

Final Official Statement Dated June 2, 2020

NEW MONEY: Book-Entry-Only

RATINGS: S&P Global Ratings: "AAA"

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excludable from gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code, and is not a specific preference item for purposes of computing the Federal alternative minimum tax. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See Appendix B – "Form of Opinions of Bond Counsel and Tax Exemption" herein.



Town of Berlin, Connecticut \$4,200,000 General Obligation Bonds, Issue of 2020 (Bank Qualified)

Dated: Date of Delivery

**Due: Serially December 1, 2021-2030
as detailed below:**

Interest on the Bonds will be payable on December 1, 2020 and semiannually thereafter on June 1 and December 1 in each year until maturity. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. The beneficial owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest payments on, the Bonds will be made by the Town of Berlin, Connecticut (the "Town") or its agent to The Depository Trust Company, New York, New York ("DTC"), or its nominee as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry-Only Transfer System" herein.)

The Bonds are subject to redemption prior to maturity as more fully described under "Redemption Provisions" herein.

<u>Year</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP¹</u>	<u>Year</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP¹</u>
2021	\$ 420,000	5.000%	0.220%	084851XR0	2026	\$ 420,000	5.000%	0.550%	084851XW9
2022	420,000	5.000%	0.240%	084851XS8	2027	420,000	5.000%	0.660%	084851XX7
2023	420,000	5.000%	0.260%	084851XT6	2028*	420,000	3.000%	0.820%	084851XY5
2024	420,000	5.000%	0.330%	084851XU3	2029*	420,000	3.000%	0.920%	084851XZ2
2025	420,000	5.000%	0.410%	084851XV1	2030*	420,000	3.000%	1.040%	084851YA6

* Priced assuming redemption on December 1, 2027; however, any such redemption is at the option of the Town.

BNY MELLON CAPITAL MARKETS, LLC

The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and the interest on the Bonds when due. (See "Security and Remedies" herein.)

The Registrar, Transfer Agent, Certifying Agent and Paying Agent will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut and certain other conditions. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about June 16, 2020.

¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Town of Berlin, Connecticut (the “Town”) to give any information or to make any representations other than that contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

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Bond Issue Summary

The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Date of Sale:	Tuesday, June 2, 2020 at 11:30 A.M. (E.D.T.).
Location of Sale:	Office of Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460.
Issuer:	Town of Berlin, Connecticut (the "Town").
Issue:	\$4,200,000 General Obligation Bonds, Issue of 2020 (the "Bonds").
Dated Date:	June 16, 2020.
Interest Due:	December 1, 2020 and semiannually thereafter on June 1 and December 1, in each year until maturity.
Principal Due:	Principal due serially December 1, 2021 through December 1, 2030.
Purpose:	The Bond proceeds will be used to fund various general purpose capital projects. See "Authorization and Purpose" herein.
Redemption:	The Bonds are subject to redemption prior to maturity.
Security:	The Bonds will be general obligations of the Town of Berlin, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Bonds have received a rating of "AAA" from S&P Global Ratings.
Bond Insurance:	The Town does not expect to direct purchase a credit enhancement facility.
Tax Exemption:	See Appendix B: Form of Opinion of Bond Counsel and Tax Exemption.
Bank Qualification:	The Bonds <u>shall be</u> designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and notices of certain listed events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC, of Milford, Connecticut will act as Municipal Advisor. Telephone: (203) 878-4945.
Legal Opinion:	Joseph Fasi LLC, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about June 16, 2020. Delivery of the Bonds will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Mr. Kevin J. Delaney, Finance Director, Berlin Town Hall, 240 Kensington Road, Berlin, CT 06037. Telephone (860) 828-7044.

I. Bond Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Berlin, Connecticut (the "Town"), in connection with the original issuance and sale of \$4,200,000 General Obligation Bonds, Issue of 2020 (the "Bonds") of the Town, and may not be reproduced or used in whole or in part for any other purpose.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The Bonds are being offered for sale through public bidding. A Notice of Sale dated May 26, 2020 has been furnished to prospective bidders and is included herein as Appendix D for the Bonds. Reference is made to the Notice of Sale for the terms and conditions of the bidding.

U.S. Bank National Association will certify and act as Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

The independent auditors for the Town are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in their opinion in Appendix A – Financial Statements excerpted from the Town's 2019 Annual Financial Report), and they make no representation that they have independently verified the same. The Auditors have not been engaged nor performed audit procedures regarding the past audit period nor reviewed the Official Statement. The Auditors have not provided their written consent to use their Independent Auditors Report.

Bond Counsel is not passing on and does not assume any responsibility for the sufficiency, accuracy or completeness of the statements made or financial information presented in this Official Statement, other than matters expressly set forth as its opinion, and makes no representation that it has independently verified the same.

The Town deems this Official Statement to be "final" for purpose of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

The Town currently files its official statements for primary offerings with the Municipal Securities Rulemaking Board.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Municipal Advisor to the Town with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

The Bonds

Description of the Bonds

The Bonds will be dated June 16, 2020 and will bear interest at the rates per annum specified on the front cover page, payable semiannually on June 1 and December 1 in each year until maturity, commencing December 1, 2020. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of May and November in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank National Association. The Bonds will be issued as fully registered in denominations of \$5,000 or any integral multiple thereof.

The legal opinion for the Bonds will be rendered by Joseph Fasi LLC in substantially the form set forth in Appendix B to this Official Statement.

Redemption Provisions

The Bonds maturing on or before December 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2028 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after December 1, 2027 at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price or prices (expressed as a percentage of the principal amount of the Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2027 and thereafter	100%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner at the address of such registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of the Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine, provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amount of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

Authorization and Purpose

The Bonds are issued pursuant to Title 7, Chapter 109, Sections 7-369 et seq. of the Connecticut General Statutes, as amended, the Charter of the Town of Berlin, and bond ordinances approved by the Town's Board of Finance and Town Council. (See "Use of Proceeds" herein.)

Use of Proceeds

Subject to the Issuer's election to reallocate proceeds among its bond authorized projects to meet its capital cash flow needs, the proceeds of the Bonds are expected to finance the following projects.

Project	Amount Authorized	This Issue: The Bonds
Bridges (2020).....	\$ 2,600,000	\$ 2,240,000
Road Improvement (2017)....	4,000,000	1,150,000
Athletic Field Imps. (2020)...	1,000,000	500,000
Fire Vehicles (2020).....	800,000	275,000
Fire Radio Upgrade (2019)...	1,440,000	35,000
Total	\$ 9,840,000	\$ 4,200,000

Book-Entry-Only Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. For the Bonds, one fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial

Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, principal and interest and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, principal and interest and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Replacement Bonds

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town is authorized to issue fully registered Bond or Note certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

Security and Remedies

The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenues of the Town. The Town has the power under Connecticut statutes to levy ad valorem taxes on all property subject to taxation by the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income and of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation debt and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. A Court of competent jurisdiction also has the power in appropriate proceedings to order a payment of a judgment on such Bonds from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights heretofore or, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Under the Federal bankruptcy code, the Town may seek relief only, among other requirements, if it is specifically authorized in its capacity as a municipality or by name, to be a debtor under Chapter 9 thereof, or by State law or a governmental officer or organization empowered by State law to authorize such entity to become a debtor under such Chapter.

Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy under Chapter 9 of Title 11 of the United States Code without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State of Connecticut having the power to levy taxes and issue bonds or other obligations.

Qualification for Financial Institutions

The Bonds shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.

Availability of Continuing Information

The Town prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management on an annual basis. The Town provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into Continuing Disclosure Agreements with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the “Continuing Disclosure Agreements”). The winning bidders’ obligation to purchase the Bonds shall be conditioned upon their receiving, at or prior to the delivery of the Bonds, an executed copy of the respective Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and event notices pursuant to the Rule. In the last five years, the Town has not failed to comply, in any material respect, with its undertakings under such agreements.

Ratings

The Town received a rating of “AAA” S&P Global Ratings (“S&P”) on the Bonds. The Town furnished S&P with certain information and materials, some of which may not have been included in this Official Statement.

The ratings reflect only the views of the S&P and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Insurance

The Town does not expect to direct purchase a credit enhancement facility.

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II. The Issuer



Description of the Municipality

The Town of Berlin was incorporated as a town in 1785 from parts of Farmington, Middletown, and Wethersfield. The Town, which covers an area of 27.0 square miles, is located in the geographic center of the state in Hartford County. Berlin is eleven miles south of the City of Hartford and is bordered on the north by the City of New Britain, on the northeast by the Town of Newington, on the east by the Towns of Rocky Hill and Cromwell, and the City of Middletown, on the south by the City of Meriden, and on the west by the Town of Southington.

The Town seal is that of a Yankee peddler outfitted in revolutionary dress with a basket under his arm and a pack on his back full of tin ware. This image comes from the Patterson brothers who started their business on West Street (now Lower Lane). For 20 years, until 1760, the family sold tin wares from a basket. As their business grew, they took in apprentices and engaged peddlers to travel throughout the colonies to sell their products.

U.S. Route 5, a multi-lane divided highway, runs north-south through Berlin parallel to Interstate Route 91, connecting Meriden and Wethersfield. Central Connecticut Expressway Corridor (Routes 9 and 72) serves as a connector between Interstates 84 and 91. State Routes 15, 71, 71A, 160 and 372 also serve the Town. Amtrak provides passenger and freight service, and bus lines provide local and intrastate passenger transportation service. Air passenger and freight service is available at Bradley International Airport in Windsor Locks, approximately twenty-five miles from Berlin.

Within the Town, there are six reservoirs belonging to surrounding municipalities, three post offices, and four separate fire departments. The Berlin Fairgrounds are located in the eastern section of Town where once a year the Berlin Fair is held. The grounds are utilized for several other events during the year. The Town owns a municipal golf course. There is a private school, St. Paul School, as well as four fire companies and approximately 125 small-to medium-sized businesses in Town.

The Town is a member of The Mattabassett District, which provides sewer treatment services to its member Towns of Berlin and Cromwell and the Cities of New Britain and Middletown. There are two separate tax districts or coterminous entities within the territorial limits of the Town of Berlin. The Worthington Fire District, organized in 1920, and the Kensington Fire District, organized in 1922, provide water and sewer services to their respective sections of Berlin.

Government Organization

Under the Town Charter, adopted on November 4, 1973 and most recently amended on November 8, 2016, the Town Council acts as the legislative body. The Town Council consists of six members and a Mayor who is elected separately by the voters of Berlin.

The Town Council appoints a Town Manager, who is the chief executive officer of the Town. The Town Manager and the Town Council are responsible for the administration of all Town matters, with the exception of the education system, the Kensington and Worthington Fire Districts, the Water Control Commission, the Mattabassett District and the Police Department.

The Board of Finance is the budget-making authority of the Town and is responsible for financial and taxation matters. The Board of Finance is responsible to develop the annual budget and present it at the Annual Budget Hearing. The Board of Finance also establishes the tax rate once the budget is adopted.

Board of Education

The Board of Education is the policy-making body for grades pre-kindergarten through twelve. See “Educational System” herein.

Fire Districts

The Kensington and Worthington Fire Districts provide water and sewer services to their respective sections of Berlin. Members of the Fire Districts’ governing board are elected by the public and have the sole responsibility for the hiring and firing of employees, the purchase of equipment, the administration of fiscal operations, and establishment of the tax rate, assessments, and service charges. The Fire Districts are empowered to issue bonds and notes in their own name and credit.

Mattabassett District

The Mattabassett District (the “District”) is a quasi-municipal district established by Special Act of the State legislature. The District provides sewer treatment services for the constituent Towns of Berlin and Cromwell and the constituent Cities of New Britain and Middletown, and contractually to the Metropolitan District and the Town of Farmington. In June 2011, the state statutes creating the Mattabassett District were amended to allow the City of Middletown to become a constituent community. The Middletown admission process was completed in February 2014. As a result, the Mattabassett Board of Directors representation is now as follows: New Britain – five members, Middletown – four members, Berlin and Cromwell – three members each. The Board of Directors is responsible for the hiring and firing of employees, purchasing, budget adoption, and the administration of fiscal operations. See “Summary of Municipal Services, Water and Sewers” and “Summary of Overlapping Debt” herein.

Police Commissioners

The Board of Police Commissioners has the general management and control of the Police Department and has the sole responsibility for the hiring and firing of employees and the purchase of apparatus, supplies or property necessary for the Police Department, within the bounds of the adopted annual budget. The Board prepares an itemized budget for submission to the Town Manager.

Town Officials

Office	Name	Manner of Selection	Term	Date Of Hire
Assessor.....	Joseph C. Ferraro	Appointed	Indefinite	07/10/00
Building Official.....	Frank Van Linter	Appointed	Indefinite	12/02/13
Chief of Police.....	John M. Klett	Appointed	Indefinite	06/30/88
Corporation Counsel.....	Jeffrey M. Donofrio	Appointed	November-2021	06/01/16
Economic Development Director.....	Chris Edge	Appointed	Indefinite	01/29/15
Human Resources Director.....	Denise Parsons	Appointed	Indefinite	07/27/09
Information Technology Director.....	Barbara Sagan	Appointed	Indefinite	07/08/81
Finance Director.....	Kevin J. Delaney	Appointed	Indefinite	10/11/16
Library Director.....	Helen Malinka	Appointed	Indefinite	09/27/10
Public Works Director.....	Mike Ahern	Appointed	Indefinite	09/17/18
Revenue Collector.....	Deborah Swan	Appointed	Indefinite	09/18/17
School Business Manager.....	Jeff Cugno	Appointed	Indefinite	07/01/18
Superintendent of Schools.....	Brian Benigni	Appointed	Indefinite	01/03/18
Town Clerk.....	Kathryn J. Wall	Appointed	Indefinite	01/10/02
Town Manager.....	Arosha Jayawickrema	Appointed	Indefinite	01/07/20
Development Services Director.....	Open	Appointed	Indefinite	-
Purchasing Agent.....	Maryssa Tsolis	Appointed	Indefinite	06/05/17
Treasurer.....	Nancy L. Lockwood	Appointed	Indefinite	11/15/89
Community, Parks & Recreation Director....	Jennifer Ochoa	Appointed	Indefinite	07/22/16

Source: Town of Berlin

Town Council Members

Name	Manner of Selection	Term
Mark H. Kaczynski, Mayor.....	Elected / 2 years	3rd term
Brenden Luddy, Deputy Mayor.....	Elected / 2 years	4th term
Peter A. Rosso.....	Elected / 2 years	3rd term
JoAnn Angelico-Stetson.....	Elected / 2 years	2nd term
Charles Paonessa ¹	Elected / 2 years	4th term
Donna Veach.....	Elected / 2 years	1st term
Mike Urrunaga.....	Elected / 2 years	1st term

¹ Councilor Paonessa was appointed to fill out the remainder of Councilor Daniele's term when she resigned from the Town Council in September 2018.

Municipal Services

Police: The Police Department is headed by a five-member Board of Police Commissioners elected biennially for four-year staggered terms – three at one election, two at the next. The Department is headed by a chief and staffed with one deputy chief, three lieutenants, seven sergeants, and one detective. There are 42 authorized sworn positions including 30 police officers. In addition, there are nine dispatchers and a support staff of four.

The Berlin Police Department is a State and Internationally Accredited law enforcement agency. The department has been accredited by the Commission on Accreditation for Law Enforcement Agencies, Inc. since March 1996. It is one of only 16 agencies in the State to be so recognized. The Police Officers Standards and Training Council also awarded State accreditation to the Berlin Police Department in November 2004.

Fire: A volunteer force of approximately 86 volunteers and 20 officers, organized into four separately incorporated companies housed in four fire stations, provides fire protection. Each company is headed by a chief, an assistant chief, a captain, and two lieutenants. A Fire Administrator is responsible for preparing the budget, reporting documentation, incentives and capital purchases. A Board of Fire Chiefs consisting of the chief from each company is responsible for establishing operating procedures and determining necessary training courses. Present equipment includes seven Class-A pumpers, one 100-foot aerial ladder truck, one 100-foot tower ladder, one tanker truck and one heavy-duty rescue truck. Dispatching is accomplished through the Berlin Police Department, employing both radio and siren alert systems.

Ambulance: The Town contracts with Hunter's Ambulance Service to provide services to Town residents. In 2019, the Town entered into an eleven year contract extension with Hunters.

Water and Sewers: Berlin's water and sewer services are spread among the Town's Water Control Commission, the Kensington Fire District, and the Worthington Fire District. Both the Kensington Fire District and the Worthington Fire District (the "Fire Districts") were established under a Special Act of the Connecticut Legislature. The City of New Britain and the Cromwell Fire District supply 45% of the water to the Town, and 55% is supplied by the Town's Elton well field.

The Town's Water Control Commission presently serves approximately 2,000 water and sanitary sewer accounts. The Worthington Fire District serves 1,200 water and sanitary sewer accounts. The Kensington Fire District has 3,100 water and sanitary sewer accounts. Approximately 75% of the population is presently connected to the sanitary sewer systems of the Town or one of the Fire Districts, with the balance of residents served by individual well and septic.

Approximately 99.23 miles of sewer mains and 72 miles of water mains have been installed by the Town of Berlin and the Kensington and Worthington Fire Districts. Water produced by the Elton Wells #1A and #2A supplies 55% of the water needs of the Water Control Commission, and the Water Control Commission supplies Worthington Fire District with 100% of their water needs. The remaining 45% of the Water Control Commission water needs are purchased from the New Britain Water Department and Cromwell Fire District. The Kensington Fire District does not produce water and purchases 100% of its needs from the New Britain Water Department. Existing water storage for Berlin consists of two two-million-gallon storage tanks. The Atkins Street 300,000-gallon reservoir is presently not being used. The Water Control Commission purchases approximately 19,000,000 gallons annually from the Cromwell Fire District at a connection on Mill Street in East Berlin at the Cromwell town line. The supply of water is determined to be adequate to serve anticipated growth.

The Mattabassett District, the fifth largest sewage disposal district in the State of Connecticut, serves the Towns of Berlin, Cromwell, Farmington and the Cities of Middletown, and New Britain, and portions of the Metropolitan District Commission. Berlin pays the District annually July 1st based upon metered flows, fixed operating costs, and amortization of plant, trunk sewers, and debt. Berlin's present usage equates to 18.53% of Mattabassett's capacity, which is also the Town's share of Mattabassett's annual operating expenses. The Town's share of operating capital expenses is based upon current reserved plant capacity, which is 14.35%.

The District is empowered to issue bonds and notes in its own name. The District is authorized to issue general obligation bonds secured by the full faith and credit of the District and its constituent municipalities, or revenue bonds secured from revenue derived from the sewer system. General obligation bonds require referendum approval of each constituent municipality. To date the District has not issued general obligation bonds. The District levies its annual assessment upon each member, including the Town of Berlin, to pay its expenses including debt. The Town in turn establishes sewer use rates in an amount sufficient to pay the District annual assessment. In the event a municipality fails to pay its annual assessment, the District may levy, collect and enforce payment from individual District facility users in such municipality. The Town of Berlin is not liable for payment of District debt. The

Mattabasset District has never defaulted on its bond and note liabilities. See “Government Organization–Mattabasset District” and “Overlapping Debt” herein.

Subsequent to a comprehensive 1999 study, the Mattabasset District embarked on a plan to upgrade and expand treatment capabilities in order to meet the stricter Department of Energy and Environmental Protection requirements for the removal of nitrogen and sewage sludge incinerator emissions as well as to provide for the additional flow capacity needs of its member communities. The project has recently been completed. Total construction costs were approximately \$100 million. A grant from the Department of Environmental Protection Clean Water Fund will cover approximately 23% of the cost. The remainder of the costs are being financed with a 2% 20-year Clean Water Fund loan to the extent not funded by additional grants. The cost of the project will be borne by sewer fee increases spread across the member towns. The Town’s share of project cost is equal to its percent of future plant reserved capacity, estimated to be 14.35%.

The Town pays for all sewage flow, including that of the Fire Districts, to the Mattabasset District for treatment. Each of the Fire Districts makes payments to the Town of Berlin predicated on metered flow. In support of this system, Berlin Water Control completed two inflow and infiltration projects. First, a \$3 million program was completed in 2016 to abate a portion of inflow and infiltration from the Webster Square area of the Town. Second, in 2019, the Town completed a \$2 million inflow and infiltration project in the Belcher Brook area. Both projects were financed with 20-year, 2% Clean Water Fund loans.

Community Services, Parks and Recreation: The Town operates and maintains 2,163 acres of parks and open space, including 101 acres of school property, five parks, two public swimming pools, one community center, one municipal golf course, and one Senior Center. In 2013, the Parks and Recreation Division was combined with the Community Services and Senior Center divisions under one manager.

Open Space: The Town owns 2,255 acres of land including 1,770 acres of open space, which is available primarily for passive recreation and natural resource protection. The largest Town-owned open space is within the Ragged Mountain Reserve, a 587-acre parcel located in the northwest corner of the Town. Major recent open space acquisitions include the 452 acre Blue Hills Conservation Area property that extends south of Orchard Road to the Meriden Town line, the 488 acre Hatchery Brook Conservation Area and Bicentennial Park area in the block bounded by Orchard Road, Chamberlain Highway, Norton Road and Kensington Road and 77 acres of the former Pistol Creek Golf Course. The Hatchery Brook Conservation Area was expanded by the purchase of 71 acres of the “Chotkowski family” property in March 2015. Berlin also contains many other publicly owned open spaces and watershed lands including major holdings of the New Britain and Meriden Water Departments, part of Lamentation Mountain State Park, Silver Lake State Park, and the New Britain-owned Willowbrook Park, and Hungerford Park.

Libraries: There are three libraries in town. Two of the libraries are privately operated. The Berlin–Peck Library is a Town-operated facility which has approximately 112,000 volumes in its collection.

Service Contract, Solid Waste Disposal: Covanta Bristol, Inc., a Connecticut corporation (the “Company”), operates a 650-ton-per-day mass-burn solid waste disposal, electric power generation, and resource recovery facility at 229 Technology Park. The commercial operation date was April of 1988.

The Company is a subsidiary of Covanta Energy Corporation, a Delaware corporation. The Company was formed in 1984 for the purpose of owning, designing, constructing, and operating the facility for the processing and disposal of acceptable solid waste from the City of Bristol and the Towns of Berlin, Branford, Burlington, Hartland, Morris, Plainville, Plymouth, Prospect, Seymour, Southington, Warren, Washington, and Wolcott (14 municipalities collectively referred to as the “Contracting Communities”). The Contracting Communities Agreement operating under the Bristol Resource Recovery Facility Operating Committee (“BRRFOC”) expired in 2014 and each municipality has contracted with Covanta through a collective agreement through 2034. Individual municipal tonnage commitments under the prior agreement were eliminated and replaced with an aggregated fourteen community commitment so that no shortfall will occur if the municipalities, in total, reach the required aggregate commitment.

The facility design provides for two furnaces designed to process acceptable waste, each with a rated capacity of 325 tons per day. The Company has guaranteed, pursuant to the service agreement, that the yearly facility capacity will be 197,630 tons per year to the Contracting Communities, which represents an availability factor of 83.3%. The furnaces produce steam that is used to generate electricity for sale, pursuant to an agreement with Eversource. The facility has a net output of 16.2 megawatts. A dry scrubber and baghouse is utilized for the removal of acid gas and particulates from stack flue gas emissions. The facility was designed using technology developed and owned by Martin GmbH of Munich, Germany.

Waste disposal service by the Company is provided through the operation of the facility or by any other alternative disposal method reasonably acceptable to the Contracting Communities, including permitted sanitary landfills. The service fee payable by each Contracting Community for such waste disposal service is its pro-rata share, based on its respective tonnage deliveries of acceptable waste, of the sum for each period of (1) an amount equal to debt service on the bonds issued for the project, (2) the operation and maintenance expenses, and (3) pass-through costs, including certain taxes, insurance and utility costs, less a credit equal to 90% of all energy revenues and with an adjustment with respect to recovered ferrous metals. The Town pays a tipping fee for refuse and is required to deliver up to its minimum commitment of 5,113 tons for the current fiscal year. Beginning in 2019, the Town began paying a tipping fee for recyclables in response to the international decline in demand for U.S. recyclables.

If the facility is temporarily or permanently shut down and partially or completely unable to receive and process acceptable waste, the Company is obligated to provide waste disposal services by alternative disposal methods. The Company is obligated under the service agreement to seek to mitigate the effect of any shutdown, and the operation and maintenance expenses are to be adjusted to the extent the facility is unable to receive and process acceptable waste, to reflect the Company’s actual direct costs of alternative disposal. Should the facility be shut down for an extended time, the cost of alternative disposal will depend upon transportation costs and tipping fees at the alternative disposal site.

The Contracting Communities are obligated to pay the service fee to the Company, whether or not the Contracting Communities deliver acceptable waste to the facility and whether or not the Company disposes of such acceptable waste through the facility. This obligation is absolute and unconditional, is not subject to any rights of set-off, recoupment or counterclaim which any Contracting Community may have against the Company, the trustee, or any other person, and may not be suspended or discontinued for any purpose. In the event of a payment default under the service agreement by any one or more of the Contracting Communities, the non-defaulting Contracting Communities are jointly and severally liable to pay such defaulted amount. The Contracting Communities have pledged their full faith and credit to pay all amounts due.

The Contracting Communities’ obligation to pay the service fee ceases if the service agreement is terminated. If the service agreement is terminated due to a default by any Contracting Community, the Contracting Communities are obligated to pay amounts sufficient to defease the bonds or pay amounts sufficient to make timely payments of principal and interest on the bonds. If the service agreement is terminated due to a default by the Company, the Company is generally obligated to defease the bonds or to continue to make timely payments of principal and interest on the bonds.

Principal Public Facilities

School	Date of Construction (Additions, Remodeling)	Type of Construction
Town Hall Complex.....	1975 (1995, 2016, 2019) ^{1,4}	Masonry
Berlin–Peck Memorial Library/Community Center....	1988 (2000, 2016, 2018) ^{2,3}	Masonry
Senior Citizens Center.....	1955 (1985, 2009)	Wood Frame
Golf Course Facility.....	1970 (2008, 2015)	Wood Frame
Fire Station #1, Berlin Vol. Fire Dept.....	1946 (1980, 1995)	Masonry/Frame
Fire Station #2, East Berlin Vol. Fire Dept.....	1960 (1972, 1990)	Masonry
Fire Station #3, Kensington Vol. Fire Dept.....	1968 (1976, 1995)	Masonry
Fire Station #4, So. Kensington Vol. Fire Dept.....	Unknown (1973, 1994)	Masonry
Animal Control Facility.....	2009	Masonry

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

² 2016 updates include repairs and remodeling due to water damage. Also added new exterior doors and hardware including access control system.

³ 2018 updates included the installation of an elevator.

⁴ 2019 updates include new exterior doors and hardware including access control system.

Source: Town of Berlin

Educational Services

The Town’s school system services grades pre-kindergarten through twelve and is governed by the local Board of Education. Berlin has a nine-member Board of Education elected to three-year staggered terms. The primary function of the Board is to establish educational policy. Some of the areas for which policies are set include curriculum, budget requests and submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The Town has five schools for grades pre-kindergarten through twelve. Enrollment in grades pre-kindergarten through twelve as of October 1, 2019 was 2,735. The rated capacity of the system facilities is 3,769.

School Enrollment

School Year	Historical				Total
	Pre-K	K-5	6 - 8	9 - 12	
2010-2011	48	1,332	722	1,021	3,123
2011-2012	38	1,273	735	980	3,026
2012-2013	53	1,245	717	966	2,981
2013-2014	52	1,275	691	932	2,950
2014-2015	52	1,225	702	919	2,898
2015-2016	57	1,181	672	953	2,863
2016-2017	60	1,126	714	892	2,792
2017-2018	62	1,146	664	909	2,781
2018-2019	51	1,147	685	904	2,787
2019-2020	59	1,117	644	915	2,735
School Year	Projected				Total
	Pre-K	K-5	K - 8	9 - 12	
2020-2021	59	1,098	645	916	2,718
2021-2022	59	1,099	621	897	2,676
2022-2023	59	1,126	596	888	2,669

Source: Town of Berlin, Board of Education

School Facilities

School	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2019 Enrollment	Rated Capacity
Hubbard School	Pre-K-5	1965 (1993, 2019)	12	213	325
Willard School	K-5	1955 (2013, 2019)	23	460	720
Griswold School	K-5	1963 (1992, 2019)	26	503	600
Catherine McGee School	6-8	1969 (2010, 2019)	58	644	924
Berlin High School	9-12	1953 (2013-2016)	68	915	1,200
Total.....			187	2,735	3,769

Source: Town of Berlin, Board of Education

Employee Relations and Collective Bargaining

Municipal Employees¹

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

	2019	2018	2017	2016	2015
General Government.....	179	184	189	183	184
Board of Education.....	475	492	458	448	449
Water Control Commission.....	6	6	6	6	5
Total.....	660	681	653	637	638

¹ Full-time equivalent.

Source: Town of Berlin

Employee Relations

Employees	Board of Education Groups	Positions Covered	Current Contract Expiration Date
Administrators.....	Association of Berlin Administrators	14	6/30/2021
Teachers.....	Berlin Education Association – Local Chapter of Connecticut Education Association	263	6/30/2022
Custodians.....	Berlin Custodial Employees, Local 222	21	6/30/2020
Head Custodians	Berlin Association of Head Custodians	4	6/30/2020
Clerical.....	Berlin Clerical Employees, Local 1278	16	6/30/2022
Cafeteria.....	Berlin Cafeteria Employees, Local 424	17	6/30/2020
Cook Managers.....	Berlin Cook Managers, Local 424	5	6/30/2020
Aides.....	Berlin Aides Employees, Local 1303-276	113	6/30/2021
	Total Unionized Board of Education Employees.....	453	
	General Government		
Police.....	Fraternal Order of Police Lodge 056	40	6/30/2023
Emergency Dispatchers.....	Connecticut Association of Labor Unions, Local Highway, Garage, Park, Water & Sewer, Golf Course, Building Maintenance.....	9	6/30/2020
	Connecticut Independent Labor Union	50	6/30/2021
	Connecticut Independent Labor Union	27	6/30/2020
	Connecticut Health Care Associates	20	6/30/2021
	Berlin Middle Management Association	40	6/30/2022
	Total Unionized General Government Employees....	186	
Non-Union. (Town and Board of Education).....		53	
	Total Union/Non-Union Employees.....	692	

¹ In negotiations.

Source: Town of Berlin

Binding Arbitration

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either of the parties. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of (i) 5% or less with respect to teachers' contracts, and (ii) 15% or less with respect to municipal employees, is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

III. Economic and Demographic Information

Economic Condition and Outlook

The Town has continued to implement an economic development strategy to bolster the tax base and to create local job opportunities. The Town's Plan of Conservation and Development (the "Master Plan") was adopted in 2013. Many proposals included in the Plan of Conservation and Development have been implemented including significant amendments to the Town's commercial and industrial zones to expand those zones at the margins in certain areas and to create uses in zones that better fit local conditions and market opportunities. There has been progress toward the creation of a Town Center and a significant amount of open space has been acquired. Since September 1999, the Town Council adopted ordinances authorizing \$6.5 million in bonds for the acquisition of real property for open space. In addition, \$5.625 million was approved for the acquisition of 77 acres of the former Pistol Creek golf course for uses including open space in June 2008. 850 acres of open space has been acquired since late 2005 and the authorized open space acquisition funds are not yet depleted. To encourage maintenance of private open space, preferential tax treatment was also extended to open space parcels to add to the farm and forest protection incentives already provided pursuant to Section 7-131b of the Connecticut General Statutes.

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

Major Economic Initiatives

Recently completed public projects in Berlin's Commercial Core Area include streetscape improvements on Main Street and sidewalk additions connecting missing links in the Kensington Center area, two phases of Berlin Veterans' Memorial Park, the restoration of Deming Park through a private donation as well as numerous private development projects. The Town partnered with a private developer to convert the vacant former Sherwood Tool complex into 71 non-age-restricted condominiums and all units have sold.

The Town completed several major capital projects including an \$84.5 million renovate as new project at Berlin High School, the installation of new security vestibules at each of the Town's schools, three bridge replacements, a \$1.7 million renovation of the Railroad Pond Dam and executing a 5-mile per year road replacement strategy.

In 2018, the Town issued a Request for Proposals to develop town-owned land adjacent to the Berlin Train Station. After reviewing all responses, the Town entered into exclusive negotiations with a local development team. The project is in the final stages of the planning and permitting phase, and construction of new town-owned Boulevard is expected to be initiated in 2020. Concurrent with the Boulevard construction, two privately-owned multi-use office/residential buildings are scheduled to be built. Further private development of this area is expected as Phases 2 and 3 and is expected to begin after Phase 1 is complete.

During fiscal year 2014, the Public Works Department procured a Facility Condition Assessment Report outlining the conditions of major town buildings including schools. Projects in this report continue to be prioritized and built into capital improvement budgets.

On February 12, 2016, the Town entered into a \$10.4 million, twenty-year capital lease with Banc of America Public Capital Corp. to fund a multi-faceted energy saving program. The program includes the purchase of more than 2,500 street lights and conversion to Light Emitting Diode (LED) lighting to reduce energy consumption. During 2016-17, four schools were equipped with solar panels delivering a cost savings and providing excess energy which the Town contracted to sell to Eversource at negotiated rates. The project was completed during calendar year 2017, and the first lease payment was made on December 12, 2016.

Finally, the Mattabassett District (which currently provides sewer treatment services for Berlin, Cromwell, Middletown and New Britain) completed a major upgrade for nitrogen removal, increased capacity to accommodate the City of Middletown and related required improvements to meet the EPA and DEEP nitrogen removal requirements as well as the EPA's sewage sludge incinerator emissions requirements and odor control enhancements. The three-year construction project began in the summer of 2012 and was complete as of June 30, 2016. The project was funded by a combination of grants and a 2% 20-year Clean Water Fund loan. As of June 20, 2019, the district had \$61.2 million in Clean Water Fund debt outstanding. The cost of the project will be borne by sewer fee increases spread

across the member towns. The Town's share of project cost is equal to its percentage of future plant reserved capacity, currently estimated to be 14.35%. This percentage is factored into the Town's assessment and is subject to change.

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

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Population and Density

Year	Population ¹	% Increase (Decrease)	Density ²
2018 ³	20,519	3.3%	760.0
2010	19,866	9.1%	735.8
2000	18,215	8.5%	674.6
1990	16,787	11.0%	621.7
1980	15,121	6.9%	560.0
1970	14,149	--	524.0

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

² Per square mile: 27.0 square miles

³ American Community Survey 2014-2018

Age Distribution of the Population

Age	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	583	2.8%	184,983	5.2%
5 to 9 years	1,091	5.3	201,006	5.6
10 to 14 years	1,284	6.3	224,135	6.3
15 to 19 years	1,270	6.2	247,182	6.9
20 to 24 years	820	4.0	245,490	6.9
25 to 34 years	2,025	9.9	439,848	12.3
35 to 44 years	2,046	10.0	427,023	11.9
45 to 54 years	3,720	18.1	522,138	14.6
55 to 59 years	1,673	8.2	266,170	7.4
60 to 64 years	1,642	8.0	235,949	6.6
65 to 74 years	2,374	11.6	327,414	9.2
75 to 84 years	1,364	6.6	170,979	4.8
85 years and over	627	3.1	89,187	2.5
Total.....	20,519	100.0%	3,574,097	100.0%
Median Age (Years) 2018.....	48.1		40.8	
Median Age (Years) 2010. ¹	45.5		40.0	

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

Source: American Community Survey 2014-2018

Income Distribution

Income	Town of Berlin		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	77	1.3%	26,021	2.9%
\$10,000 to \$14,999.....	-	-	16,472	1.8
\$15,000 to \$24,999.....	172	2.9	38,804	4.3
\$25,000 to \$34,999.....	232	3.9	50,215	5.6
\$35,000 to \$49,999.....	501	8.5	80,042	9.0
\$50,000 to \$74,999.....	423	7.2	127,676	14.3
\$75,000 to \$99,999.....	898	15.2	118,848	13.3
\$100,000 to \$149,999.....	1,644	27.9	186,154	20.8
\$150,000 to \$199,999.....	897	15.2	105,285	11.8
\$200,000 or more.....	1,059	17.9	143,423	16.1
Total.....	5,903	100.0%	892,940	100.0%

Source: American Community Survey 2014-2018

Income Levels

	Town of Berlin	State of Connecticut
Per Capita Income, 2018.....	\$48,602	\$43,056
Median Family Income, 2018.....	\$116,510	\$97,310
Median Household Income, 2018.....	\$95,996	\$76,106

Source: American Community Survey 2014-2018

Educational Attainment Years of School Completed Age 25 and Over

	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	641	4.2%	101,068	4.4%
9th to 12th grade, no diploma.....	681	5.8	134,758	6.1
High School graduate (includes equivalency).....	4,358	26.7	670,519	27.5
Some college, no degree.....	2,345	18.1	416,267	17.8
Associate degree.....	1,292	8.7	190,869	7.4
Bachelor's degree.....	3,828	20.3	538,924	20.5
Graduate or professional degree.....	2,326	16.3	426,303	16.4
Total.....	15,471	100.0%	2,478,708	100.0%
Percent high school graduate or higher.....		91.5%		90.5%
Percent bachelor's degree or higher.....		39.8%		38.9%

Source: American Community Survey 2014-2018

Major Employers As of April 2020

Employer	Type of Business	Approximate Number of Employees
Eversource.....	Utility	1,232
Town of Berlin.....	Municipal Government	657
Comcast Cable Systems.....	Cable TV	520
Assa Abloy.....	Locks and Security Devices	410
Keep Me Home.....	Home Health Care	320
B & F Machine.....	Precision Machining	260
TOMZ Corporation.....	Medical and Aerospace Parts	242
Budney Industries.....	Aerospace Parts	195
Parker Fluid Control.....	Solenoid Valves	172
TIGHITCO.....	Aerospace Parts	147

Source: Town of Berlin Economic Development.

Employment by Industry
Employed Persons 16 Years and Over

Sector	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	-	0.0%	7,195	0.4%
Construction.....	575	5.4	107,331	5.9
Manufacturing.....	1,508	14.1	190,995	10.5
Wholesale trade.....	454	4.2	44,714	2.5
Retail trade.....	1,057	9.9	191,939	10.6
Transportation warehousing, and utilities.....	449	4.2	72,806	4.0
Information.....	173	1.6	41,839	2.3
Finance, insurance, real estate, and leasing.....	791	7.4	164,607	9.1
Professional, scientific, management, administrative, and waste management.....	1,121	10.5	207,632	11.5
Education, health and social services.....	2,962	27.7	479,677	26.5
Arts, entertainment, recreation, accommodation and food services.....	721	6.7	150,852	8.3
Other services (except public admin.).....	346	3.2	83,686	4.6
Public Administration.....	536	5.0	67,172	3.7
Total Labor Force, Employed.....	10,693	100.0%	1,810,445	100.0%

Source: American Community Survey 2014-2018

Employment Data
By Place of Residence

The following table presents employment data (not seasonally adjusted) for the Town, the Hartford Labor Market and the State of Connecticut.

Period	Town of Berlin		Percentage Unemployed		
	Employed	Unemployed	Town of Berlin	Hartford Labor Market	State of Connecticut
April 2020.....	10,505	738	6.6	7.5	8.0
Annual Average					
2019.....	11,560	386	3.2	3.8	3.9
2018.....	11,458	414	3.5	4.1	4.1
2017.....	11,364	448	3.8	4.8	4.7
2016.....	11,221	504	4.3	5.3	5.3
2015.....	11,211	543	4.6	5.6	5.6
2014.....	10,764	639	5.6	6.7	6.7
2013.....	10,550	713	6.9	7.9	7.9
2012.....	10,298	760	7.6	8.4	8.3
2011.....	10,488	864	7.7	8.9	8.8
2010.....	10,785	898	7.0	9.1	9.0

Source: Department of Labor, State of Connecticut

Age Distribution of Housing

Year Built	Town of Berlin		State of Connecticut	
	Units	Percent	Units	Percent
2010 or later.....	249	2.9%	29,432	1.9%
2000 to 2009.....	1,092	12.6	103,632	6.9
1990 to 1999.....	951	11.0	115,459	7.6
1980 to 1989.....	1,077	12.5	191,306	12.6
1970 to 1979.....	1,079	12.5	201,360	13.3
1940 to 1969.....	2,872	33.2	533,321	35.3
1939 or earlier.....	1,322	15.3	337,795	22.3
Total Housing Units.....	8,642	100.0%	1,512,305	100.0%

Source: American Community Survey 2014-2018

Commute to Work

Category	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Drove alone.....	9,381	89.0%	1,391,925	78.2%
Car Pools.....	606	5.7	143,527	8.1
Using Public Transportation.....	137	1.3	84,347	4.7
Walked.....	98	0.9	49,525	2.8
Other Means.....	43	0.4	20,763	1.2
Worked at Home.....	280	2.7	90,566	5.1
Total.....	10,545	100.0%	1,780,653	100.0%

Mean Travel to Work (minutes).... 24.5 26.3

Source: American Community Survey 2014-2018

Housing Inventory

Housing Units	Town of Berlin		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	6,752	78.1%	892,608	59.0%
1-unit, attached.....	300	3.5	80,684	5.3
2 units.....	656	7.6	123,908	8.2
3 or 4 units.....	215	2.5	130,948	8.7
5 to 9 units.....	194	2.2	84,021	5.6
10 to 19 units.....	127	1.5	57,153	3.8
20 or more units.....	368	4.3	130,872	8.7
Mobile home.....	30	0.3	11,734	0.8
Boat, RV, van, etc.....	-	-	377	0.0
Total Inventory.....	8,642	100.0%	1,512,305	100.0%

Source: American Community Survey 2014-2018

Housing Vacancy Rates

Housing Units	Town of Berlin		State of Connecticut	
	Units	Percent	Units	Percent
Occupied Housing Units	8,243	95.4%	1,367,374	90.4%
Vacant Housing Units	399	4.6%	144,931	9.6%
Total Units	8,642	100.0%	1,512,305	100.0%
Homeowner Vacancy Rate	–	0.6	–	1.8
Rental Vacancy Rate	–	6.8	–	6.4

Source: American Community Survey 2014-2018

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	186	2.6%	21,254	2.3%
\$50,000 to \$99,999.....	16	0.2	29,211	3.2
\$100,000 to \$149,999.....	146	2.1	81,446	9.0
\$150,000 to \$199,999.....	607	8.6	139,715	15.4
\$200,000 to \$299,999.....	3,124	44.5	245,801	27.1
\$300,000 to \$499,999.....	2,463	35.1	240,706	26.5
\$500,000 to \$999,999.....	469	6.7	106,993	11.8
\$1,000,000 or more.....	16	0.2	42,008	4.6
Total	7,027	100.0%	907,134	100.0%
Median Value	\$284,300		\$272,700	

Source: American Community Survey 2014-2018

Number and Size of Households

Household Characteristics	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Persons in Households	20,441	–	3,466,662	–
Persons per Household (Average)	2.48	–	2.54	–
Persons per Family (Average)	2.94	–	3.14	–
Family Households	5,903	71.6%	892,940	65.3%
Non-Family Households	2,340	28.4%	474,434	34.7%
All households	8,243	100.0%	1,367,374	100.0%
Family Households by Type				
Married Couple	4,780	81.0%	660,364	74.0%
Female Householders, No Spouse	875	14.8%	170,818	19.1%
Other	248	4.2%	61,758	6.9%
Total Family Households	5,903	100.0%	892,940	100.0%
Non-Family Households by Type				
Householders Living Alone	2,009	85.9%	390,350	82.3%
Other	331	14.1%	84,084	17.7%
Total Non-Family Households	2,340	100.0%	474,434	100.0%

Source: American Community Survey 2014-2018

Building Permits

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

Fiscal Year	Residential		Comm./Industrial		Total	
	No.	Value	No.	Value	No.	Value
2020 ¹	996	\$14,034,753	152	\$ 4,833,663	1,148	\$18,868,416
2019	1,245	14,374,493	215	14,310,037	1,460	28,684,530
2018	1,290	14,209,727	100	5,009,788	1,390	19,219,515
2017	1,215	18,259,742	69	9,447,474	1,284	27,707,216
2016	1,465	19,617,671	96	5,502,097	1,561	25,119,768
2015	1,187	14,361,700	84	3,953,939	1,271	18,315,639
2014	978	9,747,508	191	21,093,246	1,169	30,840,754
2013	1,538	15,589,159	218	35,421,484	1,756	51,010,643
2012	1,225	14,141,099	232	4,172,238	1,457	18,313,337
2011	1,545	24,557,342	206	3,177,935	1,751	27,735,277

¹ Represents July 1, 2019 through March 15, 2020.

Source: Town of Berlin, Building Official

Land Use Breakdown

Land Use Category	Total Area		Developed		Undeveloped	
	Acres	Percent	Acres	Percent	Acres	Percent
Residential.....	15,175	86.2%	13,043	90.0%	2,132	68.8%
Commercial/Industrial.....	2,425	13.8%	1,457	10.0%	968	31.2%
Total.....	17,600	100.0%	14,500	100.0%	3,100	100.0%

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IV. Tax Base Data

Property Tax

Assessments

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate, taxable personal property and motor vehicles located within the Town on October 1. Generally, the law requires a revaluation every five years and a physical inspection once every ten years. The Town's most recent revaluation occurred for the assessment year commencing October 1, 2017. The Town last performed a revaluation based on physical observation for the assessment year commencing October 1, 2017. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year the Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically.

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions is then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

Section 12-71e of the General Statutes allows municipalities to tax motor vehicles at a different rate than other taxable property but caps the motor vehicle tax rate at (1) 39.00 mills for the 2016 assessment year (fiscal year beginning July 1, 2017 and ending June 30, 2018) or (2) 45 mills for the assessment year commencing October 1, 2017 and each assessment year thereafter. Section 4-661 of the Connecticut General Statutes establishes the municipal revenue sharing account which provides that sales tax revenue diverted to the fund shall mitigate the revenue loss attributed to the motor vehicle property tax cap.

The Town of Berlin has not approved the use of Section 12-124a of the Connecticut General Statutes, which permits a municipality, upon approval of its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income.

For more information regarding COVID-19, please refer to the section titled "Coronavirus Disclosure" on page 36.

Levy

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Taxes are payable on July 1 following the levy date, although a 30-day grace period is provided. Motor vehicle supplemental bills are payable on January 1. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes that are deemed to be uncollectible.

For more information regarding COVID-19, please refer to the section titled “Coronavirus Disclosure” on page 36.

Comparative Assessed Valuations

The following table sets forth the Town’s Taxable Grand List by component:

Grand List As Of 10/1	Real Property (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List (000's)	Exemptions, Veterans Relief and Disabled (000's)	Net Taxable Grand List (000's)	Percent Growth
2019	84.4	10.3	9.3	\$ 2,377,596	\$ 93,424	\$ 2,284,172	3.2%
2018	82.9	12.2	9.2	2,307,655	94,434	2,213,221	0.8%
2017 ¹	83.0	11.7	9.2	2,280,713	85,997	2,194,716	(0.8%)
2016	82.8	8.5	8.7	2,307,691	94,434	2,213,256	0.9%
2015	82.3	8.9	8.8	2,281,430	88,825	2,192,605	0.7%
2014	83.1	8.2	8.7	2,263,253	86,098	2,177,155	(0.4%)
2013	79.6	11.6	8.7	2,264,651	78,522	2,186,129	1.4%
2012 ¹	80.4	10.9	8.7	2,233,650	77,752	2,155,898	(8.3%)
2011	82.6	9.6	7.9	2,431,933	81,345	2,350,588	1.5%
2010	85.4	7.5	7.1	2,389,156	73,995	2,315,161	1.6%

¹ Revaluation.

Source: Town of Berlin, Assessor’s Office.

Exempt Property

	Assessed Value¹
Public	
Regular Veterans.....	\$ 2,042,300
Additional Veterans.....	857,960
Additional Veterans (1/2).....	577,110
100% Disabled and Blind.....	150,000
Local Option Veterans (non-reimbursed).....	102,690
Public buildings/property.....	494,030
Sub-Total Public.....	\$ 4,224,090
Private	
Agricultural or Horticultural.....	\$ 883,477
Manufacturing machinery.....	105,745,320
Enterprise zone.....	-
Miscellaneous.....	12,765,250
Sub-Total Private.....	119,394,047
Total Exempt Property.....	\$ 123,618,137
Percent Compared to Net Taxable Grand List...	5.4%

¹ Based on the Net Taxable Grand List of October 1, 2019 of \$2,284,171,755.

Source: Town of Berlin, Assessor’s Office.

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List (000's)	Mill Rate	Adjusted Annual Levy (000's)	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/2019
2018	2020	\$ 2,213,221	33.93	\$ 77,160		<i>In Collection</i>	
2017 ¹	2019	2,194,716	32.50	73,924	99.1%	0.9%	0.9%
2016	2018	2,213,256	31.61	69,186	98.8%	1.2%	0.2%
2015	2017	2,192,605	30.81	68,276	98.8%	1.2%	0.1%
2014	2016	2,177,155	30.35	66,620	99.1%	0.9%	0.1%
2013	2015	2,186,129	28.92	63,641	98.9%	1.1%	0.1%
2012 ¹	2014	2,155,898	28.77	60,927	98.9%	1.1%	0.1%
2011	2013	2,350,588	25.15	59,324	98.7%	1.3%	0.1%
2010	2012	2,315,161	24.50	57,082	98.5%	1.5%	0.1%
2009	2011	2,279,395	23.65	54,154	98.6%	1.4%	0.1%

¹ Revaluation.

Source: Town of Berlin, Tax Collector

Ten Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town according to most recent Grand List:

Name of Taxpayer	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List¹
Rocky River Realty Company.....	Utility	\$ 200,451,060	8.78%
Corbin Russwin.....	Hardware	34,252,540	1.50%
Cedar Brickyard LLC.....	Shopping center	20,163,550	0.88%
B & F Machine Inc.....	Manufacturer	17,359,260	0.76%
Tomz Corporation.....	Medical/aerospace parts	14,063,390	0.62%
Stonebridge Berlin Associates.....	Apartments	9,363,400	0.41%
United Cablevision (incl. Comcast).....	Utility	8,006,840	0.35%
Acura of Berlin.....	Automotive	7,771,930	0.34%
Connecticut Natural Gas Corp.....	Utility	7,768,720	0.34%
Legion Square Associates LLC.....	Retail	6,999,600	0.31%
Total.....		\$ 326,200,290	14.28%

¹ Based on the Net Taxable Grand List of October 1, 2019 of \$2,284,171,755.

Source: Town of Berlin, Assessor's Office.

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V. Debt Summary
Principal Amount of Indebtedness
As of June 16, 2020
(Pro Forma)

Long-Term Debt:

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding¹	Fiscal Year of Maturity
2011	General Purpose.....	3.00-5.00	\$ 8,440,000	\$ 698,676	2021
2011	Schools.....	3.00-5.00	8,170,000	676,324	2021
2013	General Purpose.....	2.25-4.00	2,480,000	1,630,000	2033
2013	Schools.....	2.25-4.00	6,015,000	4,315,000	2033
2014	General Purpose.....	3.00-5.00	1,855,000	1,180,000	2034
2014	Schools.....	3.00-5.00	16,500,000	12,130,000	2034
2015	Sewers - CWF 212-CSL.....	2.00	2,236,514	1,602,835	2035
2015	General Purpose.....	2.00-4.00	720,000	560,000	2035
2015	Schools.....	2.00-4.00	13,000,000	10,260,000	2035
2016	General Purpose.....	2.00-4.00	3,620,000	2,590,000	2036
2016	Schools.....	2.00-4.00	13,150,000	11,065,000	2036
2016	General Purpose Refunding.....	2.00-5.00	5,676,000	4,653,000	2026
2016	Schools Refunding.....	2.00-5.00	5,244,000	3,022,000	2026
2017	General Purpose.....	2.00-4.00	4,150,000	3,350,000	2030
2017	Schools.....	2.00-4.00	515,000	405,000	2030
2019	General Purpose.....	2.00-4.00	6,500,000	5,800,000	2029
2019	Sewers - CWF 217-CSL.....	2.00	1,933,314	1,828,594	2039
Total Outstanding Bonded Debt.....			\$ 100,204,828	\$ 65,766,429	
This Issue					
2020	General Purpose.....	3.00-5.00	\$ 4,200,000	\$ 4,200,000	2031
Total This Issue.....			\$ 4,200,000	\$ 4,200,000	
Grand Total.....			\$ 104,404,828	\$ 69,966,429	

¹ Excludes bonds refunded or defeased.

Short-Term Debt
As of June 16, 2020
(Pro Forma)

The Town does not have any outstanding short-term debt as of June 16, 2020

Annual Bonded Debt Maturity Schedule
As of June 16, 2020
(Pro Forma)

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Debt Service	This Issue		Total Principal	Cumulative Principal Retired %
				General Purpose	Total		
2020	\$ 17,374	\$ 5,719	\$ 23,093	\$ -	\$ -	\$ 17,374	0.0%
2021	6,318,491	2,008,444	8,326,936	-	-	6,318,491	9.1%
2022	6,068,491	1,732,287	7,800,778	420,000	420,000	6,488,491	18.3%
2023	6,108,491	1,486,679	7,595,171	420,000	420,000	6,528,491	27.7%
2024	6,148,491	1,261,357	7,409,848	420,000	420,000	6,568,491	37.0%
2025	6,173,491	1,076,252	7,249,744	420,000	420,000	6,593,491	46.5%
2026	5,898,491	895,286	6,793,777	420,000	420,000	6,318,491	55.5%
2027	4,233,491	749,653	4,983,145	420,000	420,000	4,653,491	62.2%
2028	4,223,491	643,269	4,866,761	420,000	420,000	4,643,491	68.8%
2029	3,743,491	541,373	4,284,864	420,000	420,000	4,163,491	74.7%
2030	3,063,491	451,447	3,514,938	420,000	420,000	3,483,491	79.7%
2031	2,983,491	367,471	3,350,962	420,000	420,000	3,403,491	84.6%
2032	2,868,491	282,279	3,150,770	-	-	2,868,491	88.7%
2033	2,863,491	195,450	3,058,941	-	-	2,863,491	92.8%
2034	2,473,491	112,989	2,586,481	-	-	2,473,491	96.3%
2035	1,524,622	50,994	1,575,616	-	-	1,524,622	98.5%
2036	781,666	16,799	798,465	-	-	781,666	99.6%
2037	96,666	4,591	101,256	-	-	96,666	99.7%
2038	96,666	2,657	99,323	-	-	96,666	99.9%
2039	80,555	738	81,292	-	-	80,555	100.0%
Total.....	\$ 65,766,429	\$ 11,885,734	\$ 77,652,163	\$ 4,200,000	\$ 4,200,000	\$ 69,966,429	

¹ Excludes refunded bonds and principal payments of \$6,807,228 and interest payments of \$2,241,089 made between July 1, 2019 and June 16, 2020.

Clean Water Fund Program

The Town has entered into two general obligation loan agreements with the State of Connecticut under the Clean Water Fund Program for infiltration and inflow projects: on March 30, 2015 a Project Loan Obligation in the original amount of \$2,236,514.21, (Webster Square Road) and on October 30, 2019 a Project Loan Obligation in the amount of \$1,933,314 (Belcher Brook). The State of Connecticut’s Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) provides financial assistance through a combination of grants and loans bearing interest at the rate of 2% per annum.

All participating municipalities receive funding for eligible expenses of 20% grant and 80% loan, except for combined sewer overflow projects (50% grant and 50% loan) and denitrification projects (30% grant and 70% loan). Loans to each municipality are made pursuant to a Project Loan and Grant Agreement, or separate Project Loan and Project Grant agreements. During construction the municipality enters into a short-term borrowing agreement with the State called an Interim Funding Obligation (“IFO”) from which it pays project costs as needed. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Upon project completion a 20-year debt obligation called a Project Loan Obligation (“PLO”) is issued to the State. The municipal obligations issued to the State are secured by the full faith and credit of the municipality and/or dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the scheduled completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Monthly installments may be in level debt service or amortized with level principal.

Overlapping Debt

The Town of Berlin, along with the Cities of New Britain and Middletown and the Town of Cromwell, is a member of The Mattabassett District, which was organized under a Special Act of the 1961 Session of the Connecticut General Assembly. The constituent municipalities approved the District’s charter dated May 1963. The function of the District is to operate and maintain a water pollution control system, and it is governed by a District Board composed of fifteen members appointed by the constituent municipalities. As of June 30, 2019, the District has two 20 year 2% Clean Water Fund loans outstanding in the amount of \$61,212,279 to finance its sewage treatment plant and construction upgrade. It is estimated that, based on future treatment plant reserved capacity; the Town’s annual assessment from the District will include 14.35% of Clean Water Fund debt service, which equals \$8,783,962. The responsibility for payment of District expenses, including debt service, is ultimately the individual sewer user.

See “Clean Water Fund Program,” “Summary of Municipal Services,” and “Water and Sewers” herein.

**Mattabassett District
Statement of Overlapping Debt
As of June 16, 2020**

Berlin's Percent of Overlapping Debt	14.35%
Berlin's Share of Overlapping Debt (6/30/19) ...	\$ 8,783,962

Underlying Debt

The Kensington Fire District and the Worthington Fire District were both chartered in the early 1920s to provide municipal services to the residents living within their boundaries. Such services included water, sewerage, street lighting, and refuse collection, all of which have since been taken over by the Town, except for water and sewer service. As independent municipal corporations within the Town, the Fire Districts have the power to levy taxes and issue debt which constitutes underlying debt of the Town. No funds or services are provided by the Town of Berlin. As of June 30, 2019, the debt outstanding for these districts is as follows:

Kensington Fire District.....	\$ 402,815
Worthington Fire District.....	<u>391,877</u>
Total	\$ 794,692

**THE TOWN OF BERLIN HAS NEVER DEFAULTED IN THE PAYMENT OF
PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES**

Debt Statement
As of June 16, 2020
(Pro Forma)

Long-Term Debt Outstanding: ¹

General Purpose (Includes this issue).....	\$ 24,661,676
Schools	41,873,324
Sewers.....	3,431,429
Total Long-Term Debt.....	69,966,429
Short-Term Debt	-
Direct Debt.....	69,966,429
Overlapping Debt - Mattabassett District..... ²	8,783,962
Underlying Debt - Fire Districts	794,692
Total Overall Debt.....	79,545,083
Less: School Construction Grants Receivable (As of June 30, 2019)	-
Total Overall Net Debt.....	\$ 79,545,083

¹ Excludes a \$10.3 million guaranteed energy savings performance contract and lease financing. As of June 30, 2019, \$9.1 million is outstanding. See "Energy Efficiency Projects" herein.

² See Overlapping Debt.

Current Debt Ratios
As of June 16, 2020
(Pro Forma)

Population (2018) ¹	20,519
Net Taxable Grand List (10/1/19)	\$2,284,171,755
Estimated Full Value (70%).....	\$3,263,102,507
Equalized Grand List (10/1/17) ²	\$3,322,195,404
Money Income per Capita (2018) ¹	\$48,602

	Total Direct Debt	Total Overall Debt	Total Overall Net Debt
	\$69,966,429	\$79,545,083	\$79,545,083
Per Capita.....	\$3,409.84	\$3,876.65	\$3,876.65
Ratio to Net Taxable Grand List.....	3.06%	3.48%	3.48%
Ratio to Estimated Full Value.....	2.14%	2.44%	2.44%
Ratio to Equalized Grand List.....	2.11%	2.39%	2.39%
Debt per Capita to Money Income per Capita (2018)....	7.02%	7.98%	7.98%

¹ American Community Survey 2014-2018

² Office of Policy and Management, State of Connecticut.

Bond Authorization

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes is authorized upon adoption of an ordinance by the Town Council. Notice of passage of the bond ordinance shall be provided by newspaper publication. Adoption of the bond ordinance shall be subject to referendum approval by a majority of those voting if petitioned not later than 14 days from publication by at least three percent of the total number of qualified electors whose names appear on the last voting list with the Town Clerk.

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

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by no later than the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes may be funded beyond ten years from the initial borrowing if a written commitment exists for State and/or Federal grants, for terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Debt Management Policy

On July 11, 2017, the Town Council adopted a comprehensive Debt Management Policy, setting forth the parameters for issuing debt. The policy outlines the complete capital planning process and the planning and structuring of Town indebtedness. The policy establishes standards regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used, and, if recommended, structural features that may be incorporated. The standards do not bind debt management decisions. The policy was updated on February 5, 2019, to account for revisions to SEC Rule 15c2-12.

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Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

“Annual receipts from taxation” (the “base”) are defined as total tax collections (including interest and penalties) and state payments for revenue losses under CGS Section 12-129d and P.A. 87-584, Sections 3 and 4. In no case shall total indebtedness exceed seven times the base.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement, for indebtedness issued in anticipation of the receipt of proceeds from State or federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds, for indebtedness issued for certain water pollution control projects, and for refunding indebtedness.

Statement of Debt Limitation As of June 16, 2020 (Pro Forma)

Total Tax Collections (including tax district collections, interest and lien fees) received by the Treasurer for the year ended June 30, 2018.....	\$ 72,216,000
Reimbursement For Revenue Loss (Tax relief for elderly).....	-
Base for Debt Limitation Computation.....	\$ 72,216,000

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Pension</u>
Debt Limitation:					
2 1/4 times base.....	\$ 162,486,000	-	-	-	-
4 1/2 times base.....	-	\$ 324,972,000	-	-	-
3 3/4 times base.....	-	-	\$ 270,810,000	-	-
3 1/4 times base.....	-	-	-	\$ 234,702,000	-
3 times base.....	-	-	-	-	\$ 216,648,000
Total Debt Limitation.....	\$ 162,486,000	\$ 324,972,000	\$ 270,810,000	\$ 234,702,000	\$ 216,648,000
Indebtedness: ³					
Bonds Outstanding.....	\$ 20,461,676	\$ 41,873,324	\$ 3,431,429 ¹	\$ -	\$ -
Bonds – This Issue.....	4,200,000	-	-	-	-
Overlapping/Underlying Debt.....	794,692	-	8,783,962 ²	-	-
Debt Authorized But Unissued.....	3,926,562	2,010,088 ⁴	-	-	-
Total Net Indebtedness.....	29,382,930	43,883,412	12,215,391	-	-

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS.....	\$ 133,103,070	\$ 281,088,588	\$ 258,594,609	\$ 234,702,000	\$ 216,648,000
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¹ Includes Clean Water Fund Project Loan Obligation.

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

³ Excludes a \$10.3 million guaranteed energy savings performance contract and lease financing. As of June 30, 2019, \$9.1 million is outstanding. See "Energy Efficiency Projects" herein.

⁴ Takes into account expected grants. See "Authorized but Unissued Debt" herein.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$505,512,000

**Authorized but Unissued Debt
As of June 16, 2020
(Pro Forma)**

Project	Amount Authorized	Previously Bonded/ CWF Loan	Appropriations, Transfers & Grants Received	Premium Applied	This Issue: The Bonds	Authorized But Unissued Debt
Bridges (2020).....	\$ 2,600,000	\$ -	\$ -	\$ 360,000	\$ 2,240,000	\$ -
Road Improvement (2017)....	4,000,000	2,850,000	-	-	1,150,000	-
Athletic Field Imps. (2020)...	1,000,000	46,535	-	258,864	500,000	194,601
Fire Vehicles (2020).....	800,000	-	-	125,000	275,000	400,000
Fire Radio Upgrade (2019)....	1,440,000	1,200,000	-	15,000	35,000	190,000
Highway Wash Bay (2020)....	500,000	493,926	-	-	-	6,074
High School Renovations.....	84,950,000	50,574,268	32,698,644	-	-	1,677,088
Open Space (2003).....	2,000,000	1,050,000	350,000	-	-	600,000
Open Space (2006).....	2,000,000	790,000	-	-	-	1,210,000
Police Station.....	2,000,000	999,091	21,557	-	-	979,352
Railroad Pond Dam.....	1,700,000	1,500,000	-	-	-	200,000
Scalise Field Improvements...	1,100,000	953,465	-	-	-	146,535
School Security Vestibules ...	500,000	167,000	-	-	-	333,000
Total.....	\$ 104,590,000	\$ 60,624,285	\$ 33,070,201	\$ 758,864	\$ 4,200,000	\$ 5,936,650

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

Long-Term Debt¹	2019	2018	2017	2016	2015
Bonds.....	\$ 68,935	\$ 68,300	\$ 73,645	\$ 73,340	\$ 60,905
CWF	1,705	1,817	1,929	2,041	2,237
Sub-Total Long-Term Debt....	70,640	70,117	75,574	75,381	63,142
Short-Term Debt					
Bond Anticipation Notes.....	931	2,028	1,455	900	1,180
CWF IFO.....	-	-	-	-	-
Sub-Total Short-Term Debt....	931	2,028	1,455	900	1,180
Grand Total.....	\$ 71,571	\$ 72,145	\$ 77,029	\$ 76,281	\$ 64,322

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

Source: Town of Berlin Audited Financial Reports 2015-2019.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Net Long-Term Debt¹	Ratio of Net Long-Term Debt to Estimated Full Value (%)		Population²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income³
				Value (%)	Value (%)			
2019	\$ 2,213,221	\$ 3,161,744	\$ 68,935	3.11%	2.18%	20,519	\$ 3,359.57	6.91%
2018	2,194,716	3,135,309	68,300	3.11%	2.18%	20,519	3,328.62	6.85%
2017	2,213,256	3,161,795	73,645	3.33%	2.33%	20,519	3,589.11	7.38%
2016	2,192,605	3,132,293	73,340	3.34%	2.34%	20,519	3,574.25	7.35%
2015	2,177,155	3,110,221	60,905	2.80%	1.96%	20,519	2,968.22	6.11%

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

² Bureau of Census.

³ American Community Survey (2014-2018), Money Income Per Capita \$48,602.

Source: Town of Berlin Audited Financial Reports 2015-2019.

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

Fiscal Year Ended 6/30	Total Debt Service	Total General Fund Expenditures¹	Ratio of Total Debt Service To General Fund Expenditures
2020 (Est.)	\$ 9,979,959	\$ 98,809,123	10.1%
2019	8,273,308	93,425,482	8.9%
2018	7,970,898	92,477,509	8.6%
2017	7,005,979	89,824,730	7.8%
2016	6,322,214	83,938,322	7.5%
2015	4,191,395	81,575,994	5.1%
2014	4,233,698	80,272,358	5.3%
2013	2,835,086	75,999,553	3.7%
2012	2,816,529	74,712,363	3.8%
2011	1,666,540	70,220,067	2.4%

¹ Includes transfers out.

Source: Town of Berlin Finance Department.

VI. Financial Administration

Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

Basis of Accounting

See footnote number 1 in "Notes to Financial Statements."

Budget Procedure

In accordance with the Town Charter, all departments, boards, commissions, committees and agencies submit budget requests, including revenue estimates, to the Town Manager. The Town Manager prepares a proposed Town budget and presents said budget together with the budget of the Board of Education as submitted along with whatever analysis or comments desired to the Board of Finance. The Board of Finance prepares and recommends the total Town budget to the annual budget hearing to be held no later than the second Tuesday in April. Following the annual budget hearing, the Board of Finance recommends the Town budget to the Town Council. The Town Council determines the Town budget to be recommended for adoption at the Annual Town Budget Referendum. The Annual Town Budget Referendum is held on the last Tuesday in April. Should the budget not be adopted by the first referendum vote, the budget is returned to the Board of Finance to consider and recommend a second budget to the Town Council. The Town Council shall consider the second Board of Finance budget and send a budget to the second Annual Town Budget Referendum. Should the budget not be adopted by the second referendum, the budget is returned to the Board of Finance to recommend a third budget to the Town Council. The Town Council shall consider the Board of Finance recommended budget and adopt an annual Town budget for the ensuing fiscal year.

The Town's budget process must also anticipate the impact of the State's budget which proceeds simultaneously with the Town's. The Town expects State funding to be \$327,000 higher in fiscal year 2020 than in fiscal year 2019. This improvement is driven by a higher education cost sharing grant amount.

Connecticut General Statutes Section 4-661(h) (the "Act") reduces a municipality's revenue sharing grant if its general budget expenditures (as modified by the Act) in any fiscal year exceeds a threshold set forth in the Act. As a result of utilizing modified budget growth to reduce a municipality's revenue sharing grant the Act is sometimes popularly referred to as imposing a "spending cap". Beginning in fiscal year 2018, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose spending, with certain exceptions, exceeds the spending limits specified in the Act. Each fiscal year, OPM must determine the municipality's percentage growth in spending over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. However, for municipalities that taxed motor vehicles at more than 32.00 mills for the 2013 assessment year (for taxes levied in FY 15), the reduction may not exceed the difference between the amount of property taxes the municipality levied on motor vehicles for the 2013 assessment year and the amount the levy would have been had the motor vehicle mill rate been 32.00 mills. (See "Assessments" herein).

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

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

Coronavirus Disclosure

COVID-19. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread globally, including the United States, and to Connecticut, has been declared a pandemic by the World Health Organization. The spread of COVID-19 appears to be altering the behavior of businesses and people in a manner that is having negative effects on global and local economies. In addition, stock markets in the U.S. and globally have seen significant declines attributed to concerns over COVID-19, and is widely expected to affect economic growth worldwide. The degree of any such impact to the Town's operations and finances, is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. While the potential impact on the Town cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the Town and its economy.

Town Response

All Town buildings are closed to the public and the Town is following all of the emergency declarations that have been issued by the Governor. The schools are closed until further notice but are being evaluated on a regular basis. Town management, Regional Health District, School Leaders, and all emergency services are meeting on a regular basis to make changes that are needed based on the potential changing dangers. Any employees who are in the "high risk" category are being instructed to stay home until further notice. Other essential employees are being set up to work from home. Arrangements are being made for employees that have childcare issues due to the schools being closed. Only essential staff is reporting to work.

Property Tax Collection Impact

On March 10, 2020, the Governor of the State of Connecticut declared a public health and civil preparedness emergency and has issued several Executive Orders which supersede existing statutes, municipal charters, ordinances and other law during the emergency period. Included in the emergency orders are provisions with respect to tax collections. Executive Order 7S ("EO 7S") establishes a tax deferment program "Deferment Program" and a low interest rate program "Low Interest Rate Program", collectively, the "Tax Assistance Programs", to support eligible taxpayers, and others who have been economically affected by the COVID-19 pandemic. EO 7S requires municipalities to select and implement one or both of the Tax Assistance Programs by April 25, 2020.

The Deferment Program provides a 90 day deferment to pay taxes and municipal assessments and utilities. Further guidance from the Office of Policy and Management will address eligibility.

The Low Interest Rate Program reduces the interest rate that accrues on delinquent taxes to 3%: i) for 90 days from the date the tax is due or payable for taxes due and payable from March 10 through July 1, 2020; and ii) for taxes delinquent on or prior to March 10, during the 90 day period commencing April 1, 2020.

The Berlin Town Council voted on April 21, 2020 to offer the Low Interest Rate Program to residents and other taxpayers. The Low Interest Rate Program was selected after carefully reviewing the timing and magnitude of the Town's cash flow needs. While estimating tax collections under current circumstances is unprecedented, the Town does not anticipate the need to issue Tax Anticipation Notes (TANs), but management is evaluating a possible TAN resolution in the event actual results differ significantly from expected.

Capital Improvement Plan

A 5-year Capital Improvement Plan is adopted by the Town Council each year. The most recently adopted Capital Improvement Plan is set forth below. The Town expects to finance the capital projects through debt, grants and various Town resources.

Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the Town Charter, the Town is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management. The Town is in full compliance with said provisions.

Liability Insurance

See footnote number 12 in "Notes to Financial Statements."

Certificate of Achievement

The Town’s Comprehensive Annual Financial Report (“CAFR”) for the year ended June 30, 2019 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for the thirtieth consecutive year. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Pensions

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

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

The Town implemented Government Accounting Standards Board (“GASB”) Statement No. 67 in fiscal year 2015. The pension plan has a net pension liability of \$8,748,606 at June 30, 2018 as of the July 1, 2016 valuation date which represents a decrease of approximately \$0.4 million from the net pension liability as June 30, 2017. This liability reflects a reduction in the pre-retirement expected rate of return from 4% to 3.5%. There are approximately 13 members still in active service who participate in the defined benefit plan. 12 of the remaining 13 defined benefit plan participants are expected to retire over the next ten years and to request the lump sum benefit payment option available under the plan. The Town anticipates the timing of the lump sum claims may exhaust available pension assets. Pursuant to the general statute the Town will have the option to finance these claims with pension obligation bonds or notes in the event the timing of the claims cause required payments to exceed plan assets. The Town intends to continue to fund the plan’s actuarially-determined contribution. The pension liability continues to represent a relatively low percentage of the budget.

Net Pension Liability

The components of the net pension liability of the Town at June 30, 2019 were as follows:

Total Pension Liability	\$	8,884,595
Plan Fiduciary Net Position		<u>1,510,695</u>
Total Net Pension Liability	\$	<u>7,373,900</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		17.00%

Schedules of Contributions

	<u>2020¹</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution.....	\$ 1,574,231	\$ 1,606,701	\$ 1,448,395	\$ 913,803	\$ 918,862
Contributions in Relation to the Actuarially Determined Contribution.....	1,574,231	1,606,701	1,448,694	700,399	700,537
Contribution Deficiency (Excess).....	\$ -	\$ -	\$ (299)	\$ 213,404	\$ 218,325
Contributions as a Percentage of ADC.....	100.00%	100.00%	100.02%	76.65%	76.24%
Covered Payroll.....	\$ 1,283,094	\$ 1,249,673	\$ 1,343,801	\$ 1,452,932	\$ 1,585,622
Contributions as a Percentage of Covered Payroll.....	122.69%	128.57%	107.81%	48.21%	44.18%

¹ Budgeted amounts.

Changes of Assumptions

For the year ended June 30, 2019 the expected rate of return (net of investment-related and administrative expenses) was increased from 2.80% to 3.05% for post-retirement.

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

The following represents the net pension liability of the Town, 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	Current	1% Increase
	(2.50%)	Discount Rate	(4.50%)
	(3.50%)		
Employees' Net Pension Liability	\$ 9,244,940	\$ 7,373,900	\$ 5,833,306

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

Other Post-Employment Benefits

The Town makes available health insurance and other benefits to certain eligible retirees and their spouses according to various collective bargaining agreements. Retired program members and beneficiaries currently receiving benefits are required to contribute 100% towards the cost of receiving those benefits under the Town's self-insured medical benefits program. The Town's liability is solely from the implicit rate subsidy calculation, and the net OPEB obligation for fiscal year ending June 30, 2019 was \$7,720,741. The Town implemented GASB 75 at June 30, 2018.

Changes in Net OPEB Liability

	2019	2018
OPEB Liability		
Service Cost.....	\$ 243,686	\$ 271,596
Interest.....	237,407	217,457
Differences Between Expected and Actual Experience.....	401,380	-
Changes in Assumptions.....	1,064,531	(186,700)
Benefit Payments, Including Refunds of Member Contributions.....	(231,992)	(196,773)
Net Change in Total OPEB Liability.....	1,715,012	105,580
OPEB Liability-July 1.....	6,005,729	5,900,149
OPEB Liability-June 30.....	<u>\$ 7,720,741</u>	<u>\$ 6,005,729</u>
Covered Payroll.....	<u>\$ 31,377,144</u>	<u>\$ 30,769,557</u>
Total OPEB Liability as a Percentage of Covered Payroll.....	<u>24.61%</u>	<u>19.52%</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following represents the net OPEB liability of the Town, calculated using the discount rate of 3.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease	Current	1% Increase
	(2.50%)	Discount Rate	(4.50%)
	(3.50%)		
OPEB Liability.....	\$ 8,954,908	\$ 7,720,741	\$ 6,716,617

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Rate

The following presents the net OPEB liability of the Town as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are percentage point lower decreasing to or percentage point higher decreasing to than the current healthcare cost trend rates:

	1% Decrease	Current Health Care Trend Rates	1% Increase
OPEB Liability.....	\$ 6,505,423	\$ 7,720,741	\$ 9,278,019

Compensated Absences

Accumulated unpaid vacation time is accrued by the Town and Board of Education. Town employees are required to use vacation time by June 30 of each year; however, employees may request to have their time extended by the Town Manager past June 30 to October 31. The total value of accrued vacation, sick and compensatory time at June 30, 2018 is \$799,795.

The accrued vacation, sick, and separation pay amounts are reported in the government-wide statement of net assets. The General Fund and the Water/Sewer Enterprise Fund are used to liquidate the compensated absence liabilities. For more information regarding the Town's Pension and other post retirement plans including statistics, assumptions and funding levels. See Note 4 "Pension and Other Post Retirement Plans", Exhibit A.

Energy Efficiency Projects

During 2015 and 2016, the Town entered into two energy-savings project agreements. The first agreement was with NORESCO. This agreement allows for the funding of energy efficiency projects in both town and school facilities. The second agreement was with Tanko Lighting. Under this agreement, the Town purchased certain streetlights from the local utility Eversource. The lights will be replaced with more energy-efficient LED lights. These projects were financed by a \$10,340,341 twenty-year lease financing through Banc of America Public Capital Corp.

Risk Management

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

The General Insurance Fund receives funds from various funds and departments. The fund purchases insurance and provides ancillary services for the administration of this fund and accumulates reserves. Other than agreed-upon deductibles, claims have not exceeded insurance coverage in any of the past three years. Worker's Compensation coverage, which makes up the largest component of the general insurance needs, is provided by insurance through the Connecticut Interlocal Risk Management Association. The Town examines the coverage annually.

The Medical and Health Insurance Fund also receives funds from various funds and departments. The funds are used to purchase medical and health insurance and provide ancillary services. This fund is used to pay claims and administrative fees directly to Anthem Blue Cross/Blue Shield. The Town does not have to pay the State insurance premium tax to the State, since a self-insurance fund is not subject to this tax. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. These liabilities amounted to \$655,604 in the Medical and Health Insurance Fund at June 30, 2019.

Enterprise Fund

The Town maintains an enterprise fund for its water and sewer operations, which is intended to be self-supporting through user fees charged to their customers. As of June 30, 2019, the increase in net position after transfers for the Water and Sewer Fund was \$19,162.

Investment Policy

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the statutes cover specific municipal funds with particular investment authority. The provisions of the statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan. The Pension Trust Fund operates under a trust agreement, and investments are allowed in fixed-income securities; e.g., notes, bills, bonds and insurance contracts. Investments in the Deferred Compensation Plan held by ICMA are in various mutual funds.

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

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

	<i>Budget</i> ¹	<i>Budget</i> ¹	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Revenues:	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Property Taxes	\$ 80,232,952	\$ 78,334,200	\$ 76,554,167	\$ 71,746,019	\$ 68,126,071	\$ 66,691,876
Intergovernmental	13,062,896	13,210,489	13,468,014	17,080,557	17,531,502	13,312,658
Income on Investments	500,000	300,000	982,225	487,630	241,457	205,543
Other (including Charges for Services)	4,466,439	6,964,434	3,963,961	3,928,219	4,193,750	4,214,724
Total Revenues	98,262,287	98,809,123	94,968,367	93,242,425	90,092,780	84,424,801
Expenditures:						
General government	4,823,524	5,931,089	5,118,990	4,817,216	4,432,950	4,210,624
Public Safety	9,858,886	9,605,347	9,123,139	8,623,104	8,655,408	8,475,475
Health and Welfare	2,729,249	2,669,846	2,397,489	2,439,955	2,481,050	2,346,925
Physical Services	7,873,792	7,581,616	7,533,210	7,135,797	7,145,011	7,560,375
Parks & Recreation, and Libraries	4,587,229	4,244,763	3,939,914	3,709,905	3,870,709	3,893,801
Community Development	988,277	897,979	822,361	782,894	757,708	693,903
Education	57,690,763	56,224,019	53,278,145	55,662,839	54,263,656	49,476,881
Debt Service	8,778,567	9,979,959	8,273,308	7,970,898	7,005,979	6,322,214
Capital Outlays	-	274,419	-	-	-	31,828
Total Expenditures	97,330,287	97,409,037	90,486,556	91,142,608	88,612,471	83,012,026
Revenues over (under) expenditures	932,000	1,400,086	4,481,811	2,099,817	1,480,309	1,412,775
Other Financing Sources Uses:						
Issuance of Refunding Bonds	-	-	-	-	-	10,920,000
Premium on Financing	-	-	-	-	165,207	2,290,415
Payments to Escrow Agents	-	-	-	-	-	(12,085,509)
Issuance of Capital Leases	-	-	-	-	-	31,828
Operating Transfers In	-	-	18,019	8,639	6,800	69,610
Operating Transfers (Out)	(932,000)	(1,400,086)	(2,938,926)	(1,334,901)	(1,212,259)	(926,296)
Total other Financing Sources (uses)	(932,000)	(1,400,086)	(2,920,907)	(1,326,262)	(1,040,252)	300,048
Revenues and other financing sources over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ 1,560,904	\$ 773,555	\$ 440,057	\$ 1,712,823

¹ Budgetary basis, subject to audit.

Analysis of General Fund Equity

	<i>Adopted</i>					
	<i>Budget</i> ¹	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Nonspendable	N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	N/A	46,214	206,994	577,833	398,567	327,968
Assigned	N/A	1,634,565	2,837,000	2,638,395	2,300,000	1,800,000
Unassigned	N/A	14,949,335	12,025,216	11,079,427	11,157,031	10,014,792
Total Fund Balance	N/A	\$ 16,630,114	\$ 15,069,210	\$ 14,295,655	\$ 13,855,598	\$ 12,142,760

¹ Budgetary basis, subject to audit.

VII. Legal and Other Information

Litigation

The Town of Berlin, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. Town Officials believe, after consulting with Corporation Counsel, that such pending litigation will not be finally determined, individually or in the aggregate, so as to result in final judgments against the Town which would have a material adverse effect on the Town's financial position.

Documents Furnished at Delivery

The original purchaser of the Bonds will be furnished the following documentation when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the Town, signed by the Mayor, Town Manager, Treasurer and Finance Director which will be dated the date of delivery, which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds were accepted the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, substantially in the forms of Appendix B attached hereto.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the forms of Appendix C attached hereto.
6. The Issuer will provide to the winning bidder of the Bonds 25 copies of the Official Statement prepared for this Bond issue at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidders at their own expense by arrangement with the printer. If the Issuer's municipal advisor is provided with the necessary information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the principal office of the Certifying Agent, U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103 and may be examined upon reasonable request.

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Concluding Statement

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or in part for any other purpose.

The following officials, in their capacity as officers of the Town, and in the name and on behalf of the Town, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

TOWN OF BERLIN, CONNECTICUT

By: */S/ Mark H. Kaczynski*
MARK H. KACZYNSKI, *Mayor*

By: */S/ Arosha Jayawickrema*
AROSHA JAYAWICKREMA, *Town Manager*

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

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

Dated: June 2, 2020

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Appendix A

2019 Financial Statements Excerpted from the Town's Annual Financial Report

The following includes the General Purpose Financial Statements of the Town of Berlin, Connecticut for the fiscal year ended June 30, 2019. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors LLC, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 878-4945.

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Independent Auditors' Report

**Town Council
Town of Berlin, Connecticut**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2019, 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 from 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Town Council
Town of Berlin, Connecticut**

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the pension and other post-employment benefit schedules, as listed 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 introductory section, supplemental schedules and statistical information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Town Council
Town of Berlin, Connecticut**

Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
December 10, 2019



TOWN OF BERLIN

Finance Department

240 KENSINGTON ROAD • TOWN HALL • BERLIN CT 06037

Management's Discussion and Analysis For the Year Ended June 30, 2019 (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, 2019. Please read this Management Discussion and Analysis ("MD&A") in conjunction with the transmittal letter and the Town's financial statements, Exhibits A to J. All amounts are expressed in thousands unless otherwise noted.

Financial Highlights

- The Town's total net position increased by \$11,258 or 9.0% as a result of this year's operations. Net position of the Town's governmental activities increased by \$11,238 or 10.6% and net position of the Town's business-type activities increased by \$20 or 0.1%.
- The total cost of all of the Town's programs increased by \$393 or 0.4% to \$95,872 with no new programs added this year. This compares to a decrease of 1.2% in the prior year. Increases in School spending were partially offset by a decrease in physical services. School cost increase was driven by labor cost increases, the expansion of school security efforts and higher on-behalf payments made by the State of Connecticut for the Town's share of teacher other post-employment benefit costs. The reduction in physical services was driven by more expenditures being capitalized than in previous years.
- The General Fund ending fund balance was \$16,630, an increase of \$1,561 or 10.4%, from the previous year. The increase was due to the proceeds of a tax sale, higher than expected state education grants, proactive management of cash deposits to maximize interest earnings held at highly collateralized institutions and rigorous cost management. The unassigned portion of fund balance increased by a total of \$2,924 or 24.3%. In addition to the total fund balance drivers identified above, unassigned fund balance increased because the Town elected not to assign as much fund balance for pension costs within the fiscal year 2020 budget process. It is expected these funds will be appropriated during fiscal year 2020 to help fund the cost of lump sum payouts under the closed defined benefit plan.
- The Capital Projects Fund reported a total fund balance this year of \$11,225, an increase of \$6,381, or 131.7%, from the previous year. The increase was driven by two bridge replacement projects, a \$1.7 million renovation of the Railroad Pond Dam, new security vestibules at the middle school and three elementary schools, continued road and sidewalk replacements and the issuance of debt and transfers in for these projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information as well as the basic financial statements.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as the net position. Over time, increases or decreases in net position serve as a useful indicator of the Town's financial health. Other non-financial events such as the impact of changes in the Town's tax base or infrastructure should also be considered when evaluating the Town's financial health.

The *statement of activities* presents information showing how the Town's net position changed during the year. In this statement, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is actually received or paid. Therefore, revenues and expenses are reported in this statement for some items whose cash flow may occur in a future fiscal period. Taxes uncollected but levied or vacation leave unused but earned are examples of this.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, community development, public safety, physical services, parks, recreation and libraries, health and human services and schools. The business-type activities of the Town include water and sewer.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town can be divided into the following three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

For governmental funds, the Town presents separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund which are considered to be major funds. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report (on Exhibits C, D and E).

Proprietary Funds - The Town uses two different types of proprietary funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to report the activities of the water and sewer. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions.

The Town uses internal service funds to account for its employees and retirees' self-insured medical benefits and to provide general insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund. The Water and Sewer Fund is considered a major fund.

The basic proprietary fund financial statements can be found on Exhibits F, G, and H.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibits I and J.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on Exhibit K of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and retiree medical benefits to employees. This and other required supplementary information can be found immediately following the notes to financial statements.

The Town adopts an annual budget for its General Fund. Budgetary comparison statements have been provided to demonstrate compliance with the budget (RSI-1A and RSI-1B).

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

Government-Wide Financial Analysis

The Town's combined net position increased from \$124,858 to \$136,116. 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	
	2019	2018	2019	2018	2019	2018
				<i>(as restated)</i>		<i>(as restated)</i>
Current and other assets	\$ 39,217	\$ 31,717	\$ 7,112	\$ 6,529	\$ 46,329	\$ 38,246
Capital assets	180,426	176,422	16,002	14,152	196,428	190,574
Total assets	<u>219,643</u>	<u>208,139</u>	<u>23,114</u>	<u>20,681</u>	<u>242,757</u>	<u>228,820</u>
Deferred outflows of resources	2,252	2,350	2	-	2,254	2,350
Current and other liabilities	13,030	7,510	906	109	13,936	7,619
Non-current liabilities	91,379	96,710	3,435	1,817	94,814	98,527
Total liabilities	<u>104,409</u>	<u>104,220</u>	<u>4,341</u>	<u>1,926</u>	<u>108,750</u>	<u>106,146</u>
Deferred inflows of resources	145	166	-	-	145	166
Net position						
Net investment in capital assets	98,574	93,713	12,364	12,335	110,938	106,048
Restricted	959	841	-	-	959	841
Unrestricted	<u>17,808</u>	<u>11,549</u>	<u>6,411</u>	<u>6,420</u>	<u>24,219</u>	<u>17,969</u>
Total net position	<u>\$ 117,341</u>	<u>\$ 106,103</u>	<u>\$ 18,775</u>	<u>\$ 18,755</u>	<u>\$ 136,116</u>	<u>\$ 124,858</u>

Net position of the Town's governmental activities increased by 10.6%. The increase was driven by substantial capital investments in schools and infrastructure (mostly bridges and roads) in addition to the monies from one-time revenue sources. Most of the one-time revenues were not expended by year-end and are available to the Town's unfunded pension liability, service the Town's current debt or mitigate the need for future bonding.

Authorized General Fund budget appropriations for operating expenditures of approximately \$1.9 million remained unspent at year end; this is the result of aggressive expenditure management 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 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 \$0.2 million below budget (including the use of fund balance during the budget process) driven by the proceeds of a tax sale, higher than budgeted interest on cash reserves and higher than budgeted State education grants. The Town maintained a high tax collection ratio of 99.1%.

The narrative following Table 2 includes a more specific discussion of revenue and expense variations by category.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

Table 2
Changes in Net Position
(In Thousands)

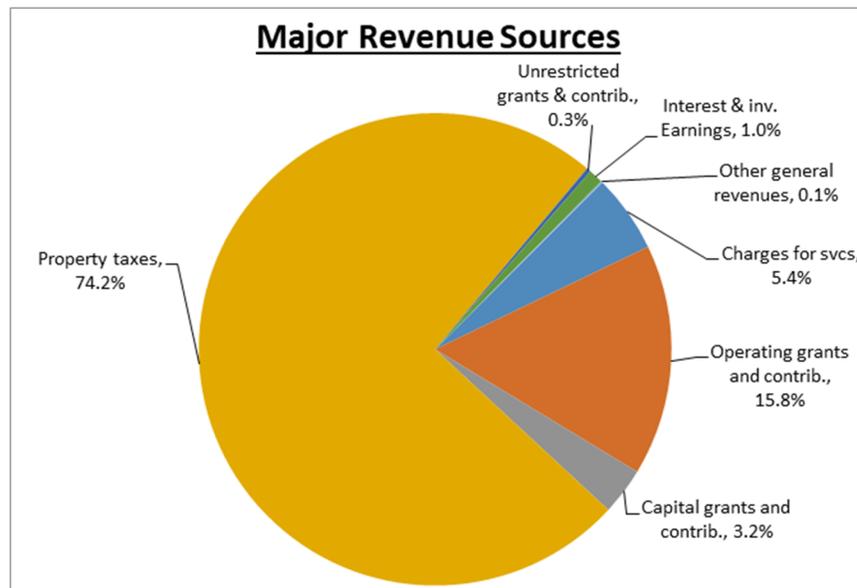
	Governmental Activities		Business-Type Activities		Total Government	
	2019	2018 <i>(as restated)</i>	2019	2018	2019	2018 <i>(as restated)</i>
Revenues						
Program revenues						
Charges for services	\$ 5,524	\$ 4,468	\$ 3,826	\$ 4,376	\$ 9,350	\$ 8,844
Operating grants and contributions	16,331	16,015	30	-	16,361	16,015
Capital grants and contributions	3,324	2,324	-	-	3,324	2,324
General revenues						
Property taxes, interest and liens	76,578	70,904	-	1	76,578	70,905
Grants and contributions not restricted to specific programs	303	78	-	-	303	78
Investment income	1,029	522	85	88	1,114	610
Other	92	228	8	13	100	241
Total revenues	<u>103,181</u>	<u>94,539</u>	<u>3,949</u>	<u>4,478</u>	<u>107,130</u>	<u>99,017</u>
Program expenses						
General government	3,816	4,088	-	-	3,816	4,088
Community development	871	1,434	-	-	871	1,434
Public safety	10,798	11,412	-	-	10,798	11,412
Physical services	7,210	8,699	-	-	7,210	8,699
Parks, recreation and libraries	4,537	4,334	-	-	4,537	4,334
Health and human services	2,575	2,691	-	-	2,575	2,691
Schools	59,989	56,706	-	-	59,989	56,706
Interest	2,152	2,193	-	-	2,152	2,193
Water and sewer services	-	-	3,924	3,922	3,924	3,922
Total expenses	<u>91,948</u>	<u>91,557</u>	<u>3,924</u>	<u>3,922</u>	<u>95,872</u>	<u>95,479</u>
Excess (deficiency) before transfers	11,233	2,982	25	556	11,258	3,538
Transfers in (transfers out)	<u>5</u>	<u>9</u>	<u>(5)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>
Change in net position	11,238	2,991	20	547	11,258	3,538
Net position - beginning of year	106,103	103,112	18,755	17,273	124,858	120,385
Prior period adjustments	-	-	-	935	-	935
Net position - end of year	<u>\$ 117,341</u>	<u>\$ 106,103</u>	<u>\$ 18,775</u>	<u>\$ 18,755</u>	<u>\$ 136,116</u>	<u>\$ 124,858</u>

The Town's total revenues (governmental and business-type) were \$107,130. The total cost of all programs and services (governmental and business-type) was \$95,872. The analysis below separately discusses the operations of governmental and business-type activities.

Governmental Activities

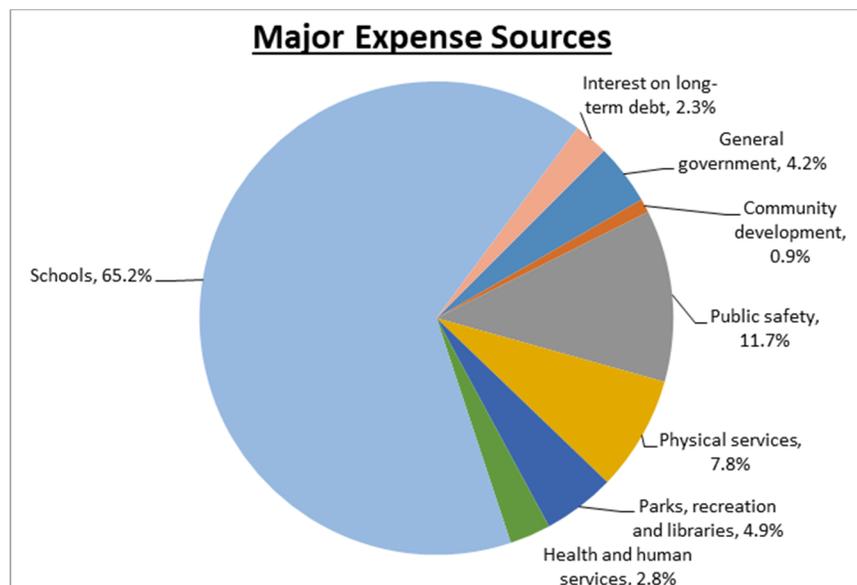
As the graphs below display, the largest source of revenues was property taxes and the largest cost driver was schools. While grants and public safety were smaller, each was also a significant contributor to revenues and expenses, respectively.

**Town of Berlin, Connecticut
 Management's Discussion and Analysis (continued)
 (Thousands)**



Major revenue factors include:

- Property tax revenue increased \$5,674 or 8.0% driven by an increase in budgeted expenditures not covered by user fees and grants. The increased budgeted expenditures were focused on school security, refuse removal (as a result of the Chinese embargo on recyclable products) and increases in employee wage and health insurance costs.
- Combined revenue from capital and operating grants and contributions increased from the prior fiscal year by \$1,316, or 7.2%. The primary reasons for this increase were higher total State education grants and reimbursement for the costs of several capital projects and an increase in State teachers on behalf payments.
- Unrestricted governmental investment income increased from \$522 in the prior fiscal year to \$1,029 in the current year. The increase in investment income is the result of improved interest rates and the continued effort by management to invest in safe, higher yielding money market funds.



Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

Major expense factors include:

- As a percent of total expenses, there was an overall shift towards education as schools increased 3.3 percentage points. Offsetting this increase in education spending were decreases in physical services (1.6 percentage points), public safety (0.7 percentage points), community development (0.6 percentage points) and general government (0.3 percentage points).
- Education costs increased due to investments in school security and because of higher wage and health insurance costs.
- Lower non-education spending was the result of several management practices, including:
 - The 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,
 - Actively reviewing and evaluating all positions as people retire or leave town employment, and
 - Purchasing used or discounted supplies and furniture where possible.
- 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. There were no open Town union contracts June 30, 2019. On the Board of Education side, one contract expired on June 30, 2019 and was being negotiated.
- Three net full time Town positions were removed during fiscal year 2019. Four positions were eliminated when the Homemaking Department was closed, and one position was added in the Library. For the Board of Education, there was a net reduction of sixteen teaching and support positions.
- 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 made the plan mandatory by the end of fiscal year 2019. 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.
- 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 most recently negotiated Police contract 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.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General government	\$ 3,816	\$ 4,088	\$ 2,431	\$ 2,897
Community development	871	1,434	244	306
Public safety	10,798	11,412	10,296	10,928
Physical services	7,210	8,699	4,647	5,734
Parks, recreation and libraries	4,537	4,334	3,244	2,829
Health and human services	2,575	2,691	1,482	1,563
Schools	59,989	56,706	42,275	41,782

Business-Type Activities

Revenues from the Town's business-type activities (see Table 2) decreased 11.8% and expenses (including transfers) were flat to the prior year.

The decrease in revenues was driven by lower volumes partially offset by a rate increase implemented in January 2019. The January 2019 increase was the first increase since July 1, 2015. This rate increase allowed the Town to maintain its net position, in spite of the volume decline, and continue to make critical maintenance capital investments.

Financial Analysis of the Town's Funds

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$29,065, which is a 38.2% increase from last year's total of \$21,039. This increase was driven by the collection of back taxes, proactive management of earnings on investments and debt issuance and grants received on capital projects.

Included in this year's total change in governmental fund balance is an increase of \$1,561 in the Town's General Fund, compared to an increase of \$774 in the prior year. The drivers of the increase in fund balance within the General Fund were from both lower expenditures and higher revenues. The higher revenues nearly offset all of the assigned fund balance in the fiscal year 2019 budget.

Property tax revenues recorded for fiscal year 2019 reflect a tax rate of 32.50 mills, an increase of 0.89 mills over the rate used in the previous fiscal year of 31.61, a continued strong collection rate of 99.1% and a grand list increase of 5.2%. The grand list growth was impacted by a revaluation as prescribed by Connecticut General Statutes. The increase was driven by all three categories: real estate values increased by 4.9%, personal property values increased by 5.5% and motor vehicle values increased by 8.1%. The net effect of grand list changes, increased mill rate and tax sale proceeds resulted in increased property tax receipts of \$5,673.

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 final State budget resulted in \$721 of higher total State funding to the Town than was included in the Town's adopted budget.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

Interest earnings exceeded budget because of proactive reallocation of cash to higher yielding securities that also meet the Town's investment quality thresholds. Quarterly, the Town reviews the collateral position of each bank where it deposits funds, and utilizes the high quality State Treasurer's Investment Fund to safely enhance returns.

Expenditures were \$1.9 million below budget because of unplanned vacancies in various departments, including: Police, Town Clerk, Public Works, Facilities and the Library. While the Town managed through these vacancies with existing staff and, where possible, delaying services, these favorable variances are not expected to repeat. As a result, the Town remains judicious in the use of these surplus funds to avoid generating increased operating costs that need to be budgeted for in future fiscal years.

In the Capital Projects Fund, \$6,088 was expended for asset acquisitions and improvements, most notably road and bridge improvements, repairs to the Railroad Pond Dam and enhancements to school security at each of the five schools. These capital expenditures were funded through a combination of intergovernmental grants, bond and bond anticipation note proceeds and transfers in.

Proprietary Funds

As the Town completed the year, its business-type proprietary funds (as presented in the balance sheet - Exhibit F) reported combined net position of \$18,775 which is an increase of \$20 or 0.1% from the previous year's total of \$18,755.

Internal Service Funds

The internal service funds experienced a combined decrease in net position of \$798, or 31.0% as compared to the prior year. The major driver of this decrease was higher claims in the Medical and Health Insurance fund due to several large medical claims. 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. Further, in an effort to increase participation in the high deductible plan, both the Town and Board of Education deposited 50% of the annual deductible into members' health savings account.

Capital Assets and Long-Term Liabilities

Capital Assets

The Town had a \$196,428 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 of \$5,854 or 3.1%.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

Table 4
Capital Assets at Year-End (Net of Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 23,572	\$ 23,572	\$ 1,415	<i>(as restated)</i> \$ 1,415	\$ 24,987	<i>(as restated)</i> \$ 24,987
Intangible assets	-	-	565	565	565	565
Construction in progress	7,306	83,266	3,817	2,285	11,123	85,552
Land improvements	3,457	3,371	-	-	3,457	3,371
Buildings and systems	112,268	34,393	996	1,001	113,264	35,394
Machinery and equipment	8,140	8,007	407	199	8,547	8,205
Infrastructure	25,683	23,813	8,802	8,687	34,485	32,501
Totals	\$ 180,426	\$ 176,422	\$ 16,002	\$ 14,152	\$ 196,428	\$ 190,574

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

Street Replacements	\$ 1,334
High Road Bridge	875
Security Vestibules	604
Burnham Street Bridge	512
Railroad Pond Dam	487

More detailed information about the Town's capital assets is presented in Note III D to the financial statements.

Debt

The Town had \$68,935 in general obligation bonds outstanding versus \$68,300 last year, an increase of \$635. The increase was the result of a new issue for general purpose capital improvements and rolling \$2.8 million of short-term notes into long-term bonds, reduced by scheduled bond repayments. The Town maintains a Capital Improvement Plan as well as a Debt Issuance Plan to track projects that need to be completed and identify funding for such projects.

The Town had \$9,452 in equipment financing notes versus \$9,754 last year, a decrease of \$302. The decrease was a result of scheduled principal payments.

Bond anticipation notes of \$931 were outstanding at year end. These notes helped fund improvements to basketball/tennis courts, installation of a whole-school generator at the high school, road and bridge repairs, business continuity initiatives and the purchase of three highway trucks.

Debt service expenditures are expected to level off and begin declining over the next few years as new borrowing for critical infrastructure projects will be offset by the repayment of existing debt. The Town will review future debt issuances critically with the goal of lowering the overall debt level.

Standard & Poor's Rating Services raised the Town's general obligation bond rating to AAA (from AA+) in June 2019. The Town's Bond Anticipation Notes were rated SP-1+ with Standard & Poor's Rating Services.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

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 \$505,509.

Other long-term obligations include accrued compensated absences (vacation pay and sick leave), heart and hypertension, a net pension liability, and an implicit liability for other post-employment benefits. More detailed information about these long-term liabilities is presented in Note III F & Note III G to the financial statements.

The Town has two twenty-year 2% loans with the State of Connecticut Department of Energy and Environmental Protection's Clean Water Fund ("Clean Water Fund") in order to fund inflow and infiltration projects. At the end of the fiscal year, the Town was near completion of the second inflow and infiltration project. This project was funded with an interim financing loan from the Clean Water Fund. The project was completed early in fiscal year 2020 and the interim financing was converted to a permanent Clean Water Fund loan on October 30, 2019. These projects are accounted for in the Water and Sewer Enterprise Fund and are funded exclusively by a separate charge on customer bills. The future debt service for the loans is \$4,270 (\$3,639 principal and \$631 interest). More detailed information about these two loans is presented in Note III G to the financial statements.

Economic Factors and Next Year's Budgets and Rates

General Fund appropriations totaled \$90,192 in the fiscal year 2020 budget. This is an increase of approximately 2.6% over fiscal year 2019 and resulted in a tax mill rate increase of 1.43 to 33.93 mills. This mill rate increase is consistent with recent years as debt service payments and increased funding for school security and school operations impacted the tax rate.

The 2018 Grand List increased 0.4% over 2017. 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 2020 General Fund budget includes \$1,191 of assigned General Fund balance in order to mitigate the tax increase and partially fund the actuarially determined contribution. After fiscal year 2019 closed, the Town assigned \$444 of the fiscal year fund balance to retire all outstanding bond anticipation notes when they expire in January 2020.

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 \$80 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 93.5% of the fiscal year 2019 intergovernmental grant revenue budget and 6.9% of the total revenue budget. As the State considers education grant funding going forward, the Town is handling the uncertainty with tight expense management, evaluating capital requests carefully and taking steps to reduce long-term liabilities.

Town of Berlin, Connecticut
Management's Discussion and Analysis (continued)
(Thousands)

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. 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 and will seek to avoid issuing bonds to meet its pension obligation.

Overall, financial results were favorable to the Town for fiscal year 2019 due to successful expenditure and revenue management efforts. The Town did not have to use any of the \$2,600 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 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.

The Town's unemployment rate continued to be less than the State, regional and national averages. As of June 2019, the unemployment rate in Berlin was 3.3% (not seasonally adjusted) compared to 3.9% in the Hartford Labor Market Area, 3.9% in the State of Connecticut and 3.8% in the United States.

Requests for Information

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.

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Basic Financial Statements

Town of Berlin, Connecticut

Statement of Net Position
June 30, 2019

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash	\$ 9,031,235	\$ 1,231,625	\$ 10,262,860
Investments	25,655,638	4,752,906	30,408,544
Receivables:			
Property taxes	765,779	-	765,779
Special assessments and connection charges	-	21,607	21,607
Usage	-	736,724	736,724
Accounts	319,043	29,950	348,993
Intergovernmental	1,574,249	300,750	1,874,999
Internal balances	482	(482)	-
Other	40,021	-	40,021
Total current assets	<u>37,386,447</u>	<u>7,073,080</u>	<u>44,459,527</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash	621,463	-	621,463
Investments	490,227	-	490,227
Permanently restricted:			
Investments	68,297	-	68,297
Total restricted assets	<u>1,179,987</u>	<u>-</u>	<u>1,179,987</u>
Real estate investments	<u>281,572</u>	<u>-</u>	<u>281,572</u>
Receivables (net):			
Property taxes	365,328	-	365,328
Usage	-	38,597	38,597
Loan	3,867	-	3,867
Total receivables (net)	<u>369,195</u>	<u>38,597</u>	<u>407,792</u>
Capital assets (net of accumulated depreciation):			
Land	23,571,916	1,415,112	24,987,028
Intangible assets	-	564,551	564,551
Construction in progress	7,306,340	3,817,205	11,123,545
Land improvements	3,456,286	-	3,456,286
Buildings and systems	112,267,990	995,868	113,263,858
Machinery and equipment	8,140,131	407,599	8,547,730
Infrastructure	25,682,920	8,802,133	34,485,053
Total capital assets (net of accumulated depreciation)	<u>180,425,583</u>	<u>16,002,468</u>	<u>196,428,051</u>
Total noncurrent assets	<u>182,256,337</u>	<u>16,041,065</u>	<u>198,297,402</u>
Total assets	<u>219,642,784</u>	<u>23,114,145</u>	<u>242,756,929</u>
<u>Deferred Outflows of Resources</u>			
Pension related	511,819	-	511,819
OPEB related	1,314,750	1,578	1,316,328
Deferred charge on refunding	425,089	-	425,089
Total deferred outflows of resources	<u>2,251,658</u>	<u>1,578</u>	<u>2,253,236</u>

(Continued)

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

Town of Berlin, Connecticut

Statement of Net Position
June 30, 2019

<u>Liabilities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 2,706,044	\$ 388,366	\$ 3,094,410
Retainage payable	121,658	-	121,658
Accrued payroll and related liabilities	563,272	12,607	575,879
Accrued interest payable	260,886	-	260,886
Unearned revenue	768,635	278,708	1,047,343
Bond anticipation notes	931,000	-	931,000
Bonds and notes payable	6,928,068	224,602	7,152,670
Compensated absences	78,978	2,005	80,983
Claims payable	655,604	-	655,604
Heart and hypertension	2,000	-	2,000
Other liabilities	13,015	-	13,015
	<u>13,029,160</u>	<u>906,288</u>	<u>13,935,448</u>
Total current liabilities			
Noncurrent liabilities:			
Performance bonds	1,076,993	-	1,076,993
Bonds and notes payable and related liabilities	74,417,879	3,414,053	77,831,932
Compensated absences	447,540	11,362	458,902
Heart and hypertension	351,354	-	351,354
Net pension liability	7,373,900	-	7,373,900
OPEB liability	7,711,486	9,255	7,720,741
	<u>91,379,152</u>	<u>3,434,670</u>	<u>94,813,822</u>
Total noncurrent liabilities			
Total liabilities	<u>104,408,312</u>	<u>4,340,958</u>	<u>108,749,270</u>
<u>Deferred Inflows of Resources</u>			
OPEB related	<u>145,493</u>	<u>175</u>	<u>145,668</u>
<u>Net Position</u>			
Net investment in capital assets	98,573,725	12,363,813	110,937,538
Restricted for:			
Endowments:			
Nonexpendable	68,297	-	68,297
Expendable	34,697	-	34,697
Community development	15,845	-	15,845
Public safety	22,158	-	22,158
Health and human services	2,466	-	2,466
Parks, recreation and libraries	306,559	-	306,559
Schools	508,540	-	508,540
Unrestricted	<u>17,808,350</u>	<u>6,410,777</u>	<u>24,219,127</u>
Total net position	<u>\$ 117,340,637</u>	<u>\$ 18,774,590</u>	<u>\$ 136,115,227</u>

(Concluded)

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

Town of Berlin, Connecticut
Statement of Activities
For the Year Ended June 30, 2019

25

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,816,314	\$ 1,180,161	\$ 190,583	\$ 14,677	\$ (2,430,893)	\$ -	\$ (2,430,893)
Community development	871,365	77,964	5,430	543,703	(244,268)	-	(244,268)
Public safety	10,798,326	420,711	81,723	-	(10,295,892)	-	(10,295,892)
Physical services	7,209,815	144,135	-	2,418,992	(4,646,688)	-	(4,646,688)
Parks, recreation and libraries	4,537,299	1,292,926	-	-	(3,244,373)	-	(3,244,373)
Health and human services	2,574,970	1,072,665	20,273	-	(1,482,032)	-	(1,482,032)
Schools	59,988,156	1,335,080	16,032,697	346,286	(42,274,093)	-	(42,274,093)
Interest	2,151,670	-	-	-	(2,151,670)	-	(2,151,670)
Total governmental activities	91,947,915	5,523,642	16,330,706	3,323,658	(66,769,909)	-	(66,769,909)
Business-type activities:							
Water and sewer services	3,924,508	3,825,854	29,774	-	-	(68,880)	(68,880)
Total	\$ 95,872,423	\$ 9,349,496	\$ 16,360,480	\$ 3,323,658	(66,769,909)	(68,880)	(66,838,789)
General revenues:							
Property taxes					76,578,603	216	76,578,819
Grants and contributions not restricted to specific programs					303,011	-	303,011
Investment income					1,029,004	84,337	1,113,341
Other					92,723	7,989	100,712
Total general revenues					78,003,341	92,542	78,095,883
Transfers in (transfers out)					4,500	(4,500)	-
Change in net position					11,237,932	19,162	11,257,094
Net position - July 1, 2018 (as restated)					106,102,705	18,755,428	124,858,133
Net position - June 30, 2019					<u>\$ 117,340,637</u>	<u>\$ 18,774,590</u>	<u>\$ 136,115,227</u>

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

Town of Berlin, Connecticut

Balance Sheet
Governmental Funds
June 30, 2019

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 4,804,104	\$ 18,675	\$ 1,466,757	\$ 6,289,536
Restricted cash	621,463	-	-	621,463
Investments	12,843,967	12,914,665	-	25,758,632
Restricted investments	455,530	-	-	455,530
Receivables (net):				
Property taxes	1,131,107	-	-	1,131,107
Accounts	74,371	-	5,000	79,371
Intergovernmental	5,043	1,519,705	49,501	1,574,249
Loan	-	3,867	-	3,867
Due from other funds	162,226	-	-	162,226
Other	-	-	40,021	40,021
Total assets	\$ 20,097,811	\$ 14,456,912	\$ 1,561,279	\$ 36,116,002
<u>Liabilities</u>				
Liabilities:				
Accounts payable	\$ 813,709	\$ 1,856,397	\$ 2,846	\$ 2,672,952
Retainage payable	-	121,658	-	121,658
Accrued payroll and related liabilities	555,344	-	7,928	563,272
Unearned revenue	105,330	322,963	340,342	768,635
Bond anticipation notes	-	931,000	-	931,000
Performance bonds	1,076,993	-	-	1,076,993
Other liabilities	13,015	-	-	13,015
Total liabilities	2,564,391	3,232,018	351,116	6,147,525
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property taxes	903,306	-	-	903,306
<u>Fund Balances</u>				
Nonspendable	-	-	68,297	68,297
Restricted	-	-	890,265	890,265
Committed	46,214	11,224,894	-	11,271,108
Assigned	1,634,565	-	251,601	1,886,166
Unassigned	14,949,335	-	-	14,949,335
Total fund balances	16,630,114	11,224,894	1,210,163	29,065,171
Total liabilities, deferred inflows of resources and fund balances	\$ 20,097,811	\$ 14,456,912	\$ 1,561,279	\$ 36,116,002

(Continued)

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

**Town of Berlin, Connecticut
Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2019**

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet due to:

Total fund balance (Exhibit C, Page 1 of 2)	\$ 29,065,171
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets	176,421,903
Capital assets additions (net of construction in progress)	7,616,995
Depreciation expense	(3,526,048)
Disposal of capital assets	(87,267)

Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are unavailable in the funds:

Property taxes - accrual basis change	903,306
Real estate investments	281,572
Deferred outflows of resources related to pensions	511,819
Deferred outflows of resources related to OPEB	1,314,750
Deferred charge on refunding	425,089

Internal service funds are used by management to charge the cost of medical insurance premiums to individual departments and heart and hypertension claims

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	1,777,577
---	-----------

Some liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable and related liabilities	(81,345,947)
Compensated absences	(526,518)
Net pension liability	(7,373,900)
OPEB liability	(7,711,486)
Accrued interest payable	(260,886)
Deferred inflows of resources related to OPEB	(145,493)

Net position of governmental activities (Exhibit A)	<u><u>\$117,340,637</u></u>
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(Concluded)

Town of Berlin, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 76,554,167	\$ -	\$ -	\$ 76,554,167
Intergovernmental	13,468,014	3,323,658	3,021,924	19,813,596
Charges for services	3,963,961	150,637	1,409,044	5,523,642
Investment income	982,225	-	3,481	985,706
Contributions	-	-	143,779	143,779
Other	-	41,972	50,751	92,723
Total revenues	<u>94,968,367</u>	<u>3,516,267</u>	<u>4,628,979</u>	<u>103,113,613</u>
Expenditures:				
Current:				
General government	5,118,990	32,977	4,682	5,156,649
Community development	822,361	288,737	24,492	1,135,590
Public safety	9,123,139	-	26,739	9,149,878
Physical services	7,533,210	14,640	-	7,547,850
Parks, recreation and libraries	3,939,914	-	77,893	4,017,807
Health and human services	2,397,489	-	96,500	2,493,989
Schools	53,278,145	-	4,300,939	57,579,084
Debt service	8,273,308	648,253	-	8,921,561
Capital outlay	-	6,087,502	-	6,087,502
Total expenditures	<u>90,486,556</u>	<u>7,072,109</u>	<u>4,531,245</u>	<u>102,089,910</u>
Excess (deficiency) of revenues over expenditures	<u>4,481,811</u>	<u>(3,555,842)</u>	<u>97,734</u>	<u>1,023,703</u>
Other financing sources (uses):				
Issuance of debt	-	6,500,000	-	6,500,000
Sale of capital assets	-	14,367	-	14,367
Premium	-	483,126	-	483,126
Transfers in	18,019	2,938,926	-	2,956,945
Transfers out	<u>(2,938,926)</u>	<u>-</u>	<u>(13,519)</u>	<u>(2,952,445)</u>
Net other financing sources (uses)	<u>(2,920,907)</u>	<u>9,936,419</u>	<u>(13,519)</u>	<u>7,001,993</u>
Net change in fund balances	1,560,904	6,380,577	84,215	8,025,696
Fund balances - July 1, 2018	<u>15,069,210</u>	<u>4,844,317</u>	<u>1,125,948</u>	<u>21,039,475</u>
Fund Balances - June 30, 2019	<u>\$ 16,630,114</u>	<u>\$ 11,224,894</u>	<u>\$ 1,210,163</u>	<u>\$ 29,065,171</u>

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

Town of Berlin, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For The Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities (Exhibit B) are due to:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 8,025,696
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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	7,616,995
Depreciation expense	<u>(3,526,048)</u>

Total	<u>4,090,947</u>
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase/decrease net position. In the statement of activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold:

Loss on disposal of assets	<u>(87,267)</u>
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Governmental funds report capital purchases held as investments as expenditures. However, in the statement of activities the cost of those assets is reported as an investment.

Change in real estate investment	<u>281,572</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 and revenues recognized in the fund financial statements are not recognized in the statement of activities:

Change in property tax receivable - accrual basis change	24,436
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Issuance of bonds	(6,500,000)
Bond premium	(483,126)
Principal repayments:	
General obligation bonds and notes payable	<u>6,167,775</u>

Total	<u>(815,351)</u>
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(Continued)

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

Town of Berlin, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For The Year Ended June 30, 2019

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:

Amortization of bond premium	694,309
Compensated absences	273,277
Pension expense	1,305,863
OPEB expense	(1,705,757)
Accrued interest payable	26,348
Amortization of deferred charge on refunding	(118,541)
Amortization of deferred outflows of resources	20,044
Amortization of deferred inflows of resources	20,691
Total	<u>516,234</u>
The net revenue of the activities of the internal service funds is reported with governmental activities	<u>(798,335)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 11,237,932</u>
	(Concluded)

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

Town of Berlin, Connecticut
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities Enterprise Fund	Governmental Activities
<u>Assets</u>	Water and Sewer Fund	Internal Service Funds
Current assets:		
Cash	\$ 1,231,625	\$ 2,741,699
Investments	4,752,906	-
Receivable (net):		
Accounts	29,950	77,928
Usage	736,724	-
Special assessments and connection charges	21,607	-
Intergovernmental	300,750	-
Total current assets	7,073,562	2,819,627
Noncurrent assets:		
Receivables:		
Usage	38,597	-
Capital assets (net):		
Land	1,415,112	-
Construction in progress	3,817,205	-
Intangible assets	564,551	-
Buildings and systems	995,868	-
Machinery and equipment	407,599	-
Infrastructure	8,802,133	-
Total capital assets less accumulated depreciation	16,002,468	-
Total assets	23,114,627	2,819,627
<u>Deferred Outflows of Resources</u>		
OPEB related	1,578	-

(Continued)

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

Town of Berlin, Connecticut
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 388,366	\$ 33,092
Accrued payroll and related liabilities	12,607	-
Unearned revenue	278,708	-
Due to other funds	482	-
Notes payable	224,602	-
Claims payable	-	655,604
Heart and hypertension		2,000
Compensated absences	2,005	-
Total current liabilities	906,770	690,696
Noncurrent liabilities:		
Notes payable	3,414,053	-
Heart and hypertension	-	351,354
Compensated absences	11,362	-
OPEB liability	9,255	-
Total noncurrent liabilities	3,434,670	351,354
Total liabilities	4,341,440	1,042,050
<u>Deferred Inflows of Resources</u>		
OPEB related	175	-
<u>Net Position</u>		
Net investment in capital assets	12,363,813	-
Unrestricted	6,410,777	1,777,577
Total net position	\$ 18,774,590	\$ 1,777,577

(Concluded)

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

Town of Berlin, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2019

	Business-type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
	Water and Sewer Fund	
Operating revenues:		
Premiums	\$ -	\$ 6,144,690
Charges for services	3,825,854	-
Employee contributions	-	1,876,159
Insurance proceeds	-	143,980
Other	7,989	-
Total operating revenues	<u>3,833,843</u>	<u>8,164,829</u>
Operating expenses:		
Claims	-	7,948,097
Repairs and maintenance	-	118,124
Administration	117,995	940,241
Employee benefits	226,828	-
Purchase of water	539,854	-
Source of supply	1,931,495	-
Pumping expense	178,761	-
Transmission and distribution	67,880	-
Salaries - administrative and general	171,647	-
Salaries - operating and maintenance	353,076	-
Depreciation	301,654	-
Total operating expenses	<u>3,889,190</u>	<u>9,006,462</u>
Income (loss) from operations	<u>(55,347)</u>	<u>(841,633)</u>
Nonoperating revenues (expenses):		
Intergovernmental	29,774	-
Investment income	84,337	43,298
Interest expense	(35,318)	-
Taxes	216	-
Total nonoperating revenues (expenses)	<u>79,009</u>	<u>43,298</u>
Income (loss) before transfers	23,662	(798,335)
Transfers out	<u>(4,500)</u>	<u>-</u>
Change in net position	<u>19,162</u>	<u>(798,335)</u>
Total net position - July 1, 2018 (as restated)	<u>18,755,428</u>	<u>2,575,912</u>
Total net position - June 30, 2019	<u>\$ 18,774,590</u>	<u>\$ 1,777,577</u>

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

Town of Berlin, Connecticut
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
	Water and Sewer Fund	
Cash flows from operating activities:		
Cash received from other	\$ 7,866	\$ -
Cash received from premiums and employees	-	8,020,849
Cash received from customers	4,464,280	-
Cash received from insurance and others	-	143,980
Cash payments to employees for services	(534,313)	-
Cash payments to providers of benefits and for claims	-	(7,865,448)
Cash payments to providers of administration	-	(564,240)
Cash payments to suppliers for goods and service	(2,739,636)	(87,842)
Net cash from operating activities	<u>1,198,197</u>	<u>(352,701)</u>
Cash flows from non-capital and related financing activities:		
Cash received from tax collections	216	-
Intergovernmental grants	29,774	-
Transfers out	(4,500)	-
Net cash from non-capital and related financing activities	<u>25,490</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,152,323)	-
Proceeds from grants and state drinking water notes	1,632,564	-
Principal payments (bonds and bond anticipation notes)	(111,826)	-
Interest payments, net	(35,318)	-
Net cash from capital and related financing activities	<u>(666,903)</u>	<u>-</u>
Cash flows from investing activities:		
Investment income	84,337	43,298
Increase (decrease) in cash	641,121	(309,403)
Cash and cash equivalents - July 1, 2018	<u>5,343,410</u>	<u>3,051,102</u>
Cash and cash equivalents - June 30, 2019	<u>\$ 5,984,531</u>	<u>\$ 2,741,699</u>
Reconciliation to Exhibit F - Cash:		
Cash and cash equivalents per above	\$ 5,984,531	\$ 2,741,699
Cash and cash equivalents reported as investments	<u>(4,752,906)</u>	<u>-</u>
Cash - Exhibit F	<u>\$ 1,231,625</u>	<u>\$ 2,741,699</u>

(Continued)

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

Town of Berlin, Connecticut
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities:		
Income (loss) from operation	\$ (55,347)	\$ (841,633)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	301,654	-
(Increase) decrease in:		
Accounts receivable	(29,950)	(1,541)
Usage receivable	338,014	-
Special assessments and connection charges receivable	51,654	-
Deferred outflows of resources - OPEB related	(1,578)	-
Increase (decrease) in:		
Accounts payable	301,958	30,282
Claims payable	-	27,505
Heart and hypertension	-	55,144
Accrued payroll and related	(9,590)	-
Unearned revenue	278,708	-
Due to other funds	(123)	377,542
Compensated absences	13,367	-
OPEB liability	9,255	-
Deferred inflows of resources - OPEB related	175	-
Net cash from operating activities	\$ 1,198,197	\$ (352,701)

(Concluded)

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

Town of Berlin, Connecticut
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Pension Trust Fund	Private Purpose Trust Fund Memorial Fund	Custodial Fund Student Activity Fund
<u>Assets</u>			
Cash	\$ 26,257	\$ -	\$ 444,538
Investments:			
Mutual funds:			
Equity	32,461,534	-	-
Bond	14,911,602	-	-
Money market	5,230,405	-	-
Real estate funds	381,743	-	-
Bank money market	-	64,605	-
Total investments	52,985,284	64,605	-
Total assets	53,011,541	64,605	444,538
<u>Liabilities</u>			
Accounts payable	2,300	-	-
Due to other funds	161,744	-	-
Total liabilities	164,044	-	-
<u>Net Position</u>			
Restricted for:			
Defined contribution pension benefits	51,336,802	-	-
Defined benefit pension benefits	1,510,695	-	-
Individuals and organizations	-	64,605	444,538
Total net position	\$ 52,847,497	\$ 64,605	\$ 444,538

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

Town of Berlin, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Pension Trust Fund	Private Purpose Trust Fund Memorial Fund	Custodial Fund Student Activity Fund
Additions:			
Contributions:			
Employer - defined benefit plan	\$ 1,606,701	\$ -	\$ -
Employer - defined contribution plan	1,906,480	-	-
Employee - defined contribution plan	910,782	-	-
Private	-	795	-
Other	37,321	-	-
Total contributions	<u>4,461,284</u>	<u>795</u>	<u>-</u>
Activity fees	<u>-</u>	<u>-</u>	<u>711,129</u>
Investment income (loss):			
Change in fair value of investments	2,670,566	-	-
Interest and dividends	177,535	-	-
Total investment income (loss)	<u>2,848,101</u>	<u>-</u>	<u>-</u>
Less investment expenses	<u>37,500</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	<u>2,810,601</u>	<u>-</u>	<u>-</u>
Total additions	<u>7,271,885</u>	<u>795</u>	<u>711,129</u>
Deductions:			
Benefits - defined benefit plan	187,633	-	-
Benefits - defined contribution plan	3,122,725	-	-
Administration	162,397	-	-
Scholarships awarded	-	1,500	-
Activities and events	-	-	734,725
Total deductions	<u>3,472,755</u>	<u>1,500</u>	<u>734,725</u>
Change in net position	3,799,130	(705)	(23,596)
Net position - July 1, 2018	<u>49,048,367</u>	<u>65,310</u>	<u>468,134</u>
Net position - June 30, 2019	<u>\$ 52,847,497</u>	<u>\$ 64,605</u>	<u>\$ 444,538</u>

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

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**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.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) 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. The Town does not report any component units.

I. Summary of significant accounting policies**A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

B. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

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

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

The *Water and Sewer Fund* is used to account for the operating activity of the water and sewer operations. The major source of revenues for this fund is charges for services.

Additionally, the Town reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes other than debt.

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 Town's programs.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

The *Internal Service Fund* accounts for risk financing activities for medical insurance benefits, general liability, and workers' compensation as allowed by GASB Statement No. 10.

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

The *Private-Purpose Trust Fund* accounts for the receipt of private donations to be used for student awards.

Custodial Funds account for monies held on behalf of student groups.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the Town's internal service fund are charges to customers for sales and services.

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town pension plans and OPEB, the Connecticut State Teachers' Retirement System (TRS), and the Connecticut State Retiree Health Insurance Plan ("RHIP") have been determined on the same basis as they are reported by the Town's pension and OPEB plans, TRS, and RHIP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

C. Assets, liabilities, deferred outflows/inflows of resources and equity**1. Cash and investments****a. Cash**

The Town considers cash as cash on hand and demand deposits.

For cash flow purposes the Town considers cash equivalents as money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****b. Investments**

In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it was earned.

State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

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.

c. Method used to value investments

Investments for the Town are reported at fair value except as described below. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate is valued based upon the purchase price which approximates fair value.

Fair value of investments

The Town measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1:* Quoted prices for identical investments in active markets;
- Level 2:* Quoted prices for identical investments in markets that are not active; and
- Level 3:* Unobservable inputs.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****d. Risk policies**

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of credit risk – Concentration of credit risk is the risk attributed to the magnitude of an entity's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital in any one depository.

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. 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.

Foreign currency risk - Foreign currency risk is the risk that the value of the investment may be affected by changes in the rate of exchange. The Town does not have a formal policy with respect to the foreign currency risk.

2. Receivables and payables**a. Interfunds**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****b. Property taxes and other receivables**

In the fund financial and government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 1% to 40% of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, property taxes receivable which have not been collected within 60 days of June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60-day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, on July 1, and supplemental motor vehicle taxes are due in full January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

3. Restricted assets

The restricted assets for the Town are restricted for performance bonds and endowments. Performance bonds are restricted until the monies are returned to the vendor after satisfactory completion of contract or the Town calls the bond for nonperformance. The trust agreement restricts the expenditure of the investment income only for the designated purpose.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$ ALL
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

5. Deferred outflows/inflows of resources

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

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

The Town reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide statements for differences between expected and actual experience, changes in assumptions and net difference between projected and actual earnings on plan investments. The deferred outflow or inflow related to differences between expected and actual experience and changes in assumptions will be amortized over the average remaining service life of all plan members. The deferred outflow or inflow related to the net difference between projected and actual earnings on plan investments 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 associated with a future period. This amount is recognized during the period in which the revenue is associated.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from property taxes (including advance collections, if any). These amounts are recognized as an inflow of resources in the period that the amounts become available.

6. Compensated absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. 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. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. A liability for these amounts has been recorded in the government-wide financial statements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' 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 the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service 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, are reported as debt service expenditures.

8. Net position and fund balances

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 reflects 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).

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**Unrestricted Net Position

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

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide 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.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Town Council.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority to assign fund balance rests with the Town Council in most cases. The fund balance policy grants the Town Manager authority to assign fund balance for the sole purpose of carrying over encumbrances in the Capital Projects Fund. Intent is also expressed by a properly approved purchase order (encumbrance).

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless Town Council has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

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.

9. Use of Estimates

The preparation of the 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 and liabilities, deferred outflows and inflows of resources including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

10. Reclassifications

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

II. Stewardship, compliance and accountability**a. Basis of budgeting**

Only the General Fund has a legally adopted annual budget.

The Town uses the budgetary basis of accounting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. Town policy is to close out outstanding General Fund encumbrances at year end.

During the year \$245,253 of additional appropriations were made, \$237,000 from fund balance and \$8,253 from additional revenue sources.

Appropriations for the Capital Projects Funds do not lapse at the end of the fiscal year, but continue until the completion of the project.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

II. Stewardship, compliance and accountability (continued)

b. 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 \$34,697.

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.

c. Capital projects authorizations

The following is a summary of certain capital projects:

Project	Appropriations	Expenditures	Committed	Balance
Bonded Road Improvements	\$ 11,762,152	\$ 11,569,322	\$ -	\$ 192,830
Façade Program	500,000	461,391	-	38,609
Boulevard at Berlin Train Station	500,000	39,500	76,800	383,700
Train Station Rehabilitation	150,000	111,888	6,040	32,072
Downtown Sidewalks	500,000	461,748	-	38,252
Berlin High School Renovations	84,500,000	80,970,544	568,637	2,960,819
Recycling Center Improvements	484,485	17,928	-	466,557
Bridge Rehabilitation Program	412,100	109,425	300,202	2,473
889 Farmington Ave. Remediation	1,288,557	309,963	30,804	947,790
Farmington Avenue Bridge	3,921,745	3,444,727	-	477,018
Firetruck	1,601,830	1,601,669	-	161
Transit-Oriented Devel. Façade Program	500,000	102,080	11,978	385,942
BHS Track Resurfacing	200,000	159,390	-	40,610
High Road Bridge	1,985,754	1,230,248	33,603	721,903
Burnham Street Bridge	1,414,349	587,937	798,347	28,065
Railroad Pond Dam Renovations	1,700,000	547,717	1,130,031	22,253
Scalise Field Replacement	1,100,000	190,016	767,755	142,229
School Security Vestibules	923,630	616,720	231,598	75,313
Totals	<u>\$ 113,444,602</u>	<u>\$ 102,532,213</u>	<u>\$ 3,955,794</u>	<u>\$ 6,956,594</u>

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

III. Detailed notes

A. Cash and investments

1. Cash

At year end, the Town's bank balance was \$18,615,423 and was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 12,799,597
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>4,599,866</u>
Total amount subject to custodial credit risk	<u>\$ 17,399,464</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 exceeded 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.

2. Investments

- a. The Town's investments consisted of the following types and maturities. Specific identification was used to determine maturities:

Type of Investment	Fair Value	Investment Maturities (In Years)			
		N/A	Less Than 1 Year	1-5 Years	5-10 Years
<u>Mutual funds</u>					
Equity	\$ 32,461,534	\$ 32,461,534	\$ -	\$ -	\$ -
Bond	14,911,602	-	1,899,266	10,176,653	2,835,683
Money market	5,230,405	-	1,093,167	2,594,273	1,542,965
Real estate	381,743	381,743	-	-	-
Bank money market	3,963,531	-	3,963,531	-	-
Pooled fixed income	27,068,142	-	27,068,142	-	-
Real estate	<u>281,572</u>	<u>281,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 84,298,529</u>	<u>\$ 33,124,849</u>	<u>\$ 34,024,106</u>	<u>\$12,770,926</u>	<u>\$4,378,648</u>

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Cash and investments (continued)

b. The Town had the following recurring fair value measurements:

	Amount	Quoted Market Prices in Active Markets Level 1	Significant Unobservable Inputs Level 3
<u>Investments by Fair Value Level</u>			
Mutual Funds:			
Equity	\$ 32,461,534	\$ 32,461,534	\$ -
Bond	14,911,602	14,911,602	-
Money market	5,230,405	5,230,405	-
Real estate	381,743	381,743	-
Real estate	<u>281,572</u>	<u>-</u>	<u>281,572</u>
Total Investments by Fair Value Level	<u>53,266,856</u>	<u>\$ 52,985,284</u>	<u>\$ 281,572</u>
<u>Other Investments</u>			
Bank money market	3,963,531		
Pooled fixed income	<u>27,068,142</u>		
Total other investments	<u>31,031,673</u>		
Total Investments	<u>\$ 84,298,529</u>		

Level 1: Quoted prices for identical investments in active markets

Level 3: Unobservable inputs

The real estate investments were measured based upon the purchase price, which approximates fair value.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Cash and investments (continued)

- c. The Town's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Type of Investment	Ratings			Total
	AAA	AA	BBB	
Mutual Funds				
Bond	\$ 10,176,657	\$ 4,070,309	\$ 664,636	\$ 14,911,602
Money market	-	5,230,405	-	5,230,405
Pooled fixed income	27,068,142	-	-	27,068,142
Total	<u>\$ 37,244,799</u>	<u>\$ 9,300,714</u>	<u>\$ 664,636</u>	<u>\$ 47,210,149</u>

- d. Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, debentures, certificates of deposit and money funds.

There are no Town investments held by the counterparty's trust department or agent but not in the Town's name and, therefore, are subject to custodial credit risk.

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes			Water and Sewer Usage
	Taxes	Interest and Lien Fees	Total	
Current portion	<u>\$ 520,026</u>	<u>\$ 245,754</u>	<u>\$ 765,779</u>	<u>\$ 736,724</u>
Long-term portion	\$ 631,492	\$ 270,502	\$ 901,995	\$ 48,235
Less allowance for uncollectibles	<u>(330,165)</u>	<u>(206,502)</u>	<u>(536,667)</u>	<u>(9,638)</u>
Net Long-term portion	<u>\$ 301,327</u>	<u>\$ 64,000</u>	<u>\$ 365,328</u>	<u>\$ 38,597</u>

Town of Berlin, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Interfund accounts

1. Interfund payables and receivables

A summary of interfund balances is as follows:

	Corresponding Fund	Due From	Due To
General Fund			
Water and Sewer fund	N/A	\$ 482	\$ -
Pension trust fund	N/A	161,744	-
Total General Fund		162,226	-
Enterprise Funds			
Water and Sewer fund	General Fund	-	482
Fiduciary Funds			
Pension trust fund	General Fund	-	161,744
Total		\$ 162,226	\$ 162,226

All interfund balances resulted from the time lag between the dates payments occurred between funds for interfund goods, payroll and services provided or in instances where certain funds do not have an operation cash account.

Town of Berlin, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Interfund accounts (continued)

2. Interfund transfers

A summary of interfund transfers for the fiscal year is as follows:

	Corresponding Fund	Transfers In	Transfers Out
General Fund			
Capital Projects	N/A	\$ -	\$ 2,938,926
Special Revenue Funds	N/A	13,519	-
Water and sewer fund	N/A	4,500	-
Total General Fund		<u>18,019</u>	<u>2,938,926</u>
Capital Project Fund	General Fund	<u>2,938,926</u>	<u>-</u>
Other Governmental Funds			
Special Revenue Funds			
R & S Associates Bond Fund	General Fund	<u>-</u>	<u>13,519</u>
Enterprise funds			
Water and sewer fund	General Fund	<u>-</u>	<u>4,500</u>
Total		<u>\$ 2,956,945</u>	<u>\$ 2,956,945</u>

Transfers are used to move budgeted appropriations from the general fund for funding of the capital projects fund and various programs and activities in other funds.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Capital assets

Capital asset activity for the fiscal year was as follows:

Governmental Activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 23,571,916	\$ -	\$ -	\$ 23,571,916
Construction in progress	83,266,209	3,708,428	79,668,297	7,306,340
Total capital assets not being depreciated	<u>106,838,125</u>	<u>3,708,428</u>	<u>79,668,297</u>	<u>30,878,256</u>
Capital assets being depreciated				
Land improvements	6,884,590	287,065	1,296,309	5,875,346
Buildings and systems	69,192,380	79,294,742	6,092	148,481,030
Machinery and equipment	19,721,342	1,214,145	667,571	20,267,916
Infrastructure	60,047,917	2,780,912	1,252,776	61,576,053
Total capital assets being depreciated	<u>155,846,229</u>	<u>83,576,864</u>	<u>3,222,748</u>	<u>236,200,345</u>
Total capital assets	<u>262,684,354</u>	<u>87,285,292</u>	<u>82,891,045</u>	<u>267,078,601</u>
Less accumulated depreciation				
Land improvements	3,514,056	201,313	1,296,309	2,419,060
Buildings and systems	34,798,888	1,418,683	4,531	36,213,040
Machinery and equipment	11,714,678	994,972	581,865	12,127,785
Infrastructure	36,234,829	911,080	1,252,776	35,893,133
Total accumulated depreciation	<u>86,262,451</u>	<u>3,526,048</u>	<u>3,135,481</u>	<u>86,653,018</u>
Net capital assets being depreciated	<u>69,583,778</u>	<u>80,050,816</u>	<u>87,267</u>	<u>149,547,327</u>
Net capital assets	<u>\$ 176,421,903</u>	<u>\$ 83,759,244</u>	<u>\$ 79,755,564</u>	<u>\$ 180,425,583</u>

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

General government	\$ 123,235
Community development	2,413
Public safety	473,054
Physical services	1,092,884
Parks, recreation and libraries	420,982
Health and human services	22,279
Schools	<u>1,391,201</u>
Total depreciation expense	<u>\$ 3,526,048</u>

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Capital assets (continued)

Business-Type Activities:

	Balance July 1, 2018 <i>(as restated)</i>	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 1,415,112	\$ -	\$ -	\$ 1,415,112
Intangible assets	564,551	-	-	564,551
Construction in progress	<u>2,285,316</u>	<u>2,027,110</u>	<u>495,221</u>	<u>3,817,205</u>
Total capital assets not being depreciated	<u>4,264,979</u>	<u>2,027,110</u>	<u>495,221</u>	<u>5,796,868</u>
Capital assets being depreciated				
Buildings and systems	2,861,024	76,603	-	2,937,627
Machinery and equipment	828,791	225,929	-	1,054,720
Infrastructure	<u>14,959,235</u>	<u>317,902</u>	<u>-</u>	<u>15,277,137</u>
Total capital assets being depreciated	<u>18,649,050</u>	<u>620,434</u>	<u>-</u>	<u>19,269,484</u>
Total capital assets	<u>22,914,029</u>	<u>2,647,544</u>	<u>495,221</u>	<u>25,066,352</u>
Less accumulated depreciation				
Buildings and systems	1,860,414	81,345	-	1,941,759
Machinery and equipment	630,014	17,107	-	647,121
Infrastructure	<u>6,271,802</u>	<u>203,202</u>	<u>-</u>	<u>6,475,004</u>
Total accumulated depreciation	<u>8,762,230</u>	<u>301,654</u>	<u>-</u>	<u>9,063,884</u>
Net capital assets being depreciated	<u>9,886,820</u>	<u>318,780</u>	<u>-</u>	<u>10,205,600</u>
Net capital assets	<u>\$ 14,151,799</u>	<u>\$ 2,345,890</u>	<u>\$ 495,221</u>	<u>\$ 16,002,468</u>

Depreciation and amortization expense was charged to business-type activities as follows:

Water	\$ 132,018
Sewer	<u>169,636</u>
Total depreciation expense	<u>\$ 301,654</u>

E. Construction commitments

The Town has the following construction commitments:

Burnham Street Bridge	\$ 678,629
Turf replacement - Scalise Field and Sage Park	<u>688,505</u>
Total	<u>\$ 1,367,134</u>

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

F. Short-term obligations - Bond anticipation notes

The Town uses bond anticipation notes (“BANs”) during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the fiscal year was as follows:

Governmental Activities:

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Purpose/School	5/17/2018	9/27/2018	2.00%	\$ 2,028,000	\$ -	\$ 2,028,000	\$ -
General Purpose/School	9/27/2018	6/26/2019	2.00%	-	3,731,000	3,731,000	-
General Purpose/School	6/26/2019	1/29/2020	2.00%	-	931,000	-	931,000
Totals				<u>\$ 2,028,000</u>	<u>\$ 4,662,000</u>	<u>\$ 5,759,000</u>	<u>\$ 931,000</u>

Business-Type Activities:

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Permanently Financed</u>	<u>Ending Balance</u>
Sewer	11/6/2018	interim	2.00%	<u>\$ -</u>	<u>\$ 1,933,314</u>	<u>\$ 1,933,314</u>	<u>\$ -</u>

In October 2019, the Town finalized the interim project loan obligation for the rehabilitation of the sanitary sewer interceptor for \$1,933,314. The final loan matures through April of 2039 and carries an interest rate of 2%.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

G. Changes in long-term obligations

1. Summary of changes

Governmental Activities:

Description	Original Amount	Year of Issue	Date of Maturity	Interest Rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current Portion	Long-Term Portion
<u>Bonds:</u>										
General purpose:										
General obligation	\$ 8,440,000	2011	06/01/21	3-5%	\$ 2,040,134	\$ -	\$ 660,566	\$ 1,379,568	\$ 680,892	\$ 698,676
General obligation	2,480,000	2013	12/01/32	2.5-4%	1,970,000	-	170,000	1,800,000	170,000	1,630,000
General obligation	1,855,000	2014	12/01/33	3-5%	1,450,000	-	135,000	1,315,000	135,000	1,180,000
General obligation	720,000	2015	12/01/34	2-4%	640,000	-	40,000	600,000	40,000	560,000
General obligation	3,620,000	2016	12/01/35	2-4%	3,275,000	-	345,000	2,930,000	340,000	2,590,000
Refunding bonds	5,676,000	2016	09/01/25	2-5%	5,177,000	-	261,000	4,916,000	263,000	4,653,000
General obligation	4,150,000	2017	12/01/29	2-4%	4,150,000	-	400,000	3,750,000	400,000	3,350,000
General obligation	6,500,000	2019	12/01/28	2-4%	-	6,500,000	-	6,500,000	700,000	5,800,000
Total general purpose					18,702,134	6,500,000	2,011,566	23,190,568	2,728,892	20,461,676
School bonds:										
General obligation	8,170,000	2011	06/01/21	3-5%	1,974,866	-	639,434	1,335,432	659,108	676,324
General obligation	6,015,000	2013	12/01/32	2.5-4%	4,995,000	-	340,000	4,655,000	340,000	4,315,000
General obligation	16,500,000	2014	12/01/33	3-5%	13,875,000	-	875,000	13,000,000	870,000	12,130,000
General obligation	13,000,000	2015	12/01/34	2-4%	11,630,000	-	685,000	10,945,000	685,000	10,260,000
General obligation	13,150,000	2016	12/01/35	2-4%	12,455,000	-	695,000	11,760,000	695,000	11,065,000
Refunding bonds	5,244,000	2016	09/01/25	2-5%	4,153,000	-	564,000	3,589,000	567,000	3,022,000
General obligation	515,000	2017	12/01/29	2-4%	515,000	-	55,000	460,000	55,000	405,000
Total school bonds					49,597,866	-	3,853,434	45,744,432	3,871,108	41,873,324
Total bonds					68,300,000	6,500,000	5,865,000	68,935,000	6,600,000	62,335,000
<u>Notes payable:</u>										
Equipment financing notes:										
Golf equipment	38,981	07/07/05	11/04/19		12,755	-	6,364	6,391	6,391	-
Energy	10,340,341	07/08/05	12/12/35		9,741,677	-	296,411	9,445,266	321,677	9,123,589
Total notes					9,754,432	-	302,775	9,451,657	328,068	9,123,589
Total bonds/notes					78,054,432	6,500,000	6,167,775	78,386,657	6,928,068	71,458,589
Premium					3,170,473	483,126	694,309	2,959,290	-	2,959,290
Total bonds/notes and related liabilities					81,224,905	6,983,126	6,862,084	81,345,947	6,928,068	74,417,879
Compensated absences					799,795	432,950	706,227	526,518	78,978	447,540
Heart and hypertension					298,210	59,249	4,105	353,354	2,000	351,354
Net pension liability					8,679,763	761,106	2,066,969	7,373,900	-	7,373,900
OPEB liability					6,005,729	1,937,471	231,714	7,711,486	-	7,711,486
Total long-term obligations					\$97,008,402	\$ 10,173,902	\$9,871,099	\$ 97,311,205	\$7,009,046	\$ 90,302,159

All long-term liabilities are generally liquidated by the general fund or funded by the general fund.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

G. Changes in long-term obligations (continued)

Business-type Activities:

Description	Original Amount	Year of Issue	Date of Maturity	Interest Rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current Portion	Long-Term Portion
<u>Notes:</u>										
Clean Water:										
CWF 212-CSL	2,236,514	2015	09/30/34	2.00%	\$ 1,817,167	\$ -	\$ 111,826	\$ 1,705,341	\$ 111,826	\$ 1,593,515
CWF 217-CSL	1,933,314	2019	04/30/39	2.00%	-	1,933,314	-	1,933,314	112,776	1,820,538
Total notes					1,817,167	1,933,314	111,826	3,638,655	224,602	3,414,053
Compensated absences					-	13,367	-	13,367	2,005	11,362
OPEB liability					-	9,533	278	9,255	-	9,255
Total long-term obligations					\$ 1,817,167	\$ 1,956,214	\$ 112,104	\$ 3,661,277	\$ 226,607	\$ 3,434,670

The following is a summary of principal and interest amounts of bond and note maturities:

Year Ended June 30:	Governmental Activities			Business-Type Activities	
	Bond Principal	Note Principal	Total Interest	Note Principal	Note Interest
2020	\$ 6,600,000	\$ 328,068	\$ 2,463,099	\$ 224,602	\$ 58,524
2021	6,110,000	348,611	2,207,062	208,492	66,366
2022	5,860,000	376,514	1,924,651	208,492	62,200
2023	5,900,000	405,810	1,671,967	208,492	58,027
2024	5,940,000	436,952	1,438,822	208,492	53,859
2025	5,965,000	469,249	1,244,714	208,492	49,689
2026	5,690,000	500,314	1,053,920	208,492	45,520
2027	4,025,000	533,190	897,574	208,492	41,351
2028	4,015,000	570,078	779,540	208,492	37,181
2029	3,535,000	608,749	664,746	208,492	33,011
2030	2,855,000	649,671	560,849	208,492	28,841
2031	2,775,000	692,171	461,688	208,492	24,672
2032	2,660,000	736,696	360,089	208,492	20,502
2033	2,655,000	783,726	255,462	208,492	16,332
2034	2,265,000	832,597	153,841	208,492	12,162
2035	1,400,000	802,869	70,683	124,621	8,551
2036	685,000	376,391	15,792	96,666	6,523
2037	-	-	-	96,666	4,589
2038	-	-	-	96,666	2,653
2039	-	-	-	80,550	783
Totals	\$ 68,935,000	\$ 9,451,657	\$ 16,224,499	\$ 3,638,655	\$ 631,336

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**G. Changes in long-term obligations (continued)****2. Statutory debt limitations**

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

Category	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 162,484,997	\$ 23,680,568	\$ 138,804,429
Schools	324,969,993	46,185,432	278,784,561
Sewer	270,808,328	9,578,654	261,229,674
Urban renewal	234,700,551	-	234,700,551
Pension deficit	216,646,662	-	216,646,662

The total overall statutory debt limit for the Town is equal to seven times annual receipts from the prior year taxation, \$505,508,878.

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.

3. Overlapping debt

A summary of overlapping debt is presented below:

Debt Outstanding	Total	Overlapping
Kensington Fire District	\$ 402,815	\$ 402,815
Worthington Fire District	391,877	391,877
Mattabassett District	61,212,279	8,783,962
Total	\$62,006,971	\$ 9,578,654

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**G. Changes in long-term obligations (continued)****4. Authorized/unissued bonds**

The amount of authorized, unissued bonds are as follows:

Project	Total Bond Authorization	Bonds Issued	Authorized but Unissued
Open Space (2003)	\$ 2,000,000	\$ 1,400,000	\$ 600,000
Road Improvement	4,000,000	2,850,000	1,150,000
Open Space (2006)	2,000,000	790,000	1,210,000
Police Station	2,000,000	1,020,648	979,352
High School Renovations	84,950,000	83,298,644	1,651,356
School Vestibules	500,000	167,000	333,000
Zipadelli Baseball Field	98,000	84,230	13,770
Infiltration/Inflow (2018)	3,000,000	1,933,314	1,066,686
Railroad Pond Dam	1,700,000	1,500,000	200,000
Fire Radio Upgrade (2019)	1,440,000	1,200,000	240,000
Scalise Field Improvement	1,100,000	1,000,000	100,000
Total	<u>\$ 102,788,000</u>	<u>\$ 95,243,836</u>	<u>\$ 7,544,164</u>

5. 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.

The aggregate principal amount payable pursuant to the agreement is \$81,615.

6. 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.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

H. Fund balance classifications and restricted net position

Fund balances are composed of the following:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
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 nonspendable	-	-	68,297	68,297
Restricted				
Community development	-	-	16,411	16,411
Public safety	-	-	22,158	22,158
Health and human services	-	-	22,807	22,807
Parks, recreation and libraries	-	-	320,349	320,349
Schools	-	-	508,540	508,540
Total restricted	-	-	890,265	890,265
Committed				
Capital projects				
Highway	-	2,813,660	-	2,813,660
Firetruck	-	1,207,121	-	1,207,121
Land acquisition and development	-	267,440	-	267,440
Sage park	-	906,025	-	906,025
Dam repair	-	1,012,327	-	1,012,327
School buildings	-	1,955,842	-	1,955,842
Other capital projects	-	3,062,479	-	3,062,479
Union negotiation	645	-	-	645
Revaluation	45,569	-	-	45,569
Total committed	46,214	11,224,894	-	11,271,108
Assigned				
General government	-	-	119,987	119,987
Parks, recreation and libraries	-	-	120,001	120,001
Schools	-	-	11,613	11,613
Pension funding	190,565	-	-	190,565
Subsequent year's budget	1,000,000	-	-	1,000,000
Debt service	444,000	-	-	444,000
Total assigned	1,634,565	-	251,601	1,886,166
Unassigned	14,949,335	-	-	14,949,335
Total fund balance	\$ 16,630,114	\$ 11,224,894	\$ 1,210,163	\$ 29,065,171

The amount of restricted net position, which was restricted by enabling legislation, totaled \$225,962.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

IV. Other information

A. Risk management

The Town is exposed to various risks of loss including torts, theft of, damage to and destruction of assets; errors or omissions; injuries to employees and natural disasters. Generally, the Town obtains commercial insurance for these risks, but has chosen to retain limited risks for heart and hypertension claims and employee medical prescriptions claims. The Town contracts with outside organizations to pay claims and provide administrative services. Additionally, insurance coverage has been purchased to limit the Town's liability for worker's compensation, general liability and medical claims. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Town is a member in 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 is a member of CIRMA's Liability-Automobile-Property Pool, a risk sharing pool. The Town paid CIRMA for provisions of general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

The Town is also a member of CIRMA's Workers' Compensation Pool, a risk sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an insured loss retrospective rating plan and losses incurred in the coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to a payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence and purchases reinsurance above that amount to the limit of liability of \$10,000,000 per occurrence.

The Town is a self-insured provider of claims under C.G.S. 7-433c, the Heart and Hypertension Act. The death benefits liability is adjusted annually to reflect cost of living increases. The present value of benefits was computed at an assumed rate of return of three percent. The plan is funded monthly by budget appropriations and employee contributions, as required.

The Town utilizes two risk management funds (the Internal Service Funds) to account for and finance its uninsured risks of loss for general insurance and health insurance. The fund records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. All Town departments and agencies are charged premiums by the Internal Service Fund, which are included in department and agency expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the Town's best estimate based on available information.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**A. Risk management (continued)**

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.

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 Town records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated in the government-wide statements. The claims liability reported is based upon accounting principles which require that a liability for estimated claims incurred but not reported be accrued. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and social factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

	Claims Payable July 1	Current year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
<u>General Insurance Fund (Heart and Hypertension)</u>				
2017-2018	\$ 286,727	\$ 12,500	\$ 1,017	\$ 298,210
2018-2019	298,210	59,249	4,105	353,354
<u>Medical and Health Insurance Fund</u>				
2017-2018	725,072	7,802,473	7,899,446	628,099
2018-2019	628,099	7,888,848	7,861,343	655,604
<u>Totals</u>				
2017-2018	<u>\$ 1,011,799</u>	<u>\$ 7,814,973</u>	<u>\$ 7,900,463</u>	<u>\$ 926,309</u>
2018-2019	<u>\$ 926,309</u>	<u>\$ 7,948,097</u>	<u>\$ 7,865,448</u>	<u>\$ 1,008,958</u>

B. 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 and the outcome of these lawsuits is not presently determinable. In the opinion of the Town attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. 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:

	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	\$77,058
Assessment Impact	\$3,387,150

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. 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. The Town pays an annual assessment to the District. The annual assessment includes funds for the payment of the Town’s portion of the District’s debt service. The District’s financial statements can be obtained from www.mattabassettdistrict.org/audits.

V. Pensions and other post-employment benefit plans

A. Town pension plans

1. Plan description

a. Plan administration

The Town is the sponsor and administrator of a single-employer defined benefit public employee retirement system (“PERS”), the Town of Berlin Employee Retirement Plan, 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.

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, Assistant Finance Director, Director of Business Operations, top management representative, and the presidents of each of the six bargaining units. The Committee convenes on a quarterly basis for detailed plan review.

b. Plan membership

As of July 1, 2018 membership in the Plan is comprised of the following:

Retirees and beneficiaries receiving benefits	19
Terminated employees entitled to benefits	2
Active members	13
	<hr/>
Total	34
	<hr/> <hr/>

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Town pension plans (continued)

2. Benefit provisions:

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.

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.

Normal retirement	Police: Age 55 or 25 years of service All others: Age 65
Benefit calculation	2.0% (2.125% for police) times final earnings times years of benefit service (max 25 years (30 for police)) times ratio of credited service to benefit service at normal retirement less non-self-directed defined contribution account balance
Final earnings	Highest average rate of earnings on January 1st of any 5 (3 for police) consecutive calendar years during the last 10 years before normal retirement
Early retirement age	Age 55 (age 45 for police)
Early retirement service requirement	10 years
Early retirement amount	Actuarially reduced normal retirement benefit to reflect early retirement
Service connected disability amount	60% of rate of earnings as of date of disability reduced by worker's compensation and any other disability benefits received.
Vesting - Age	None
Vesting - Service	5 years
Vesting - Amount	100%
Death benefit amount	Refund of employee contributions plus interest, reduced by any annuity payments made provided 10 year certain and life option not elected
Cost of living increases	None
Plan closure	Closed to new entrants

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Town pension plans (continued)

3. Contributions

Police	6.0% to the defined contribution plan
All others	5.0% to the defined contribution plan
Town	Amount determined by the actuary, considering the member contributions
Average active member contribution	None to the defined benefit plan
Average Town contribution	128.6% of covered payroll

4. Investments

a. Investment policy

The pension plans' policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee by a majority vote of its members. 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.

The following is the Committee's adopted asset allocation policy for the plans:

<u>Asset Class</u>	<u>Target Allocation</u>
Guaranteed Deposit Account	<u>100.00%</u>

b. Concentrations

There were no investments in any one organization that represented 5% or more of the pension plan's net position.

c. Rate of return

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

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Town pension plans (continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Guaranteed Deposit Account	1.25%
Inflation rate	2.60%
Long-Term Expected Nominal Return	3.85%

- d. 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.

5. Net pension liability

The components of the net pension liability were as follows:

Total pension liability	\$ 8,884,595
Plan fiduciary net position	<u>1,510,695</u>
Net pension liability	<u>\$ 7,373,900</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>17.0%</u>

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Town pension plans (continued)

6. Actuarial methods and significant assumptions

Valuation date	July 1, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percent
Amortization period	7 years, closed
Asset valuation method	Fair value
Investment rate of return	3.50% pre-retirement and 3.05% post-retirement
Inflation	2.60%
Salary increases	3.25% for police and 2.75% for all others
Cost of living adjustments	None
Mortality rates	Pre-retirement: RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2018
	Post-retirement: IRS 2018 Applicable Mortality Table for 417(e) dynamic

7. Changes from prior year

a. Changes in assumptions

The expected rate of return (net of investment-related and administrative expenses) was increased from 2.80% to 3.05% for post-retirement.

The mortality assumption was updated to better reflect anticipated experiences and was based on the Projection Scale MP-2018 from the Projection Scale MP-2017 since the prior measurement date.

b. Changes in benefit terms

There were no changes in benefit terms from the prior valuation.

8. 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 projected fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, the long-term expected rate of return on pension plan investments was used to discount plan liabilities.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Town pension plans (continued)**9. Changes in the net pension liability**

The Town's net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2018	\$ 8,748,606	\$ 68,843	\$ 8,679,763
Service cost	143,822	-	143,822
Interest	307,980	-	307,980
Differences between expected and actual experience	309,304	-	309,304
Changes in assumptions	(437,484)	-	(437,484)
Contributions - employer	-	1,606,701	(1,606,701)
Net investment income	-	22,784	(22,784)
Benefit payments, including refunds of member contributions	(187,633)	(187,633)	-
Net change	135,989	1,441,852	(1,305,863)
Balance at June 30, 2019	\$ 8,884,595	\$ 1,510,695	\$ 7,373,900

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Town pension plans (continued)

10. Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	<u>\$ 9,244,940</u>	<u>\$ 7,373,900</u>	<u>\$ 5,833,306</u>

11. Pension expense and deferred outflows and inflows of resources

The Town recognized pension expense of \$1,595,544.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 154,398
Changes in assumptions	351,422
Net difference between projected and actual earnings on pension plan investments	<u>5,999</u>
Total	<u>\$ 511,819</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive employees, which was 1 year.

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

Year Ending June 30,	
2020	\$ 511,611
2021	190
2022	(836)
2023	<u>854</u>
Total	<u>\$ 511,819</u>

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**B. Defined contribution retirement savings plan**

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

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

The defined contribution plan became effective on April 1, 1988. The prior contributions were computed and matched by the Town and interest of 4% credited to the accounts. Employees contributed \$910,782 and covered payroll was \$15,217,840. The Town's matching share was \$1,906,480. 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.

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 \$296,272 at year end.

C. Connecticut State Teachers' Retirement System**1. Plan description**

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

2. Benefit provisions

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

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Connecticut State Teachers' Retirement System (continued)**

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

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of annual average salary.

Pre-Retirement Death Benefit: The Plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

3. Contributions**State of Connecticut**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, 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.

Employer (School Districts)

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

Employees

Effective January 1, 2018, each teacher is required to contribute 7% of their salary for the pension benefit.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Connecticut State Teachers' Retirement System (continued)

4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>70,217,500</u>
Total	<u>\$ 70,217,500</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Town has no proportionate share of the net pension liability.

During the year the Town recognized pension expense and revenue of \$6,786,365 for on-behalf amounts for contributions to the plan by the State.

5. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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.

The actuarial assumptions used in the June 30, 2018 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
As of and for the Year Ended June 30, 2019

C. Connecticut State Teachers' Retirement System (continued)

Future cost-of-living increases - For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bond	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	6.0%	0.4%
Total	<u>100.0%</u>	

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Connecticut State Teachers' Retirement System (continued)

6. Discount rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer 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.

7. Sensitivity of the net pension liability to changes in the discount rate

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

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement 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, 2018.

D. Other Post-Employment Benefit Plan

1. Plan description

a. 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.

b. Plan membership

As of July 1, 2018 for the plan's membership consisted of:

Retirees and beneficiaries receiving benefits	35
Active members	431
	<hr/>
Total	466
	<hr/> <hr/>

2. Benefit provisions

The plan provides for health insurance benefits for all eligible Town, Police and Board of Education and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan (continued)

3. 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 2% of their annual base earnings to a separate Police Post-Retirement Medical Fund. The Town does not contribute to the Fund.

4. OPEB liability

The OPEB liability was measured as of June 30, 2019 and was \$7,720,741.

5. Actuarial methods and significant assumptions:

Valuation date	July 1, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage
Discount rate	3.50%
Salary increases	3.50%
Healthcare cost trend rates:	
Inflation	2.75%
Initial medical trend rate	5.36%
Ultimate medical trend rate	4.40%
Mortality rates	
Teachers and Administrators	RP-2000 Combined Healthy Mortality Table for males and females projected forward 19 years using Scale AA, with a two year age setback
All others	RP-2000 Combined Healthy Mortality Table for males and females with generational projection per Scale AA

The discount rate was based on the Bond Buyer General Obligation 20 Bond Municipal index as of the measurement date.

6. Changes from prior year

a. Changes in assumptions

The Town’s plan had the following changes in assumptions:

- The discount rate decreased from 3.87% to 3.50%.
- The healthcare cost trend rate increased from 5.20% - 4.40% over 67 years to 5.36% - 4.40% over 65 years.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**D. Other Post-Employment Benefit Plan (continued)****b. Changes in benefit terms**

There were no changes in benefit terms.

7. Discount rate

The discount rate used to measure the total OPEB liability was 3.50%.

8. Changes in the OPEB liability

The Town's OPEB liability was measured at June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018.

	Total OPEB Liability (a)
	<u> </u>
Balance at July 1, 2018	\$ 6,005,729
Service cost	243,686
Interest	237,407
Differences between expected and actual experience	401,380
Changes in assumptions	1,064,531
Benefit payments, including refunds of member contributions	<u>(231,992)</u>
Net change	<u>1,715,012</u>
Balance at June 30, 2019	<u>\$ 7,720,741</u>

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan (continued)

9. Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>\$ 8,954,908</u>	<u>\$ 7,720,741</u>	<u>\$ 6,716,617</u>

10. Sensitivity of the OPEB liability to changes in the healthcare cost trend rate

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
OPEB Liability	<u>\$ 6,505,423</u>	<u>\$ 7,720,741</u>	<u>\$ 9,278,019</u>

11. OPEB expense and deferred outflows of resources related to OPEB

For the fiscal year, the Town recognized OPEB expense of \$610,160. The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description of Outflows/ Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 360,423	\$ -
Changes in assumptions	<u>955,905</u>	<u>(145,668)</u>
Total	<u>\$ 1,316,328</u>	<u>\$ (145,668)</u>
Net amount of deferred outflows due to changes in assumptions		<u>\$ 1,170,660</u>

Experience losses (gains) are amortized over the average remaining service period of actives and inactive, which was 9.8 years.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan (continued)

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

<u>Year Ended June 30,</u>	
2020	\$ 129,067
2021	129,067
2022	129,067
2023	129,067
2024	129,067
Thereafter	<u>525,325</u>
Total	<u>\$ 1,170,660</u>

E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan

1. 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 10-183t 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.

2. 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.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)****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.

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).

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.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)

3. Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, 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.

4. 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>14,036,927</u>
Total	<u><u>\$ 14,036,927</u></u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The Town has no proportionate share of the net OPEB liability.

The Town recognized OPEB expense and revenue of \$188,286 for on-behalf amounts for the benefits provided by the State.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)

5. Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care cost trend rate	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.87%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

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.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

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.
- The discount rate has been increased from 3.56% to 3.87% based upon the increase in the municipal bond index.

Additionally, 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.

Long-term expected rate of return

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 weighing 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 3.00%.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)****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.

6. Discount rate

The discount rate used to measure the total OPEB liability was 3.87%. 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.

7. 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.

8. 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, 2018.

Town of Berlin, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

VI. Prior period adjustment

Beginning equity balances were restated as follows:

	<u>Business-Type Activities</u>	<u>Water and Sewer Fund</u>
Net position as previously reported at June 30, 2018	\$ 17,820,895	\$ 17,820,895
To properly record land owned by the Town's Water Control Commission	<u>934,533</u>	<u>934,533</u>
Net position as restated at July 1, 2018	<u><u>\$ 18,755,428</u></u>	<u><u>\$ 18,755,428</u></u>

**Required
Supplementary
Information**

Town of Berlin, Connecticut

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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Property Taxes					
Current tax collections	\$ 74,574,173	\$ -	\$ 74,574,173	\$ 74,689,481	\$ 115,308
Back taxes	475,000	-	475,000	1,134,891	659,891
Interest from overdue taxes	300,000	-	300,000	439,380	139,380
Lien fees	2,500	-	2,500	7,218	4,718
Suspense taxes and interest	50,000	-	50,000	232,098	182,098
Elderly housing	49,064	-	49,064	51,099	2,035
Total Property Taxes	75,450,737	-	75,450,737	76,554,167	1,103,430
Intergovernmental Revenue					
Intergovernmental Revenue - Schools					
Private schools	-	-	-	21,576	21,576
Education cost sharing grant	5,370,605	-	5,370,605	6,070,026	699,421
Total Intergovernmental Revenue - Schools	5,370,605	-	5,370,605	6,091,602	720,997
Intergovernmental Revenue - Other					
In lieu of taxes	409	-	409	6,108	5,699
PILOT - New Britain stadium	25,000	-	25,000	25,000	-
Municipal stabilization grant	249,230	-	249,230	258,989	9,759
Disability, social security	3,000	-	3,000	3,052	52
Additional veteran exemption	11,000	-	11,000	9,862	(1,138)
Friends against drugs	3,300	-	3,300	4,153	853
Child and youth services grant	14,000	5,753	19,753	19,753	-
State and federal grant	45,000	2,500	47,500	25,879	(21,621)
Police overtime grant	74,800	-	74,800	48,331	(26,469)
Miscellaneous grants	-	-	-	634	634
Total Intergovernmental Revenue - Other	425,739	8,253	433,992	401,761	(32,231)
Total Intergovernmental Revenue	5,796,344	8,253	5,804,597	6,493,363	688,766
Charges for Services					
Licenses, Permits and Other Departments					
Town clerk fees	330,000	-	330,000	347,800	17,800
Zoning commission and building inspector	375,000	-	375,000	462,047	87,047
Planning	15,000	-	15,000	24,002	9,002
Zoning board of appeals	3,000	-	3,000	3,525	525
Animal control fees	12,644	-	12,644	10,954	(1,690)
Animal control rent	5,820	-	5,820	5,820	-
Police department	40,000	-	40,000	42,511	2,511
Police services to other agencies	25,000	-	25,000	17,648	(7,352)
Outside police services	347,500	-	347,500	343,778	(3,722)
Engineering and public works	38,000	-	38,000	37,622	(378)
Scrap metal	15,000	-	15,000	23,388	8,388
Parks and recreation	140,000	-	140,000	143,765	3,765
Golf course revenue	608,685	-	608,685	550,371	(58,314)
Golf restaurant rent	27,005	-	27,005	13,742	(13,263)
Golf course season pass revenue	151,475	-	151,475	126,445	(25,030)
Golf pro rent	2,770	-	2,770	2,770	-
Golf cart revenue	338,912	-	338,912	382,556	43,644
Berlin-Peck memorial library	14,500	-	14,500	8,737	(5,763)
Library copy fees	850	-	850	1,028	178
Passport fees	5,000	-	5,000	16,990	11,990
Berlin public health nursing service	1,000,000	-	1,000,000	1,045,780	45,780
Summer/field trips	23,121	-	23,121	20,007	(3,114)
Senior citizen center	8,932	-	8,932	6,878	(2,054)
Total Licenses, Permits and Other Departments	3,528,214	-	3,528,214	3,638,164	109,950

(Continued)

Town of Berlin, Connecticut
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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Other Services and Earnings on Investments					
Refund of expenditures	\$ 10,000	\$ -	\$ 10,000	\$ 7,940	\$ (2,060)
Sale of land, labor and materials	10,000	-	10,000	17,142	7,142
Mobile home rent	57,600	-	57,600	57,600	-
Cell tower rental	110,147	-	110,147	119,919	9,772
Other receipts	35,000	-	35,000	75,671	40,671
Telephone access line share	52,000	-	52,000	47,525	(4,475)
Total Other Services	274,747	-	274,747	325,797	51,050
Total Charges for Services	3,802,961	-	3,802,961	3,963,961	161,000
Investment Income	275,000	-	275,000	982,225	707,225
Total Revenues	85,325,042	8,253	85,333,295	87,993,716	2,660,421
Other Financing Sources					
Fund balance designated for future years	1,800,000	-	1,800,000	-	(1,800,000)
Fund balance designated for pension funding	800,000	-	800,000	-	(800,000)
Appropriation of fund balance	-	237,000	237,000	-	(237,000)
Water control commission - receivables	4,500	-	4,500	4,500	-
Transfers from other funds	-	-	-	13,519	13,519
Total Other Financing Sources	2,604,500	237,000	2,841,500	18,019	(2,823,481)
Total Revenues and Other Financing Sources	87,929,542	245,253	88,174,795	88,011,735	(163,060)
EXPENDITURES					
General Government					
Managers Office					
Wages	186,839	12,726	199,565	194,121	5,444
Fringe benefits	95,454	(5,525)	89,929	81,515	8,414
Operational	2,110	-	2,110	1,468	642
Total	284,403	7,201	291,604	277,104	14,500
Finance Department					
Wages	480,614	8,989	489,603	483,929	5,674
Fringe benefits	166,996	1,385	168,381	163,958	4,423
Operational	74,874	-	74,874	67,592	7,282
Total	722,484	10,374	732,858	715,479	17,379
Technology Department					
Wages	183,550	-	183,550	183,550	-
Fringe benefits	49,733	-	49,733	49,140	593
Operational	82,975	-	82,975	81,322	1,653
Capital	85,179	(492)	84,687	84,687	-
Total	401,437	(492)	400,945	398,699	2,246
Collector of Revenue					
Wages	169,865	(599)	169,266	154,696	14,570
Fringe benefits	57,039	(488)	56,551	42,385	14,166
Operational	201,727	1,087	202,814	178,167	24,647
Total	428,631	-	428,631	375,248	53,383

(Continued)

Town of Berlin, Connecticut
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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Treasurer					
Wages	\$ 55,914	\$ -	\$ 55,914	\$ 55,544	\$ 370
Fringe benefits	18,230	-	18,230	17,049	1,181
Operational	730	-	730	122	608
Total	74,874	-	74,874	72,715	2,159
Corporation Counsel					
Operational	249,447	-	249,447	234,530	14,917
Townwide Expenditures					
Wages	97,848	(86,534)	11,314	100	11,214
Fringe benefits	1,725,619	(8,750)	1,716,869	1,708,385	8,484
Operational	700,262	(301,600)	398,662	336,302	62,360
Total	2,523,729	(396,884)	2,126,845	2,044,787	82,058
Board of Finance					
Wages	4,425	-	4,425	2,350	2,075
Fringe benefits	356	-	356	188	168
Operational	500	-	500	32	468
Total	5,281	-	5,281	2,570	2,711
Assessor					
Wages	298,335	-	298,335	291,812	6,523
Fringe benefits	116,449	-	116,449	101,700	14,749
Operational	48,236	-	48,236	41,843	6,393
Total	463,020	-	463,020	435,355	27,665
Registrar of Voters					
Wages	70,000	-	70,000	67,907	2,093
Fringe benefits	13,883	(3,900)	9,983	9,686	297
Operational	71,550	(3,600)	67,950	60,270	7,680
Total	155,433	(7,500)	147,933	137,863	10,070
Town Clerk					
Wages	266,574	4,359	270,933	270,443	490
Fringe benefits	106,645	(1,187)	105,458	89,367	16,091
Operational	21,450	-	21,450	20,693	757
Capital	2,000	(2,000)	-	-	-
Total	396,669	1,172	397,841	380,503	17,338
Board of Assessment Appeals					
Wages	925	400	1,325	1,325	-
Fringe benefits	75	37	112	103	9
Operational	225	(162)	63	-	63
Total	1,225	275	1,500	1,428	72
Town Council					
Wages	3,975	-	3,975	2,975	1,000
Fringe Benefits	321	-	321	204	117
Operational	100	-	100	100	-
Total	4,396	-	4,396	3,279	1,117
Total General Government	5,711,029	(385,854)	5,325,175	5,079,560	245,615

(Continued)

Town of Berlin, Connecticut
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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Community Development					
Cemetery Committee					
Wages	\$ 925	\$ (425)	\$ 500	\$ 500	\$ -
Fringe benefits	75	-	75	74	1
Operational	5,100	2,925	8,025	8,000	25
Total	6,100	2,500	8,600	8,574	26
Development Services					
Wages	228,905	478	229,383	229,382	1
Fringe benefits	106,397	(131)	106,266	96,526	9,740
Operational	4,010	-	4,010	3,428	582
Total	339,312	347	339,659	329,336	10,323
Planning and Zoning Commission					
Operational	375	-	375	231	144
Zoning Board of Appeals					
Wages	1,175	-	1,175	700	475
Fringe benefits	95	-	95	54	41
Operational	525	-	525	174	351
Total	1,795	-	1,795	928	867
Economic Development					
Wages	123,005	(3,500)	119,505	118,033	1,472
Fringe benefits	35,629	-	35,629	34,503	1,126
Operational	16,060	3,500	19,560	15,706	3,854
Total	174,694	-	174,694	168,242	6,452
Conservation Commission					
Wages	1,300	-	1,300	1,000	300
Fringe benefits	105	-	105	75	30
Operational	2,820	-	2,820	2,666	154
Total	4,225	-	4,225	3,741	484
Inland Wetlands Commission					
Wages	1,400	-	1,400	1,100	300
Fringe benefits	114	-	114	76	38
Operational	2,450	-	2,450	2,356	94
Total	3,964	-	3,964	3,532	432
Veterans Commission					
Operational	4,250	-	4,250	4,147	103
Aquifer Protection Commission					
Wages	300	-	300	-	300
Fringe benefits	25	-	25	-	25
Operational	150	-	150	-	150
Total	475	-	475	-	475
Berlin Historic District					
Wages	1,250	-	1,250	800	450
Fringe benefits	101	-	101	60	41
Operational	250	-	250	100	150
Total	1,601	-	1,601	960	641

(Continued)

Town of Berlin, Connecticut
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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Commission for Disabled					
Wages	\$ 600	\$ -	\$ 600	\$ 500	\$ 100
Fringe benefits	49	-	49	38	11
Total	649	-	649	538	111
Public Building Commission					
Wages	2,300	-	2,300	1,200	1,100
Fringe benefits	185	-	185	84	101
Operation	400	-	400	-	400
Total	2,885	-	2,885	1,284	1,601
Building Inspection					
Wages	204,414	-	204,414	204,413	1
Fringe benefits	95,321	-	95,321	90,476	4,845
Operational	7,330	-	7,330	5,959	1,371
Total	307,065	-	307,065	300,848	6,217
Total Community Development	847,390	2,847	850,237	822,361	27,876
Public Safety					
Ambulance Contract					
Operational	368,438	-	368,438	357,341	11,097
Animal Control					
Wages	108,179	4,125	112,304	111,023	1,281
Fringe benefits	30,654	675	31,329	30,361	968
Operational	15,387	225	15,612	12,485	3,127
Total	154,220	5,025	159,245	153,869	5,376
Fire Department					
Wages	264,874	(1,100)	263,774	230,341	33,433
Fringe benefits	147,826	230	148,056	129,458	18,598
Operational	344,941	870	345,811	311,273	34,538
Total	757,641	-	757,641	671,072	86,569
Police					
Wages	5,444,748	(17,884)	5,426,864	5,315,021	111,843
Fringe benefits	2,045,153	(153,351)	1,891,802	1,778,732	113,070
Operational	232,825	400	233,225	226,667	6,558
Capital	240,900	(6,519)	234,381	234,381	-
Total	7,963,626	(177,354)	7,786,272	7,554,801	231,471
Emergency Management					
Fringe benefits	250	-	250	-	250
Operational	63,777	-	63,777	61,685	2,092
Total	64,027	-	64,027	61,685	2,342
Fire Marshal					
Wages	207,890	-	207,890	207,026	864
Fringe benefits	94,621	-	94,621	91,821	2,800
Operational	5,475	-	5,475	4,174	1,301
Total	307,986	-	307,986	303,021	4,965
Total Public Safety	9,615,938	(172,329)	9,443,609	9,101,789	341,820

(Continued)

Town of Berlin, Connecticut
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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Physical services					
Municipal Garage					
Wages	\$ 475,124	\$ -	\$ 475,124	\$ 459,420	\$ 15,704
Fringe benefits	179,538	-	179,538	156,896	22,642
Operational	475,360	-	475,360	414,835	60,525
Total	1,130,022	-	1,130,022	1,031,151	98,871
Public Works					
Wages	284,598	(235)	284,363	271,241	13,122
Fringe benefits	105,806	-	105,806	100,897	4,909
Operational	1,901,555	15,235	1,916,790	1,764,855	151,935
Capital	120,000	(105,736)	14,264	14,264	-
Total	2,411,959	(90,736)	2,321,223	2,151,257	169,966
Highway					
Wages	1,118,962	(1,800)	1,117,162	1,068,445	48,717
Fringe benefits	585,204	2,314	587,518	537,756	49,762
Operational	341,400	4,186	345,586	314,460	31,126
Capital	200,000	-	200,000	200,000	-
Total	2,245,566	4,700	2,250,266	2,120,661	129,605
Public Building					
Wages	1,052,056	1,223	1,053,279	1,014,558	38,721
Fringe benefits	464,500	(9,701)	454,799	411,195	43,604
Operational	852,045	(10,000)	842,045	740,204	101,841
Capital	92,500	(28,263)	64,237	64,184	53
Total	2,461,101	(46,741)	2,414,360	2,230,141	184,219
Total Physical Services	8,248,648	(132,777)	8,115,871	7,533,210	582,661
Parks, Recreation and Libraries					
Mobile Home Park					
Operational	6,814	-	6,814	6,622	192
Recreation					
Wages	338,784	1,013	339,797	323,806	15,991
Fringe benefits	91,459	(200)	91,259	84,851	6,408
Operational	53,402	400	53,802	47,283	6,519
Total	483,645	1,213	484,858	455,940	28,918
Golf Course					
Wages	425,828	15,467	441,295	435,281	6,014
Fringe benefits	166,277	(4,144)	162,133	157,446	4,687
Operational	500,923	5,157	506,080	484,654	21,426
Capital	26,081	-	26,081	24,665	1,416
Total	1,119,109	16,480	1,135,589	1,102,046	33,543
Libraries					
Wages	667,273	1,968	669,241	631,474	37,767
Fringe benefits	192,873	12,864	205,737	191,530	14,207
Operational	197,600	-	197,600	189,992	7,608
Total	1,057,746	14,832	1,072,578	1,012,996	59,582

(Continued)

Town of Berlin, Connecticut

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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Public Grounds					
Wages	\$ 672,894	\$ 16,547	\$ 689,441	\$ 686,618	\$ 2,823
Fringe benefits	290,851	(122)	290,729	285,733	4,996
Operational	319,820	(25)	319,795	283,914	35,881
Capital	160,000	(52,250)	107,750	106,045	1,705
Total	1,443,565	(35,850)	1,407,715	1,362,310	45,405
Total Parks, Recreation and Libraries	4,110,879	(3,325)	4,107,554	3,939,914	167,640
Health and Human Services					
Health Department					
Operational	130,250	-	130,250	124,384	5,866
Nursing Services					
Wages	1,145,265	21,426	1,166,691	1,103,074	63,617
Fringe benefits	412,528	1,764	414,292	346,765	67,527
Operational	246,233	(4,800)	241,433	204,474	36,959
Total	1,804,026	18,390	1,822,416	1,654,313	168,103
Senior Services					
Wages	417,578	712	418,290	412,063	6,227
Fringe benefits	189,888	201	190,089	174,352	15,737
Operational	39,478	6,053	45,531	32,377	13,154
Capital	12,800	(12,800)	-	-	-
Total	659,744	(5,834)	653,910	618,792	35,118
Total Health and Human Services	2,594,020	12,556	2,606,576	2,397,489	209,087
Schools					
Private Schools					
Wages	85,599	1,899	87,498	67,389	20,109
Fringe benefits	36,954	552	37,506	22,719	14,787
Operational	1,396	(100)	1,296	1,010	286
Total	123,949	2,351	126,300	91,118	35,182
Board of Education	43,581,000	(380,000)	43,201,000	43,198,061	2,939
School Expenditures					
Wages	716,009	14,399	730,408	621,122	109,286
Fringe benefits	771,015	3,437	774,452	698,557	75,895
Operational	1,655,658	(100,000)	1,555,658	1,472,483	83,175
Capital	424,211	(200,978)	223,233	222,153	1,080
Total	3,566,893	(283,142)	3,283,751	3,014,315	269,436
Total Schools	47,271,842	(660,791)	46,611,051	46,303,494	307,557
Debt Service					
Debt Principal					
Town government	2,073,037	-	2,073,037	2,073,037	-
Schools	3,853,434	-	3,853,434	3,853,433	1
Total	5,926,471	-	5,926,471	5,926,470	1
Interest and Fiscal Charges					
Town government	727,529	(74,500)	653,029	651,187	1,842
Schools	1,699,296	(3,000)	1,696,296	1,695,651	645
Total	2,426,825	(77,500)	2,349,325	2,346,838	2,487
Total Debt Service	8,353,296	(77,500)	8,275,796	8,273,308	2,488
Total Expenditures	86,753,042	(1,417,173)	85,335,869	83,451,125	1,884,744

(Continued)

Town of Berlin, Connecticut

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, 2019

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Other Financing Uses					
Transfers to other funds					
Capital projects fund	\$ 1,176,500	\$ 1,662,426	\$ 2,838,926	\$ 2,838,926	\$ -
Total Expenditures and Other Financing Uses	87,929,542	245,253	88,174,795	86,290,051	1,884,744
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -	\$ -	\$ -	\$ 1,721,684	\$ 1,721,684
<u>Reconciliation to Exhibit 4</u>		Revenues	Expenditures	Other Financing Uses	
Budgetary Basis - RSI 1		\$ 87,993,716	\$ 83,451,125	\$ 2,838,926	
State Teachers' Retirement on behalf amount		6,786,365	6,786,365	-	
State Teachers' OPEB on behalf amount		188,286	188,286	-	
Union Negotiation Reserve		-	21,350	100,000	
Revaluation Fund		-	39,430	-	
GAAP Basis - Exhibit D		\$ 94,968,367	\$ 90,486,556	\$ 2,938,926	

(Concluded)

Town of Berlin, Connecticut
Notes to Required Supplementary Information
June 30, 2019

Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

Only the General Fund has a legally adopted annual budget.

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 budget for as revenue or expenditures payments made for the State Teachers' pension and OPEB by the State of Connecticut on the Town's behalf.
2. Encumbrances are reported as expenditures for the budgetary basis of accounting.
3. For reporting in accordance with generally accepted accounting principles, the general fund includes certain funds that are required to be reported as part of the general fund under the requirement of GASB 54.

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.

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, with approval of the Board of Finance, 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, with approval of the Board of Finance, may transfer funds from budget appropriation between departments only in the last three months of the fiscal year.

Town of Berlin, Connecticut

Required Supplementary Information
Employee Retirement Plan
Last Six Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Schedule of Changes in Net Pension Liability and Related Ratios						
Total pension liability						
Service cost	\$ 143,822	\$ 170,718	\$ 93,056	\$ 117,272	\$ 113,033	\$ 104,337
Interest	307,980	340,605	287,446	306,265	363,095	450,167
Differences between expected and actual experience	309,304	378,919	1,080,795	788,138	(558,319)	-
Changes in assumptions	(437,484)	353,859	2,459,951	655,798	740,472	-
Benefit payments, including refunds of member contributions	<u>(187,633)</u>	<u>(1,663,462)</u>	<u>(808,399)</u>	<u>(1,576,058)</u>	<u>(1,666,241)</u>	<u>(215,290)</u>
Net change in total pension liability	135,989	(419,361)	3,112,849	291,415	(1,007,960)	339,214
Total pension liability - July 1	<u>8,748,606</u>	<u>9,167,967</u>	<u>6,055,118</u>	<u>5,763,703</u>	<u>6,771,663</u>	<u>6,432,449</u>
Total pension liability - June 30 (a)	<u>\$ 8,884,595</u>	<u>\$ 8,748,606</u>	<u>\$ 9,167,967</u>	<u>\$ 6,055,118</u>	<u>\$ 5,763,703</u>	<u>\$ 6,771,663</u>
Plan fiduciary net position						
Contributions - employer	\$ 1,606,701	1,448,395	700,399	700,537	1,406,809	700,000
Contributions - member	-	-	-	-	-	290,417
Net investment income (loss)	22,784	15,241	10,494	19,456	37,101	24,338
Benefit payments, including refunds of member contributions	<u>(187,633)</u>	<u>(1,663,462)</u>	<u>(808,399)</u>	<u>(1,576,058)</u>	<u>(1,666,241)</u>	<u>(215,290)</u>
Net change in plan fiduciary net position	1,441,852	(199,826)	(97,506)	(856,065)	(222,331)	799,465
Plan fiduciary net position - July 1	<u>68,843</u>	<u>268,669</u>	<u>366,175</u>	<u>1,222,240</u>	<u>1,444,571</u>	<u>645,106</u>
Plan fiduciary net position - June 30 (b)	<u>\$ 1,510,695</u>	<u>\$ 68,843</u>	<u>\$ 268,669</u>	<u>\$ 366,175</u>	<u>\$ 1,222,240</u>	<u>\$ 1,444,571</u>
Net pension liability - June 30 (a)-(b)	<u>\$ 7,373,900</u>	<u>\$ 8,679,763</u>	<u>\$ 8,899,298</u>	<u>\$ 5,688,943</u>	<u>\$ 4,541,463</u>	<u>\$ 5,327,092</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>17.00%</u>	<u>0.79%</u>	<u>2.93%</u>	<u>6.05%</u>	<u>21.21%</u>	<u>21.33%</u>
Covered payroll	<u>\$ 1,249,673</u>	<u>\$ 1,343,801</u>	<u>\$ 1,452,832</u>	<u>\$ 1,585,622</u>	<u>\$ 1,882,367</u>	<u>\$ 1,958,991</u>
Net pension liability as a percentage of covered payroll	<u>590.07%</u>	<u>645.91%</u>	<u>612.55%</u>	<u>358.78%</u>	<u>241.26%</u>	<u>271.93%</u>
Defined Contribution Plan						
Fiduciary net position, July 1	\$ 48,979,524	\$ 47,760,554	\$ 42,897,062	\$ 42,673,544	\$ 41,800,940	\$ 36,580,909
Employer contributions	1,906,480	1,605,034	1,650,999	1,587,749	1,644,079	1,626,498
Member contributions	910,782	897,999	1,104,338	928,038	1,040,435	688,409
Other contributions	37,321	37,626	50,000	40,000	-	-
Net investment income	2,787,817	3,568,185	4,343,638	15,261	1,013,384	3,822,548
Benefit payments	(3,122,725)	(4,710,956)	(2,187,650)	(2,271,722)	(2,746,656)	(796,586)
Administration	<u>(162,397)</u>	<u>(178,918)</u>	<u>(97,833)</u>	<u>(75,808)</u>	<u>(78,638)</u>	<u>(120,838)</u>
Fiduciary net position, June 30	<u>\$ 51,336,802</u>	<u>\$ 48,979,524</u>	<u>\$ 47,760,554</u>	<u>\$ 42,897,062</u>	<u>\$ 42,673,544</u>	<u>\$ 41,800,940</u>
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	<u>1.57%</u>	<u>1.57%</u>	<u>1.95%</u>	<u>2.46%</u>	<u>2.17%</u>	<u>2.02%</u>

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 1,606,701	\$ 1,448,395	\$ 913,803	\$ 918,862	\$ 1,001,122	\$ 935,628	\$ 1,005,393	\$ 493,732	\$ 473,550	\$ 355,088
Contributions in relation to the actuarially determined contribution	<u>1,606,701</u>	<u>1,448,694</u>	<u>700,399</u>	<u>700,537</u>	<u>1,406,809</u>	<u>700,000</u>	<u>700,000</u>	<u>350,000</u>	<u>200,000</u>	<u>175,000</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ 299</u>	<u>\$ (213,404)</u>	<u>\$ (218,325)</u>	<u>\$ 405,687</u>	<u>\$ (235,628)</u>	<u>\$ (305,393)</u>	<u>\$ (143,732)</u>	<u>\$ (273,550)</u>	<u>\$ (180,088)</u>
Covered payroll	<u>\$ 1,249,673</u>	<u>\$ 1,343,801</u>	<u>\$ 1,452,832</u>	<u>\$ 1,585,622</u>	<u>\$ 1,882,367</u>	<u>\$ 1,958,991</u>	<u>\$ 2,073,539</u>	<u>\$ 1,907,671</u>	<u>\$ 1,993,876</u>	<u>\$ 1,986,110</u>
Contributions as a percentage of covered payroll	<u>128.57%</u>	<u>107.81%</u>	<u>48.21%</u>	<u>44.18%</u>	<u>74.74%</u>	<u>35.73%</u>	<u>33.76%</u>	<u>18.35%</u>	<u>10.03%</u>	<u>8.81%</u>

Town of Berlin, Connecticut

Notes to Required Supplementary Information
Employee Retirement Plan
Schedule of Contributions
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	7/1/2018	7/1/2016	7/1/2016	7/1/2014	7/1/2014	7/1/2013
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Entry age normal	Entry age normal				
Amortization Method	Level percentage, open	Level percentage, open				
Asset Valuation Method	Fair value	Fair value				
Inflation	2.60%	2.60%	2.60%	3.00%	3.00%	2.50%
Salary Increases	3.25% per year for Police and 2.75% for all others	3.25% per year for Police and 2.75% for all others	3.25% per year for Police and 2.75% for all others	3.25% per year for Police and 2.75% for all others	3.75% for Police and 3.0% for all others	3.75% for Police and 3.0% for all others
Investment Rate of Return	Pre-retirement: 3.50%, Post-retirement: 3.05%	Pre-retirement: 3.50%, Post-retirement: 2.80%	Pre-retirement: 3.25%, Post-retirement: 2.45%	Pre-retirement 5.00%, Post-retirement 3.11%	Pre-retirement 5.00%, Post-retirement 3.11%	3.25%
Mortality Rate	Pre-retirement: RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2018 Post-retirement: IRS 417(e) mortality table.	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.	Pre retirement: RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016 Post-retirement: IRS 417(e) mortality table.	Pre retirement: RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015 Post-retirement: IRS 417(e) mortality table.	Pre-retirement: RP 2000 Mortality Table with separate male and female rateadjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with scale BB. Post-retirement: IRS 417 (e) mortality table.	Pre-retirement: Current: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with Scale BB. Prior: 1983 GAM Male (Setback 6 years). Post-retirement: Current: IRS417 (e) mortality table. Prior: 1994 GAR mortality.

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Berlin, Connecticut

Required Supplementary Information
Connecticut State Teachers' Retirement System
Last Five Years (3)

Schedule of Proportionate Share of the Net Pension Liability

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the Town	70,217,500	\$ 75,796,445	\$ 79,965,829	\$ 62,277,260	\$ 57,488,298
Total	\$ 70,217,500	\$ 75,796,445	\$ 79,965,829	\$ 62,277,260	\$ 57,488,298
Town's covered payroll	(2) N/A	N/A	N/A	N/A	N/A
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

Schedule of Contributions

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

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

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

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Berlin, Connecticut

Notes to Required Supplementary Information
 Connecticut State Teachers' Retirement System
 Schedule of Contributions
 Last Five Years (1)

	2019	2018	2017	2016	2015
Changes of Benefit Terms	Beginning January 2, 2018, member contributions increased from 6% to 7% of salary	None	None	None	None
The actuarially determined contribution rates are calculated as of	7/1/2018	7/1/2016	7/1/2016	7/1/2014	7/1/2014
Actuarial methods and assumptions used to determine contribution rates:					
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed
Remaining Amortization Period	17.6 years	20.4 years	20.4 years	21.4 years	22.4 years
Asset Valuation Method	4 year smoothed market	4 year smoothed market	4 year smoothed market	4 year smoothed market	4 year smoothed market
Inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Salary Increases	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation	8.00%, net of pension plan investment expense, including inflation	8.00%, net of pension plan investment expense, including inflation	8.50%, net of pension plan investment expense, including inflation	8.50%, net of pension plan investment expense, including inflation
Mortality	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.	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.	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.	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

(1) This schedule is intended to present information for 10 years. Additional years will be presented as they become available

Town of Berlin, Connecticut

**Required Supplementary Information
Other Post-Employment Benefit (OPEB) Plan
Last Two Years (1)**

Schedule of Changes in OPEB Liability

	2019	2018
OPEB liability		
Service cost	\$ 243,686	\$ 271,596
Interest	237,407	217,457
Differences between expected and actual experience	401,380	-
Changes in assumptions	1,064,531	(186,700)
Benefit payments, including refunds of member contributions	(231,992)	(196,773)
Net Change in total OPEB liability	1,715,012	105,580
OPEB liability - July 1	6,005,729	5,900,149
OPEB liability - June 30 (a)*	\$ 7,720,741	\$ 6,005,729
Covered payroll	\$ 31,377,144	\$ 30,769,557
Total OPEB liability as a percentage of covered payroll	24.61%	19.52%

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

(1) This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

Town of Berlin, Connecticut

Required Supplementary Information
 Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan
 Last Two Years (3)

		<u>2019</u>	<u>2018</u>
<u>Schedule of Proportionate Share of the Net OPEB Liability</u>			
Town's proportion of the net OPEB liability		0.00%	0.00%
Town's proportionate share of the collective net OPEB liability		\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the Town		14,036,927	19,509,156
Total		\$ 14,036,927	\$ 19,509,156
Town's covered payroll	(2)	N/A	N/A
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll		0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability		1.49%	1.79%

Schedule of Contributions

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

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

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

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Berlin, Connecticut

Notes to Required Supplementary Information
 Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan
 Schedule of Contributions
 Last Two Years (1)

	2019	2018
Changes of Benefit Terms	None	None
The actuarially determined contribution rates are calculated as of	7/1/2018	7/1/2016
Actuarial methods and assumptions used to determine contribution rates:		
Actuarial Cost Method	Entry age	Entry age
Amortization Method	Level percentage, open	Level percentage, open
Amortization Period	30 years	30 years
Asset Valuation Method	Fair Value	Fair Value
Inflation	2.75%	2.75%
Healthcare Inflation Rate	Initial 7.25% decreasing to 5.00% (ultimate) by 2022	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary Increases	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation
Investment Rate of Return	3.00%	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 2020 using the BB improvement scale.	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.

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Appendix B

Form of Opinion of Bond Counsel and Tax Exemption

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JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418
HARTFORD, CONNECTICUT 06106

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

TELEPHONE (860)296-0510
FACSIMILE (860)296-0541

FORM OF OPINION OF BOND COUNSEL

Town of Berlin
Berlin, Connecticut

Ladies and Gentlemen:

We have represented the Town of Berlin, Connecticut as bond counsel with respect to the issuance and sale of \$4,200,000 Town of Berlin, Connecticut General Obligation Bonds, Issue of 2020, bearing a Dated Date and an Original Issue Date of June 16, 2020 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated June 16, 2020 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The bonds are subject to redemption prior to maturity as therein provided. The bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the Town of Berlin payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that

interest on the bonds not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the bonds is excludable from gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not a specific preference item for purposes of the Federal alternative minimum tax. We express no opinion regarding any other Federal tax consequences of ownership or disposition of, or receipt of interest on, the bonds.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) continuing compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding any other State tax consequences of ownership or disposition of, or receipt of interest on, the bonds.

The rights of owners of the bonds and the enforceability of the bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully yours,

JOSEPH FASI LLC

Appendix C

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of June 16, 2020

In Connection With The Issuance And Sale Of

\$4,200,000 Town Of Berlin, Connecticut

General Obligation Bonds, Issue of 2020,

Dated June 16, 2020

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$4,200,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2020 (the "Bonds") to be dated June 16, 2020 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Bonds, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

"Listed Events" shall mean any of the events listed in Section 4 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Annual Reports.

A. The Issuer shall provide or cause to be provided to the MSRB, the following annual financial information and operating data regarding the Issuer:

1) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

2) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in 1) above:

(a) the amounts of the gross and net taxable grand list;

(b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;

(c) the percentage or amount of the annual property tax levy collected and uncollected;

(d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

- (e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;
- (g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;
- (h) a statement of statutory debt limitations and debt margins;
- (i) the funding status of the Issuer's pension benefit obligation.

B. The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's Annual Report. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB. The information will be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

C. Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Issuer shall provide the information and data referenced in Section 2(A) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information within a reasonable time.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;

- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;
- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g) modifications to rights of security holders, if material;
- h) bond calls, if material, and tender offers;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities, if material;
- k) rating changes;
- l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material;
- p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable

by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of June 16, 2020

In Connection With The Issuance And Sale Of

\$4,200,000 Town Of Berlin, Connecticut

General Obligation Bonds, Issue of 2020,

Dated June 16, 2020

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF BERLIN, CONNECTICUT

By _____
Mark H. Kaczynski
Mayor

By _____
Arosha Jayawickrema
Town Manager

By _____
Nancy L. Lockwood
Treasurer

By _____
Kevin J. Delaney
Finance Director

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Appendix D

Notice of Sale and Bid Form

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NOTICE OF SALE

\$4,500,000

TOWN OF BERLIN, CONNECTICUT

GENERAL OBLIGATION BONDS, ISSUE OF 2020

BANK QUALIFIED

ELECTRONIC BIDS via **PARITY®** only will be received by the Town of Berlin, Connecticut (the "Issuer") until:

**11:30 A.M. (E.D.T.)
Tuesday, June 2, 2020**

for the purchase of \$4,500,000 Town of Berlin General Obligation Bonds, Issue of 2020, maturing December 1 in each of the years as follows:

Year	Amount	Year	Amount
2021	\$450,000	2026	\$450,000
2022	\$450,000	2027	\$450,000
2023	\$450,000	2028	\$450,000
2024	\$450,000	2029	\$450,000
2025	\$450,000	2030	\$450,000

bearing interest payable semi-annually on June 1 and December 1 in each year until maturity, commencing December 1, 2020 (the "Bonds"). The Bonds will be dated June 16, 2020. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months.

See "Adjustment of Principal Amount and Maturity Schedule for the Bonds".

Redemption

The Bonds maturing on or before December 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2028 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after December 1, 2027, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Issuer may determine, at the redemption price or prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

	<u>Redemption Dates</u>	<u>Redemption Price</u>
From:	December 1, 2027 and thereafter	100%

Adjustment of Principal Amount and Maturity Schedule of the Bonds

After the receipt of bids the Issuer reserves the right to adjust the aggregate principal amount of the Bonds and to increase or decrease the principal amount of individual maturities of the Bonds and the final purchase price of the Bonds, even if the aggregate principal amount of the Bonds is unchanged. Prior to award, the successful bidder will be required to provide the coupon, yield and reoffering price information to be included in the issue price certificate, if requested, for purposes of determining the adjustment. The Issuer will make every effort to maintain the underwriting discount percentage based on the bid and reoffering price information.

The adjustments are at the sole discretion of the Issuer, a bidder may not withdraw its bid for the Bonds or change interest rates or reoffering prices of its bid, as a result of any changes made, and agrees to purchase the Bonds based on the adjustments, if any, described herein.

Book-Entry/Denominations

The Bonds will be dated June 16, 2020 and will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds in the principal amount of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Submitting Proposals

Proposals for the purchase of the Bonds will be accepted only electronically via **PARITY**[®], and must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$4,500,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum, provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to June 16, 2020, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to June 16, 2020, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of *PARITY*[®] until 11:30 A.M. (E.D.T) on Tuesday, June 2, 2020. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about *PARITY*[®], including any fee charged, may be obtained from *PARITY*[®], c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of *PARITY*[®] is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via *PARITY*[®], the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of *PARITY*[®], or the inaccuracies of any information, including bid information or worksheets supplied by *PARITY*[®], the use of *PARITY*[®] facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each of *PARITY*[®] prospective electronic bidders shall be solely responsible to make necessary arrangements to access *PARITY*[®] for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Issuer nor *PARITY*[®] shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer or *PARITY*[®] shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*[®]. The Issuer is using *PARITY*[®] as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of *PARITY*[®] to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All cost and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via *PARITY*[®] are the sole responsibility of the bidders; and the Issuer is not responsible

directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY**[®] at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY**[®], this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY**[®] shall constitute the official time.

Award

The Bonds will be awarded or all bids will be rejected promptly after receipt of reoffering price information and principal adjustments, if any, and not later than 4:00 P.M. (Hartford time) on June 2, 2020. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal. See "Adjustment of Principal Amount and Maturity Schedule for the Bonds".

The Issuer reserves the right to postpone the sale for any reason. If postponed, the Issuer will disseminate notice of the rescheduled date on Bloomberg, at least 24 hours prior to the sale.

Legal Opinion

The legality of the issue will be passed upon by Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, and the winning bidder will be furnished with their opinion without charge.

The Bonds will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay to the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses.

The legal opinion will further state that, under existing statutes and court decisions interest on the **Bonds** (i) is excludable from gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific preference item for purposes of the Federal alternative minimum tax.

Under existing statutes, the interest on the Bonds is **excluded** from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax.

In rendering the legal opinion, Joseph Fasi LLC will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Issuer for the benefit of the owners of the Bonds, and further, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

No opinion regarding any other Federal or State tax consequences of ownership or disposition of, or receipt of interest on, the **Bonds** will be expressed.

See “Form of Opinion of Bond Counsel and Tax Matters” herein.

Issue Price Establishment and Certification

By submitting a bid each bidder agrees and is obligated to provide to the Issuer prior to closing an Issue Price Certificate in accordance with this Notice of Sale.

10% Sales Test or Hold-the-Offering-Price Rule to Apply if Competitive Sale Requirements are Not Satisfied

Summary: To establish issue price the Issuer expects the sale of the Bonds to qualify under the competitive sale provisions of Treasury Regulation Section 1.148-1(f)(3)(i) and to establish the issue price pursuant to the competitive sale regulations.

In the event, in the opinion of Bond Counsel, the competitive sale regulations are not satisfied either the general rule of Treasury Regulation Section 1.148-1(f)(2), establishing the issue price as the first price at which 10% of each maturity is sold to the public (“General Rule”), or, the Hold-the-Offering-Price Rule, will apply. The winning bidder will communicate in writing to the Issuer the Issue Price Rule to be applied to each maturity before the close of business on the date of the sale. If no selection is made the Hold-the-Price Rule will apply.

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

This Summary is qualified by the Terms of Issue Price Establishment and Certification of this Notice of Sale as follows:

Establishment of Issue Price: The winning bidder shall assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, in the form attached hereto as Notice of Sale Exhibits A-1 or A-2 (depending on the method of issue price determination).

All actions to be taken by the Issuer under this notice of sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by its Municipal Advisor. Any notice or report to be provided to the Issuer shall be provided to the Issuer's Bond Counsel.

Competitive Sale: The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (i) the Issuer shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid, and by submitting a bid, a bidder is representing that it has an established industry reputation for underwriting new issuances of municipal bonds.

Failure to Meet Competitive Sale Requirements: In the event that the competitive sale regulations are not satisfied, the Issuer shall so advise the winning bidder. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to either the 10% Rule or the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

If the Competitive Sale Rule requests are not met, the winning bidder will notify the Municipal Advisor and Bond Counsel in writing before 5:00 P.M. (Hartford time) on the day of the award of the Issue Price Rule to be applied to each maturity of the Bonds. Failure to do so will result in application of the Hold-the-Offering-Price Rule.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any

agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Bonds are awarded by the Issuer to the winning bidder.

Documentation to Winning Bidder

In addition to Bond Counsel’s opinion, the winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the

appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

Certifying/Paying Agent

The Bonds will be certified by U.S. Bank National Association.

Bank Qualification

The Bonds **SHALL** be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Delivery and Payment

The Bonds will be delivered to DTC or its Agent via “Fast” on or about June 16, 2020. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser. The Issuer’s Municipal Advisor will apply for CUSIP numbers in accordance with MSRB Rule G-34. The Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the Issuer’s Municipal Advisor to obtain such numbers and to supply them to the Issuer in a timely manner, the purchaser’s failure to pay CUSIP charges or any other CUSIP assignment failure or delay.

Deemed Final; Pricing Information

The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder 25 copies of the Official Statement prepared at the Issuer’s expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's municipal advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Continuing Disclosure

The Issuer will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain listed events; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

More Information

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated May 26, 2020, may be obtained from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460, (203) 878-4945.

Mark H. Kaczynski
Mayor

Aroscha Jayawickrema
Town Manager

Nancy L. Lockwood
Treasurer

Kevin J. Delaney
Finance Director

May 26, 2020

(See attached for forms of Proposal for Purchase)

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

June 2, 2020

Mark H. Kaczynski, Mayor
 Aroscha Jayawickrema, Town Manager
 Nancy L. Lockwood, Treasurer
 Kevin J. Delaney, Finance Director
 Town of Berlin
 c/o Office of Phoenix Advisors, LLC
 53 River Street, Suite 1
 Milford, Connecticut 06460

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated May 26, 2020, which Notice is made a part of this proposal, we offer to purchase all \$4,500,000 bonds of the Town of Berlin, Connecticut comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2021	\$450,000	_____ %	2026	\$450,000	_____ %
2022	\$450,000	_____ %	2027	\$450,000	_____ %
2023	\$450,000	_____ %	2028	\$450,000	_____ %
2024	\$450,000	_____ %	2029	\$450,000	_____ %
2025	\$450,000	_____ %	2030	\$450,000	_____ %

 (Name of Bidder)

 (Mailing Address)

 (Telephone Number)

 (Authorized Signature)

 (Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$4,500,000 bonds under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____ %
	(Four Decimals)

NOTICE OF SALE EXHIBIT A-1

COMPETITIVE SALE ISSUE PRICE CERTIFICATE

\$4,500,000 TOWN OF BERLIN, CONNECTICUT GENERAL OBLIGATION BONDS, ISSUE OF 2020 Delivery Date: June 16, 2020

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (“[SHORT NAME OF UNDERWRITER]”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. **Reasonably Expected Initial Offering Price.** (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule A (the “Expected Offering Prices”) attached hereto. The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds. (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid. (c) The bid submitted by the [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds in accordance with the specified written terms contained in the Notice of Sale published by the Issuer.

2. [SHORT NAME OF UNDERWRITER] believes it has an established industry reputation for underwriting new issuances of municipal bonds.

3. **Defined Terms.** (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities. (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly. (c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is Tuesday, June 2, 2020. (d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate, including the members of the Underwriting Group) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Regulatory Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Joseph Fasi LLC, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds

is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: _____

Name: _____

Title: _____

Dated: June 16, 2020

SCHEDULE A EXPECTED OFFERING PRICES *(To Be Attached)*

SCHEDULE B COPY OF UNDERWRITER'S BID *(To Be Attached)*

NOTICE OF SALE EXHIBIT A-2

COMBINATION GENERAL RULE AND HOLD-THE-OFFERING-PRICE RULE ISSUE PRICE CERTIFICATE

\$4,500,000 TOWN OF BERLIN, CONNECTICUT GENERAL OBLIGATION BONDS, ISSUE OF 2020 Delivery Date: June 16, 2020

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (“[SHORT NAME OF UNDERWRITER]”)[the “Representative”][, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”),] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Bonds.***

(a) [SHORT NAME OF UNDERWRITER] [the Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER][the Underwriting Group] has[have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (Tuesday, June 2, 2020), or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriting Group] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Town of Berlin, Connecticut

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 2, 2020.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Regulatory Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Joseph Fasi LLC, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Title: _____

Dated: June 2, 2020

SCHEDULE A SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES
(To Be Attached)

SCHEDULE B PRICING WIRE *(To Be Attached)*

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