\$ 1,133,909
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,725	\$ 1,189	\$ 162	\$ -	\$ 36,226
Accrued payroll and related	1,593	12,480	-	-	14,073
Unearned revenues	-	-	-	-	58,562
Total Liabilities	5,318	13,669	162	-	108,861
Fund Balance					
Nonspendable	-	-	-	-	27,289
Restricted	254,625	-	15,520	-	740,047
Assigned	-	105,895	-	758	257,712
Total Fund Balances	254,625	105,895	15,520	758	1,025,048
Total Liabilities and Fund Balances	\$ 259,943	\$ 119,564	\$ 15,682	\$ 758	\$ 1,133,909

(continued)

Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Permanent Funds				Total Nonmajor Governmental
	Marjorie Moore Tree	Medical Aid	Blanche Delaney	Total Permanent Funds	
ASSETS					
Cash	\$ 5,481	\$ 41,141	\$ 54,278	\$ 100,900	\$ 1,150,764
Receivables					
Accounts	-	-	-	-	173
Intergovernmental	-	-	-	-	56,583
Inventories	-	-	-	-	27,289
Total Assets	\$ 5,481	\$ 41,141	\$ 54,278	\$ 100,900	\$ 1,234,809
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 36,226
Accrued payroll and related	-	-	-	-	14,073
Unearned revenues	-	-	-	-	58,562
Total Liabilities	-	-	-	-	108,861
Fund Balance					
Nonspendable	5,000	21,965	41,332	68,297	95,586
Restricted	481	19,176	12,946	32,603	772,650
Assigned	-	-	-	-	257,712
Total Fund Balances	5,481	41,141	54,278	100,900	1,125,948
Total Liabilities and Fund Balances	\$ 5,481	\$ 41,141	\$ 54,278	\$ 100,900	\$ 1,234,809
					(concluded)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds							
	Cafeteria	Disadvantaged Education	Adult Education	Police Drug Enforcement	Police Asset Forfeiture	Marjorie Moore	
REVENUES							
Intergovernmental	\$ 300,662	\$ 2,245,751	\$ -	\$ -	\$ -	\$ -	
Charges for services	500,505	-	-	320	-	-	
Income on investments	-	-	-	-	-	-	
Miscellaneous	55,175	-	-	-	-	-	
Total Revenues	856,342	2,245,751	-	320	-	-	
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	
Community development	-	-	-	-	-	-	
Public safety	-	-	-	829	7,931	-	
Parks, recreation and libraries	-	-	-	-	-	-	
Health and human services	-	-	-	-	-	-	
Schools	814,998	1,914,055	202	-	-	-	
Total Expenditures	814,998	1,914,055	202	829	7,931	-	
Excess (Deficiency) of Revenues Over Expenditures	41,344	331,696	(202)	(509)	(7,931)	-	
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	
Net Change in Fund Balances	41,344	331,696	(202)	(509)	(7,931)	-	
Fund Balances - Beginning of Year (as restated)	81,567	-	202	3,174	34,366	6,513	
Fund Balances - End of Year	\$ 122,911	\$ 331,696	\$ -	\$ 2,665	\$ 26,435	\$ 6,513	(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds					
	R & S Associates Bond	Summer Adventures	Afternoon Enrichment Program	Elderly Oral Screening	Boundless Playground	Town Funds
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	56,540	-	-	-
Income on investments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	66,514
Total Revenues	-	-	56,540	-	-	66,514
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Parks, recreation and libraries	-	-	-	-	-	9,658
Health and human services	-	-	-	-	-	58,009
Schools	-	-	54,686	-	-	-
Total Expenditures	-	-	54,686	-	-	67,667
Excess (Deficiency) of Revenues Over Expenditures	-	-	1,854	-	-	(1,153)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Net Change in Fund Balances	-	-	1,854	-	-	(1,153)
Fund Balances - Beginning of Year (as restated)	13,519	1,350	11,006	2,466	4,505	124,483
Fund Balances - End of Year	\$ 13,519	\$ 1,350	\$ 12,860	\$ 2,466	\$ 4,505	\$ 123,330

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	Special Revenue Funds					
	Special Grants and Donations	Recreation	Veterans Brick Walkway	Sage Park Improvement	Total Special Revenue Funds	
REVENUES						
Intergovernmental	\$ 145,129	\$ -	\$ -	\$ -	\$ 2,691,542	
Charges for services	-	71,025	-	6,070	634,460	
Income on investments	1,313	-	-	-	1,313	
Miscellaneous	31,570	-	6,280	-	159,539	
Total Revenues	178,012	71,025	6,280	6,070	3,486,854	
EXPENDITURES						
Current						
General government	4,000	-	-	-	4,000	
Community development	32	-	1,523	-	1,555	
Public safety	6,315	-	-	-	15,075	
Parks, recreation and libraries	279,507	59,833	-	5,312	354,310	
Health and human services	20,704	-	-	-	78,713	
Schools	-	-	-	-	2,783,941	
Total Expenditures	310,558	59,833	1,523	5,312	3,237,594	
Excess (Deficiency) of Revenues Over Expenditures	(132,546)	11,192	4,757	758	249,260	
OTHER FINANCING SOURCES (USES)						
Transfers in	25,619	-	-	-	25,619	
Net Change in Fund Balances	(106,927)	11,192	4,757	758	274,879	
Fund Balances - Beginning of Year (as restated)	361,552	94,703	10,763	-	750,169	
Fund Balances - End of Year	\$ 254,625	\$ 105,895	\$ 15,520	\$ 758	\$ 1,025,048	
					(continued)	

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Permanent Funds					Total Nonmajor Governmental Funds
	Marjorie Moore Tree	Medical Aid	Blanche Delaney	Total Permanent Funds		
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,691,542
Charges for services	-	-	-	-	-	634,460
Income on investments	52	386	516	954	954	2,267
Miscellaneous	-	1,676	-	1,676	1,676	161,215
Total Revenues	52	2,062	516	2,630	2,630	3,489,484
EXPENDITURES						
Current						
General government	-	-	-	-	-	4,000
Community development	-	-	-	-	-	1,555
Public safety	-	-	-	-	-	15,075
Parks, recreation and libraries	-	-	-	-	-	354,310
Health and human services	-	-	-	-	-	78,713
Schools	-	-	-	-	-	2,783,941
Total Expenditures	-	-	-	-	-	3,237,594
Excess (Deficiency) of Revenues Over Expenditures	52	2,062	516	2,630	2,630	251,890
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	25,619
Net Change in Fund Balances	52	2,062	516	2,630	2,630	277,509
Fund Balances - Beginning of Year (as restated)	5,429	39,079	53,762	98,270	98,270	848,439
Fund Balances - End of Year	\$ 5,481	\$ 41,141	\$ 54,278	\$ 100,900	\$ 100,900	\$ 1,125,948
						(concluded)

ENTERPRISE FUND

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

Schedule of Water Assessments Receivable
 Water and Sewer Enterprise Fund
 June 30, 2018

Locations	Balance June 30, 2017	Assessments During Year	Interest and Penalties	Collections	Balance June 30, 2018
Town Wide, April 1st	\$ -	\$ 8,998	\$ -	\$ 2,391	\$ 6,607
Town Wide, May 1st	15,507	-	2,001	8,670	6,837
Town Wide, August 1st	-	2,000	-	351	1,649
Town Wide, September 1st	859	-	64	859	-
Town Wide, December 1st	3,434	-	-	-	3,434
1723 Berlin Turnpike	-	2,000	-	2,000	-
Willow Brook Drive	-	2,100	-	2,100	-
Estates of Berlin	-	39,825	-	39,825	-
17 Commerce Street	-	1,697	-	1,697	-
144 Bishops Curve	-	2,100	-	2,100	-
687 Beckley Road	-	2,520	-	2,520	-
TOTAL	<u>\$ 19,800</u>	<u>\$ 61,240</u>	<u>\$ 2,065</u>	<u>\$ 62,513</u>	<u>\$ 18,527</u>

Schedule of Sewer Assessments Receivable
 Water and Sewer Enterprise Fund
 June 30, 2018

Locations	Balance June 30, 2017	Assessments During Year	Interest and Penalties	Collections	Balance June 30, 2018
Due May 1st	\$ 7,100	\$ -	\$ 1,137	\$ 4,733	\$ 2,367
Due August 1st	-	2,500	-	439	2,061
Due January 1st	3,333	-	250	667	2,666
1723 Berlin Turnpike	-	2,500	-	2,500	-
19B Commerce Street	-	2,835	-	2,835	-
Finishers Court	-	16,176	-	16,176	-
687 Beckley Road	-	2,500	-	2,500	-
Due Town of Berlin: Belcher Brook Interceptor, December 1st	<u>605</u>	<u>-</u>	<u>277</u>	<u>123</u>	<u>482</u>
TOTAL	<u>\$ 11,038</u>	<u>\$ 26,511</u>	<u>\$ 1,664</u>	<u>\$ 29,973</u>	<u>\$ 7,576</u>
Special fees for inflow and infiltration receivable					<u>47,158</u>
Total sewer assessments receivable					<u>\$ 54,734</u>

INTERNAL SERVICE FUNDS

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

The General Insurance Fund accounts for funds received from the Board of Education, Town Government operating funds and the Water and Sewer Enterprise Fund. The funds are used to purchase insurance and provide ancillary services for the administration of this fund and to accumulate reserves, which otherwise would be retained by the insurance company. The Workmen's Compensation coverage, which makes up the largest component of the insurance needs of the Town is provided by insurance through the Connecticut Interlocal Risk Management Association (CIRMA). The Town will examine the coverage and have an actuarial study conducted periodically.

The Medical and Health Insurance Fund accounts for funds received from the Board of Education, Town Government operating funds and Water and Sewer Enterprise Funds. The funds are used to purchase medical and health insurance and provide ancillary service for the administration of this fund and to accumulate reserves, which otherwise would be retained by Anthem Blue Cross/Blue Shield. The fund is utilized to pay administration fees directly to Anthem Blue Cross/Blue Shield. Anthem Blue Cross/Blue Shield administers the payment of health insurance claims and will draw the funds necessary to pay these claims directly from this fund. The Town benefits from this arrangement in that it earns interest on these funds and is not subject to the State insurance premium tax, since a self-insurance fund is maintained and is not subject to this tax. An actuarial study is conducted annually by Anthem Blue Cross/Blue Shield.

Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	General Insurance	Medical and Health Insurance	Total Internal Service Funds
ASSETS			
Current Assets			
Cash	\$ 2,108,171	\$ 942,931	\$ 3,051,102
Accounts receivable	76,387	-	76,387
Due from other funds	-	377,542	377,542
	<u>2,184,558</u>	<u>1,320,473</u>	<u>3,505,031</u>
Total Assets			
	<u>2,184,558</u>	<u>1,320,473</u>	<u>3,505,031</u>
LIABILITIES			
Current Liabilities			
Claims payable	<u>301,020</u>	<u>628,099</u>	<u>929,119</u>
NET POSITION			
Unrestricted	<u>\$ 1,883,538</u>	<u>\$ 692,374</u>	<u>\$ 2,575,912</u>

Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	General Insurance	Medical and Health Insurance	Total Internal Service Funds
OPERATING REVENUES			
Premiums	\$ 1,761,251	\$ 5,343,089	\$ 7,104,340
Employee contributions	-	1,876,931	1,876,931
Insurance proceeds	29,413	102,170	131,583
Total Operating Revenues	1,790,664	7,322,190	9,112,854
OPERATING EXPENSES			
Claims	1,907,609	7,802,473	9,710,082
Administration	94,762	214,345	309,107
Total Operating Expenses	2,002,371	8,016,818	10,019,189
Income (Loss) from Operations	(211,707)	(694,628)	(906,335)
NON-OPERATING REVENUES			
Investment income	16,510	12,647	29,157
Change in Net Position	(195,197)	(681,981)	(877,178)
Total Net Position - Beginning of Year	2,078,735	1,374,355	3,453,090
Total Net Position - End of Year	\$ 1,883,538	\$ 692,374	\$ 2,575,912

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	General Insurance	Medical and Health Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from premiums and employees	\$ 1,759,648	\$ 7,220,020	\$ 8,979,668
Cash received from insurance and others	29,413	102,170	131,583
Cash payments to providers of benefit:	<u>(1,781,480)</u>	<u>(8,113,791)</u>	<u>(9,895,271)</u>
Net Cash from Operating Activities	<u>7,581</u>	<u>(791,601)</u>	<u>(784,020)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>16,510</u>	<u>12,647</u>	<u>29,157</u>
Net Increase (Decrease) in Cash	24,091	(778,954)	(754,863)
Cash - Beginning of Year	<u>2,084,080</u>	<u>1,721,885</u>	<u>3,805,965</u>
Cash - End of Year	<u>\$ 2,108,171</u>	<u>\$ 942,931</u>	<u>\$ 3,051,102</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Income (loss) from operations	\$ (211,707)	\$ (694,628)	\$ (906,335)
Changes in operating assets and liabilities			
Accounts receivable	(1,603)	-	(1,603)
Claims payable	<u>220,891</u>	<u>(96,973)</u>	<u>123,918</u>
Net Cash from Operating Activities	<u>\$ 7,581</u>	<u>\$ (791,601)</u>	<u>\$ (784,020)</u>

STATISTICAL SECTION (UNAUDITED)

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

Statistical section information is presented in the following categories:

Financial trends information is intended to assist users in understanding and assessing how financial position has changed over time.

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.)

Debt capacity information is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.

Demographic and economic information is intended 1) to assist users in understanding the socioeconomic environment, and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.

Operation information is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

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

Town of Berlin, Connecticut

Table 1

Net Position by Component
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
GOVERNMENTAL ACTIVITIES										
Net Investment in Capital Assets										
Restricted	\$ 93,712,628	\$ 85,860,084	\$ 78,636,418	\$ 75,761,406	\$ 64,684,687	\$ 58,673,095	\$ 57,119,702	\$ 56,582,569	\$ 56,765,965	\$ 56,546,105
Unrestricted	840,947	1,065,544	8,299,031	147,384	147,008	147,048	157,388	156,073	154,410	152,346
Total Governmental Activities Net Position	11,549,130	20,074,879	19,604,198	23,598,253	22,100,035	20,350,601	19,290,018	19,288,970	19,081,655	18,996,700
	<u>\$ 106,102,705</u>	<u>\$ 107,000,507</u>	<u>\$ 106,539,647</u>	<u>\$ 99,507,043</u>	<u>\$ 86,931,730</u>	<u>\$ 79,170,744</u>	<u>\$ 76,567,108</u>	<u>\$ 76,027,612</u>	<u>\$ 76,002,030</u>	<u>\$ 75,695,151</u>
BUSINESS - TYPE ACTIVITIES										
Net Investment in Capital Assets										
Unrestricted	\$ 11,400,099	\$ 11,115,283	\$ 10,871,455	\$ 12,739,336	\$ 10,074,596	\$ 10,113,957	\$ 9,825,184	\$ 9,827,738	\$ 9,774,780	\$ 9,857,160
Total Business - Type Activities Net Position	6,420,796	6,157,253	6,247,097	4,387,315	5,666,817	4,855,024	4,744,240	4,217,051	3,853,167	3,228,973
	<u>\$ 17,820,895</u>	<u>\$ 17,272,536</u>	<u>\$ 17,118,552</u>	<u>\$ 17,126,651</u>	<u>\$ 15,741,413</u>	<u>\$ 14,968,981</u>	<u>\$ 14,569,424</u>	<u>\$ 14,044,789</u>	<u>\$ 13,627,947</u>	<u>\$ 13,086,133</u>
PRIMARY GOVERNMENT										
Net Investment in Capital Assets										
Restricted	\$ 105,112,727	\$ 96,975,367	\$ 89,507,873	\$ 88,500,742	\$ 74,759,283	\$ 68,787,052	\$ 66,944,886	\$ 66,410,307	\$ 66,540,745	\$ 66,403,265
Unrestricted	840,947	1,065,544	8,299,031	147,384	147,008	147,048	157,388	156,073	154,410	152,346
Total Primary Government Net Position	17,969,926	26,232,132	25,851,295	27,985,568	27,766,852	25,205,625	24,034,258	23,506,021	22,934,822	22,225,673
	<u>\$ 123,923,600</u>	<u>\$ 124,273,043</u>	<u>\$ 123,658,199</u>	<u>\$ 116,633,694</u>	<u>\$ 102,673,143</u>	<u>\$ 94,139,725</u>	<u>\$ 91,136,532</u>	<u>\$ 90,072,401</u>	<u>\$ 89,629,977</u>	<u>\$ 88,781,284</u>

Town of Berlin, Connecticut

Changes In Net Position
Last Ten Fiscal Years

Table 2

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
EXPENSES										
Governmental activities:										
General government:	\$ 4,088,097	\$ 4,945,860	\$ 4,274,418	\$ 5,415,509	\$ 4,191,823	\$ 4,397,969	\$ 3,736,129	\$ 3,616,360	\$ 3,619,079	\$ 4,621,878
Community development	1,434,058	1,289,526	1,443,185	1,134,822	849,635	838,057	1,310,926	1,705,036	886,822	839,495
Public safety	11,411,877	9,733,651	9,759,219	9,579,660	8,747,446	8,072,109	8,028,805	7,449,690	6,984,300	7,097,794
Physical services	8,699,197	12,250,229	10,026,337	8,670,289	9,778,097	8,524,981	9,333,507	8,574,797	8,262,981	8,429,763
Parks, recreation, and libraries	4,333,615	4,430,839	4,346,520	4,205,001	4,172,288	4,215,896	4,273,783	4,388,416	4,402,401	4,846,694
Health and human services	2,690,952	2,634,197	2,441,507	2,440,168	2,616,986	2,190,406	2,439,771	2,655,144	2,172,130	2,226,650
Schools	60,583,795	59,101,425	54,823,969	53,393,569	52,398,291	49,788,300	48,941,403	46,085,989	45,540,917	44,321,238
Interest expense	2,193,460	2,302,350	1,969,056	1,907,325	1,257,292	1,123,833	1,141,429	612,457	604,382	451,341
Total Governmental Activities Expenses	95,435,051	96,688,077	89,084,211	86,746,343	84,011,858	79,151,551	79,205,753	75,087,889	72,473,012	72,834,853
Business-type Activities:										
Water services	1,475,639	1,436,294	1,526,748	1,298,066	1,194,957	1,249,273	1,241,969	1,258,098	1,123,138	1,247,991
Sewer services	2,446,328	2,437,234	2,235,886	2,022,760	1,652,335	1,540,650	1,386,889	1,304,410	1,246,417	1,205,860
Total Business-type Activities Expenses	3,921,967	3,873,528	3,762,634	3,320,826	2,847,292	2,789,923	2,628,858	2,562,508	2,369,555	2,453,851
Total Primary Government Expenses	\$ 99,357,018	\$ 100,561,605	\$ 92,846,845	\$ 90,067,169	\$ 86,859,150	\$ 81,941,474	\$ 81,834,611	\$ 77,650,397	\$ 74,842,567	\$ 75,288,704
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General government	\$ 408,029	\$ 378,319	\$ 417,392	\$ 714,730	\$ 703,050	\$ 788,491	\$ 643,713	\$ 871,919	\$ 901,805	\$ 694,725
Community development	381,560	444,695	495,726	4,765	1,670	4,320	4,530	5,575	6,056	6,098
Public safety	447,018	402,332	455,090	445,831	351,580	336,275	343,246	566,870	327,880	334,571
Physical services	79,895	65,792	48,537	100,089	181,027	273,779	325,712	300,207	306,116	274,291
Parks, recreation, and libraries	1,441,126	1,380,182	1,421,128	1,372,237	1,410,043	1,365,171	1,427,958	1,306,716	1,269,759	1,301,301
Health and human services	1,098,129	1,046,389	1,078,553	953,990	1,109,720	1,104,063	1,018,334	1,258,023	1,616,125	1,826,991
Schools	612,220	621,056	664,668	629,809	602,187	662,195	717,242	745,821	749,505	809,939
Operating Grants and Contributions:	19,893,121	19,445,568	16,083,321	14,783,919	16,091,414	14,113,058	14,143,757	12,330,467	11,941,777	11,530,990
Capital Grants and Contributions:	2,324,407	3,164,048	9,327,347	15,726,233	12,066,154	1,787,340	1,411,510	1,344,618	2,113,303	470,617
Total Governmental Activities Program Revenues	\$ 26,685,505	\$ 26,948,381	\$ 29,981,762	\$ 34,731,603	\$ 32,516,845	\$ 20,434,692	\$ 20,036,002	\$ 18,730,216	\$ 19,232,326	\$ 17,249,523

(continued)

Town of Berlin, Connecticut

Changes In Net Position (Continued)
Last Ten Fiscal Years

Table 2

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Business-type Activities:										
Charges for Services:										
Water services	\$ 1,518,166	\$ 1,382,634	\$ 1,254,994	\$ 1,679,265	\$ 1,739,229	\$ 1,517,215	\$ 1,754,934	\$ 1,688,781	\$ 1,733,560	\$ 1,684,705
Sewer services	2,858,443	2,584,591	2,465,959	3,000,452	1,857,870	1,659,354	1,387,017	1,448,771	1,289,334	1,493,041
Total Business-type Activities Revenues	\$ 4,376,609	\$ 3,967,225	\$ 3,720,953	\$ 4,679,717	\$ 3,597,099	\$ 3,176,569	\$ 3,141,951	\$ 3,137,552	\$ 3,022,894	\$ 3,177,746
Total Primary Government Program Revenues	\$ 31,062,114	\$ 30,915,606	\$ 33,702,715	\$ 39,411,320	\$ 36,113,944	\$ 23,611,261	\$ 23,177,953	\$ 21,867,768	\$ 22,255,220	\$ 20,427,269
Net Expense/Revenue	(68,749,546)	(69,739,696)	(59,102,449)	(52,014,740)	(51,495,013)	(58,716,859)	(59,169,751)	(56,357,673)	(53,240,686)	(55,585,330)
Business-type Activities	454,642	93,697	(41,681)	1,358,891	749,807	386,646	513,093	575,044	653,339	723,895
Total Primary Government Net Expense	\$ (68,294,904)	\$ (69,645,999)	\$ (59,144,130)	\$ (50,655,849)	\$ (50,745,206)	\$ (58,330,213)	\$ (58,656,658)	\$ (55,782,629)	\$ (52,587,347)	\$ (54,861,435)
GENERAL REVENUES										
Governmental Activities:										
Property taxes	\$ 70,904,222	\$ 68,422,568	\$ 66,721,630	\$ 63,684,396	\$ 62,660,285	\$ 59,608,953	\$ 57,634,249	\$ 54,562,047	\$ 51,556,894	\$ 51,145,362
Grants and contributions not restricted to specific programs	78,140	1,020,656	197,234	157,991	278,928	985,652	1,054,761	932,269	1,024,352	1,225,329
Unrestricted investment income	521,515	269,150	218,786	164,724	81,123	176,577	275,834	203,116	284,541	939,238
Miscellaneous	228,092	530,911	440,862	578,442	693,062	540,823	746,847	491,443	548,341	261,208
Total Governmental Activities	\$ 71,731,969	\$ 70,243,285	\$ 67,578,512	\$ 64,585,553	\$ 63,713,398	\$ 61,312,005	\$ 59,711,691	\$ 56,188,875	\$ 53,414,128	\$ 53,571,137
Business-type Activities:										
Other taxes	\$ 639	\$ -	\$ 12,567	\$ 1,491	\$ 1,170	\$ 72	\$ 121	\$ 265	\$ 927	\$ 75
Unrestricted investment income	88,245	56,857	39,420	29,356	29,999	21,329	8,977	35,913	20,983	49,631
Miscellaneous	13,472	8,228	-	-	-	-	-	-	-	-
Total Business-type Activities	\$ 102,356	\$ 65,085	\$ 51,987	\$ 30,847	\$ 31,169	\$ 21,401	\$ 9,098	\$ 36,178	\$ 21,910	\$ 49,706
Total Primary Government General Revenues	\$ 71,834,325	\$ 70,308,370	\$ 67,630,499	\$ 64,616,400	\$ 63,744,567	\$ 61,333,406	\$ 59,720,789	\$ 56,225,053	\$ 53,436,038	\$ 53,620,843
OTHER CHANGES IN NET POSITION										
Governmental activities										
Transfers in (transfers out)	\$ 8,639	\$ 4,800	\$ 4,610	\$ 4,500	\$ 8,544	\$ 8,490	\$ (2,444)	\$ 194,380	\$ 133,435	\$ 36,987
Special Item - Permanent funds moved to a new trustee	-	(47,532)	-	-	-	-	-	-	-	-
Business-type activities	(8,639)	(4,800)	(4,610)	(4,500)	(8,544)	(8,490)	2,444	(194,380)	(133,435)	(36,987)
Total Primary Government Other Changes in Net Position	\$ -	\$ (47,532)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position	2,991,062	460,857	8,480,673	12,575,313	12,226,929	2,603,636	539,496	25,582	306,877	(1,977,206)
Governmental Activities	548,359	153,982	10,306	1,389,738	780,976	408,047	522,191	611,222	675,249	773,601
Business-type Activities	\$ 3,539,421	\$ 614,839	\$ 8,490,979	\$ 13,965,051	\$ 13,007,905	\$ 3,011,693	\$ 1,061,687	\$ 636,804	\$ 982,126	\$ (1,203,605)
Total Primary Government										<i>(concluded)</i>

Town of Berlin, Connecticut

Table 3

Fund Balances of Governmental Funds

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
GENERAL FUND										
Unreserved:										
Designated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,300,000	\$ 2,000,000
Undesignated	-	-	-	-	-	-	-	-	7,479,806	7,199,724
Committed	206,994	577,833	398,567	327,968	328,093	289,973	368,642	295,251	-	-
Assigned	2,837,000	2,638,395	2,300,000	1,800,000	2,600,000	1,800,000	1,550,000	1,550,000	-	-
Unassigned	12,025,216	11,079,427	11,157,031	10,014,792	9,775,266	10,701,294	9,379,361	8,522,461	-	-
Total General Fund	\$ 15,069,210	\$ 14,295,655	\$ 13,855,598	\$ 12,142,760	\$ 12,703,359	\$ 12,791,267	\$ 11,298,003	\$ 10,367,712	\$ 8,779,806	\$ 9,199,724
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 629,526	\$ 215,092
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	2,173,277	(791,351)
Capital projects funds	-	-	-	-	-	-	-	-	(3,147,776)	(5,746,753)
Permanent funds	-	-	-	-	-	-	-	-	39,719	37,655
Nonspendable	95,586	106,283	156,496	149,751	139,247	145,352	142,047	138,069	-	-
Restricted	772,650	466,832	403,486	398,406	347,776	366,450	331,476	385,135	-	-
Committed	4,844,317	8,479,131	22,126,022	9,540,070	10,057,617	7,657,319	4,256,212	9,947,590	-	-
Assigned	257,712	150,842	162,201	184,584	176,973	185,639	153,462	169,393	-	-
Unassigned	-	-	-	-	-	-	-	(1,017)	-	-
Total All Other Governmental Funds	\$ 5,970,265	\$ 9,203,088	\$ 22,848,205	\$ 10,272,811	\$ 10,721,613	\$ 8,354,760	\$ 4,883,197	\$ 10,639,170	\$ (305,254)	\$ (6,285,357)
Total Governmental Funds	\$ 21,039,475	\$ 23,498,743	\$ 36,703,803	\$ 22,415,571	\$ 23,424,972	\$ 21,146,027	\$ 16,181,200	\$ 21,006,882	\$ 8,474,552	\$ 2,914,367

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

Town of Berlin, Connecticut

Table 4

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
REVENUES										
Taxes and assessments	\$ 71,746,019	\$ 68,124,826	\$ 66,691,876	\$ 63,867,121	\$ 62,265,408	\$ 59,750,689	\$ 57,384,370	\$ 54,508,377	\$ 51,226,824	\$ 50,700,632
Intergovernmental	22,292,489	23,071,418	24,981,600	29,845,476	28,324,562	16,630,100	16,549,659	14,480,713	14,219,822	13,265,831
Charges for services	4,336,291	4,264,224	4,493,614	4,172,020	4,306,398	4,484,164	4,413,140	4,994,167	5,176,849	5,247,916
Income from investments	492,358	244,715	207,044	164,729	81,123	176,577	275,834	203,116	284,541	859,021
Miscellaneous	532,366	1,417,888	626,729	692,276	793,616	629,863	842,715	587,448	485,284	307,709
Total Revenues	\$ 99,399,523	\$ 97,123,071	\$ 97,000,863	\$ 98,741,622	\$ 95,771,107	\$ 81,671,393	\$ 79,465,718	\$ 74,773,821	\$ 71,393,320	\$ 70,381,109
EXPENDITURES										
Current										
General government	\$ 4,878,078	\$ 4,436,950	\$ 4,215,074	\$ 4,735,669	\$ 3,845,598	\$ 4,011,796	\$ 3,541,728	\$ 3,300,025	\$ 2,930,181	\$ 3,295,436
Community development	792,019	770,531	724,905	733,560	705,478	721,746	738,779	725,211	709,015	720,335
Public safety	8,640,276	8,662,990	8,478,621	8,522,289	8,269,662	7,778,675	7,560,017	7,136,824	7,483,644	7,025,587
Physical services	7,330,490	7,409,209	7,569,573	7,893,401	7,670,479	7,424,137	8,021,028	7,147,149	8,058,192	7,479,379
Parks, recreation and libraries	4,064,861	4,028,438	3,995,225	4,063,017	3,782,572	3,788,466	3,850,122	3,839,350	3,827,112	3,914,116
Health and human services	2,518,668	2,529,327	2,417,273	2,398,212	2,626,269	2,146,352	2,368,124	2,629,702	2,176,324	2,268,618
Schools	58,446,780	57,309,959	52,501,570	50,905,397	51,248,877	48,844,087	47,421,917	45,239,863	44,716,115	43,555,508
Debt Service										
Principal	5,883,140	4,600,722	4,002,350	2,314,620	2,972,034	1,732,258	1,662,257	1,075,054	1,207,966	1,765,000
Interest	2,789,265	2,836,523	2,200,683	1,982,771	1,344,842	1,209,331	1,200,353	676,167	370,268	458,136
Bond issuance costs	29,287	90,224	207,898	-	-	-	-	-	-	-
Capital Outlay	6,623,361	22,451,923	24,718,209	30,664,648	31,109,069	8,238,449	8,046,639	9,448,162	2,588,360	9,686,682
Total Expenditures	\$ 101,996,225	\$ 115,126,796	\$ 111,031,381	114,213,584	113,574,880	85,895,297	84,410,964	81,217,507	74,067,177	80,168,797
Excess (Deficiency) of Revenues Over Expenditures	(2,596,702)	(18,003,725)	(14,030,518)	(15,471,962)	(17,803,773)	(4,223,904)	(4,945,246)	(6,443,686)	(2,673,857)	(9,787,688)
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 1,369,159	\$ 1,224,059	\$ 995,906	\$ 1,263,440	\$ 1,350,855	\$ 1,141,096	\$ 1,346,815	\$ 1,308,867	\$ 848,607	\$ 1,005,376
Transfers out	(1,360,520)	(1,219,259)	(991,296)	(1,258,940)	(1,342,311)	(1,132,606)	(1,349,259)	(1,114,487)	(715,172)	(968,389)
Sale of capital assets	4,313	11,190	46,845	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	10,372,169	442,615	269,685	330,400	122,008	497,144	-	-
Issuance of long-term debt	-	4,665,000	16,770,000	13,720,000	18,355,000	8,495,000	-	16,610,000	8,195,000	-
Issuance of refunding bonds	-	-	10,920,000	-	-	295,446	-	-	4,645,000	-
Premium on financing	-	165,207	2,290,415	295,446	1,449,489	354,841	-	1,674,492	75,854	-
Payment to refunded bond escrow agent	-	-	(12,085,509)	-	-	-	-	-	(4,815,247)	-
Total Other Financing Sources (Uses)	12,952	4,846,197	28,318,530	14,462,561	20,082,718	9,484,177	119,564	18,976,016	8,234,042	36,987
SPECIAL ITEM										
Permanent Funds moved to a new trustee	-	(47,532)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ (2,583,750)	\$ (13,205,060)	\$ 14,288,012	\$ (1,009,401)	\$ 2,278,945	\$ 5,260,273	\$ (4,825,682)	\$ 12,532,330	\$ 5,560,185	\$ (9,750,701)
Debt Service as a Percentage of Non-Capital Expenditures	9.1%	8.0%	7.2%	5.1%	5.2%	3.8%	3.7%	2.4%	2.2%	3.2%

Town of Berlin, Connecticut

Table 5

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

Year	Real Estate	Personal Property	Motor Vehicle	Less Exemptions	Total Net Taxable		Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Value
					Assessed Value	Value			
2018	\$ 1,835,846	\$ 269,029	\$ 202,780	\$ 94,434	\$ 2,213,221	\$ 3,161,744	\$ 31.61	\$ 3,161,744	70 %
2017	1,822,586	256,108	202,019	85,997	2,194,716	3,135,309	30.81	3,135,309	70
2016	1,813,647	247,328	202,278	86,098	2,177,155	3,110,221	30.35	3,110,221	70
2015	1,803,444	264,000	197,208	78,522	2,186,130	3,123,043	28.92	3,123,043	70
2014	1,793,912	244,386	194,508	77,148	2,155,658	3,079,511	28.77	3,079,511	70
2013	2,007,533	232,799	191,601	80,306	2,351,627	3,359,467	25.15	3,359,467	70
2012	1,990,185	223,962	175,009	73,995	2,315,161	3,307,373	24.50	3,307,373	70
2011	1,956,325	223,033	162,127	62,090	2,279,395	3,256,279	23.65	3,256,279	70
2010	1,944,242	198,971	161,959	59,849	2,245,323	3,207,604	22.69	3,207,604	70
2009	1,920,752	186,449	161,200	42,712	2,225,689	3,179,556	22.69	3,179,556	70

Source: Town of Berlin Assessor's Office

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Town Direct Rate (1)	Overlapping Rates	
		Kensington Fire District	Worthington Fire District
2018	\$ 31.61	\$ 1.10	\$ 1.70
2017	30.81	1.10	1.80
2016	30.35	1.10	2.00
2015	28.92	1.10	2.00
2014	28.77	1.10	2.10
2013	25.15	1.00	2.10
2012	24.50	1.00	1.99
2011	23.65	1.00	1.99
2010	22.69	0.80	1.91
2009	22.69	0.80	1.91

(1) The Town has no individual direct rates.

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

Town of Berlin, Connecticut

Table 7

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Assessed Valuation	Rank	Percent of Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percent of Taxable Assessed Valuation
Rocky River Realty Co.	\$ 190,603,920	1	8.61 %	\$ 133,025,990	1	5.98 %
Corbin Russwin Inc.	31,082,670	2	1.40	25,995,040	2	1.17
Cedar Brickyard	19,803,350	3	0.89	23,727,700	3	1.07
Tomz Corporation	11,890,910	4	0.54			
Connecticut Natural Gas Corp.	11,141,000	5	0.50			
B & F Machine Inc.	10,759,510	6	0.49			
Stonebridge Berlin Assoc.	8,663,300	7	0.39			
Legion Square Associates LLC	6,679,600	8	0.30	7,845,800	6	0.35
Berlin Commerce Park	5,743,000	9	0.26	7,532,000	10	0.34
Orchard Ridge Associates	5,290,500	10	0.24			
Atohaas North America Inc. & Arkema Inc.				9,625,830	4	0.43
BRE Realty, LLC				8,530,200	5	0.38
Parker Hannifin Corporation				7,756,470	7	0.35
Sheffield Plastics Inc.				7,558,990	8	0.34
Blue Dog Properties Trust				7,544,440	9	0.34
Total	\$ 301,657,760		13.63 %	\$ 239,142,460		10.74 %

Source: Town of Berlin Assessor's Office

Town of Berlin, Connecticut Table 8

Property Tax Levies and Collections
Last Ten Fiscal Years

Year	Town Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 70,660,090	\$ 69,789,191	98.77 %	-	\$ 69,789,191	98.77 %
2017	68,069,358	67,378,401	98.98	412,924	67,791,325	99.59
2016	66,490,625	65,918,097	99.14	380,281	66,298,378	99.71
2015	63,580,445	62,864,950	98.87	618,804	63,483,754	99.85
2014	61,995,090	61,321,496	98.91	606,068	61,927,564	99.89
2013	59,323,912	58,577,996	98.74	676,831	59,254,827	99.88
2012	57,082,130	56,246,044	98.54	765,828	57,011,872	99.88
2011	54,154,344	53,367,466	98.55	741,681	54,109,147	99.92
2010	51,124,528	50,315,554	98.42	767,095	51,082,649	99.92
2009	50,792,129	49,989,264	98.42	749,786	50,739,050	99.90

Town of Berlin, Connecticut

Table 9

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Dollars in thousands, except per capita)

Fiscal Year	Governmental Activities			Total Governmental Activities		Business-type Activities		Total Percentage of Personal Income	Bonded Debt Percentage of Actual Taxable Value of Property	Bonded Debt Per Capita	Total Debt Per Capita
	General Obligation Bonds (1)	Capital Leases		Debt Outstanding		Loans Payable	Primary Government				
2018	\$ 71,470	\$ 9,754	\$	81,224	\$	1,817	\$ 83,041	N/A	2.26 %	\$ 3,485	\$ 4,050
2017	77,561	10,234		87,795		1,929	89,724	N/A	2.47	3,784	4,377
2016	77,723	10,584		88,307		2,041	90,348	N/A	2.50	3,819	4,439
2015	63,541	448		63,989		2,237	66,226	N/A	2.03	3,198	3,333
2014	52,360	468		52,828		2,042	54,870	N/A	1.70	2,628	2,754
2013	35,687	457		36,144		454	36,598	N/A	1.06	1,733	1,777
2012	28,633	368		29,001		-	29,001	N/A	0.87	1,399	1,417
2011	30,342	389		30,731		-	30,731	N/A	0.93	1,526	1,546
2010	13,181	-		13,181		-	13,181	N/A	0.41	663	663
2009	6,330	-		6,330		-	6,330	N/A	0.20	309	309

(1) Presented net of original issuance discounts and premiums for 2009 through 2014, and net of premiums for 2015 through 2018.

N/A - Data not available

Schedule of Debt Limitation

June 30, 2018

(Dollars in Thousands)

Total fiscal year 2017 tax collections (including interest and fees)	
General Fund	\$ 70,870
Fire Districts	1,233
Base for Establishing Debt Limit	<u>\$ 72,103</u>

Statutory Debt Limitation Multiples by Classification					
Debt Limitation Multiples	General Purpose	Schools	Sewer	Urban Renewal	Pension Deficit
2-1/4 times base	\$ 162,232	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	324,463	-	-	-
3-3/4 times base	-	-	270,386	-	-
3-1/4 times base	-	-	-	234,334	-
3 times base	-	-	-	-	216,308
Total debt limitation	<u>162,232</u>	<u>324,463</u>	<u>270,386</u>	<u>234,334</u>	<u>216,308</u>
Indebtedness					
Bonds payable	18,702	49,598	-	-	-
Loans payable	-	-	1,817	-	-
Bonds authorized but not issued	6,001	3,009	5,263	-	-
Overlapping indebtedness (1)	-	-	10,288	-	-
Total Indebtedness	<u>24,703</u>	<u>52,607</u>	<u>17,368</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Indebtedness	<u>\$ 137,529</u>	<u>\$ 271,856</u>	<u>\$ 253,018</u>	<u>\$ 234,334</u>	<u>\$ 216,308</u>

In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum permitted at this time is \$504,720.

(1) 100% of the residents of the Fire Districts are also residents of the Town of Berlin, accordingly 100% of the indebtedness of the Fire Districts is being included with the Town of Berlin as overlapping debt.

Direct and Overlapping Governmental Activities Debt
June 30, 2018
(Dollars in Thousands)

<u>Government Unit</u>	<u>Debt Outstanding (1)</u>	<u>Percentage Applicable to Town (2)</u>	<u>Amount Applicable to Town</u>
Kensington Fire District - Commercial Loan	\$ 517	100.00%	\$ 517
Worthington Fire District - USDA Loan	399	100.00%	399
Mattabassett District - Clean Water Fund Loan	65,312	14.35%	<u>9,372</u>
Subtotal, overlapping debt			10,288
Town of Berlin, direct debt			
General obligation bonds			71,470
Capital leases			<u>9,754</u>
Subtotal, direct debt			<u>81,224</u>
Total direct and overlapping debt			<u><u>\$ 91,512</u></u>

(1) Excludes business-type activities debt

(2) 100% of the residents of the Fire Districts are also residents of the Town of Berlin; accordingly, 100% of the indebtedness of the Fire Districts is being included with the Town of Berlin as overlapping debt.

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

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

Town of Berlin, Connecticut

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Legal Debt Limit	\$ 504,720	\$ 484,674	\$ 477,145	\$ 461,531	\$ 446,831	\$ 434,483	\$ 409,864	\$ 389,949	\$ 366,898	\$ 362,544
Total Indebtedness (as defined) Applicable to Limit	94,678	100,023	97,250	93,428	102,489	101,411	88,009	112,210	37,100	25,181
Legal Debt Margin	\$ 410,042	\$ 384,651	\$ 379,895	\$ 368,103	\$ 344,342	\$ 333,072	\$ 321,855	\$ 277,739	\$ 329,798	\$ 337,363
Total Indebtedness (as defined) Applicable to the Limit as a % of Legal Debt Limit	18.76%	20.64%	20.38%	20.24%	22.94%	23.34%	21.47%	28.78%	10.11%	6.95%

Debt Statistics for Continuing Disclosure
June 30, 2018

Population	20,505
Net Taxable Grand List	\$ 2,213,220,745
Estimated Full Value at 70%	3,161,743,921
Equalized Net Grand List	3,291,844,797

	Total Direct Debt	Net Direct Debt	Total Overall Net Debt
	\$ 81,224,000	\$ 81,224,000	\$ 91,511,000
Per Capita	\$ 3,961	\$ 3,961	\$ 4,463
To Net Taxable Grand List	3.67%	3.67%	4.13%
To Estimated Full Value	2.57%	2.57%	2.89%
To Equalized Net Grand List	2.47%	2.47%	2.78%

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	School Enrollment	Unemployment Rate (3)
2018	20,505	\$ N/A	\$ N/A	2,781	3.70 %
2017	20,499	N/A	N/A	2,792	4.10
2016	20,352	N/A	N/A	2,863	4.80
2015	19,870	N/A	40,865	2,898	4.30
2014	19,921	N/A	40,172	2,951	5.20
2013	20,590	N/A	38,738	2,981	6.40
2012	20,463	N/A	38,426	3,026	6.60
2011	19,881	N/A	37,526	3,123	7.80
2010	19,866	N/A	38,134	3,167	7.50
2009	20,467	N/A	N/A	3,223	6.70

(1) Population Sources: 2009 and 2018 State of Connecticut Department of Health.

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

The 2011-2017 population figures are Town of Berlin estimates.

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

Per Capita Income Source: Connecticut Department of Economic and Community Development,
American Community Survey 2011-2015

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

N/A - Data not available.

Town of Berlin, Connecticut

Table 15

Principal Employers
Current Year And Nine Years Ago

Employer	2018			2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Eversource (formerly Northeast Utilities)	1,138	1	9.58 %	1,586	1	13.70 %
Town of Berlin	609	2	5.13	611	2	5.28
Comcast Cable/TCI, CT	502	3	4.23	539	3	4.66
Assa Abloy	377	4	3.17			
B & F Machine	240	5	2.02	150	7	1.30
TOMZ Corporation	205	6	1.73	94	10	0.81
Budney Overhaul and Repair	185	7	1.56			
Parker Fluid Control	179	8	1.51			
Home Depot	140	9	1.18	130	8	1.12
Stop and Shop	128	10	1.08			
Corbin Russwin				360	4	3.11
Market Direct Point				230	5	1.99
Parker Hannifin				198	6	1.71
TIGHITCO				95	9	0.82
	3,703		31.19 %	3,993		34.50 %

Source: Town of Berlin Economic Development Department

Town of Berlin, Connecticut

Table 16

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

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government:										
Manager's Office	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	3.00
Finance Department	6.00	6.00	7.00	7.00	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	2.70	2.70	2.25	2.40	2.40	2.62	2.62	2.62	2.62	2.62
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
Assessor	4.57	4.57	4.57	4.64	4.00	4.00	4.00	4.00	4.00	4.70
Registrars of Voters	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Town Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
General Government Total	23.41	23.41	24.96	25.18	23.54	23.76	23.76	23.76	23.76	25.06
Community Development:										
Planning and Building Inspector	6.00	5.84	5.84	5.84	5.84	5.84	5.84	5.84	5.84	6.34
Economic Development	1.55	1.55	1.86	1.10	0.86	0.86	0.86	0.86	0.86	0.86
Community Development Total	7.55	7.39	7.70	6.94	6.70	6.70	6.70	6.70	6.70	7.20
Public Safety:										
Animal Control	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Fire Department	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43
Police Department										
Officers	42.00	42.00	42.00	42.00	41.00	41.00	41.00	41.00	41.00	41.00
Civilians	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00	12.00	12.00
Fire Marshal	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public Safety Total	58.93	58.93	58.93	58.93	57.93	57.93	57.93	56.93	56.93	56.93
Physical Services:										
Municipal Garage	7.07	7.07	7.07	7.07	7.07	7.07	6.07	6.07	6.07	6.07
Public Works	4.10	4.10	4.25	4.25	4.50	4.50	4.50	4.67	4.67	4.67
Highway	15.00	15.00	14.00	14.00	14.00	14.00	14.00	14.00	15.00	15.00
Public Building	15.95	16.55	17.44	17.95	17.95	17.95	17.95	17.95	17.35	17.35
Physical Services Total	42.12	42.72	42.76	43.27	43.52	43.52	42.52	42.69	43.09	43.09
Parks, Recreation, and Libraries:										
Recreation	2.07	2.07	2.02	2.02	2.17	2.67	2.67	2.67	2.67	2.67
Golf Course	4.00	4.00	5.00	5.00	5.00	5.00	6.00	7.00	7.00	7.00
Libraries	11.34	11.34	11.34	11.34	11.39	11.10	11.10	11.10	11.10	11.10
Public Grounds	10.53	11.53	11.33	11.33	11.33	10.33	10.33	11.33	11.33	11.33
Parks, Recreation, and Libraries Total	27.94	28.94	29.69	29.69	29.89	29.10	30.10	32.10	32.10	32.10
Health and Human Services:										
Nursing Services	13.98	14.26	14.43	14.75	15.00	15.00	15.00	15.00	15.00	15.00
Community Services	5.09	4.97	4.92	5.05	4.50	5.00	5.00	5.00	5.00	5.00
Homemaking Services	4.49	4.45	-	-	-	-	-	-	-	-
Health and Human Services Totals	23.56	23.68	19.35	19.80	19.50	20.00	20.00	20.00	20.00	20.00

(continued)

Town of Berlin, Connecticut

Table 16

Full-Time Equivalent Town Government Employees By Function/Program (Continued)

Last Ten Fiscal Years

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Schools:										
Private Schools	1.20	1.20	1.20	1.20	1.20	1.20	1.23	1.23	1.33	1.33
Board of Education										
Administration	14.00	19.90	17.00	19.22	18.60	18.60	17.60	17.60	17.60	18.00
Teachers	268.00	274.00	277.10	278.00	278.39	270.89	274.91	273.21	273.31	273.75
Other (1)	199.00	181.60	183.34	174.99	170.24	144.89	141.46	141.96	141.27	144.55
School Expenses	9.33	8.49	8.39	8.41	8.83	8.83	8.11	8.11	7.67	7.67
Schools Total	491.53	485.19	487.03	481.82	477.26	444.41	443.31	442.11	441.18	445.30
Water Control Commission:										
Administration	2.22	2.22	2.07	1.92	2.10	2.50	2.50	2.33	2.33	2.33
Operations	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Water Control Comm. Total	6.22	6.22	6.07	4.92	5.10	5.50	5.50	5.33	5.33	5.33
Total	681.26	676.48	676.49	670.55	663.44	630.92	629.82	629.62	629.09	635.01
Total Town Government	183.51	185.07	183.39	183.81	181.08	181.01	181.01	182.18	182.58	184.38
Total Education (1)	491.53	485.19	487.03	481.82	477.26	444.41	443.31	442.11	441.18	445.30
Total Water Control	6.22	6.22	6.07	4.92	5.10	5.50	5.50	5.33	5.33	5.33
	681.26	676.48	676.49	670.55	663.44	630.92	629.82	629.62	629.09	635.01

Source: Town of Berlin Finance Department

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

(concluded)

Town of Berlin, Connecticut

Table 17

Operating Indicators By Function/Program
Last Ten Fiscal Years

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police:										
Physical arrests:										
Adult Arrest	356	377	401	380	443	471	488	639	668	1,124
Juvenile Arrest	13	24	34	32	32	32	39	37	21	15
Parking violations:										
Parking Tickets	-	-	-	-	-	-	-	-	24	74
Traffic violations:										
Infractions	2,138	2,312	2,389	3,360	2,208	2,148	2,451	2,513	2,605	2,802
Misdemeanor	381	347	318	414	500	1,033	585	585	578	508
Written Warning	1,765	1,972	1,967	2,355	2,758	3,278	3,039	2,539	2,775	2,407
Town Ordinance	-	-	-	-	-	-	-	1	66	22
Animal Control:										
Dog licenses issued	1,741	1,753	1,820	1,785	1,882	1,843	1,886	1,448	1,692	1,828
Animals adopted	38	55	55	56	74	81	77	57	59	95
Animal redemptions	29	34	34	50	46	65	59	52	58	52
Fire Suppression Services:										
Alarms	161	173	141	135	168	163	133	121	101	122
Fires	68	73	98	81	91	65	80	63	56	71
Hazardous Materials	85	85	80	95	102	46	53	120	81	120
Assistance Calls	166	67	86	108	94	46	71	189	101	233
Rescue Calls	128	13	11	9	10	11	16	127	15	122
Fire Marshal:										
Inspections	356	367	357	269	241	205	218	245	269	321
Investigations	23	20	27	21	24	20	23	42	25	23
Refuse Collection:										
Solid Waste (tons)	6,555	7,942	7,998	6,351	9,023	10,682	11,723	10,805	10,482	9,667
Bulky Waste (tons)	*	*	*	*	*	*	*	383	285	*
Curbside recycling (tons):										
Commingled Containers	1,856	1,689	1,442	2,123	1,916	1,907	1,348	1,351	1,485	524
Corrugated	**	**	**	**	**	**	**	**	**	N/A
Newspaper	**	**	**	**	**	**	**	**	**	1,222
Leaves	841	886	842	663	780	730	727	644	741	787
Other Public Works:										
Street resurfacing (miles)	5.8	5.6	4.4	3.3	5.7	3.5	2.3	1.1	1.1	2.1
Building Department:										
Building permits issued	1,423	1,266	1,666	1,271	1,139	1,438	1,188	1,391	1,284	1,231
Building inspections	2,341	1,937	1,928	1,253	1,152	1,163	1,105	1,312	1,142	522
Planning:										
Zoning violations	47	69	70	74	93	64	103	130	191	245

(continued)

Town of Berlin, Connecticut

Table 17

Operating Indicators By Function/Program (Continued) Last Ten Fiscal Years

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Library:										
Volumes in collection***	122,088	194,790	137,222	130,824	133,900	127,861	130,637	127,480	126,128	124,569
Total volumes borrowed	173,446	169,104	176,842	175,983	190,404	194,990	196,164	194,674	216,882	219,248
Water:										
New connections	3	6	6	35	17	29	27	7	25	19
Water main breaks	2	-	9	1	2	9	10	15	10	5
Average daily consumption (thousands of gallons)	1,011	1,097	1,097	1,089	1,041	956	951	950	955	950
Peak daily consumption (thousands of gallons)	1,183	1,689	1,769	1,530	1,457	1,338	1,331	1,330	1,337	1,330
Sewer:										
Average daily sewage treatment (thousands of gallons)	1,095	1,439	1,536	1,535	1,620	1,200	2,800	1,200	1,200	1,100

N/A = Not Available

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

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

*** Volumes in collection was expanded in 2017 to include downloaded materials

Source: Town of Berlin

(concluded)

Town of Berlin, Connecticut

Table 18

**Capital Asset and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years**

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	15	14	14	14	14	14	15	14
Fire:										
Stations	4	4	4	4	4	4	4	4	4	4
Number of fire apparatus	13	13	13	13	13	13	13	13	13	13
Public works:										
Streets (Miles)	111.51	111.51	111.51	111.51	111.51	111.51	111.41	111.41	111.00	111.00
Streetlights	2,561	2,570	2,567	2,544	2,544	2,537	2,534	2,525	2,522	2,520
Traffic signals	6	6	6	6	6	6	6	6	6	6
Bridges*	37	37	37	37	37	37	37	37	37	37
Parks and Recreation:										
Golf courses	1	1	1	1	1	1	1	1	1	1
Pools	2	2	2	2	2	2	2	2	2	2
Parks acreage	2,255	2,255	2,255	2,255	2,163	2,163	2,163	2,163	2,163	2,137
Playgrounds	11	11	9	9	9	9	9	9	9	9
Baseball/softball fields	15	15	15	15	16	16	16	16	16	16
Soccer/football fields	11	11	11	11	11	11	11	11	11	11
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	47.0	47.0	47.0	47.0	47.0	47.0	47.0	46.6	46.5	46.4
Fire hydrants	545	545	545**	440	436	434	434	430	428	425
Storage capac. (thousands of gals.)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Wastewater:										
Sanitary sewers (miles)***	119.00	119.00	119.00	119.00	119.00	119.00	119.00	103.80	103.75	103.50
Storm sewers (miles)	55.21	55.21	55.21	55.21	55.21	55.21	55.21	55.21	54.84	54.78
Trtmnt. Capac. (thousands of gals.)	1,990,000	1,990,000	1,990,000	1,990,000	1,990,000	1,462,600	1,468,000	1,463,000	1,462,600	1,462,570
Pump stations	11	11	11	11	11	12	12	12	12	12
Education:										
Number of public schools	5	5	5	5	5	5	5	5	5	5

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

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

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

Source: Town Records