

Preliminary Official Statement Dated June 4, 2019

NEW MONEY: Book-Entry-Only

RATINGS: S&P Global Ratings: "AAA / SP-1+"

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 and Notes 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 and Notes 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
\$6,500,000
General Obligation Bonds, Issue of 2019
(Bank Qualified)

Dated: Date of Delivery

Due: Serially December 1, 2019-2028
as detailed below:

Interest on the Bonds will be payable on December 1, 2019 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.

Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2019	\$ 700,000	___%	___%	084851___	2024	\$ 700,000	___%	___%	084851___
2020	700,000	___%	___%	084851___	2025	650,000	___%	___%	084851___
2021	700,000	___%	___%	084851___	2026	550,000	___%	___%	084851___
2022	700,000	___%	___%	084851___	2027	550,000	___%	___%	084851___
2023	700,000	___%	___%	084851___	2028	550,000	___%	___%	084851___

Electronic bids only via PARITY® for the Bonds will be received until 11:30 A.M. (E.D.T.) on Tuesday, June 11, 2019, at Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, CT 06037.

\$931,000
General Obligation Bond Anticipation Notes
(Bank Qualified)

Dated: June 26, 2019

Rate: ___%

Yield: ___%

Due: January 29, 2020

CUSIP: 084851___

Underwriter: tbd

The Notes will be issued in book-entry-only form and will be registered in the name of Cede & Co., as noteowner and nominee for DTC, New York, New York. (See "Book-Entry-Only Transfer System" herein.) The Notes are not subject to redemption prior to maturity.

Sealed proposals and electronic bids via PARITY® for the Notes will be received until 11:00 A.M. (E.D.T.) on Tuesday, June 11, 2019, at Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, CT 06037. Sealed Bids for the Notes will be received until 11:00 AM (E.D.T.) by an authorized agent of Phoenix Advisors, LLC, the Town's Municipal Advisor, on Tuesday, June 11, 2019 at (860) 828-7044.

The Bonds and Notes 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 and Notes 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 and Notes 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 and Notes in book-entry-only form will be made to DTC on or about June 26, 2019.



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 or the Notes 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 Notes 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 or the Notes 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.

(The remainder of this page intentionally left blank)

Table of Contents

	<u>Page</u>		<u>Page</u>
Bond Issue Summary	1	IV. Tax Base Data	25
Note Issue Summary	2	Property Tax - Assessments.....	25
I. Bond and Note Information	3	Levy.....	25
Introduction.....	3	Comparative Assessed Valuations.....	26
Municipal Advisor.....	3	Exempt Property.....	26
The Bonds.....	4	Property Tax Levies and Collections.....	27
Description of the Bonds.....	4	Ten Largest Taxpayers.....	27
Redemption Provisions.....	4	V. Debt Summary	28
The Notes.....	5	Principal Amount of Indebtedness.....	28
Description of the Notes.....	5	Short Term Debt.....	28
The Bonds and Notes.....	5	Annual Bonded Debt Maturity Schedule.....	29
Authorization and Purpose.....	5	Overlapping Debt.....	29
Use of Proceeds.....	5	Mattabasset District.....	29
Book-Entry-Only Transfer System.....	5	Underlying Debt.....	30
DTC Practices.....	7	Debt Statement.....	31
Replacement Bonds and Notes.....	7	Current Debt Ratios.....	31
Security and Remedies.....	7	Bond Authorization.....	32
Qualification for Financial Institutions.....	8	Temporary Financing.....	32
Availability of Continuing Information.....	8	Debt Management Policy.....	32
Ratings.....	8	Limitation of Indebtedness.....	32
Insurance.....	8	Statement of Debt Limitation.....	33
II. The Issuer	9	Authorized But Unissued Debt.....	33
Description of the Municipality.....	9	Principal Amount of Outstanding Debt.....	34
Economic Development.....	9	Ratios of Net Long-Term Debt to Valuation	
Government Organization.....	10	Population and Income.....	34
Town Officials.....	11	Ratio of Total General Fund Debt Service	
Town Council Members.....	11	Expenditures To Total General Fund Expenditures.....	34
Municipal Services.....	12	VI. Financial Administration	35
Principal Public Facilities.....	14	Fiscal Year.....	35
Educational Services.....	15	Basis of Accounting.....	35
School Enrollment.....	15	Budget Procedure.....	35
School Facilities.....	15	Capital Improvement Plan.....	36
Employee Relations and Collective Bargaining.....	16	Audit.....	36
Municipal Employees.....	16	Liability Insurance.....	36
Employee Relations.....	16	Certificate of Achievement.....	36
Binding Arbitration.....	16	Pensions.....	37
III. Economic and Demographic Information	17	Other Post Employment Benefits.....	38
Economic Condition & Outlook.....	17	Energy Efficiency Projects.....	38
Major Economic Initiatives.....	17	Risk Management.....	38
Population and Density.....	19	Enterprise Fund.....	38
Age Distribution of the Population.....	19	Investment Policy.....	39
Income Distribution.....	19	General Fund Revenues and Expenditures.....	40
Income Levels.....	20	Analysis of General Fund Balance.....	40
Educational Attainment.....	20	VII. Legal and Other Information	41
Major Employers.....	20	Litigation.....	41
Employment by Industry.....	21	Documents Furnished at Delivery.....	41
Employment Data.....	21	Concluding Statement.....	42
Age Distribution of Housing.....	22	Appendix A: 2018 Financial Statements Excerpted from	
Commute to Work.....	22	the Town's Comprehensive Annual Financial Report	
Housing Inventory.....	22	Appendix B-1: Opinion of Bond Counsel and Tax Exemption - The Bonds	
Housing Vacancy Rates.....	23	Appendix B-2: Opinion of Bond Counsel and Tax Exemption - The Notes	
Owner Occupied Housing Values.....	23	Appendix C-1: Form of Continuing Disclosure Agreement - The Bonds	
Number and Size of Households.....	23	Appendix C-2: Form of Continuing Disclosure Agreement - The Notes	
Building Permits.....	24	Appendix D: Notices of Sale and Bid Form	
Land Use Breakdown.....	24		

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 11, 2019 at 11:30 A.M. (E.D.T.).
Location of Sale:	Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, CT 06037.
Issuer:	Town of Berlin, Connecticut (the "Town").
Issue:	\$6,500,000 General Obligation Bonds, Issue of 2019 (the "Bonds").
Dated Date:	June 26, 2019.
Interest Due:	December 1, 2019 and semiannually thereafter on June 1 and December 1, in each year until maturity.
Principal Due:	Principal due serially December 1, 2019 through December 1, 2028.
Purpose:	The Bond proceeds will be used to fund various general purpose and school 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 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-1: Form of Opinion of Bond Counsel and Tax Exemption – The Bonds.
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-1 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 26, 2019. 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.

Note Issue Summary

The information in this Note 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 11, 2019 at 11:00 A.M. (E.D.T.).
Location of Sale:	Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, CT 06037.
Issuer:	Town of Berlin, Connecticut (the "Town").
Issue:	\$931,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	June 26, 2019.
Principal and Interest Due:	At maturity: January 29, 2020.
Purpose:	The Note proceeds will be used to finance various general purpose and school projects.
Redemption:	The Notes are NOT subject to redemption prior to maturity.
Security:	The Notes 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 Notes when due.
Credit Rating:	The Notes received a rating of "SP-1+" from S&P Global Ratings.
Bond Insurance:	The Town does not expect to direct purchase a credit enhancement facility.
Tax Exemption:	See Appendix B-2: Form of Opinion of Bond Counsel and Tax Exemption – The Notes.
Bank Qualification:	The Notes <u>shall</u> 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 Notes.
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, notices of certain listed events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C-2 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 Notes in book-entry-only form will be made to The Depository Trust Company on or about June 26, 2019. Delivery of the Notes 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 & Note 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 \$6,500,000 General Obligation Bonds, Issue of 2019 (the "Bonds") and \$931,000 General Obligation Bond Anticipation Notes (the "Notes") 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 or the Notes. 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 Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

The Bonds and Notes are being offered for sale through public bidding. A Notice of Sale dated June 4, 2019 has been furnished to prospective bidders and is included herein as Appendix D for the Bonds and for the Notes. 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 and for the Notes.

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 2018 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 and the Notes (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 26, 2019 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, 2019. 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-1 to this Official Statement.

Redemption Provisions

The Bonds maturing on or before December 1, 2025 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2026 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after December 1, 2025, 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, 2025 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.

The Notes

Description of the Notes

The Notes will be dated June 26, 2019 and will be due and payable as to both principal and interest at maturity, January 29, 2020. The Notes are not subject to redemption prior to maturity and will bear interest, calculated on the basis of a 360-day year consisting of twelve 30-day months, at the rate or rates per annum specified by the successful bidder or bidders. A book-entry system will be employed, evidencing ownership of Notes in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership affected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry-Only Transfer System" herein.) The Registrar, Transfer Agent, Certifying Agent and Paying Agent will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.

The legal opinion for the Notes will be rendered by Joseph Fasi LLC in substantially the form set forth in Appendix B-2 to this Official Statement.

The Bonds and Notes

Authorization and Purpose

The Bonds and Notes 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 resolutions 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 and Notes are expected to finance the following projects.

Project	Amount Authorized	Notes Due: 6/26/2019	New Money/ (Paydowns)	This Issue:	
				The Notes: Due 1/29/20	The Bonds
Road Improvement (2017).....	\$ 4,000,000	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000
Railroad Pond Dam.....	1,700,000	1,000,000	500,000	-	1,500,000
Fire Radio Upgrade (2019).....	1,440,000	-	1,200,000	-	1,200,000
Bridge Improvements (2018).....	1,000,000	-	1,000,000	-	1,000,000
Scalise Field Improvements.....	1,100,000	-	1,000,000	-	1,000,000
Highway Trucks (2018).....	310,000	310,000	-	310,000	-
Berlin HS Tennis/BB Courts.....	550,000	231,000	-	231,000	-
Berlin HS Generator.....	350,000	210,000	-	210,000	-
Emergency Preparedness.....	800,000	80,000	-	80,000	-
Sidewalks and Bridges (2012).....	300,000	60,000	-	60,000	-
Bridge Improvements (2013).....	400,000	40,000	-	40,000	-
Total	\$ 11,950,000	\$ 3,731,000	\$ 3,700,000	\$ 931,000	\$ 6,500,000

Book-Entry-Only Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and the Notes (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. For the Notes, one fully-registered Security certificate will be issued for each interest rate of the Security.

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 and Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds and the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds or Notes may wish to ascertain that the nominee holding the Bonds or Notes 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 or Notes 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 and Notes

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

Security and Remedies

The Bonds and the Notes 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 and the Notes when due.

Unless paid from other sources, the Bonds and the Notes 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 and the Notes 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 and the Notes.

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 and the Notes, 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 and Notes 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 and the Notes 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 and the Notes 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 and the Notes.

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 and Notes, substantially in the form attached as Appendix C to this Official Statement (the “Continuing Disclosure Agreements”). The winning bidders’ obligation to purchase the Bonds and Notes shall be conditioned upon their receiving, at or prior to the delivery of the Bonds and Notes, 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” and “SP-1+” from S&P Global Ratings (“S&P”) on the Bonds and the Notes, respectively. The Town furnished S&P with certain information and materials, some of which may not have been included in this Official Statement.

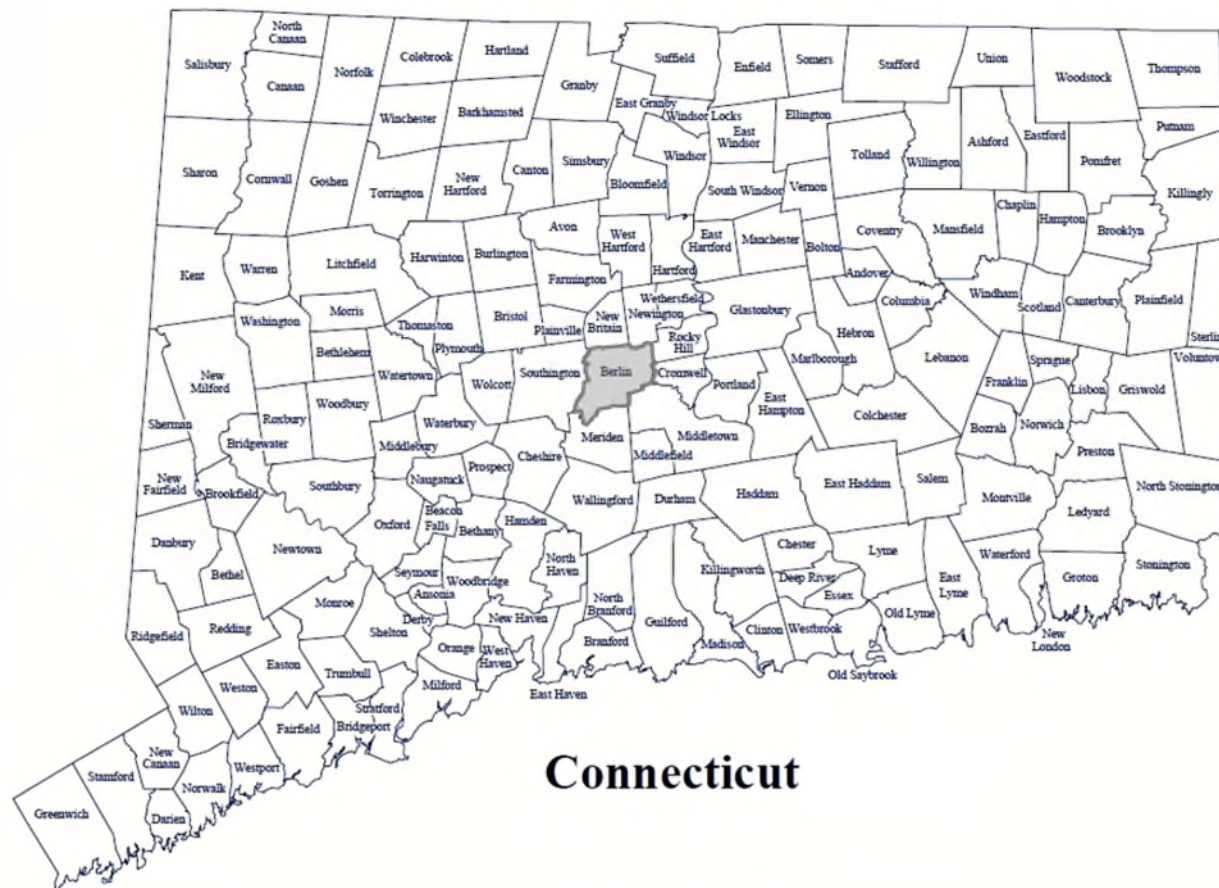
The ratings reflect only the views of the S&P and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such 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.

(The remainder of this page intentionally left blank)

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 has two golf courses, one public and one private. There are also two private schools, the Mooreland Hill School and St. Paul School, as well as fire companies and approximately 125 small- to medium-sized businesses in Town.

The Town is a member of the Bristol Resource Recovery Authority, which provides trash disposal services, and 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 seven members elected biennially for terms of two years each. On the second Tuesday following Election Day, members of the Town Council elect one of their members to serve as Mayor who shall preside at Town Council meetings. As part of the charter revisions approved by voters on November 8, 2016, the Town Council consists of six members and the Mayor is elected 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. The Board prepared an itemized budget for submission to the Town Manager.

Municipal Joint Ventures

The Town was a participant in two joint ventures. The Tunxis Recycling Operating Committee (“TROC”) had a membership of 14 cities and towns, including the Town of Berlin. The TROC was responsible for the development, operations, and management of a solid waste recycling program for all participating communities. On August 18, 2014, TROC voted to release and transfer monies remaining in the Special Revenue Fund to the Town’s other joint venture – the Bristol Resource Recovery Facility Operating Committee (“BRRFOC”) which will continue to serve the ten municipalities participating in the program, including the Town of Berlin. In April 2015, TROC voted along with BRRFOC to combine their respective financial statements, assets and liabilities. TROC has ceased to operate as a separate legal entity.

The BRRFOC had a membership of 14 cities and towns. The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of contracting municipalities dealing with the trash to energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.). In December 2012, the Bristol Facility Policy Board was formed pursuant to a Municipal Solid Waste Disposal and Recycling Services Agreement (the “Service Agreement”) by and among the member towns and cities. The Policy Board is the successor entity to BRRFOC. In 2014, tonnage commitments were revised under a new Service Agreement such that the overall minimum for the fourteen communities is aggregated and no shortfall will occur if these municipalities, in total, reach the required threshold. In conjunction with the transition to the new Service Agreement, BRRFOC’s administrative functions were significantly reduced and some of the remaining funds were distributed to member municipalities. Please refer to “Auditor’s Section, Notes to Financial Statements, Note 13” and “Summary of Municipal Services – Service Contract, Solid Waste Disposal” herein.

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-2019	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
Interim Town Manager.....	Marek Kozikowski ¹	Appointed	Indefinite	05/28/19
Development Services Director.....	Marek Kozikowski	Appointed	Indefinite	01/08/18
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

¹ Marek Kozikowski was appointed Interim Town Manager, on May 28, 2019, replacing Jack R. Healy who served in the Town Manager capacity for approximately two and a half years and submitted his resignation to be effective May 30, 2019.

Source: Town of Berlin

Town Council Members

Name	Manner of Selection	Term
Mark H. Kaczynski, Mayor.....	Elected / 2 years	2nd term
Brenden Luddy, Deputy Mayor.....	Elected / 2 years	3rd term
Peter A. Rosso.....	Elected / 2 years	2nd term
JoAnn Angelico-Stetson.....	Elected / 2 years	1st term
Charles Paonessa ¹	Elected / 2 years	3rd term
Alessandro Giannone.....	Elected / 2 years	1st term
Karen A. Pagliaro.....	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, two lieutenants, eight sergeants, and one detective. There are 42 authorized sworn positions including 29 police officers. Currently one officer position is vacant and in process of being filled. In addition, there is a support staff of 13.

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 of 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.

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 Special Act of the Connecticut Legislature in 1922. 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 2,560 water accounts and 2,493 sanitary sewer accounts. The Worthington Fire District serves 1,205 water accounts and 1,107 sanitary sewer accounts. The Kensington Fire District has 3,123 water accounts and 2,859 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. Approximately 25% of the Town's population is served by 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 Mattabassett District has never defaulted on its bond and note liabilities. See “Government Organization–Mattabassett District” and “Overlapping Debt” herein.

Subsequent to a comprehensive 1999 study, the Mattabassett 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 Mattabassett District for treatment. Each of the Fire Districts makes payments to the Town of Berlin predicated on metered flow. A \$3 million inflow and infiltration program has been completed by the Town with construction abating a portion of infiltration and inflow (clean water) flowing from the Town to the Mattabassett District. The Town is currently working on Phase 2 of the project and expects Phase 2 to be completed by the end of fiscal year 2018-19. The Town secured \$2,130,594 interim Clean Water Fund financing for the construction phase. Once the project is completed, the Town expects to convert the interim financing into a permanent Clean Water Fund loan payable over 20-years.

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.

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 of \$61.05 per ton of refuse (effective June 30, 2016) and is required to deliver up to its minimum commitment of 5,113 tons for the current fiscal year. In addition, the Town currently pays no tipping fee for 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

<i>School</i>	<i>Date of Construction (Additions, Remodeling)</i>	<i>Type of Construction</i>
Town Hall Complex.....	1975 (1995, 2016) ¹	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.

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, 2018 was 2,787. The rated capacity of the system facilities is 3,769.

School Enrollment

School Year	Historical				Total
	Pre-K	K-5	6 - 8	9 - 12	
2009-2010	68	1,337	735	1,027	3,167
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
School Year	Projected				Total
	Pre-K	K-5	K - 8	9 - 12	
2019-2020	51	1,142	647	914	2,754
2020-2021	51	1,126	653	904	2,734
2021-2022	51	1,137	632	877	2,697

Source: Town of Berlin, Board of Education

School Facilities

School	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2018 Enrollment	Rated Capacity
Hubbard School	Pre-K-5	1965 (1993)	12	220	325
Willard School	K-5	1955 (2013)	23	476	720
Griswold School	K-5	1963 (1992)	26	502	600
Catherine McGee School ...	6-8	1969 (2010)	58	685	924
Berlin High School	9-12	1953 (2013-2016)	68	904	1,200
Total.....			187	2,787	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:

	2018	2017	2016	2015	2014
General Government.....	184	189	183	184	181
Board of Education.....	492	458	448	449	445
Water Control Commission.....	6	6	6	5	5
Total.....	681	653	637	638	631

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	262	6/30/2022
Custodians.....	Berlin Custodial Employees, Local 222	23	6/30/2020
Head Custodians	Berlin Association of Head Custodians	4	6/30/2020
Clerical.....	Berlin Clerical Employees, Local 1278	18	6/30/2019 ¹
Cafeteria.....	Berlin Cafeteria Employees, Local 424	20	6/30/2020
Cook Managers.....	Berlin Cook Managers, Local 424	4	6/30/2020
Aides.....	Berlin Aides Employees, Local 1303-276	101	6/30/2021
Total Unionized Board of Education Employees.....		446	
General Government			
Police.....	Fraternal Order of Police Lodge 056	40	6/30/2020
Emergency Dispatchers.....	Connecticut Association of Labor Unions, Local Highway, Garage, Park, Water & Sewer, Golf Course, Building Maintenance.....	9	6/30/2020
Clerical.....	Connecticut Independent Labor Union	50	6/30/2021
Nursing.....	Connecticut Independent Labor Union	36	6/30/2020
Supervisors.....	Connecticut Health Care Associates	22	6/30/2021
	Berlin Middle Management Association	40	6/30/2019 ¹
Total Unionized General Government Employees....		197	
Non-Union. (Town and Board of Education).....		40	
Total Union/Non-Union Employees.....		683	

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

In addition, the Town has undertaken several major capital projects including an \$84.5 million project to renovate Berlin High School as new. This project was approved at referendum in March 2011 and is nearing completion. Also, the Town acquired the former Kensington Furniture property in order to relocate the police station to a more central location in Town. After careful consideration, the Town Council has decided not to move forward with a new Police Station at this time. Instead, the Town Council decided to use the property for commercial and market-rate residential development. The Town issued a Request for Proposals in 2018 and received several responses. After reviewing all responses, the Town entered into exclusive negotiations with a local development team. The project is progressing and an agreement for Phase 1 (two mixed use commercial/residential buildings) of the project is being finalized. Phases 2 and 3 represent continued development of the area and are expected to begin after Phase 1 is underway.

Several other projects that have recently been undertaken include major roadway improvements (the third phase of which is underway); upgrades to building security; and a multi-year initiative to repair town bridges and sidewalks. All school roofs have been redone over the past several years and the last one was completed in FY17. During FY14, the Public Works Department procured a Facility Condition Assessment Report outlining the conditions of major town buildings including schools. Projects in this report continue to be prioritized and built into capital improvement budgets.

A \$3 million inflow and infiltration project has been completed. This project will abate a portion of infiltration and inflow (i.e. clean water) flowing from the Town to the Mattabassett District. This project is funded through a 2% twenty-year loan from the State of Connecticut Department of Energy and Environmental Protection's Clean Water Fund. The town is currently completing Phase 2 of the project which will also be funded with a 20-year Clean Water Fund loan.

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, 2018, the district had \$65.3 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.

(The remainder of this page intentionally left blank)

Population and Density

Year	Population ¹	% Increase (Decrease)	Density ²
2017 ³	20,584	3.6%	762.4
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 2013-2017

Age Distribution of the Population

Age	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	654	3.2%	186,188	5.2%
5 to 9 years	1,157	5.6	206,536	5.8
10 to 14 years	1,246	6.1	225,831	6.3
15 to 19 years	1,231	6.0	249,777	7.0
20 to 24 years	864	4.2	245,849	6.9
25 to 34 years	1,840	8.9	439,239	12.3
35 to 44 years	2,075	10.1	433,401	12.1
45 to 54 years	3,656	17.8	535,611	15.0
55 to 59 years	1,684	8.2	266,501	7.5
60 to 64 years	1,809	8.8	229,788	6.4
65 to 74 years	2,413	11.7	318,515	8.9
75 to 84 years	1,206	5.9	167,133	4.7
85 years and over	749	3.6	90,109	2.5
Total.....	20,584	100.0%	3,574,097	100.0%
Median Age (Years) 2017.....	48.6		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 2013-2017

Income Distribution

Income	Town of Berlin		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	85	1.5%	27,787	3.1%
\$10,000 to \$14,999.....	-	-	16,143	1.8
\$15,000 to \$24,999.....	202	3.5	41,072	4.6
\$25,000 to \$34,999.....	279	4.8	52,218	5.8
\$35,000 to \$49,999.....	500	8.6	82,371	9.2
\$50,000 to \$74,999.....	516	8.8	134,356	15.0
\$75,000 to \$99,999.....	744	12.7	122,244	13.6
\$100,000 to \$149,999...	1,854	31.8	186,352	20.8
\$150,000 to \$199,999...	860	14.7	100,359	11.2
\$200,000 or more.....	798	13.7	132,765	14.8
Total.....	5,838	100.0%	895,667	100.0%

Source: American Community Survey 2013-2017

Income Levels

	Town of Berlin	State of Connecticut
Per Capita Income, 2017.....	\$45,324	\$41,365
Median Family Income, 2017.....	\$112,254	\$93,800
Median Household Income, 2017.....	\$93,328	\$73,781

Source: American Community Survey 2013-2017

Educational Attainment Years of School Completed Age 25 and Over

	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	488	4.2%	104,623	4.4%
9th to 12th grade, no diploma.....	501	5.8	137,877	6.1
High School graduate (includes equivalency).....	4,712	26.7	673,582	27.5
Some college, no degree.....	2,437	18.1	422,535	17.8
Associate degree.....	1,281	8.7	188,481	7.4
Bachelor's degree.....	3,790	20.3	532,055	20.5
Graduate or professional degree.....	2,223	16.3	421,144	16.4
Total	15,432	100.0%	2,480,297	100.0%
Percent high school graduate or higher.....		93.6%		90.2%
Percent bachelor's degree or higher.....		39.0%		38.4%

Source: American Community Survey 2013-2017

Major Employers As of May 2019

Employer	Type of Business	Approximate Number of Employees
Eversource.....	Utility	1,138
Town of Berlin.....	Municipal Government	683
Comcast Cable Systems.....	Cable TV	502
Assa Abloy.....	Locks and Security Devices	377
B & F Machine.....	Precision Machining	240
TOMZ Corporation.....	Medical and Aerospace Parts	205
Budney Industries.....	Aerospace Parts	185
Parker Hanafin.....	Solenoid Valves	179
The Home Depot.....	Retail	140
Stop and Shop.....	Retail	128

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.....	17	0.2%	7,166	0.4%
Construction.....	474	4.5	104,122	5.8
Manufacturing.....	1,345	12.8	191,519	10.6
Wholesale trade.....	535	5.1	44,741	2.5
Retail trade.....	1,106	10.5	193,016	10.7
Transportation warehousing, and utilities.....	535	5.1	68,926	3.8
Information.....	209	2.0	42,200	2.3
Finance, insurance, real estate, and leasing....	791	7.5	163,810	9.1
Professional, scientific, management, administrative, and waste management.....	984	9.4	208,130	11.5
Education, health and social services.....	3,041	28.9	478,083	26.5
Arts, entertainment, recreation, accommodation and food services.....	526	5.0	153,679	8.5
Other services (except public admin.).....	343	3.3	82,538	4.6
Public Administration.....	611	5.8	67,156	3.7
Total Labor Force, Employed.....	10,517	100.0%	1,805,086	100.0%

Source: American Community Survey 2013-2017

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
March 2019.....	11,495	442	3.7	4.2	4.2
Annual Average					
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
2009.....	10,876	818	4.6	8.3	8.2

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.....	158	1.9%	22,675	1.5%
2000 to 2009.....	1,066	12.5	105,131	7.0
1990 to 1999.....	801	9.4	114,261	7.6
1980 to 1989.....	1,137	13.3	191,939	12.7
1970 to 1979.....	1,156	13.6	200,217	13.3
1940 to 1969.....	2,924	34.3	535,477	35.5
1939 or earlier.....	1,288	15.1	338,011	22.4
Total Housing Units.....	8,530	100.0%	1,507,711	100.0%

Source: American Community Survey 2013-2017

Commute to Work

Category	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Drove alone.....	9,120	88.1%	1,387,093	78.2%
Car Pools.....	673	6.5	143,925	8.1
Using Public Transportation.....	123	1.2	86,778	4.9
Walked.....	103	1.0	51,059	2.9
Other Means.....	48	0.5	19,988	1.1
Worked at Home.....	289	2.8	85,156	4.8
Total.....	10,356	100.0%	1,773,999	100.0%

Mean Travel to Work (minutes)..... 24.1 26.0

Source: American Community Survey 2013-2017

Housing Inventory

Housing Units	Town of Berlin		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	6,698	78.5%	892,621	59.2%
1-unit, attached.....	264	3.1	81,393	5.4
2 units.....	613	7.2	123,040	8.2
3 or 4 units.....	208	2.4	130,914	8.7
5 to 9 units.....	187	2.2	82,787	5.5
10 to 19 units.....	98	1.1	56,540	3.8
20 or more units.....	432	5.1	128,477	8.5
Mobile home.....	30	0.4	11,564	0.8
Boat, RV, van, etc.....	-	-	375	0.0
Total Inventory.....	8,530	100.0%	1,507,711	100.0%

Source: American Community Survey 2013-2017

Housing Vacancy Rates

Housing Units	Town of Berlin		State of Connecticut	
	Units	Percent	Units	Percent
Occupied housing units	8,207	96.2%	1,361,755	90.3%
Vacant housing units	323	3.8%	145,956	9.7%
Total Units	8,530	100.0%	1,507,711	100.0%
Homeowner vacancy rate	–	0.5	–	1.9
Rental vacancy rate	–	7.7	–	6.6

Source: American Community Survey 2013-2017

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	232	3.3%	24,038	2.7%
\$50,000 to \$99,999.....	13	0.2	29,789	3.3
\$100,000 to \$149,999.....	177	2.5	83,320	9.2
\$150,000 to \$199,999.....	694	9.9	141,024	15.6
\$200,000 to \$299,999.....	3,063	43.7	244,356	26.9
\$300,000 to \$499,999.....	2,400	34.3	236,671	26.1
\$500,000 to \$999,999.....	391	5.6	106,192	11.7
\$1,000,000 or more.....	32	0.5	41,408	4.6
Total	7,002	100.0%	906,798	100.0%
Median Value	\$281,100		\$270,100	

Source: American Community Survey 2013-2017

Number and Size of Households

Household Characteristics	Town of Berlin		State of Connecticut	
	Number	Percent	Number	Percent
Persons in households	20,503	–	3,478,451	–
Persons per household (average)	2.50	–	2.55	–
Persons per family (average)	3.00	–	3.15	–
Family households	5,838	71.1%	895,667	65.8%
Non-family households	2,369	28.9%	466,088	34.2%
All households	8,207	100.0%	1,361,755	100.0%
Family households by type				
Married couple	4,790	82.0%	664,611	74.2%
Female householders, no spouse ...	806	13.8%	171,544	19.2%
Other	242	4.1%	59,512	6.6%
Total family households	5,838	100.0%	895,667	100.0%
Non-family households by type				
Householders living alone	2,062	87.0%	383,275	82.2%
Other	307	13.0%	82,813	17.8%
Total non-family households	2,369	100.0%	466,088	100.0%

Source: American Community Survey 2013-2017

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
2019 ¹	1,120	\$19,213,427	64	\$ 5,429,689	1,184	\$24,643,116
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
2010	1,154	17,840,671	149	19,334,044	1,303	37,174,715

¹ Represents July 1, 2018 through April 25, 2019.

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%

(The remainder of this page intentionally left blank)

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.

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.

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
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%
2009	83.4	9.3	7.3	2,341,485	62,090	2,279,395	1.5%

¹ Revaluation.

Source: Town of Berlin, Assessor's Office.

Exempt Property

Public	Assessed Value¹
Regular Veterans.....	\$ 2,043,700
Additional Veterans.....	302,760
Additional Veterans (1/2).....	606,420
100% Disabled and Blind.....	170,250
Local Option Veterans (non-reimbursed).....	378,000
Public buildings/property.....	-
Sub-Total Public.....	\$ 3,501,130
Private	
Agricultural or Horticultural.....	\$ -
Manufacturing machinery.....	89,922,800
Enterprise zone.....	-
Miscellaneous.....	-
Sub-Total Private.....	89,922,800
Total Exempt Property.....	\$ 93,423,930
Percent Compared to Net Taxable Grand List...	4.2%

¹ Based on the Net Taxable Grand List of October 1, 2018 of \$2,213,221,000.

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 6/30/2018
2017 ¹	2019	\$ 2,194,716	32.50	\$ 73,924		<i>In Collection</i>	
2016	2018	2,213,256	31.61	69,186	98.8%	1.2%	1.2%
2015	2017	2,192,605	30.81	68,276	98.8%	1.2%	0.4%
2014	2016	2,177,155	30.35	66,620	99.1%	0.9%	0.3%
2013	2015	2,186,129	28.92	63,641	98.9%	1.1%	0.2%
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%
2008	2010	2,245,322	22.69	51,125	98.4%	1.6%	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	\$ 212,478,618	9.60%
Corbin Russwin.....	Hardware	34,240,590	1.55%
Tomz Corporation.....	Medical/aerospace parts	21,252,800	0.96%
Cedar Brickyard LLC.....	Shopping center	20,163,550	0.91%
B & F Machine Inc.....	Manufacturer	17,725,570	0.80%
Stonebridge Berlin Associates.....	Apartments	9,363,400	0.42%
Connecticut Natural Gas Corp.....	Utility	8,928,040	0.40%
Budney Industries.....	Aerospace Manufacturer	8,919,360	0.40%
224 Berlin Turnpike LLC.....	Shopping center	7,759,660	0.35%
United Cablevision (incl. Comcast).....	Utility	7,416,330	0.34%
Total.....		\$ 348,247,918	15.73%

¹ Based on the Net Taxable Grand List of October 1, 2018 of \$2,213,221,000.

Source: Town of Berlin, Assessor's Office.

(The remainder of this page intentionally left blank)

V. Debt Summary
Principal Amount of Indebtedness
As of June 26, 2019
(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	\$ 1,379,568	2021
2011	Schools.....	3.00-5.00	8,170,000	1,335,432	2021
2013	General Purpose.....	2.25-4.00	2,480,000	1,800,000	2033
2013	Schools.....	2.25-4.00	6,015,000	4,655,000	2033
2014	General Purpose.....	3.00-5.00	1,855,000	1,315,000	2034
2014	Schools.....	3.00-5.00	16,500,000	13,000,000	2034
2015	Sewers - CWF 212-CSL.....	2.00	2,236,514	1,705,342	2035
2015	General Purpose.....	2.00-4.00	720,000	600,000	2035
2015	Schools.....	2.00-4.00	13,000,000	10,945,000	2035
2016	General Purpose.....	2.00-4.00	3,620,000	2,930,000	2036
2016	Schools.....	2.00-4.00	13,150,000	11,760,000	2036
2016	General Purpose Refunding.....	2.00-5.00	5,676,000	4,916,000	2026
2016	Schools Refunding.....	2.00-5.00	5,244,000	3,589,000	2026
2017	General Purpose.....	2.00-4.00	4,150,000	3,750,000	2030
2017	Schools.....	2.00-4.00	515,000	460,000	2030
Total Outstanding Bonded Debt.....			\$ 91,771,514	\$ 64,140,342	
This Issue					
2019	General Purpose.....	<i>tbd</i>	\$ 6,500,000	\$ 6,500,000	2029
Total This Issue.....			\$ 6,500,000	\$ 6,500,000	
Grand Total.....			\$ 98,271,514	\$ 70,640,342	

¹ Excludes bonds refunded or defeased.

Short-Term Debt
As of June 26, 2019
(Pro Forma)

Project	Amount Authorized	The Notes: Due 1/29/20
Highway Trucks (2018).....	\$ 310,000	\$ 310,000
Berlin HS Tennis/BB Courts.....	550,000	231,000
Berlin HS Generator.....	350,000	210,000
Emergency Preparedness.....	800,000	80,000
Sidewalks and Bridges (2012).....	300,000	60,000
Bridge Improvements (2013).....	400,000	40,000
Total	\$ 2,710,000	\$ 931,000

Annual Bonded Debt Maturity Schedule
As of June 26, 2019
(Pro Forma)

<i>Fiscal Year Ended 6/30</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total Debt Service</i>	<i>This Issue</i>		<i>Total Principal</i>	<i>Cumulative Principal Retired %</i>
				<i>General Purpose</i>	<i>Total</i>		
2020	\$ 6,011,826	\$ 2,024,130	\$ 8,035,956	\$ 700,000	\$ 700,000	\$ 6,711,826	9.5%
2021	5,521,826	1,787,920	7,309,746	700,000	700,000	6,221,826	18.3%
2022	5,271,826	1,541,696	6,813,522	700,000	700,000	5,971,826	26.8%
2023	5,311,826	1,326,022	6,637,848	700,000	700,000	6,011,826	35.3%
2024	5,351,826	1,130,632	6,482,458	700,000	700,000	6,051,826	43.8%
2025	5,376,826	975,462	6,352,287	700,000	700,000	6,076,826	52.4%
2026	5,151,826	823,428	5,975,254	650,000	650,000	5,801,826	60.7%
2027	3,586,826	698,229	4,285,055	550,000	550,000	4,136,826	66.5%
2028	3,576,826	604,778	4,181,604	550,000	550,000	4,126,826	72.4%
2029	3,096,826	515,816	3,612,641	550,000	550,000	3,646,826	77.5%
2030	2,966,826	433,323	3,400,149	-	-	2,966,826	81.7%
2031	2,886,826	351,280	3,238,106	-	-	2,886,826	85.8%
2032	2,771,826	268,021	3,039,847	-	-	2,771,826	89.7%
2033	2,766,826	183,126	2,949,952	-	-	2,766,826	93.6%
2034	2,376,826	102,599	2,479,424	-	-	2,376,826	97.0%
2035	1,427,956	42,537	1,470,493	-	-	1,427,956	99.0%
2036	685,000	10,275	695,275	-	-	685,000	100.0%
Total.....	\$ 64,140,342	\$ 12,819,276	\$ 76,959,618	\$ 6,500,000	\$ 6,500,000	\$ 70,640,342	

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 January 10, 2019 an Interim Funding Obligation in the amount of \$2,130,594 (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 denitrofication 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. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

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, 2018, the District currently has approximately \$65,311,853 debt outstanding to finance its sewage treatment plant expansion and upgrade (the “Project”) consisting of an Interim Funding Obligation of approximately \$63,138,760 and a Project Loan Obligation of approximately \$2,173,092. 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. 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 26, 2019**

Berlin's Percent of Overlapping Debt	14.35%
Berlin's Share of Overlapping Debt (6/30/18) ...	\$ 9,372,251

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, 2018, the Kensington Fire District had \$516,485 and the Worthington Fire District had \$398,844 in long-term debt outstanding.

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

Debt Statement
As of June 26, 2019
(Pro Forma)

Long-Term Debt Outstanding: ¹

General Purpose (Includes this issue).....	\$ 23,190,568
Schools	45,744,432
Sewers.....	1,705,342
Total Long-Term Debt	70,640,342
Short-Term Debt (This Issue Notes & CWF IFO)	931,000
Direct Debt	71,571,342
Overlapping Debt - Mattabassett District ²	9,372,251
Underlying Debt - Fire Districts	915,329
Total Overall Debt	81,858,922
Less: School Construction Grants Receivable (As of June 30, 2018)	-
Total Overall Net Debt	\$ 81,858,922

¹ Excludes a \$10.3 million guaranteed energy savings performance contract and lease financing. See "Energy Efficiency Projects" herein.

² See Overlapping Debt.

Current Debt Ratios
As of June 26, 2019
(Pro Forma)

Population (2017) ¹	20,584
Net Taxable Grand List (10/1/18)	\$2,213,221,000
Estimated Full Value (70%).....	\$3,161,744,286
Equalized Grand List (10/1/16) ²	\$3,296,394,142
Money Income per Capita (2017) ¹	\$45,324

	Total	Total Overall
	Overall Debt	Net Debt
Per Capita.....	\$3,976.82	\$3,976.82
Ratio to Net Taxable Grand List.....	3.70%	3.70%
Ratio to Estimated Full Value.....	2.59%	2.59%
Ratio to Equalized Grand List.....	2.48%	2.48%
Debt per Capita to Money Income per Capita (2017)....	8.77%	8.77%

¹ American Community Survey 2013-2017

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.

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 26, 2019
(Pro Forma)**

Total Tax Collections (including tax district collections, interest and lien fees) received by the Treasurer for the year ended June 30, 2018.....	\$ 72,103,000
Reimbursement For Revenue Loss (Tax relief for elderly).....	-
Base for Debt Limitation Computation.....	\$ 72,103,000

	<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.....	\$ 162,231,750	-	-	-	-
4 1/2 times base.....	-	\$ 324,463,500	-	-	-
3 3/4 times base.....	-	-	\$ 270,386,250	-	-
3 1/4 times base.....	-	-	-	\$ 234,334,750	-
3 times base.....	-	-	-	-	\$ 216,309,000
Total Debt Limitation.....	\$ 162,231,750	\$ 324,463,500	\$ 270,386,250	\$ 234,334,750	\$ 216,309,000

Indebtedness: ³					
Bonds Outstanding	\$ 16,690,568	\$ 45,744,432	\$ 1,705,342 ¹	\$ -	\$ -
Bonds – This Issue.....	6,500,000	-	-	-	-
Notes – Includes This Issue.....	490,000	441,000	-	-	-
CWF IFO.....	-	-	2,130,594	-	-
Overlapping/Underlying Debt.....	915,329	-	9,372,251 ²	-	-
Debt Authorized But Unissued.....	4,493,122	1,984,356 ⁴	869,406	-	-
Total Net Indebtedness.....	29,089,019	48,169,788	14,077,593	-	-

DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS.....	\$ 133,142,731	\$ 276,293,712	\$ 256,308,657	\$ 234,334,750	\$ 216,309,000
---	-----------------------	-----------------------	-----------------------	-----------------------	-----------------------

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. See "Energy Efficiency Projects" herein.

⁴ Takes into account \$3.787 million of expected grants. See "Authorized but Unissued Debt" herein.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$504,721,000

**Authorized but Unissued Debt
As of June 26, 2019
(Pro Forma)**

Project	Amount Authorized	Previously Bonded/ CWF Loan	Appropriations, Transfers & Grants Received	Notes Due: 6/26/2019	Expected (Paydowns)	Expected Grants	This Issue:		Authorized But Unissued Debt
							The Notes: Due 1/29/20	The Bonds	
Road Improvement (2017).....	\$ 4,000,000	\$ 1,050,000	\$ -	\$ 1,800,000	\$ -	\$ -	\$ -	\$ 1,800,000	\$ 1,150,000
Railroad Pond Dam.....	1,700,000	-	-	1,000,000	-	-	-	1,500,000	200,000
Fire Radio Upgrade (2019).....	1,440,000	-	-	-	-	-	-	1,200,000	240,000
Bridge Improvements (2018).....	1,000,000	-	-	-	-	-	-	1,000,000	-
Scalise Field Improvements.....	1,100,000	-	-	-	-	-	-	1,000,000	100,000
Inflow/Infiltration (2017).....	3,000,000	2,130,594	-	-	-	-	-	-	869,406
Highway Trucks (2018).....	310,000	-	-	310,000	-	-	310,000	-	-
Berlin HS Tennis/BB Courts.....	550,000	-	165,000	231,000	(154,000)	-	231,000	-	-
Berlin HS Generator.....	350,000	-	140,000	210,000	-	-	210,000	-	-
Emergency Preparedness.....	800,000	-	720,000	80,000	-	-	80,000	-	-
Sidewalks and Bridges (2012).....	300,000	-	240,000	60,000	-	-	60,000	-	-
Bridge Improvements (2013).....	400,000	-	360,000	40,000	-	-	40,000	-	-
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
Zipadelli Baseball Field.....	98,000	84,230	-	-	-	-	-	-	13,770
School Security Vestibules.....	500,000	167,000	-	-	-	-	-	-	333,000
High School Renovations.....	84,950,000	47,000,000	32,698,644	-	-	3,600,000	-	-	1,651,356
Total.....	\$ 106,498,000	\$ 53,270,915	\$ 34,695,201	\$ 3,731,000	\$ (154,000)	\$ 3,600,000	\$ 931,000	\$ 6,500,000	\$ 7,346,884

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

<u>Long-Term Debt</u> ¹	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bonds.....	\$ 68,300	\$ 73,645	\$ 73,340	\$ 60,905	\$ 49,450
CWF	1,817	1,929	2,041	2,237	-
Sub-Total Long-Term Debt.....	70,117	75,574	75,381	63,142	49,450
Short-Term Debt					
Bond Anticipation Notes.....	2,028	1,455	900	1,180	1,259
CWF IFO.....	-	-	-	-	2,042
Sub-Total Short-Term Debt....	2,028	1,455	900	1,180	3,301
Grand Total.....	\$ 72,145	\$ 77,029	\$ 76,281	\$ 64,322	\$ 52,751

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

Source: Town of Berlin Audited Financial Reports 2014-2018.

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 Debt ¹	Ratio of Net Long-Term Debt to		Population ²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³
				Assessed Value (%)	Estimated Full Value (%)			
2018	\$ 2,194,716	\$ 3,135,309	\$ 68,300	3.11%	2.18%	20,584	\$ 3,318.11	7.32%
2017	2,213,256	3,161,795	73,645	3.33%	2.33%	20,584	3,577.78	7.89%
2016	2,192,605	3,132,293	73,340	3.34%	2.34%	20,584	3,562.96	7.86%
2015	2,177,155	3,110,221	60,905	2.80%	1.96%	20,584	2,958.85	6.53%
2014	2,186,129	3,123,041	49,450	2.26%	1.58%	20,584	2,402.35	5.30%

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 (2013-2017), Money Income Per Capita \$45,324.

Source: Town of Berlin Audited Financial Reports 2014-2018.

**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 Expenditures ¹	Ratio of Total Debt Service To General Fund Expenditures
2019 (Est.)	\$ 9,959,997	\$ 96,696,976	10.3%
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.

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.

<i>Purpose</i>	<i>Fiscal</i> 2018-19	<i>Fiscal</i> 2019-20	<i>Fiscal</i> 2020-21	<i>Fiscal</i> 2021-22	<i>Fiscal</i> 2022-23	Total
Townwide.....	\$ 2,000	\$ -	\$ 2,000	\$ 2,000	\$ 2,000	\$ 8,000
Economic Development.....	693,975	1,785,967	-	-	-	2,479,942
Public Safety.....	702,000	1,273,000	1,841,500	564,000	1,836,500	6,217,000
Public works.....	3,792,500	7,683,000	4,709,000	4,988,222	6,424,433	27,597,155
Recreation.....	12,800	-	118,000	80,000	-	210,800
Libraries.....	-	-	-	107,000	-	107,000
Public Grounds.....	115,000	1,000,000	201,000	226,000	249,625	1,791,625
Golf Course.....	24,282	46,419	127,827	131,827	76,827	407,182
Education.....	942,173	707,088	743,655	891,718	2,528,604	5,813,238
Water Control Commission.....	955,000	1,260,000	860,000	860,000	60,000	3,995,000
Total	\$ 7,239,730	\$ 13,755,474	\$ 8,602,982	\$ 7,850,767	\$ 11,177,989	\$ 48,626,942

<i>Funding</i>	<i>Fiscal</i> 2018-19	<i>Fiscal</i> 2019-20	<i>Fiscal</i> 2020-21	<i>Fiscal</i> 2021-22	<i>Fiscal</i> 2022-23	Total
Town – Capital.....	\$ 1,111,793	\$ 274,419	\$ 2,647,182	\$ 5,010,217	\$ 5,754,589	\$ 14,798,200
Bonds and Notes.....	3,110,000	3,700,000	3,925,000	-	3,700,000	14,435,000
Grants.....	1,324,000	7,111,055	1,118,000	1,940,550	1,633,400	13,127,005
Capital Non-Recurring Fund.....	738,937	1,410,000	52,800	40,000	30,000	2,271,737
Water and Sewer Funds.....	955,000	1,260,000	860,000	860,000	60,000	3,995,000
Total Funding Sources.....	\$ 7,239,730	\$ 13,755,474	\$ 8,602,982	\$ 7,850,767	\$ 11,177,989	\$ 48,626,942

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, 2017 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, 2018 were as follows:

Total Pension Liability	\$	8,748,606
Plan Fiduciary Net Position		68,843
Total Net Pension Liability	\$	<u>8,679,763</u>
Plan Fiduciary Net Position as a		
Percentage of the Total Pension Liability		0.79%

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2017.....	\$ 9,167,967	\$ 268,669	\$ 8,899,298
Changes for the year:			
Service Cost.....	170,718	-	170,718
Interest on Total Pension Liability.....	340,605	-	340,605
Differences Between Expected and Actual Experience.....	378,919	-	378,919
Changes in Assumptions.....	353,859	-	353,859
Employer Contributions.....	-	1,448,395	(1,448,395)
Net Investment Income.....	-	15,241	(15,241)
Benefit Payments, Including Refund to Employee Contributions.....	<u>(1,663,462)</u>	<u>(1,663,462)</u>	<u>-</u>
Net Changes.....	<u>(419,361)</u>	<u>(199,826)</u>	<u>(219,535)</u>
Balances as of June 30, 2018.....	<u>\$ 8,748,606</u>	<u>\$ 68,843</u>	<u>\$ 8,679,763</u>

Changes of Assumptions

For the year ended June 30, 2017 the expected rate of return (net of investment-related and administrative expenses) was reduced from 4.0% to 3.5% for pre-retirement and increased from 2.45% to 2.80% for post-retirement. 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, 2018 was \$6,005,729. The Town implemented GASB 75 at June 30, 2018.

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 NORESKO. 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 \$628,099 in the Medical and Health Insurance Fund at June 30, 2018.

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, 2018, the increase in net position after transfers for the Water and Sewer Fund was \$548,359.

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.

(The remainder of this page intentionally left blank)

General Fund Revenues and Expenditures
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis)
and Budget (Budgetary Basis)

Revenues:	Budget ¹	Budget ¹	Actual	Actual	Actual	Actual
	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Property Taxes	\$ 78,334,200	\$ 75,450,737	\$ 71,746,019	\$ 68,126,071	\$ 66,691,876	\$ 63,867,121
Intergovernmental	6,424,124	5,796,344	17,080,557	17,531,502	13,312,658	12,386,029
Income on Investments.....	300,000	275,000	487,630	241,457	205,543	163,694
Other (including Charges for Services)	5,133,590	6,407,461	3,928,219	4,193,750	4,214,724	3,883,396
Total Revenues	90,191,914	87,929,542	93,242,425	90,092,780	84,424,801	80,300,240
Expenditures:						
General government	4,475,647	3,967,149	4,817,216	4,432,950	4,210,624	4,730,669
Public Safety	9,590,328	9,375,038	8,623,104	8,655,408	8,475,475	8,497,146
Health and Welfare	2,653,465	2,581,220	2,439,955	2,481,050	2,346,925	2,256,886
Physical Services	8,290,974	7,836,148	7,135,797	7,145,011	7,560,375	7,893,401
Parks & Recreation, and Libraries	4,214,287	3,924,798	3,709,905	3,870,709	3,893,801	3,961,074
Community Development	886,931	847,390	782,894	757,708	693,903	726,617
Education	48,705,839	46,847,631	55,662,839	54,263,656	49,476,881	47,885,291
Debt Service	10,446,024	9,959,997	7,970,898	7,005,979	6,322,214	4,191,395
Capital Outlays	274,419	1,363,671	-	-	31,828	442,615
Total Expenditures	89,537,914	86,703,042	91,142,608	88,612,471	83,012,026	80,585,094
Revenues over (under) expenditures	654,000	1,226,500	2,099,817	1,480,309	1,412,775	(284,854)
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	442,615
Operating Transfers In	-	-	8,639	6,800	69,610	272,540
Operating Transfers (Out)	(654,000)	(1,226,500)	(1,334,901)	(1,212,259)	(926,296)	(990,900)
Total other Financing Sources (uses)	(654,000)	(1,226,500)	(1,326,262)	(1,040,252)	300,048	(275,745)
Revenues and other financing sources over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ 773,555	\$ 440,057	\$ 1,712,823	\$ (560,599)

¹ Budgetary basis, subject to audit.

Analysis of General Fund Equity

	Adopted					
	Budget ¹	Actual	Actual	Actual	Actual	Actual
	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Nonspendable.....	N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Committed.....	N/A	206,994	577,833	398,567	327,968	328,093
Assigned.....	N/A	2,837,000	2,638,395	2,300,000	1,800,000	2,600,000
Unassigned.....	N/A	12,025,216	11,079,427	11,157,031	10,014,792	9,775,266
Total Fund Balance.....	N/A	\$ 15,069,210	\$ 14,295,655	\$ 13,855,598	\$ 12,142,760	\$ 12,703,359

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 purchasers of the Bonds and Notes will be furnished the following documentation when the Bonds and Notes 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 and Notes 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 and Notes 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. Receipts for the purchase price of the Bonds and Notes.
4. The approving opinions of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, substantially in the forms of Appendices B-1 and B-2 attached hereto.
5. Executed Continuing Disclosure Agreements for the Bonds and Notes in substantially the forms of Appendix C attached hereto.
6. The Issuer will provide to the winning bidder of the Bonds 50 copies of the Official Statement and to the winning bidder of the Notes 15 copies of the Official Statement, prepared for this Bond and Note 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 and Notes.

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.

(The remainder of this page intentionally left blank)

Concluding Statement

This Official Statement is submitted only in connection with the sale of the Bonds and Notes 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: _____
MARK H. KACZYNSKI, *Mayor*

By: _____
MAREK KOZIKOWSKI, *Interim Town Manager*

By: _____
NANCY L. LOCKWOOD, *Treasurer*

By: _____
KEVIN J. DELANEY, *Finance Director*

Dated: June __, 2019

Appendix A

2018 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, 2018. 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.

Independent Auditors' Report

Town Council
Town of Berlin, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Prior Year Financial Information

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

Other Reporting Required by *Government Auditing Standards*

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

PKF O'Connor Davies, LLP

December 7, 2018
Wethersfield, CT

TOWN OF BERLIN, CONNECTICUT

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

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position increased from \$120,384 to \$123,924 (with prior year restated for the effects of implementing GASB 75 and GASB 84). The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Position
(in thousands)

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

* Restated for GASB 75 & GASB 84 implementation

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

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

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

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

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

Table 2
Changes in Net Position
(in thousands)

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

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

Governmental Activities

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

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

Major expense factors include:

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

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

Table 3 presents the cost of each of the Town's programs, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities
(in thousands)

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

Business-Type Activities

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

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

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

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

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

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

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

Proprietary Funds

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

Internal Service Funds

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

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

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

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

Debt

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

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

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

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

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

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

The Town has a twenty-year 2% loan with the State of Connecticut Department of Energy and Environmental Protection's Clean Water Fund in order to fund the inflow and infiltration project. This project is accounted for in the water and sewer enterprise fund and is funded exclusively by a separate charge on consumer's bills. The future debt service for the loan is \$2,114 (\$1,817 principal and \$297 interest).

Capital Lease

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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

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

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

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

**BASIC FINANCIAL
STATEMENTS**

Statement of Net Position
June 30, 2018

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

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

Town of Berlin, Connecticut

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 4,088,097	\$ 408,029	\$ 726,701	\$ 55,948	\$ (2,897,419)	\$ -	\$ (2,897,419)
Community development	1,434,058	381,560	6,280	739,836	(306,382)	-	(306,382)
Public safety	11,411,877	447,018	36,760	-	(10,928,099)	-	(10,928,099)
Physical services	8,699,197	79,895	841,395	1,528,623	(6,249,284)	-	(6,249,284)
Parks, recreation and libraries	4,333,615	1,441,126	63,135	-	(2,829,354)	-	(2,829,354)
Health and human services	2,690,952	1,098,129	29,538	-	(1,563,285)	-	(1,563,285)
Schools	60,583,795	612,220	18,189,312	-	(41,782,263)	-	(41,782,263)
Interest expense	2,193,460	-	-	-	(2,193,460)	-	(2,193,460)
Total Governmental Activities	<u>95,435,051</u>	<u>4,467,977</u>	<u>19,893,121</u>	<u>2,324,407</u>	<u>(68,749,546)</u>	<u>-</u>	<u>(68,749,546)</u>
Business-type activities							
Water services	1,475,639	1,518,166	-	-	-	42,527	42,527
Sewer services	2,446,328	2,858,443	-	-	-	412,115	412,115
Total Business-type Activities	<u>3,921,967</u>	<u>4,376,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,642</u>	<u>454,642</u>
Totals	<u>\$ 99,357,018</u>	<u>\$ 8,844,586</u>	<u>\$ 19,893,121</u>	<u>\$ 2,324,407</u>	<u>(68,749,546)</u>	<u>454,642</u>	<u>(68,294,904)</u>
General Revenues							
Property taxes, interest and liens					70,904,222	639	70,904,861
Grants and contributions not restricted to specific programs					78,140	-	78,140
Unrestricted investment income					521,515	88,245	609,760
Miscellaneous					228,092	13,472	241,564
Total General Revenues					71,731,969	102,356	71,834,325
Transfers in (transfers out)					8,639	(8,639)	-
Change in Net Position					2,991,062	548,359	3,539,421
Net Position - Beginning of Year (as restated)					103,111,643	17,272,536	120,384,179
Net Position - End of Year					<u>\$ 106,102,705</u>	<u>\$ 17,820,895</u>	<u>\$ 123,923,600</u>

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

Balance Sheet
 Governmental Funds
 June 30, 2018

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

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

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

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

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

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

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

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

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

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

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

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

Capital outlay	6,084,327
Depreciation expense	(3,404,191)
Loss on assets disposals	<u>(16,590)</u>
Total	<u>2,663,546</u>

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

Property taxes and interest	(793,219)
Intergovernmental revenues - accrual basis difference	<u>(205,710)</u>
Total	<u>(998,929)</u>

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

Principal payments on long-term debt	5,345,000
Principal payments on capital leases	<u>479,874</u>
Total	<u>5,824,874</u>

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

Accrued interest	(120,360)
Premium amortization	745,453
Change in compensated absences	(141,186)
Pension related accounts (net pension liability, deferred inflows and outflows of resources)	(1,249,644)
OPEB related accounts (OPEB liability, deferred inflows and outflows of resources)	<u>(271,764)</u>
Total	<u>(1,037,501)</u>

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

Internal service funds	<u>(877,178)</u>
Change in Net Position of Governmental Activities	<u>\$ 2,991,062</u>

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

Statement of Net Position
 Proprietary Funds
 June 30, 2018

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

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

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

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

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

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

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

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

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

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

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

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

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

Town of Berlin, Connecticut

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

History and Organization

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

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

B. Government-Wide Financial Statements

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

C. Fund Financial Statements

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

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

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

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

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Deposits, Investments and Risk Disclosure

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

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

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

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

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

F. Encumbrances

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

Town of Berlin, Connecticut

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

1. Summary of Significant Accounting Policies (Continued)

G. Estimates

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

H. Reclassifications

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

2. Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

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

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

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

Annual Town Budget Referendum – The Annual Town Budget Referendum for the purpose of voting on the budget shall be held on the last Tuesday of April each year. Should the budget not be adopted by referendum vote, the budget shall be returned to the Board of Finance, which shall submit a revised budget to the Town Council. The Town Council shall send a revised budget to a Second Town Budget Referendum, and the revised budget may be the same as recommended by the Board of Finance or different. If the budget fails at the Second Town Budget Referendum, the budget shall be returned to the Board of Finance. The Board of Finance shall recommend a revised budget to the Town Council. The Town Council shall adopt the Town budget, and that budget may be the same as recommended by the Board of Finance or different.

Town of Berlin, Connecticut

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

2. Stewardship, Compliance and Accountability (Continued)

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

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

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

B. Additional Appropriations in the General Fund

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

C. Capital Projects Authorizations

The following is a summary of Capital Projects:

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

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

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

Town of Berlin, Connecticut

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

2. Stewardship, Compliance and Accountability (Continued)

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

D. Donor Restricted Endowments

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

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

3. Detailed Notes on All Funds

A. Cash and Investments

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

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

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

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

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

N/A Not Applicable

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

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

B. Receivables, Deferred Inflows of Resources and Unearned Revenue

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

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

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

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

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

C. Interfund Transactions

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

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

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

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

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

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

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

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

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

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

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

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

E. Bond Anticipation Notes

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

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

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

F. Long-Term Liabilities – Governmental Funds

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

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

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

General Obligation Bonds

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

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

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

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

The Town has debt authorized but unissued as follows:

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

Overlapping Debt

A summary of overlapping debt is presented below:

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

Conduit Debt Obligations

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

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

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

Capital Leases Payable

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

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

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

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

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

Prior Year Defeasance of Debt

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

Legal Debt Limit

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

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

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

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

G. Long-Term Liabilities – Enterprise Funds

Clean Water Fund Loan

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

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

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

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

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

Town of Berlin, Connecticut

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

3. Detailed Notes on All Funds (Continued)

H. Fund Balances

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans

A. The Retirement Plan of the Town of Berlin

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

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

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

Defined Contribution Segment Plan Description and Benefits Provided

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

The defined contribution plan became effective on April 1, 1988. The prior contributions were computed and matched by the Town and interest of 4% credited to the accounts. Employees contributed \$814,068 and covered payroll was \$16,906,916. The Town's matching share was \$1,564,034. Contribution requirements may be amended by the Town Council subject to various bargaining unit approvals and after the expiration dates specified in the collective bargaining agreements. The Town Council adopted the revised investment policy on September 2, 2015.

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

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

Defined Benefit Segment Plan Description and Benefits Provided

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

The defined benefit segment plan is closed to new entrants.

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

Contribution and Funding Policy

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

Investments

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

Net Pension Liability

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

Changes in the Net Pension Liability

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

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

Actuarial Methods and Significant Assumptions

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

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

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

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

B. Teacher’s Retirement System

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

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

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

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

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

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

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

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

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

Plan Description

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

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

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

Other actuarial methods and significant assumptions are summarized as follows:

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

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

Sensitivity Analysis

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

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

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

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

D. OPEB Plans – Connecticut State Teachers’ Retirement Plan

Plan Description

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

Benefit Provisions

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

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

Retiree Health Care Coverage

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

Survivor Health Care Coverage

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

Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

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

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

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

Actuarial Assumptions

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

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

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

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

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

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

Changes in assumptions and inputs

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

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

Other changes were as follows:

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

Affordable Care Act (ACA)

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

Town of Berlin, Connecticut

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

4. Pension and Other Post Retirement Plans (Continued)

Discount Rate

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

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

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

Plan Fiduciary Net Position

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

5. Other Information

A. Commitments and Litigation

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

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

B. Risk Management

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

Town of Berlin, Connecticut

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

5. Other Information (Continued)

Self-Insurance

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

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

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

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

General Insurance Fund

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

Medical and Health Insurance Fund

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

Town of Berlin, Connecticut

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

5. Other Information (Continued)

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

C. Jointly Governed Organizations

The Mattabassett District

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

D. Tax Abatements

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

Town of Berlin, Connecticut

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

5. Other Information (Continued)

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

Town of Berlin, Connecticut

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

5. Other Information (Continued)

E. Prior Period Adjustments

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

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

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

(continued)

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

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

(continued)

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

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

(continued)

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

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

(continued)

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

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

(continued)

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

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

(continued)

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

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

(continued)

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

Reconciliation to Exhibit 4

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

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

(concluded)

Town of Berlin, Connecticut

RSI-2a

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

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

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

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

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

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

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

Notes to the Schedule

Valuation Date July 1, 2016

Methods and assumptions used to determine contribution rates:

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

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

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

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

Town of Berlin, Connecticut

Required Supplementary Information
 Connecticut Teachers Retirement System
 Last Four Years

	2018	2017	2016	2015
Schedule of Changes in Net Pension Liability and Related Ratios				
Last 4 Fiscal Years				
Town's percentage of collective net pension liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the employer	<u>\$75,796,445</u>	<u>\$79,965,829</u>	<u>\$62,277,260</u>	<u>\$57,488,298</u>
Total proportionate share of the collective net pension liability	<u>\$75,796,445</u>	<u>\$79,965,829</u>	<u>\$62,277,260</u>	<u>\$57,488,298</u>
Town's covered payroll	(1) N/A	N/A	N/A	N/A
Town's proportionate share of the collective net pension liability as a % of covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a % of total pension liability	55.93%	52.26%	59.50%	61.51%
Schedule of Employer Contributions				
Last 4 Fiscal Years				
Contractually required Town contribution	(2) \$ -	\$ -	\$ -	\$ -

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

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

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

(Continued)

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

Notes to Required Supplementary Information

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

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

(Concluded)

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

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

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

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

Town of Berlin, Connecticut

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

Schedule of Proportionate Share of the Net OPEB Liability

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

Schedule of Contributions

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

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

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

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

Town of Berlin, Connecticut

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

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

(continued)

Town of Berlin, Connecticut

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

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

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

(concluded)

Appendix B-1

Form of Opinion of Bond Counsel and Tax Exemption – The Bonds

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 – Bonds

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 \$6,500,000 Town of Berlin, Connecticut General Obligation Bonds, Issue of 2019, bearing a Dated Date and an Original Issue Date of June 26, 2019 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated June 26, 2019 (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

TAX MATTERS – Bonds and Notes

Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds and Notes in order that interest on the Bonds and Notes not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds and Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and Notes shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds and Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds and Notes irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and Notes 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.

The "Tax Cut and Jobs Act" (H.R.1), repealed the Federal alternative minimum tax on corporations for taxable years beginning after December 31, 2017. For tax years beginning on or prior to December 31, 2017, interest on the Bonds and Notes is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of the Federal alternative minimum tax on corporations.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and Notes 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. Prospective purchasers of the Bonds and Notes are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds and Notes.

Bond Counsel expresses no opinion regarding any other Federal or State tax consequences of ownership or disposition of, or receipt of interest on, the Bonds and Notes.

Additional Tax Matters

The following is a brief discussion of certain Additional Tax Matters associated with purchase and ownership of the Bonds and Notes. Bond Counsel's opinion does not address these issues (see opinion above) and prospective purchasers are advised to consult their own tax advisors regarding federal and state consequences of ownership and disposition of the Bonds and Notes.

Ownership of tax exempt obligations such as the Bonds and Notes may result in certain collateral Federal tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and Notes. Prospective purchasers of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds and Notes.

Original Issue Discount and Premium

The following is a general discussion of Original Issue Discount and Premium and not an opinion of Bond Counsel. Prospective Investors are advised to consult their own tax advisors regarding original issue discount and original issue premium in connection with their ownership and disposition of the Bonds.

The initial public offering prices of certain maturities of the Bonds (the "OID Bonds") may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount ("OID"). Based solely on information provided by the Underwriters, the offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

In general, however, under the Code, for purposes of determining an owner's adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner's basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation's federal alternative minimum tax liability for taxable years

beginning on or before December 31, 2017. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds, including those not purchasing a Bond at its initial public offering, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the federal, state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal, state and local income tax purposes, including special rules regarding the consequences of ownership, amortization of bond premium, basis, and gain or loss from the sale or exchange of OIP Bonds.

FUTURE EVENTS

The Federal and State tax treatment of municipal bonds (including bond anticipation notes) is determined by Federal, State and local legislation, administrative pronouncements and court decisions. For example, The Tax Cut and Jobs Act, H.R.1, signed by the President on December 22, 2017, eliminated the alternative minimum tax on corporations for tax years beginning January 1, 2018, and changed individual and corporate tax rates and deductions. These changes to Federal tax law may also change the benefit of tax exempt bond ownership. Such Federal legislative proposals are continually being proposed and introduced into Congress which, if enacted, would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment, including limiting the exclusion from gross income on tax exempt bonds for higher income taxpayers. The enactment of such proposals may adversely affect the tax treatment of: the interest paid on the Bonds and Notes, their sale or disposition, market price, marketability, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchases and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

Appendix B-2

Form of Opinion of Bond Counsel and Tax Exemption – The Notes

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 – Notes

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 \$931,000 Town of Berlin, Connecticut General Obligation Bond Anticipation Notes, bearing a Dated Date and an Original Issue Date of June 26, 2019, maturing January 29, 2020 (the "notes").

We have examined a record of the proceedings authorizing the notes, a Tax Regulatory Agreement of the Town dated June 26, 2019 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The notes 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 notes, 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 notes (except to the extent, if any, stated in such 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 notes under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the notes are a valid and binding general obligation 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 notes in order that interest on the notes 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 notes 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 notes 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 notes.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the notes, 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 notes 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 notes.

The rights of owners of the notes and the enforceability of the notes 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

TAX MATTERS – Bonds and Notes

Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds and Notes in order that interest on the Bonds and Notes not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds and Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and Notes shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds and Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds and Notes irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and Notes 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.

The "Tax Cut and Jobs Act" (H.R.1), repealed the Federal alternative minimum tax on corporations for taxable years beginning after December 31, 2017. For tax years beginning on or prior to December 31, 2017, interest on the Bonds and Notes is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of the Federal alternative minimum tax on corporations.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and Notes 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. Prospective purchasers of the Bonds and Notes are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds and Notes.

Bond Counsel expresses no opinion regarding any other Federal or State tax consequences of ownership or disposition of, or receipt of interest on, the Bonds and Notes.

Additional Tax Matters

The following is a brief discussion of certain Additional Tax Matters associated with purchase and ownership of the Bonds and Notes. Bond Counsel's opinion does not address these issues (see opinion above) and prospective purchasers are advised to consult their own tax advisors regarding federal and state consequences of ownership and disposition of the Bonds and Notes.

Ownership of tax exempt obligations such as the Bonds and Notes may result in certain collateral Federal tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and Notes. Prospective purchasers of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds and Notes.

Original Issue Discount and Premium

The following is a general discussion of Original Issue Discount and Premium and not an opinion of Bond Counsel. Prospective Investors are advised to consult their own tax advisors regarding original issue discount and original issue premium in connection with their ownership and disposition of the Bonds.

The initial public offering prices of certain maturities of the Bonds (the "OID Bonds") may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount ("OID"). Based solely on information provided by the Underwriters, the offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

In general, however, under the Code, for purposes of determining an owner's adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner's basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation's federal alternative minimum tax liability for taxable years

beginning on or before December 31, 2017. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds, including those not purchasing a Bond at its initial public offering, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the federal, state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal, state and local income tax purposes, including special rules regarding the consequences of ownership, amortization of bond premium, basis, and gain or loss from the sale or exchange of OIP Bonds.

FUTURE EVENTS

The Federal and State tax treatment of municipal bonds (including bond anticipation notes) is determined by Federal, State and local legislation, administrative pronouncements and court decisions. For example, The Tax Cut and Jobs Act, H.R.1, signed by the President on December 22, 2017, eliminated the alternative minimum tax on corporations for tax years beginning January 1, 2018, and changed individual and corporate tax rates and deductions. These changes to Federal tax law may also change the benefit of tax exempt bond ownership. Such Federal legislative proposals are continually being proposed and introduced into Congress which, if enacted, would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment, including limiting the exclusion from gross income on tax exempt bonds for higher income taxpayers. The enactment of such proposals may adversely affect the tax treatment of: the interest paid on the Bonds and Notes, their sale or disposition, market price, marketability, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchases and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

Appendix C-1

Form of Continuing Disclosure Agreement – The Bonds

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of June 26, 2019

In Connection With The Issuance And Sale Of

\$6,500,000 Town Of Berlin, Connecticut

General Obligation Bonds, Issue of 2019,

Dated June 26, 2019

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$6,500,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2019 (the "Bonds") to be dated June 26, 2019 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 26, 2019

In Connection With The Issuance And Sale Of

\$6,500,000 Town Of Berlin, Connecticut

General Obligation Bonds, Issue of 2019,

Dated June 26, 2019

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 _____
Marek Kozikowski
Interim Town Manager

By _____
Nancy L. Lockwood
Treasurer

By _____
Kevin J. Delaney
Finance Director

Appendix C-2

Form of Continuing Disclosure Agreement – The Notes

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

In Connection With The Issuance And Sale Of

\$931,000 Town Of Berlin, Connecticut

General Obligation Bond Anticipation Notes, Dated June 26, 2019

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$931,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") bearing a Dated Date of June 26, 2019, maturing on January 29, 2020, said Notes as more fully described in the Issuer's Final Official Statement describing the Notes and prepared in connection with their sale (the "Official Statement"); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Notes unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the notes to provide notices of listed events 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 notes 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 Notes to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Notes in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Notes, all for the benefit of the beneficial owners of the Notes, 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:

"Listed Events" shall mean any of the events listed in Section 2 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>

"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.

Section 2. 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:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities; if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

(xiii) 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;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) 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;

(xvi) 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 3. 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 Notes.

Section 4. 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 5. 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 adversely affect the beneficial owners of the Notes 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.

Section 6. 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 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 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 notice of occurrence of a Listed Event.

Section 7. 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 Notes.

Section 8. 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 of the beneficial owners of the Notes and shall be enforceable by them. 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 Notes of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Notes 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 Notes.

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

In Connection With The Issuance And Sale Of

\$931,000 Town Of Berlin, Connecticut

General Obligation Bond Anticipation Notes, Dated June 26, 2019

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 _____
Marek Kozikowski
Interim Town Manager

By _____
Nancy L. Lockwood
Treasurer

By _____
Kevin J. Delaney
Finance Director

Appendix D

Notice of Sale and Bid Forms

NOTICE OF SALE
TOWN OF BERLIN, CONNECTICUT

\$6,500,000
GENERAL OBLIGATION BONDS, ISSUE OF 2019

AND

\$931,000
GENERAL OBLIGATION BOND ANTICIPATION NOTES

Bids will be received by the Town of Berlin, Connecticut (the "Issuer"), at Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, Connecticut 06037 on **Tuesday, June 11, 2019** for the purchase of:

\$931,000 General Obligation Bond Anticipation Notes
Dated: June 26, 2019
Due: January 29, 2020
(the "Notes")

BANK QUALIFIED

Bid until 11:00 A.M. (E.D.T.)

Notes: ELECTRONIC BIDS via *PARITY*[®] and SEALED PROPOSALS

\$6,500,000 General Obligation Bonds
(the "Bonds")

BANK QUALIFIED

Bid until 11:30 A.M. (E.D.T.)

Bonds: Only ELECTRONIC BIDS via *PARITY*[®]

Separate forms of proposal will be provided for the Bonds and the Notes. Bidders may submit proposals for either the Bonds or the Notes, and are not required to submit proposals for each.

The Notes

The Notes will be payable to the registered owner on the maturity date and are not subject to redemption prior to maturity. They will bear interest (which interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Bonds

The Bonds will be dated June 26, 2019, and will mature and become payable on December 1 in each of the years and in the principal amounts as follows:

Year	Amount	Year	Amount
2020	\$700,000	2025	\$700,000
2021	\$700,000	2026	\$650,000
2022	\$700,000	2027	\$550,000
2023	\$700,000	2028	\$550,000
2024	\$700,000	2029	\$550,000

bearing interest payable semi-annually on June 1 and December 1 in each year until maturity, commencing December 1, 2019. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months.

Redemption – The Bonds

The Bonds maturing on or before December 1, 2025 are not subject to redemption prior to maturity. The Bonds maturing on December 1, 2026 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after December 1, 2025, 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, 2025 and thereafter	100%

Book-Entry/Denominations

The Bonds and Notes will be issued by means of a book-entry system with no physical distribution of bond or note certificates made to the public. The Bonds and Notes will be issued in registered form and one bond certificate for each maturity and one note certificate for each interest rate 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 and Notes in the minimum principal amounts

of \$5,000 and \$1,000, respectively, 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 bidders, as a condition to delivery of the Bonds and Notes, will be required to deposit the bond and note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds and Notes will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds and Notes. 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 - Bonds

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 \$6,500,000 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 26, 2019, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to June 26, 2019, 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.

See “Electronic Proposals Bidding Procedure” for submitting a proposal electronically.

Submitting Proposals - Notes

Written proposals for the purchase of said Notes must be in the form of proposal for purchase attached hereto; or may be submitted electronically **only** via **PARITY**[®]. A proposal may be for all or any part of the Notes but any proposal for a part must be for a minimum of \$100,000, of principal amount per interest rate bid, or a whole multiple thereof, except that one such proposal for a part may include the odd \$131,000, of principal amount per interest rate bid, and the total of all principal amounts bid shall not exceed \$931,000.

See “Electronic Proposals Bidding Procedure” for submitting a proposal electronically.

Unless all bids are rejected the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any. As between proposals resulting in the same lowest net interest cost to the Issuer, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the Issuer reserves the right to award to any bidder all or any part of the Notes bid for in his proposal. If a bidder is awarded only a part of the Notes bid for in his proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the Issuer with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. The purchase price must be paid in Federal Funds.

Any bid received after the time specified, as determined in the sole discretion of the Issuer, will not be reviewed or honored by the Issuer.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds and/or Notes must be submitted on Tuesday, June 11, 2019 through the facilities of **PARITY**[®] until:

11:00 A.M. (E.D.T.) Notes

11:30 A.M. (E.D.T.) Bonds

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 and/or Notes via **PARITY**[®], the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the Bonds and/or Notes 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 and/or Notes 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 and/or Notes. 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 and/or Notes, 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.

Sealed Bids

Sealed Bids for the Notes must be in the form of proposal for purchase attached hereto, enclosed in sealed envelopes marked "Proposal for Notes", and addressed to Mark H. Kaczynski, Mayor, Marek Kozikowski, Interim Town Manager, Nancy L. Lockwood, Treasurer, and Kevin J. Delaney, Finance Director, Town of Berlin, c/o Berlin Town Hall, Office of the Finance Director, 240 Kensington Road, Berlin, Connecticut 06037.

Award

The Bonds and Notes will be awarded or all bids will be rejected promptly after each respective bid opening and not later than 4:00 P.M. (Hartford time) on June 11, 2019. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

Legal Opinion

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

The Bonds and Notes 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** and the **Notes** (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** and **Notes** 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 Notes, 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** and **Notes** 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: The issue price for the Bonds and the Notes will be determined separately pursuant to the method set forth herein.

As used in this section entitled "Issue Price Establishment and Certification", unless otherwise indicated, "Bonds" means the Bonds and Notes, and winning bidder means each of the winning bidders for the Bonds and the Notes.

To establish issue price the Issuer expects the sale of each of the Bonds and Notes to separately 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) with respect to the Bonds or Notes, depending upon which issue failed to satisfy the competitive sale regulations, 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 Notes 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 and Notes, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Notice of Sale Exhibits A-1 and A-2 (and as adapted to apply to the Notes) (depending on the method of issue price determination), with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Issuer and Bond Counsel. A separate issue price certificate will be required for the Bonds and the Notes.

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, and the Notes, will be subject to either the 10% Rule or the Hold-the-Offering-Price Rule in order to establish the issue price of the of the Bonds and the Notes.

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 and the Notes. 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 Bidders

In addition to Bond Counsel’s opinion, the winning bidders 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 and Notes will be certified by U.S. Bank National Association.

Bank Qualification

The Bonds and the Notes **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 and Notes.

Delivery and Payment

The Bonds and Notes will be delivered to DTC or its Agent via “Fast” on or about June 26, 2019. The deposit of the Bonds and Notes 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 and Notes 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 of the Bonds 50 copies, and 15 copies to each winning bidder of the Notes, 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 and Notes.

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 with respect to the Bonds (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. With respect to the Notes, the Issuer will undertake in a Continuing Disclosure Agreement to provide timely notice of the occurrence of certain listed events. The winning bidder's obligation to purchase the Bonds and Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds and Notes, 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 June 4, 2019, 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

Marek Kozikowski
Interim Town Manager

Nancy L. Lockwood
Treasurer

Kevin J. Delaney
Finance Director

June 4, 2019

(See attached for forms of Proposal for Purchase)

PROPOSAL FOR BONDS
ONLY Electronic Bids via **PARITY**® Accepted

June 11, 2019

Mark H. Kaczynski, Mayor
Marek Kozikowski, Interim Town Manager
Nancy L. Lockwood, Treasurer
Kevin J. Delaney, Finance Director
Town of Berlin
c/o Berlin Town Hall
Office of the Finance Director
240 Kensington Road
Berlin, Connecticut 06037

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated June 4, 2019, which Notice is made a part of this proposal, we offer to purchase all \$6,500,000 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
2020	\$700,000	_____%	2025	\$700,000	_____%
2021	\$700,000	_____%	2026	\$650,000	_____%
2022	\$700,000	_____%	2027	\$550,000	_____%
2023	\$700,000	_____%	2028	\$550,000	_____%
2024	\$700,000	_____%	2029	\$550,000	_____%

(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 \$6,500,000 bonds under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____%
	(Four Decimals)

PROPOSAL FOR NOTES
Electronic Bids via **PARITY**[®] or Sealed Written Proposals Accepted

June 11, 2019

Mark H. Kaczynski, Mayor
Marek Kozikowski, Interim Town Manager
Nancy L. Lockwood, Treasurer
Kevin J. Delaney, Finance Director
Town of Berlin
c/o Berlin Town Hall
Office of the Finance Director
240 Kensington Road
Berlin, Connecticut 06037

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated June 4, 2019, which Notice is made a part of this proposal, we offer to purchase the indicated principal amount of \$931,000 of Town of Berlin, Connecticut General Obligation Bond Anticipation Notes and to pay therefor par and accrued interest, if any, to the date of delivery, and pay the premium specified below, if any (and we provide our computations of net interest cost carried to four decimals and made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal) as follows:

Principal amount _____ %
Stated interest rate _____ Percent Net Interest Cost
Premium _____ (Four Decimals)

Principal amount _____ %
Stated interest rate _____ Percent Net Interest Cost
Premium _____ (Four Decimals)

Principal amount _____ %
Stated interest rate _____ Percent Net Interest Cost
Premium _____ (Four Decimals)

Principal amount _____ %
Stated interest rate _____ Percent Net Interest Cost
Premium _____ (Four Decimals)

The undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in Federal Funds on the date of the Notes or as soon thereafter (but no later than 30 days thereafter) as such Notes may be prepared and ready for delivery by the Issuer.

(Name of Bidder)

(Mailing Address)

(Telephone Number)

(Authorized Signature)

(Facsimile Number)

NOTICE OF SALE EXHIBIT A-1

COMPETITIVE SALE ISSUE PRICE CERTIFICATE

**\$6,500,000 TOWN OF BERLIN, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2019
Delivery Date: June 26, 2019**

Will Be Adapted To The Notes, If Applicable

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 11, 2019. (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 26, 2019

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

\$6,500,000 TOWN OF BERLIN, CONNECTICUT GENERAL OBLIGATION BONDS, ISSUE OF 2019 Delivery Date: June 26, 2019

Will Be Adapted To The Notes, If Applicable

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 11, 2019), 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 11, 2019.

(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 11, 2019

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)*