

City Of Berlin, NH

Annual Report

Fiscal Year July 1, 2018 to June 30, 2019



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Berlin City Council

Fiscal Year July 1, 2018 to June 30, 2019

Mayor

Paul Grenier

Councilors:

Russell Otis

Lucie Remillard

Michael Gentili

Denise Morgan-Allain

Michael Rozek

Peter Higbee

Diana Nelson

Roland Théberge



CITY MANAGER'S REPORT

The Burgess BioPower biomass plant continues to operate efficiently while providing 25 direct jobs and supports many more indirect jobs and services.

Jericho Wind Power continues to operate its 5-tower wind farm. The 2.85 mega-watt towers are online and are producing power to the grid.

Smith Hydro, with a 15 MW capacity, is owned by Hull St. Energy and operated by Central Rivers Power, LLC. The plant employs 5 people locally.

Brookfield Renewable operates three hydroelectric facilities in the City; Sawmill – 3.2 MW, Riverside – 7.9 MW and Cross – 3.2 MW. Brookfield employs 12 staff including an administrative assistant, operations manager, planner, project manager and multiple technicians.

Capone Iron Corporation expanded their fabrication space and has added a total of 27 jobs with plans to hire an additional employees.

The Gorham Paper Mill continues to operate and improve product lines and actively seek employees. They continue to operate with approximately 115 employees.

The Federal Corrections Institutions current staffing is approximately 235 employees. They continue to actively recruit additional staff.

Androscoggin Valley Hospital continues to develop its association with the other 3 North Country hospitals in order to improve the quality of services while decreasing costs. AVH currently employs 384 individuals.

The Berlin Industrial Development Park Authority's (BIDPA) mission is to promote the development and preservation of business and industry to serve the City of Berlin. BIDPA has acquired a 215-acre parcel that is situated immediately north of the current industrial park. BIDPA is in continued discussions with a commercial agricultural enterprise who wishes to occupy the site. This has been an attenuated process for a variety of reasons but it is still being worked on. This enterprise is expected to create 80 jobs.

Recorded residential property sales in FY19 continued to show an increase in sale prices, particularly in multi-unit properties. This has been welcome news and the City attributes this growth to efforts focused on reducing over supply and increasing demand through growth activities like ATV recreation.

The City continued planning and design work on a Riverwalk project to be constructed along the Androscoggin on Upper Main St. The City has obtained grant funding for the Riverwalk and will begin construction 2020. The features of the project are designed to support the operations of the festivals and activities that occur in this area, such as the Riverfire event which attracts several thousand visitors each year.

The State of New Hampshire is continuing the development of its multi-use Jericho Mountain State Park. Included in this development is 300 acres around Jericho Lake that the City donated to the State. The park is a large regional attraction and also attracts visitors from across the country and internationally. The park has a campground with 20 primitive campsites, including 5 cabins, 6 tent sites and 9 RV sites. The campground now has a new bath house available for visitors. The campground connects to the 75 miles of OHRV trails at the

park and serves as the gateway to the 1,000 miles of trails in Coos County known as Ride the Wilds. The park also has a day-use area with a beach for swimming, pavilion, and boat launch. The City ordinance which allows OHRV traffic on all City streets continues to be successful. The OHRV friendly atmosphere has also led to the sale of residential properties in the City as second homes. The City is an active partner in the extremely popular, annual Jericho ATV/OHRV Festival. Each year, the event continues to break attendance records.

Further significant developments, which are occurring on Route 110, include a proposed 170 RV site campground, the marketing of a large old manufacturing plant site which has been cleared for re-use. Renovation of older buildings for commercial development and other land sale activity continue on Route 110. Work also began in FY19 on a site plan for a new 10 cabin campground expected to be constructed in FY20.

With the marked upswing in property sale prices and robust overall sale activity continuing over last year, it is evident that the investments in housing stock, ATV recreation and more traditional employment are now having a significant impact on the economy. The City needs to stay the course in its transformation. The biggest threat continues to be reduced state education aid and a variety of legislative proposals which will hurt the current economic status. Being vigilant in addressing these threats will be important for future economic health.

Respectfully Submitted,
James A. Wheeler
City Manager

Assessing

The Board of Assessors is comprised of three members, each serving a term of three years. Members are appointed by the Mayor with approval from City Council. Mark Eastman was reappointed as a member of the Board in March of 2019. Meetings are held on an as-needed basis. Notifications of these gatherings are posted in various locations throughout the City, including the City's website, and the public is encouraged to attend the sessions.

Some of the Board's duties include maintaining property records, ensuring that all parcels are being accurately reported and properly assessed, issuing warrants for the collection of property taxes, and tax abatements for any adjustments to assessments that the group determines to be necessary. The Board also reviews applications for current use, timber and gravel yield taxes, elderly exemptions, blind exemptions, and veteran tax credits. The group makes every attempt to stay informed of changes to the RSA laws that govern this office. The Board of Assessors will continue to maintain their open-door policy for taxpayers with questions or problems regarding assessments and assessment procedures.

KRT Appraisal of Haverhill, Massachusetts has been contracted by the City of Berlin to perform assessing duties since the 2015 tax year. The municipality will undergo a city-wide revaluation for the 2020 tax year in accordance with RSA 75:8-1.

One of the primary interests of the Board of Assessors is that properties in Berlin are

proportionally assessed in regards to market value. Sales from October to the following September are reviewed on an annual basis and an equalization ratio is established from this study based on every qualified/open market sale. This ratio compares assessed values and sale prices as a means to establish that all properties are proportionally assessed. The equalization ratio affects the basis for distribution of county taxes, scholastic aid, and other forms of financial assistance to towns and cities in New Hampshire and is finalized by the Department of Revenue Administration. The 2018 median ratio for Berlin was 96.8, indicating that the general level of assessment was 96.8% of market value.

CGIS Mapping of Marion, Massachusetts has updated the City's tax maps to reflect changes that occurred prior to April 1, 2019. This is the eleventh year CGIS has served the City in this capacity. These maps are used by City staff and the public as it is available on the City's website.

The Board of Assessors is committed to quality service and excellence in government and will continue to adapt to the dynamic environment that is inherent to the nature of assessing.

Respectfully Submitted,
Bryan Chevarie, Assessing Coordinator

City of Berlin's Board of Assessors:
Robert Goddard, Chair
Kem Rozek, Member
Mark Eastman, Member

SUMMARY INVENTORY OF TAXABLE PROPERTY - APRIL 1, 2018 & APRIL 1, 2019

	APRIL 1, 2018	APRIL 1, 2019
Land	\$42,117,715	\$41,659,308
Building	\$236,765,750	\$235,925,050
Public Utilities	\$134,016,400	\$135,332,500
GROSS VALUATION	\$412,899,865	\$412,916,858
Blind Exemptions	\$105,000	\$105,000
Elderly Exemptions	\$1,772,100	\$1,867,000
Imp. To Assist Persons w/Disabilities	\$40,990	\$40,990
Water/Air Poll. Cont. Exemption	\$650,000	\$650,000
TOTAL EXEMPTIONS	\$2,568,090	\$2,662,990
NET VALUATION W/UTILITIES	\$410,331,775	\$410,253,868

EXEMPTIONS GRANTED

	AS OF APRIL 1, 2018		AS OF APRIL 1, 2019	
TYPE	#	Tax Amount	#	Tax Amount
Elderly	56	\$69,590	59	\$74,334
Blind	7	\$4,123	7	\$4,181
Physically Handicapped	3	\$1,610	3	\$1,632
Water/Air Pollution Control	1	\$25,525	1	\$25,883
Veterans	428	\$80,075	412	\$77,125

TIMBER & GRAVEL ACTIVITIES

TYPE	4/1/2017 to 3/31/2018		4/1/2018 to 3/31/2019	
Yield Tax	1	\$3,197	2	\$6,259.15
Excavation Tax	3	\$1,063	4	\$192.84
Property Transfers Processed	410 Parcels		321 Parcels	

2019 Tax Rates (per thousand):

Municipal	\$19.33
Local Education	\$13.52
County	\$4.78
State Education	\$2.19
Total Tax Rate:	\$39.82

*Utility valuations are not taxed locally for the state education portion of the tax rate.

City Clerk's Department

Elections

The City Clerk is responsible for the general conduct of elections. The following election statistics were recorded this year:

State Primary:

September 11, 2018 – 23% Total City Votes

State General:

November 6, 2018 – 53% Total City Votes

The following Ordinances and Resolutions which govern City Policy were passed:

Ordinances

2018

2018-02 R-1 Amending Chapter 19, Development, Community Revitalization Tax Relief Incentive

2018-03 Amending Chapter 9, Licensing, Winery, Beverage Manufacturer, Brewpub, and Nano-Brewery Sales at Farmers' Markets

2018-04 Amending Chapter 10.5, Offenses and Miscellaneous Provisions, Opioid Cost Recovery and Public Nuisance Legislation

2019

2019-01 Rescinding Ordinance 2013-10 No Parking at 709 Western Avenue

2019-02 Amending Chapter 13, Parks and Recreation, Requirement for Prior Notice before Earth is Disturbed on Mt. Jasper

2019-03 Amending Chapter 17, Zoning Districts, Highland Park and Cates Hill

Resolutions

2018

2018-18 CDBG Grant \$500,000 Berlin Housing Authority for St. Regis

2018-19 Increase Opioid Grant Expense Appropriation by \$10,000

2018-20 Increase BPD Sobriety Checkpoint Grant by \$1,975.00 Awarded by NH Highway Safety Agency

2018-21 Carry Over \$191,026.68 of Grant Funds to FY2019

2018-22 Application to NHDOT for \$800,000 for Sidewalk on Hutchins Street

2018-23 Carry Over \$1,665,339.65 of Capital Appropriations from FY18 to FY19

2018-24 Application to the NH Preservation Alliance for \$4,500 grant for Berlin Public Library

2018-25 Appropriating \$107,000 from Unappropriated Fund Balance to School Department for New Bus and Minivan

2018-26 Application to the Assistance to Firefighters Grant Program for \$631,760

2018-27 Application to the Assistance to Firefighters Grant Program for \$261,938

2018-28 CDBG Application for \$500,000 for CCFHS Expansion

2019

2019-01 Accepting Nellie Mae Foundation Award for \$250,000

2019-02 Accepting \$5,000 from the Domino's Paving for Pizza Program

2019-03 CDBG Application for \$500,000 for AHEAD Wellness and Health Center

2019-04 Application to the NH Department of Safety for \$5,000 for Emergency Operations Plan

2019-05 Purchase of Prinoth Sidewalk Tractor

2019-06 Accept Donation of 2001 Panther Snowmobile for BFD

2019-07 Application to NH Department of Safety for Point of Dispensing Exercise

2019-08 Accept Donation of Land from Conservation Fund on East Side River Road in Milan

2019-09 Accept Grant of \$8,000 from United Way for LEAD in SAU3

2019-10 Police Commission NH Highway Safety Grants for FY2020

2019-11 Highway Safety Opioid Reduction Initiative for FY2020

2019-12 Police Commission Homeland Security Grant for \$10,760

2019-13 Police Commission Homeland Security Grant Intelligence Liaison Officer Program for FY2020

2019-14 Application to NH Department of Education for \$8,000 for Summer Food Program

2019-15 Appropriate \$26,000 from FY2019 for Highway Construction/Reconstruction

2019-16 Rescind 2019-07 and Authorize \$7,495.07 for BFD Point of Dispensing Exercise

2019-17 Accept FEMA Storm Damage Grant Funds of up to \$802,000

2019-18 Accept \$6,037 from North Country Health Consortium for Student Assistance Program

2019-19 Accept State Aid Bridge Grant \$650,000

2019-20 Repurpose Surplus Funds for Street Improvement and Bank and Legal Fees

2019-21 Accept \$5,000 from Jericho Wind Power

2019-22 R1 Adopt Budget of \$42,244,128 for FY2020

2019-23 Appropriate \$505,597.00 of Additional Grant Funds to the School Department

The following Licenses were issued by the City Clerk's Department from 7/1/2018 – 6/30/2019

Dog Licenses: 1031

Vital Records

The following vital statistics were recorded:

YEARS	2016/17	2017/18	2018/19
Marriage	21	59	23
Birth	61	64	86
Death	140	157	143

Respectfully submitted,
Shelli Fortin
Berlin City Clerk

PLANNING & COMMUNITY DEVELOPMENT DEPARTMENT

This past year has been a year of economic and community development strategizing and planning. Both the Planning Board and The Berlin Industrial Development and Park Authority (BIDPA) are hard at work focusing on the City's future. The Planning Board is doing work with UNH Cooperative Extension and planning a Community Profile for fall to kick start updating the City's Master Plan in 2020. BIDPA is working with a consultant, Camoin Associates, to develop a strategy around Economic Development for the City which will also be folded into the City's Master Plan.

The Planning Board is reviewing many community wide issues in terms of whether we need to revise and in some cases, eliminate outdated regulations to make it clearer and easier to do projects in Berlin. We are working to update them to reflect what is going on in the community. Several projects around the City are in active development and there continues to be increased interest in the area around Jericho Mountain State Park. Work is nearly complete at St. Regis which is seeing its housing units undergo complete renovations with energy efficient upgrades for the entire building.

BIDPA is still working with North Country Growers to help them acquire property north of the current Industrial Park for the development and construction of industrial scale greenhouses to grow lettuce and tomatoes year round. The board is following other projects and ideas and continues to keep busy with community and economic development efforts throughout the City.

Any citizen wishing to participate can come forward to volunteer for one of the many boards in the community. The Planning Department is home to the Planning Board, Zoning Board of Adjustment, and the Berlin Industrial Development and Park Authority. All three boards encourage citizen involvement and welcome the community to participate or observe during their meetings. Visit the City's website and Facebook page regularly for information about our meetings, the City's Master Plan, Zoning Ordinance or other Planning & Zoning documents.

Respectfully submitted,
Pamela E Laflamme
Community Development Director

<http://www.berlinnh.gov/planning-department>

<http://www.facebook.com/BerlinNewHampshire>

Michel Salek, Zoning/Code Enforcement Officer

Thomas McCue, Planning Board Chair

Dana Hoyt, Zoning Board of Adjustment Chair

Michael Caron, Berlin Industrial Development and Park Authority Chair

Health and Welfare

The following chart shows the assistance issued during the fiscal year:

Type of Assistance	Budget	Issued
Cremations/Incidentals	\$6,000	\$8,405.42
Electricity	\$3,000	\$2,250.64
Board & Care	\$1,000	\$1,100.00
Rent	\$29,500	\$13,268.97
Groceries	\$3,500	\$1,120.05
	\$43,000	\$26,145.08

Of those receiving assistance 33 were single females, 26 were single males, and 53 were families.

Whether or not someone is eligible for assistance is determined by subtracting their basic needs from their income and assets. If income and assets are more than basic needs, they do not qualify. If they are less, they qualify for the difference issued in the form of a voucher which is then paid directly to the vendor. Many of the citizens' indigent population do not have the means to cremate their loved ones. The City may be able to assist with up to \$750 with just cremation if the family is eligible and has not made prearrangements.

As for electricity, all are directed to sign up for the electric discount program if they have not already done so and if they are in imminent threat of disconnect they may be eligible for help with their current monthly bill. Board & Care is used to pay for shelter fees if a citizen does not have income of their own. Someone may also be eligible for help with rent and/or groceries. The office does not assist with security deposit but would prefer to cover other expenses such as food, rent or personal/household needs so the individual(s) can pay it themselves and have it returned to them when they move.

General assistance is not a 24-hour a day program nor is it an emergency assistance program. If there is an after-hours need or a

need anytime and someone does not know where to turn, they should call 2-1-1. If you know someone who is struggling encourage them to be proactive and make appointments before they are in dire straits. People can start their application for things like Food Stamps, Medicaid, and Temporary Assistance for Needy Families, and Aid to the Permanently and Totally Disabled at the NH Department of Health and Human Services online through the NH Easy website.

WIC provides nutrition education, breastfeeding support, health screening, and nutritious foods to pregnant women, new moms, infants and children 5 and under. Foods offered include whole grains, fruit, vegetables, and other healthy options (our local Berlin Marketplace offers double your food stamps on fruit and vegetables so for example if you spend \$10 in S.N.A.P. benefits on fruits and veggies they will match with \$10 in fruits and veggies.) WIC is available to income eligible pregnant and postpartum women for up to six months after birth, breastfeeding mothers up to twelve months after the baby as well. Income guidelines are at 185% of the Federal poverty level and if a person can provide proof of Medicaid, Food Stamps or TANF, they are automatically considered eligible. For an appointment in Berlin contact Belknap County Community Action at 1-800-856-5525. There is also the New Hampshire Commodity Supplement Food Program which is administered by Belknap County Community Action for seniors 60 and older at the 130% of the federal poverty guidelines. Contact 1-800-578-2050 to make an appointment.

Food Pantries are located at three different locations in the city. The Harvest Christian Church hosts the Feeding Hope Food Pantry Monday-Thurs 8-12, 1-2 and can be used once a month; Salvation Army hosts a food pantry Tues and Thurs 9-12 that can be used once every 90 days; Marie Rivier (located at the St. Vincent De Paul Center) hosts a food pantry Tuesday and Friday from 2-3:30 that can be used once a month. All three will want to see

that you have applied for food stamps. Harvest Christian and the Community Bible Church also host community dinners (H.C. Wed night 4-6, C.B. Thurs night 4-6) and both allow people to bring containers so if there are leftovers you may bring some home. Southwestern Community Services (1-800-529-0005) and Harbor Homes (SSVF program 882-3616) offers help to those who served in the military.

For assistance with Fuel Assistance contact Tri-County C.A.P. at 752-3248. For housing vouchers contact the Berlin Housing Authority at 752-4240. For assistance with homelessness contact Homeless Outreach at 723-6131. There is also a shelter list on the outside door at City hall and in the lobby in the basement at the service window that shows a map of the state, where the shelters are located, their addresses, phone numbers, and whether they are for singles, males, females, families or whether they are a dry shelter.

The Department conducted 95 licensing inspections on food vendors and numerous unannounced check-up inspections throughout the year as required by ordinance and FDA food code. Along with the Code Enforcement Officer and Fire Department, the Heath Officer completes inspections for complaints on housing issues. Throughout the year there were multiple complaints that were handled through team work and diligence. There are many ordinances, state and federal laws and industry standards that are used for these inspections and the inspectors work hard and cohesively to ensure the safety standards are adhered to. Multiple tax deeded houses were shown for auction and several were sold enabling the City to put them back on the tax rolls and with the process of the bid including bringing properties to code it provides a way for neighborhoods to have one more property looking attractive and being safe instead of

being a potential hazard. A win-win for the community.

Respectfully Submitted,

Angela Martin Giroux
Health & Welfare Director

Volunteer Tree Awards



The city recognized this year's recipients of the annual Volunteer Award at Monday's council meeting. From left George McDonough, Mayor Paul Grenier, Owen McDonough, Sally Tourangeau, and Duane Johnson. Melvin Owen (not pictured) also received an award. (BARBARA TETREAULT Photographer)

BERLIN SCHOOL DEPARTMENT

Demographics

Berlin Public Schools opened the 2018-2019 school year with an enrollment of 1144, grades K-12; Kindergarten is a full day program. Grade levels K-2 are at Brown School, Grades 3-5 at Hillside School, Grades 6-8 at Berlin Middle School, and Grades 9-12 at Berlin High School. Special Education Pupil Services and Office of Student Wellness are at the Marston School building. The district's central office is in the Hillside School building. The district's bus fleet of 10 plus 2 minivans is at a leased garage on Hutchins St.

The After-School Program, in partnership with the Family Resource Center, saw growth in participation for students in grades K-8. Academic and enrichment support was provided daily in after-school programming, community involvement, and evening meals Monday-Thursday. The program staff collaborated with classroom teachers to ensure students increased academic achievement in the regular classroom. The number of K-8 students enrolled was 137 during the school year and 92 enrolled in the summer program, 2019.

The district employed 231 employees. The district has 56% low socio-economically deprived. 24% of the students are identified as students with disabilities, state average is 16%.

Instruction & Assessment

In the spring of 2019, all N.H. schools administered a statewide assessment called NH Statewide Assessment System (SAS).

Number of Students Tested and Percent of Students at Level 3 proficiency or Above:

English/Language Arts/Literacy

Grade	Number of Students Tested	Percent at Level 3 or Above
Grade 3	77	31%
Grade 4	70	39%
Grade 5	88	42%
Grade 6	69	30%
Grade 7	99	46%
Grade 8	92	50%

Mathematics

Grade	Number of Students Tested	Percent at Level 3 or Above
Grade 3	77	30%
Grade 4	70	51%
Grade 5	88	31%
Grade 6	69	17%
Grade 7	99	26%
Grade 8	93	30%

Berlin Middle School students increased reading proficiency using a web-based reading program. Reading Plus was a whole-school reading support program sponsored by Local Granite United Way. Student progress was noted.

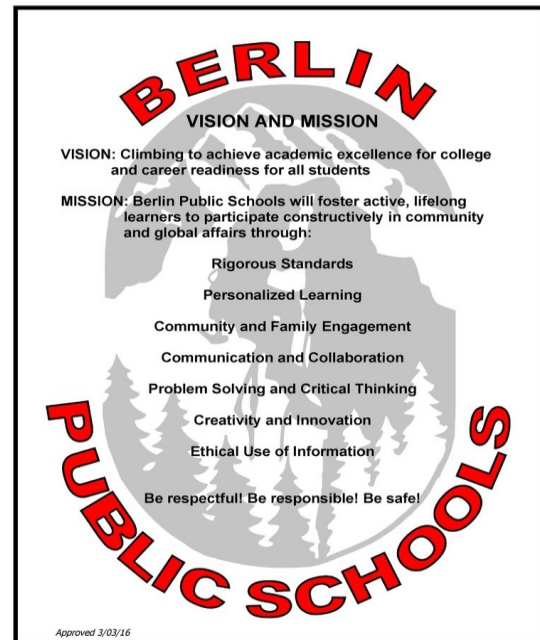
The state adopted the use of SAT College Board tests for all grade 11 students as the State Assessment System. It is anticipated that SATs will raise awareness of the importance for all students to be focused on college and career readiness. The mean score for reading and writing was 484, state mean score was 521. The mean score for math was 466; state mean score was 512.

Professional development was provided for all staff focusing on district and school goals. Trainings and professional development activities included an emergency management framework known as A.L.I.C.E. (Alert, Lockdown, Inform, Counter, and Evacuate). All teachers used half-day in-service days to develop student competencies for math and English language arts. School-based roll out activities were initiated for culture and climate framework known as Positive Behavioral Interventions and Supports (PBIS), an evidenced-based process to increase consistent expectations of student behavior. The staff received trainings in Youth Mental Health First Aid, CPR/AED. Building level professional development was conducted for integrated use of technology for instructional practices, strategies for math and reading instruction.

An academic partnership with White Mt. Community College was continued for dual enrollment, running start classes, and early college credits.

The Berlin Regional Career & Technical Education Center (CTE) offered the following programs: Accounting, Automotive Technology, Building Trades, Drafting/CAD, Early Childhood Education, Family and Consumer Sciences, Graphic Arts, Health Science Technology (HST), Pre-engineering and Welding. Industry certifications were earned by students in Automotive Technology, Health Science Technology, and Welding.

All district goals and objectives are driven by a vision and mission developed by stakeholders. The district was in implementation phase of the reauthorized federal law Every Student Succeeds Act (ESSA) which replaces the tenets of No Child Left Behind.



The Office of Student Wellness implemented two additional grant funded projects: Systems of Care and Restorative Justice. Systems of Care is a wraparound model creating a team of community members to support youth and families. Team members include school staff, school counselors, church members, case managers, therapists, neighbors, babysitters and friends. Some benefits include crisis and safety plans for families to use at home, connecting youth with mentors, services, activities, jobs, and positive support systems. This program is led by a school social worker. Restorative Justice is a process for youth offenders (ages 12-17) to be held accountable, develop empathy for victims, and to make amends. Restorative programming is characterized by three key values: 1) Encounter, to create opportunities for victims, offenders, and community members who meet to discuss the crime and its aftermath; 2) Amends to expect offenders to take steps to repair the harm or damaged caused; and 3) Inclusion to provide opportunities for parties at stake to

participate in its resolution. The program coordinator is Officer Adam Marsh, Berlin Police Department.

Staff Accomplishments

District-wide committees met to address: Leadership, Professional Development, Wellness, Technology Integration, School Climate and Culture, Behavioral and Mental Health Supports, Emergency Management, and Project A.W.A.R.E. (Advancing Wellness and Resilience Education).

The School Resource Officer (SRO), funded primarily through Project AWARE (Advancing Wellness and Resilience in Education), responded to more than 1,059 calls for service within the schools, including home visits, school visits, counseled students, classroom presentations, field trips, incident reports, school meetings, and school patrols.

Targeted interventions for students needing extra behavioral supports in order to be successful in the natural school setting were driven largely by the Behavioral Health Intervention Teams in each school. These teams identified students for both specialized social emotional learning groups and provided individualized supports for students identified at being high risk. Students actively engaged in community based mental health treatment increased by 36.3% with a target goal of 20%.

Berlin High School Health Teacher, Kate Moore was awarded the Louise Tillotson Teaching Fellowship award, selected by the N.H. Charitable Foundation.

Facilities Report

The building and grounds department focused on renovations at Berlin High School, Berlin Middle School, and Hillside

School in preparation of grade reorganization. Some of those projects included rubberized stairways, age-appropriate railings and safety barriers, plumbing, divider wall and hall doorways as separators.

Parent/Community/Board Involvement

Parent and community engagement events were held at all schools with opportunities to meet teachers and learn about expectations for the students.

Events held at Brown School and Hillside School included: Parent/Teacher Organization meetings, Book Fairs, and open houses. Classes visited local sites: Tin Mt., Great Glen Trails, AMC trails, Moose Brook State Park, and Horne Field. Hillside student council members participated in the Berlin Main Street Day of Caring. Coos County Family Health Services continued to provide a dental hygienist to promote healthy oral health. Lessons were provided in oral hygiene, weekly fluoride rinses, free cleanings and check-ups for qualifying students on school sites. Berlin Middle School 7th grade students participated in a financial literacy fair sponsored by Northeast Credit Union and Service Credit Union. Middle School 8th grade students participated in a Health-O-Rama sponsored by Androscoggin Valley Hospital and North Country Health Consortium. Students participated in North Country Youth Leadership and Kids in Prevention Youth Leadership (YLTA). Berlin Middle School grade 8 and Berlin High School grade 9 students continued to participate in GEAR UP (Gaining Early Awareness & Readiness for Undergraduate Programs) programming. GEAR UP is federally funded to promote activities that encourage postsecondary education. Berlin is one of 7 state cohort

groups. Upon graduation from high school each student from the cohort group will be awarded a scholarship equal to Pell Grants if they attend a 2 or 4 year NH college. Parents had opportunities to participate in information sessions on: college financial aid, college/understanding a financial aid award, overview of the college process, assistance with FAFSA, and Cyber Safety Presentation.

In athletics, Berlin was runner-up in NH unified basketball. Sawyer Sanschagrin was the state champion at the NH Skills USA welding competition and represented Berlin High School at the National championships. Berlin High School student Kristen Goyette was a recipient of the Sylvia Evans Award for her volunteerism and contributions to women and families.

POST SECONDARY EDUCATION

Class of	2019	2018	2017	2016
4-year college	35%	25%	34%	35%
2-year college	31%	30%	38%	35%
Military	2%	<1%	1%	2%

The high school and middle Youth Leadership Through Adventure (YLTA) groups empower students to promote chem-free, pro-social, experiential education, service learning, and life style. Berlin High School students facilitated a schoolwide climate project focused on improving kindness.

Berlin Board of Education members are: Chairperson, Nicole Plourde, Vice-Chair, Lynn Moore, Secretary, Denise Valerino, Louise Valliere, and Scott Losier. The School Board held an annual joint meeting in October with Milan and Dummer school boards. The Berlin Board of Education also initiated conversations with SAU#20 on the

exploration of regionalization and collaboration.



From left to right Corinne Cascadden, Superintendent of SAU 3 in Berlin; Nicole Plourde, Chair of Berlin School Board and Paul Grenier, Mayor of Berlin testified at State budget hearings on May 7, 2019 in support of stabilization aid.

The city funded the FY19 operating school budget at \$18,114,311. The School Board members and district administrators carefully examined all its programs and operational expenses in the year-long process of developing the school department budget. With an annual 4% decrease in state aid, the district will need to adapt staffing and operations accordingly. Staffing reductions are being made through attrition when feasible. A five-year capital improvement plan was submitted to the city with continued growth in maintaining the cities school properties. The goal is to maintain N.H. Approved Schools, to maintain High School Accreditation, to pursue state and federal funding as supplements to the city's school budget appropriation, and to implement technology in all aspects of teaching and learning, with the end result of all students to be college and career ready.

Respectfully Submitted,
Dr. Corinne E. Cascadden
Superintendent of Schools

RECREATION DEPARTMENT

A new assistant came aboard in the fall of 2018. Ms. Kirstin Taylor, who had been a part time employee since December, 2014 was promoted to Assistant as of October, 2018. When time permits, Kirstin is learning the administrative side of Berlin Recreation. Otherwise, she is busy with the Ski & Snowboard program, Summer Playgrounds and USDA meal delivery as well as assisting the many other sports programs.



Miss Kirstin with 3rd - 6th Grade Ski Participants



Summer Kick-Off in conjunction with Berlin Public Library. Miss Kirstin leading DJ Dave's dance line



Miss Kirstin helping give out awards at K-2 Kickball

A ten week spring session of Peer-To-Peer Wellness Support was created with participants discussing weekly topics such as Handling Holidays, Challenging Yourself, Accepting Change, and Striving for Better Sleep. While the groups were sometimes small, we all learned that “Staying Healthy May At Times Be Hard - It Doesn’t Mean It’s Impossible.”

The Berlin-Gorham community has always shown many acts of generosity and this was a banner year for Berlin Recreation! While we are grateful for every dollar received, a couple of exceptional donations include:

Dave Poulin provided the financial means in the summer of 2018 for Berlin Recreation to purchase jerseys and hats for six Farm League Baseball teams.



In the spring of 2019, the Berlin School Department donated a van to Berlin Recreation. One of the many uses of the van is to deliver the well over a thousand summer meals to area children.



The Wildcat/Attitash Corporation annually makes a donation from their Season Pass Holders’ End of Season Party and Auction. Their donation enabled Berlin Recreation to provide scholarships to 24 children in 2019.

Although there was a leadership shift with the Berlin Recreation Hockey Development program in the 2018-19 season, many volunteers stepped up to provide 40 hockey players a wonderful season filled with drills, games, and new in 2019, Dryland Training.



*Respectfully
Submitted,
Terry
Letarte,
Recreation Director*



Berlin Recreation is proud to collaborate with...
Other Countries: UK's British Soccer Mini-Kickers Program....



Other regions: Vermont & NH CLiF - Children's Literacy Foundation, and

Other departments: Berlin Public Library's Summer Kick-Off, June, 2019

Our goal is to provide the best quality of service for the fewest possible dollars. With the support of the community, other departments, dedicated staff, and countless volunteers we will always find a way!



BERLIN PUBLIC LIBRARY

The Berlin Public Library maintains an organized collection of books and related materials for both educational and recreational use by the community. Internet access, WiFi, local newspapers on microfilm, local yearbooks, audio books, and a movie collection, are all available to the community. Fax, copier and scan to email services are also available.

The library catalog can be accessed through the City of Berlin website as well as at the library. Patrons, with a library card in good standing, have access to interlibrary materials from participating NH libraries.

Library patrons have access to downloadable books through the New Hampshire State Library and Overdrive. In addition, the library now offers Heritage Quest, a genealogy resource, accessible on site or remotely and Ancestry, which can be accessed at the library.

Berlin Public Library's sign receives a makeover



Aimee Bousquet (left), a freshman at Gorham Middle High School and Denise Jensen, director of the Berlin Public Library pose with the renovated library sign. Bousquet, whose mother works at the library, noticed the sign could use a little TLC and used her time, resources and talents to replace all the lettering on the sign which features the library's hours of operation. (COURTESY PHOTO)

The Library's Children's Department 2018 Summer Reading Program theme was "Libraries Rock". The Summer Reading Program Kick-Off Party was held at the Recreation Center. Children were entertained

by local musician Dave Duchesne. The SRP consisted of 12 programs, serving a total of 203 children and 112 adults. The SRP weekly programs had a rock theme and included programs on rock art, and Rock with the Bradys, and, the always popular Fun with the Fire Department. Library Trustee, Ms. Yvonne Thomas, volunteered giving a hand to Kathy Godin with the programs. Adding to the success of the Summer Reading Program was a donation of tickets from Storyland for the children to enjoy. The library is thankful to Storyland for their continued generosity and support. In December, Hailey Lapointe from WMUR, provided a Weather Presentation for 27 children and 39 adults who attended. A CLIF Books presentation and book giveaway, was held in January at the library. The North Country Chamber Players presented a musical program to the children in July 2018.

The Children's Librarian ran a total of 23 weekly Story Hours for young children from September to June, serving 128 children and 80 adults. In addition, there was a Halloween program with 251 children, a safe place for which 315 Safe Visits took place, as well as three Afterschool Programs for 95 children. The total attendance of all Kathy's programs was 1344 children and 938 adults for a grand total of 2282 patrons.

The library checked out 21,016 items during FY2019. This statistic indicates that patrons at our library still use traditional resources, in addition to the NHDB through NH State Library Consortium which remains very popular with 1973 checkouts, an increase of 115 from last year. A total of 19,088 patrons walked through our doors.

A grant from the New Hampshire Humanities made it possible for the Berlin Public Library in conjunction with the White Mountains Community College, Fortier Library and the

Gorham Public Library to hold the Fall 2018 series entitled, "Adventure and History in the North Country." The series began in October with a presentation called Nansen Ski Club, Forward into the Past, with Scott Halverson and Peter Higbee. In November, the NHH program Harnessing History: On the Trail of New Hampshire's State Dog, The Chinook with Bob Cottrell was presented. These programs were followed by a presentation of "Berlin's History of Hockey" with Walter Nadeau.

In October 2018, The NH Preservation Alliance Review Committee approved a \$4,500 matching Grant for a comprehensive assessment of the Library building. Alba Architects was chosen to provide the systems and building assessment which began in May 2019. The completed assessment report is in the process of being finalized. This will provide information to be used in future library grants and projects for maintaining and improving the library building. Thank you to Pamela Laflamme, City Planner, for the great work on the grant application and work on the project.

Sadly, on February 2, 2019, Harold D. Nelson, a Library Trustee from 1986 to 2008, passed away. Mr. Nelson had a great interest in the Berlin community and library.

A painting from local artist, Mikey Bartlett, was donated by her daughter to the library in her mother's memory. The painting will be framed and displayed in the library.

The Staff from the Berlin Public Library appreciate and thank the community for their continued support. We invite all to come in and make use of the valuable resources available at your local library.

BERLIN PUBLIC LIBRARY			
JULY 1, 2018 THROUGH JUNE 30, 2019			

TOPICS	ADULT	JUVENILE	TOTAL
000 - Generalities	45	32	77
100 - Philosophy	132	15	147
200 - Religion	101	22	123
300 - Social Science	251	156	407
400 - Language	4	51	55
500 - Pure Science	77	571	648
600 - Technology	397	156	553
700 - The Arts	154	477	631
800 - Literature	226	39	265
900 - Geography & History	339	254	593
910 - Travel	3	27	30
BIO - Biography	345	51	396
FIC - Fiction	7,916	4,209	12,125
MAG - Periodical	317	7	324
DVD - Movies	3,625	0	3,625
VHS - Movies	46	0	46
AC - Audio Books	934	22	956
CD - Compact Disk Music	15	0	15
TOTALS	14,927	6,089	21,016
PKB - Paperbacks	41	0	41
Walk in Patrons	10264	8824	19,088
Phone Inquiries	1418	258	1,676
Computer Users	2707	421	3,128
Copier Patrons	3115	12	3,127
Fax Patrons	291	0	291
Microfilm Patrons	65	0	65
Interlibrary Loaned	922	0	922
Interlibrary Borrowed	311	0	311
NHDB Checkouts	1973	0	1973

Respectfully Submitted,
Denise Jensen
Library Director



Berlin Fire Department

Mission Statement – The Berlin Fire Department prepares for, and responds to a wide variety of emergencies and calls for service. Protecting life and property through a combination of progressive and responsible approaches with a professionally trained, dedicated, and compassionate workforce to work diligently in fire prevention planning and education, and hazard prevention and mitigation for the citizens of Berlin.



Berlin Fire Department personnel are dedicated and highly skilled in providing professional services in the areas of fire suppression, rescue, hazardous materials, EMS, and weather related incidents. Members train and plan with an emphasis in fire prevention, life safety, code enforcement and public safety education.

The members of the Fire Department provide services to the citizens of our City with professionalism, dedication and integrity. Through hard work and training, and in conjunction with the support of our residents,

businesses and City Administration, both appointed and elected, we continue to provide valuable services on a daily basis. The Fire Department responded to 880 calls for service during Fiscal Year 2019.

• Fires (all categories) -	38
• Rescue/EMS -	174
• Hazardous Condition -	151
• Service Call -	233
• Good Intent -	34
• False Alarm -	145
• Special Incident -	5
	780

Fire Prevention Division

The Fire Prevention Division is tasked with code enforcement, fire inspection, regulating and inspecting construction of new buildings, and inspection of existing buildings, for compliance with the State of New Hampshire Fire and Life Safety Codes. The Fire Prevention Division continues to be the focal point of the Fire Department's efforts to minimize fire loss in the community. This is achieved by the programs that are offered to local businesses, schools, health care institutions, and the public in general.

The methods employed by the Fire Prevention Division in completing these tasks, focus on fire and life safety code education and inspections, plans review, and fire safety education sessions. A customer service based, and service oriented approach of our services, as well as our commitment to the overall safety of our residents and visitors, are driven by the Fire Department's mission to serve our community.



Police Department

The mission of the Berlin Police Department is to protect the lives and property of the citizens of the community, consistent with the Constitution of the United States and the State of New Hampshire. We continue to serve the community in a way that reflects the morality, beliefs, and customs of the citizenry we serve.

Community: The Berlin Police Department remains committed to the furtherance of its support for the Androscoggin Valley Chamber of Commerce and all of its activities, such as the summer ATV Fest and fall River Fire. Each year, these Chamber-sponsored events have grown in scope. While a considerable challenge to the Department, the increased attendance and resulting economic boost is great for the community. Many of those in attendance from afar return every year and many make additional trips throughout the year to enjoy the recreational options that exist here. Some have purchased property and vacation here, further boosting the economic impact on the community.

While large community events give us high visibility, it is the largely unseen duties and projects that consume us. Our work within the community is that of outreach to individual citizens and organizations that work within our community as providers of specialized services to our citizens. We work with providers of many community services, to include mental health, domestic violence, and juvenile and adult and elderly services. While we work with and assist these providers, each and every one of our officers also receives training and peer mentoring to work with citizens on an individual basis. We provide counseling and relief at all hours of the day and especially at night. Our goal is to provide service that renders comfort, as well as information to those seeking assistance from an entity as they move forward.

Illegal drugs and drug activity continue to be a problem not only in our community but in society; activity not only encompasses victims of drug activity but drug users as well. The Berlin Police Department remains committed to working within the community to assist victims

of drug activity. Operation Granite Shield continues to provide grant funding in order to gather information, and we continue to collaborate with the NH Drug Task Force as well. It is imperative that we work to find answers and solutions to this serious societal problem. To that end, DARE in our school system has been replaced with LEAD: Law Enforcement Against Drugs. DARE targeted fifth grade students, while the LEAD program will ultimately reach students in other grades with age-appropriate content. We believe this program will better deliver the message that we hope to bring to our students, the adults of tomorrow.

Department/Personnel: While fiscal year 2018, brought significant personnel changes, 2019 was another year of significant and challenge for the Berlin Police Department.

In September of 2018, Police Commissioner Jerry Nault was reappointed to the Berlin Police Commission. Along with Pierre Morin and Marc Tremblay, our department continues to thrive in part because of their knowledge and commitment. The community is fortunate to have such individuals working for its citizens as well as its Police Department.

September 2018 was a year of both gain and loss on the personnel side of our department. Dennis Gale and Noah Dumas were hired as patrolmen. Both have since graduated from the NH Police Standards and Training Academy and are now fully-certified officers. Lieutenant Corey Riendeau, Prosecutor, tendered his resignation to become Warden of the Northern NH Correctional Facility. We wish Corey much success in his new position and thank him for his years of service.

When someone leaves a position, that position must be filled with a person who can fulfil its obligations. Corporal William Daisey was chosen to fill that position. He was also promoted to the rank of Lieutenant. Lieutenant Daisey brings his tireless work ethic to his position, and we wish him well.

December 2018 saw the retirement of Detectives' Secretary JoAnn Theriault. Prior to her retirement, she was chosen as Employee of the Year. We thank JoAnn for

her years of service as a valued employee and friend to many; she is missed. Hollie Walters, a full-time dispatcher for many years, was tasked with the job of replacing JoAnn. Hollie's transition allowed for the promotion of Beth Bouchard from part-time to full-time dispatcher. We believe they will be very successful in their new positions.

Lieutenant Kerry Theriault was chosen as Officer of the Year. Kerry is a valued colleague and very deserved of this honor. His knowledge and demeanor are a beacon for younger officers as they move forward in their careers.

March 2019 saw more personnel movement in our ranks. Lieutenant Tim Godin retired after a long and successful career. He was a multi-faceted instructor for the department as well as for other area law enforcement agencies. Additionally, he instructed local businesses and their employees on various ways to better serve their customers and be safe doing so. March also saw the promotion of Officer Zach Howry to the position of corporal. Zach has a bright future and is very well-suited to assume this new position; his work in the community on- and off-duty is exemplary. Sergeant Geoff Bardeen resigned in March to pursue another career. We thank all three officers for their past and continued service and wish them well in their new endeavors.

In April 2019, Lieutenant William Daisey conducted DWI training for local and State law enforcement agencies in the area. It was excellent training and gave the agencies not only an opportunity to gain valuable information in eliminating impaired drivers from our roads, but to actually meet, get to know, and collaborate with one another.

Chief Peter Morency was appointed Vice-Chair of the New Hampshire Police Standards and Training Council, an important position that deals with all aspects of law enforcement in New Hampshire. Chief Morency has the experience and expertise to aid in guiding the Council forward.

Total Calls for Service	20,757
Accidents	223
Accidents Within an Intersection	86
Animal Complaints	270
Assaults	94
Assist to Berlin Ambulance	867
Assists from Gorham PD	66
Assists to Gorham PD	65
Assists to other Berlin Departments	289
Burglaries	26
Criminal Threatening	118
Dog Complaints	334
Domestic Violence Incidents	237
Drug Complaints	184
DWI Violations	37
Felonies	236
Involuntary Emergency Admissions	57
Juvenile Arrests	27
Juvenile Incidents	149
Milan Calls for Service	1,083
Misdemeanors	938
Motor Vehicle Stops	2,213
Motor Vehicle Violations	324
Motor Vehicle Warnings	1,919
OHRV Accidents	25
OHRV Complaints	89
OHRV Traffic Stops	53
Overdose – Suspected	31
Parking Tickets	352
Protective Custody Arrests	114
Restraining/Stalking Orders	88
Sexual Assaults	36
Thefts	198
Total Arrests	817
Vandalism/Criminal Mischief	131
Verbal Arguments	62

May 2019 saw the City and all of its departments wrestling with budgets. The State's inability to adequately fund education is an ongoing problem and one that leads communities, particularly those

with low real estate values, to constantly work to cut their budgets to ensure that education and all other public services are not severely impacted, all the while limiting property tax increases. We were fortunate to have Mayor Paul Grenier and Superintendent Corrinne Cascadden traveling to Concord on a number of occasions to address our community's concerns in testimony to our Governor and Legislators. It is our hope that their excellent work will assist and ultimately yield real solutions to this problem. This, not a band-aid approach, is what is needed. Our, and every other departments', future and success are at stake.

Finally, the Berlin Police Department joined others in the State by filing an Opioid Lawsuit on behalf of the City of Berlin. We are hoping funds may be forthcoming to assist us in the community fight to eradicate the scourge that envelops us.

Respectfully submitted,
Peter Morency
Chief of Police



PUBLIC WORKS DEPARTMENT

The Public Works Department provides a number of services to the citizens of Berlin. These services include but are not limited to: the summer and winter maintenance of over 60 miles of streets and many more miles of sidewalks that need to be plowed, treated, swept, patched, and paved. We also provide snow removal services, street striping and markings, and the fabrication and installation of street and

traffic control signs. We are responsible to construct and maintain 178 City owned retaining walls or safety railings along with guard rails and guard fences. We also maintain sewer and storm water collection systems throughout the City. We provide equipment maintenance for all of the Public Works, Fire, Recreation, Pollution Control, Code Enforcement and Police Departments as well as the Berlin Municipal Airport. We also provide and maintain 159 sand/salt barrels for winter use at multiple locations throughout the City. Members of the Department also provide utility information and project inspection for water and sewer capital improvement projects.

Transportation – Street Markings: The Public Works Department is responsible for painting railroad crossings, parking locations both allotted and not, Handicap parking areas, stop bars and cross walks on all City streets. The cost associated with this work is approximately \$14,000 and includes approximately 220,000 linear feet of street striping, 5 railroad crossings, over 130 crosswalks, and multiple parking locations throughout the City. All centerlines and fog lines are painted using hired contractors.

Projects – In Progress/Completed: The NH Route 16 roadway reconstruction project achieved final completion in the fall of 2018. The Hillside Avenue Bridge project over the Dead River achieved final completion in the fall of 2018.

The Riverwalk Multi-Use Pathway project, administered through NHDOT Transportation Alternatives Program (TAP), is currently in the design phase. The Riverwalk is slated for construction in 2020.



*Hillsboro Street

The City partook in Domino's Paving for Pizza program this past year. The program provided the City with funds in the amount of \$5,000 that was solely to be used for patching of pot holes within the

City streets. This funding allowed PWD crews to repair sections of Hillsboro and Prospect Street.

Solid Waste: The East Milan Landfill closure was substantially completed in October of 1996. Closure of the landfill launched the 30 year post-closure monitoring program. Groundwater quality and methane gas production is being monitored in accordance with the program.

The Cates Hill Landfill Closure project was completed in August of 2006. As with the East Milan Landfill closure, the Cates Hill Landfill is being monitored for groundwater quality and methane gas in accordance with the program.

The Public Works Department does curbside pick-up of household refuse and recycling. Household refuse is brought to the AVRDD Mt. Carberry Landfill for disposal. The Public Works Department collected 3,667 tons of household refuse this fiscal year, which is up 1.40% from last fiscal year.

This increase in refuse generated resulted in an increase of \$3,282.00 in tipping fees. Recycling within the City has been mandatory since September 2012, therefore due diligence with continuing to removing recyclables from the household refuse generation is much appreciated!

The Public Works Department collects residential glass, plastics, tin, aluminum and commercial cardboard for recycling. The Department continues to increase efforts to reduce the household refuse tonnage to the landfill. This effort is being driven through the continued use of local media and the PWD Supervisors educating the public for the need to improve our recycling efforts. In addition to education, the Department has worked to reduce/eliminate large curbside and yard waste pick-up's and ask residents to use the AVRDD Transfer Station for these items.

Sanitary Sewer & Storm Collection: The Phase 2 Inflow and Infiltration (I/I) Reduction project is in the final design phase. During wet weather events, significant volumes of I/I (storm water, groundwater, etc.) enter the City's sewer collection system, which results combined sewer overflows (CSOs) at the Watson Street Pump Station. Excess flows discharge to the Androscoggin River. Means for reducing I/I include replacing sewer mains, re-routing illicit connections to the sewer system (sump pumps, perimeter and roof drains), and relining sewer mains. We plan to have the project ready for construction to

begin in 2020.

Parks and Recreation Maintenance: The City's major fields (Memorial, High School, and Community College) have been well maintained with the help of Diamond Turf to guide us to keep up the good field conditions. In working with Diamond Turf we continue to gain valuable knowledge that will help us avoid the reoccurrence of the past issues of bug infestation. The fields are currently in tremendous shape even with the increased demands of the addition of high school aged football, high school women's soccer and youth football for the past five seasons.

Projects In Progress/Completed: The Community Field Skate Park project construction was substantially completed this summer.



*Community Field Skate Park

The Parks & Recreation Department is also largely involved with many of the annual local events that are put on by the Chamber of Commerce. These events include but are not limited to River Fire and ATV Festival.

The Parks & Recreation Department is tasked with a variety of different responsibilities depending on the time of year. The following is a brief summary of the day to day activities performed by the Parks & Recreation Crews based on the season.

Winter: (December, January, & February)

-Maintain the downtown Christmas decorations.

-All snow, ice, and rain events are attended to as they occur. This will include the following tasks:

- Shoveling
- Plowing,
- Sanding and Salting
 - Parking Lots
 - Walkways
 - Stairs

These tasks are completed at the following locations:

- Police Station
- Recreation Center
- First Ave Parking Lots

- City Hall
- Court House
- Heritage Park
- Bickford Place
- Memorial & Community Field Storage
- (5) Skating Rinks as weather permits

-The five (5) skating rinks that are maintained by the Parks & Recreation Crews are located at:

- Green Street ● Horne Field
- River Street ● Hutchins Park
- Ramsey Park

-When the weather is not favorable for skating rink maintenance, equipment maintenance that is usually performed during the spring months will be performed in its place.

Spring: (March, April, & May)

-Equipment Maintenance

- Inspection
- Paint
- Replace

-Litter Pick-up

-Leaves Swept

-Sod Repairs

-Baseball & Softball Fields

- Line Painting
- Mowing
- Raking

-Tennis Courts

- Sweeping
- Line Striping

-Northeast Agricultural Field Maintenance Program

- Community College Field
- High School Track
- Memorial Field

-Mowing of Grass Begins

Summer: (June, July & August)

-High School Sports slow season allows for focus to turn to maintenance of grassed areas

-The grassed areas that we maintain are:

- High School Track & Field
- Memorial and Memorial Annex
- Green Street
- Veterans Park
- Voudoukis Park
- Berlin Public Library
- Gill Park
- St. Anne
- Dead River Park

- Pleasant St., Green St., & Cole St. Islands
- Tondreau Park
- Cleveland Bridge Road
- Botanical Gardens
- Central Playgrounds
- Community Field
- Hutchins Park
- Horne Field
- Rotary Park
- Ramsey Park

-Maintain all baseball, softball, and soccer field for summer schedules and tournaments

- Aerating
- Seeding
- Topdressing
- Fertilizing
- Weed-killing

-Cemetery work to include

- Trash removal
- Tree pruning
- Fence repairs
- Grass Mowing

Fall: (September, October & November)



***High School Track & Field**

-High School Sports are in full swing requiring daily field maintenance

- Field Striping ● Grass Mowing

-Cemetery Mowing Continues

-Mowing of all City owned grassed areas continues

-Recreation department sports programs require field maintenance

-Prepare for winter by putting away all sport and park related equipment

- Bleachers ● Nets
- Benches ● Picnic tables

-Assists Main Street Program with seasonal decorations

-Prepare 5 locations for skating rinks

Ben Hall
Public Works Director

Berlin Wastewater Facility



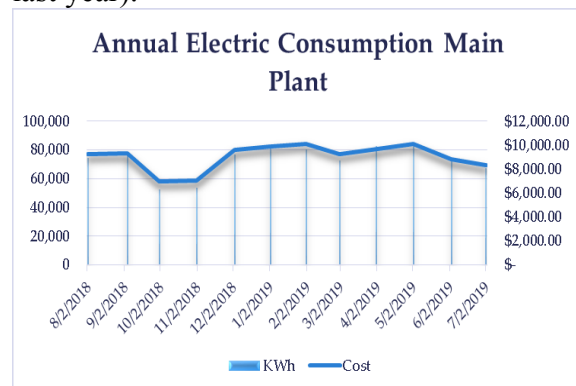
Last fiscal year, Berlin's Pollution Control Facility processed 794.88 million gallons of sewerage from the City. We also processed 24.59 million gallons of Leachate from the Mt Carberry Landfill. On top of which we accepted and treated almost 861,315 gallons of Septage waste from outlying communities not on their own sewer systems (i.e., septic tanks). Whereas the Influent Flow increased by 9 % the Septage deliveries increased by 6%, the Leachate flow decreased by 8.5 %.

A comparison we like to make is that the amount of water Berlin Water Works (BWW) supplies to the City each day should be approximately the amount of water Berlin Pollution Control Facility (BPCF) treats after traveling through the Sewer Collection System, over the course of a year. Last year (FY2019) BWW produced about 573.73million gallons of water for use in the City; BPCF on the other hand had to treat 794.98 million gallons of City Sewerage, or 7% more than BWW produced. Last Year that figure was 8%. We attribute most of the discrepancy to Inflow and Infiltration into the Collection System; the reduction in percentage is due to the City correcting many leaks into the sewer pipes in the past year.

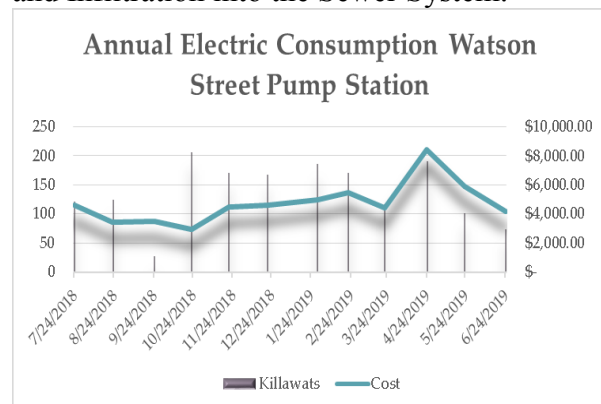
As part of our process, we produced 7,764.56 tons of dried municipal sludge that we trucked to the AVRROD landfill for disposal. The treatment process removed 89% of the BOD (Biochemical Oxygen Demand) and 96% of

the TSS (Total Suspended Solids) which came in with the sanitary sewer flows.

Average monthly power usage at the Main Plant (Shelby Street) decreased to 72,556 kWh (81% of last year) and at our main pump station at Watson Street it increased to 33,083 kWh (2% increase over last year). Average monthly energy usage at the Main Plant (Shelby Street) decreased to 157 KW (92% of last year).



The energy usage (KW) follows the peak flows in the sewers; this is a measure of the success of the City's program to reduce Inflow and Infiltration into the Sewer System.



Some Capital Projects this year included a new Control Panel at the Napert Village Pump Station, and a new tractor to replace our 1988 Kubota.

Jon Goodreau
Wastewater Superintendent



Water Commissioners for this report period were Michael Caron, Paul W. Poulin, Lucien F. Langlois, Sean Brungot, and Paul Ingersoll; Ex-officio member was Mayor Paul R. Grenier.

The Berlin Water Works (BWW) has not increased water rates in twenty-two years. The NHDES 2015 Water Rate Survey was published and Berlin Water Works ranks 17th highest in the State for an average of \$615.84 per year per four-person household. BWW has been able to maintain water rates because of cross-training employees and elimination of work through planned improvements and the implementation of BWW “force account” construction to offset operating cost by performing capital improvement projects with BWW resources. Energy improvements including the Solar System at the BWW office and the Hydro at the Ammonoosuc Treatment Facility have also helped keep energy costs manageable. BWW signed a contract with Freedom Energy Logistics for nineteen months, beginning April 2019, with a fixed rate of \$0.0819/kWh. We have generated extra power with the Hydro at the Ammonoosuc Treatment Plant. We have received an Eversource Credit in the amount of \$7861.27. This is applied to the

Eversource Demand Charge the will result in a net of 0 charge for the next year.

We have six New Hampshire State Revolving Loans remaining (SRL #06-11) and one Rural Development Loan. The availability of new low interest system improvement loans and grants has enabled the BWW to perform “Force account” construction work to improve our systems and balance the operation and debt budgets.

BWW continues to offer on line bill paying for customers. Customers can pay their bills by going to the City of Berlin website www.berlinnh.gov. Invoice Cloud and Northern Data Systems are providing electronic bill presentment and online payment service. The system allows the office clerks to enter credit card payments for customers here at the office or over the phone. The system also allows customers to choose paperless billing. Approximately 940 or 27.02% of our customers are registered to use the online billing service and a total of 425 or 12.21% are paperless. Also, the BWW has an auto-pay option for which 141 or 4.05% customers currently participate.

There are 3478 BWW accounts requiring metering and protective devices. BWW has installed 2261 backflow devices to-date at customer’s homes. BWW has installed 1836 radio read units to-date. BWW is currently upgrading old brass meters by replacing them with poly Sensus iperl meters. FY2019 BWW replaced 213 meters, of the total replaced, all were Sensus iperl meters.

BWW celebrated Drinking Water Week from May 5, 2019 to May 11, 2019 with an open house at the Ammonoosuc Treatment Plant Monday through Friday.

During the winter of 2018/2019, we had 26 customers running water to prevent service line freeze-up. Efforts continue to reduce the

number of running water customers, and only 2 are left. During the winter of 2000/2001, 1003 of 3500 customers were on the running water program.

BWW has built an access road for the school dept. The road is located on the back side of the school which will eventually provide access to the Mini-Mountie Program, and provide hydrants for improved fire protection.

BWW donated our time & equipment to the Skate Park project. We also had one of our project temps do the GIS and shoot grades for elevation, which saved the city in hiring a surveyor. BWW also donated time and equipment to the Land Expansion project at the Heritage Park. Crews hauled and spread 360 yards or recycled material.

Berlin Water Works continued to pass the lead and copper water sampling compliance regulations set forth by the NHDES for the 9th consecutive round of testing. The State of NH Department of Environmental Services dropped the number of test sites required from 60 sample sites to 30 sample sites, and now to 20 sample sites. The overall average lead and copper sample levels have dropped to new low levels. Please note that the water leaving the Water Treatment Plant is free of lead and copper and that the resulting lead and copper are attributed old portions of the distribution system, customer pipe systems, and/or dead-end lines. Water sampling will continue to monitor lead and copper levels. The next round of testing is scheduled for September 2020.

Water Quality Report for calendar year 2018 was distributed to all water customers as a bill stuffer in the May 2019 Billing. Paperless customers received an internet address to view the Water Quality Report.

Improvements to the Distribution System facilities included BWW staff hiring Charlie Fritz of Electrical Instrumentation to calibrate the venturi meter at Brown Farm Well and the two venturi meters at the Ammonoosuc Treatment Plant for the Clarifiers, the calibrations are required under the BWW water conservation plan.

Berlin Water Works received a letter dated May 6, 2019 from the US Department of Justice Federal Bureau of Prisons, Federal Correctional Institution in Berlin for the continuation of Utility Services. The superintendent signed the letter, and this is a formal contract that BWW will provide water services for another ten years.

	FISCAL 2018	FISCAL 2019
Total Flow	638,623,718	613,242,670
Difference from previous year	2.2% increase	4.2% decrease
Gallons per Day	1.75 Million Gallons	1.68 Million Gallons
Running Water Customers	64	13
Running Water Start - early	8-Jan-18	13-Jan-19
Running Water Start - regular	-	-
Running Water Finish	9-Apr-18	18-Apr-18
Frozen Water Calls - outside	6	21
Frozen Water Calls - inside	29	14
Hydrant Flushing	8/1/17 to 9/8/17	07/30/18 – 09/05/18
Number of main line breaks	1	0
Number of service line breaks	2	5

Fire hydrants were flow tested this summer, and we updated our fire flow rates this year. This was a summer long task, each hydrant was tested for fire flow rates, static and residual pressures. They have not been flow tested since 2002, and there has been a significant improvement in the city flows since then.

Vachon Clukay & Company, PC was accepted by the Board to perform the Water Works financial report for period ending June 30, 2018 thru (FY2020). Our FY2020 budget of \$3,037,270 was presented by the Board on May 22, 2019 at the budget hearing providing \$2,201,665 for operations and \$ 835,604 for loan debt payments. The proposed budget was approved June 20, 2019. This budget represents the twenty-second consecutive year with no water rate increase for its customers.

IMPROVEMENT PROJECTS:

A \$1,500,000 NHSRL #12 was awarded to BWB on November 22, 2017. The proposed work is to continue planned water main replacement of vintage 1890 through 1930's unlined 6" and 8" diameter cast iron pipe. The water main replaced will be the highest failure rate water main in the BWB Distribution System based on our records. Running water Customers have been addressed also by lowering and insulating service lines to prevent freezing. At one time there was over 1,100 running water services, we have now eliminated all early running water customers. Most of the proposed scope streets have stamped design drawings from previously funded projects. BWB has completed water main work on Twelfth Street from Sweden Street to Nansen Street. BWB has also completed work on Willard Street between Hillside Ave and School Street and on High Street between Emery Street and Pleasant Street.

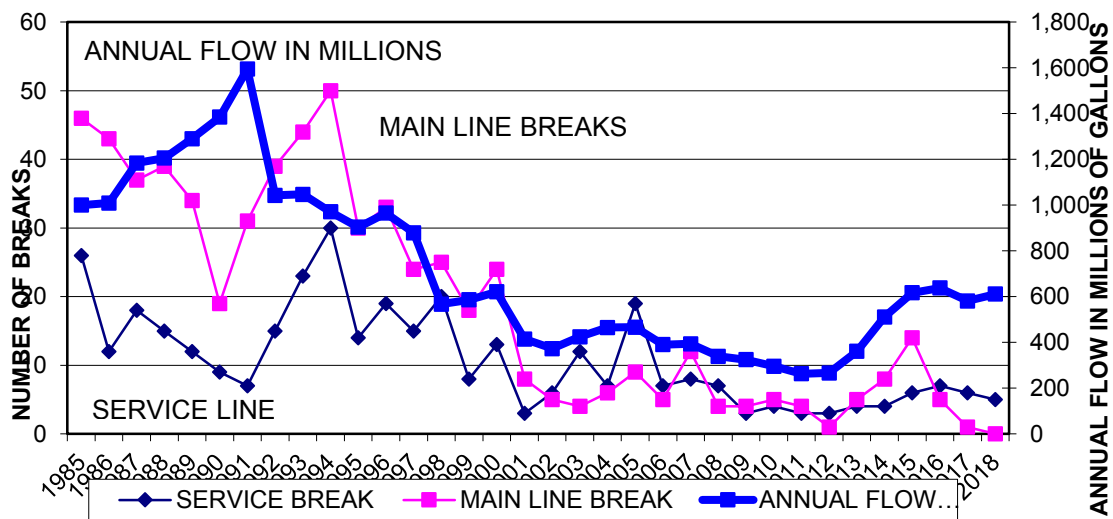
Brown Farm Well #2 was completed by Layne Christensen Company, the 10-day pump test was completed and the VFD is installed and the instrumentation is complete. The Water Conservation Plan was approved by the State, this has been a long process but we have been granted waivers. On June 17th, 2019 BWB received a letter from Kelsey Vaughn, NH Water Conservation Program/Drinking Water & Groundwater Bureau stating that DES approved the exemption request. Also, NHDES approved the meter maintenance schedule proposed by BWB. The calibration of the Venturi meter will need to be done electronically each year and the cleaning of the meter will need to be inspected in 20 years. BWB was notified by Andrew Koff that NHDES approved the Large Groundwater Withdrawal Permit; the well connection was approved by Randall Suozzo of NHDES. Brown Farm Well #2 is permitted for withdrawal of 700GPM. Well #1 and #2 are permitted for withdrawal of 1100GPM when both are running simultaneously.

	Total as of FY2019	FY 2018	FY 2019
Curb-to-curb street paving (includes overlay)	12.52 miles	.22 miles	.05 miles
# of New Meters	3405 total in system	196	216
# of New hydrants	422 total in system	1	0
# of Replaced services	3405 total in system	30	66
New water main installed – since 1990	30.0 Miles	.40 miles	.10 miles

The BWW installed 1730 feet of water main. Improvements to the water distribution in the City of Berlin continue with planned replacement of small diameter galvanized mains, which were all completed as of June 2019, and 1890 thru 1920's vintage unlined cast iron mains (23,500 feet remaining as of June

2019) with the highest frequency problems corrected first. As the streets for replacement of water mains are selected for design, improved fire protection flow capabilities are considered. The results of these increased efforts will be a much-improved distribution system.

WATER LINE BREAK HISTORY CALENDAR YEAR



BWW continues to record GIS location information for all new construction as well as completing the city a zone at a time.

Thanks to all BWW employees, Water Works Commissioners, the Honorable Mayor Paul Grenier, the City of Berlin and the NHDES Drinking Water staff for their continued support. The BWW has completed and is continuing work on significant improvements that will improve our water system and reduce our operating cost for many years into the future.

Craig P. Carrigan
Superintendent

FINANCE/COLLECTIONS

The Tax Collection Department continues to offer property taxpayers the ability to have tax and sewer payments withdrawn from their checking or savings accounts. Payments are withdrawn on the bill due date. For taxpayers who prefer to budget their tax and sewer payments, the City will withdraw funds on the second Wednesday of every month. The Collection's Department also accepts online credit card payments which can be accessed on the City website.

There was a total of 1,286 dump passes issued during fiscal year 2019.

Vachon, Clukay & Co., P. C., of Manchester, New Hampshire, conducted the annual fiscal yearend audit again this year.

The Finance Department also processes weekly payrolls and provides Human Resource Benefits for the City's 141 regular full and part time employees.

During FY19, the Finance Department issued 4,199 semi-annual real estate tax bills totaling \$15,756,670. The Department of Revenue (DRA) set the tax rate in November of 2018 at a rate of \$39.27. The Finance Department also issued 3,169 annual sewer bills which totaled \$1,814,665. The number of motor vehicle registrations issued by the City decreased this year by 33 registrations to 9,669 with the City collecting \$1,377,915.50.

Finance Department Staff:

Assistant Comptroller: Jan Gagnon

Senior Collections Clerk: Kris Davis

Collections Clerk: Heidi Gray

Accounts Payable Clerk: Natalie Croteau

Payroll/Benefits: Sherry Young

Respectfully submitted,

Patricia A. Chase

Finance Director/Tax Collector



New Hampshire
Department of
Revenue Administration

MS-61

Debits						
Uncollected Taxes Beginning of Year	Account	Levy for Year of this Report	Prior Levies (Please Specify Years)			
			Year: 2018	Year: 2017	Year: 2016	
Property Taxes	3110		\$2,261,547.36	\$473.00		
Resident Taxes	3180					
Land Use Change Taxes	3120					
Yield Taxes	3185					
Excavation Tax	3187		\$3,197.90			
Other Taxes	3189		\$75,412.46	\$399,471.41		
Property Tax Credit Balance			(\$75,964.09)			
Other Tax or Charges Credit Balance			(\$1,593.04)			

Taxes Committed This Year	Account	Levy for Year of this Report		Prior Levies	
			2018		
Property Taxes	3110	\$7,872,370.50	\$8,120,345.50		
Resident Taxes	3180				
Land Use Change Taxes	3120				
Yield Taxes	3185	\$6,209.04	\$50.11		
Excavation Tax	3187	\$169.04	\$23.80		
Other Taxes	3189		\$2,040,392.84		
SPECIAL WARRANT	#3110	\$39,291.74	\$30,623.75		

Overpayment Refunds	Account	Levy for Year of this Report		Prior Levies	
			2018	2017	2016
Property Taxes	3110		\$14,983.00	\$12,376.00	\$4,099.00
Resident Taxes	3180				
Land Use Change Taxes	3120				
Yield Taxes	3185				
Excavation Tax	3187				
			\$124.00	\$965.25	
Interest and Penalties on Delinquent Taxes	3190		\$42,122.10	\$6,875.86	
Interest and Penalties on Resident Taxes	3190				
Total Debits		\$7,918,040.32	\$12,511,265.69	\$420,161.52	\$4,099.00

Credits					
Remitted to Treasurer		Levy for Year of this Report		Prior Levies	
			2018	2017	2016
Property Taxes		\$741,968.13	\$9,721,694.03		
Resident Taxes					
Land Use Change Taxes					
Yield Taxes		\$6,209.04	\$3,248.01		
Interest (Include Lien Conversion)			\$42,122.10	\$6,875.86	
Penalties					
Excavation Tax		\$169.04	\$23.80		
Other Taxes			\$1,892,961.10	\$332,701.51	
Conversion to Lien (Principal Only)			\$604,423.49	\$66,190.90	
Discounts Allowed					

Uncollected Taxes - End of Year # 1080	Levy for Year of this Report	2018	Prior Levies	
			2017	2016
Property Taxes	\$7,187,884.59		\$473.00	
Resident Taxes				
Land Use Change Taxes				
Yield Taxes				
Excavation Tax				
Other Taxes		\$222,680.16		
Property Tax Credit Balance	(\$18,190.48)			
Other Tax or Charges Credit Balance				
Total Credits	\$7,918,040.32	\$12,511,265.69	\$420,161.52	\$4,099.00

Summary of Credits				
	Last Year's Levy	2017	Prior Levies	
			2016	151413
Redemptions	\$30,323.24	\$144,265.76	\$308,163.78	\$6,880.63
Interest & Costs Collected (After Lien Execution) #3190	\$5,562.50	\$29,860.24	\$102,132.22	\$2,151.52
Deferrals	\$4,019.32	\$6,560.00	\$3,594.00	
Abatements of Unredeemed Liens				
Liens Deeded to Municipality	\$29,586.55	\$24,926.00	\$35,808.96	\$1,234.52
Unredeemed Liens Balance - End of Year #1110	\$668,232.41	\$345,108.76	\$21,761.18	\$22,055.32
Total Credits	\$737,724.02	\$550,720.76	\$471,460.14	\$32,321.99

Abatements Made	Levy for Year of this Report	2018	Prior Levies	
			2017	2016
Property Taxes		\$22,840.00	\$12,376.09	\$4,099.00
Resident Taxes				
Land Use Change Taxes				
Yield Taxes				
Excavation Tax				
Other Taxes		\$1,273.00	\$1,544.25	
Current Levy Deeded				

Summary of Debits				
	Last Year's Levy	Prior Levies (Please Specify Years)		
		Year: 2017	Year: 2016	Year: 151413
Unredeemed Liens Balance - Beginning of Year		\$520,860.52	\$369,327.92	\$30,170.47
Liens Executed During Fiscal Year	\$732,161.52			
Interest & Costs Collected (After Lien Execution)	\$5,562.50	\$29,860.24	\$102,132.22	\$2,151.52
Total Debits	\$737,724.02	\$550,720.76	\$471,460.14	\$32,321.99



This year the Berlin Regional Airport took on a capital improvement project of runway 18-36 rehabilitation and airfield signage improvements. The rehabilitation consisted of large crack removal and reconstruction of the asphalt and the smaller cracks were sealant filled. The entire width and length of the runway was seal coated to extend asphalt life. From the air, the runway really stands out with the new markings.

New LED airfield signage replaced the old incandescent signs. HEB Engineers Inc. coordinated this project and as in past projects, HEB left no stone unturned. The closure of the airport was anticipated to be four weeks during construction but the project took only two weeks.

We've had a good year with air traffic from all over the US and Canada. Aircraft equipped to measure depth and mapping of a local lake used the airport as a base for several days. We had aircraft doing highway mapping of the northern section of Route 16 for several days and for two weeks we had a helicopter equipped with special cameras photographing conditions of power lines and towers to determine if replacement or repairs are needed.

The airport has also had some political figures dropping in, starting their northern New Hampshire campaign trail. The airport's staff go to great lengths to accommodate every aircraft and passengers visiting the area whether they need fuel, car rental, lodging or area attractions. We are looking forward to a great 2020.



Respectfully Submitted,

Marcel Leveille
Airport Manager

CITY OF BERLIN, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2019
and
Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Schedule of Findings and Questioned Costs

CITY OF BERLIN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2019

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CITY OF BERLIN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Council and Manager
City of Berlin, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's proportionate share of the net OPEB liability, schedule of City OPEB contributions, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in the City's proportionate share of the net pension liability, and schedule of City pension contributions on pages i-xiii and 44-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Berlin, New Hampshire's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the combining nonmajor governmental and proprietary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2020 on our consideration of the City of Berlin, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely 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 effectiveness of the City of Berlin, New Hampshire's 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 City of Berlin, New Hampshire's internal control over financial reporting and compliance.

Vashon Clukay & Company PC

Manchester, New Hampshire
March 18, 2020

**City of Berlin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019**

This section of the City of Berlin, New Hampshire's (the City) financial statements is prepared to comply with the requirements of GASB Statement 34 which requires management of the City to provide a discussion and analysis of the City's financial performance. It also provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. As in past years, this narrative should be read in conjunction with the City's basic financial statements, which begin on page 1.

Financial Highlights – Primary Government

New Standards Implemented:

- None with significant financial statement impact during the year ended June 30, 2019.

Government-wide Highlights:

- **Net Position:** The total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources at fiscal year ending June 30, 2019 by \$25.9 million, a decrease of (\$800) thousand from the prior year. This amount is presented as "Net Position" on the Statement of Net Position for the Total Primary Government (a condensed statement can be seen in the MD&A section of this report on page v). Total unrestricted net position decreased from the prior year with an ending deficit balance of (\$23.0) million. Restricted net position of \$2.4 million was restricted for permanent funds principal and income, food service operations, police forfeitures, various unexpended grants and donations, and short-lived sewer asset replacement reserves. The net investment in capital assets decreased slightly from the prior year with an ending balance of \$46.5 million.
- **Changes in Net Position:** The City's total net position decreased from last fiscal year's \$26.7 million to \$25.9 million in fiscal year 2019. Net position of governmental activities decreased by (\$400) thousand, and net position of the business-type activities decreased by (\$400) thousand. This is further discussed under the Government-Wide Statement Analysis section of this report.

Fund Highlights:

- **Governmental Funds – Fund Balances:** As of the close of fiscal year 2019, the City's governmental funds reported a decrease of (\$600) thousand compared to last fiscal year, with a combined ending fund balance of \$2.5 million, compared to last fiscal year. Included in the combined governmental fund balance is the activity of the City's General Fund and the Nonmajor Governmental Funds. The General Fund ended the fiscal year with an unassigned fund balance of \$1.1 million, which is a decrease of (\$600) thousand from the previous fiscal year.
- **Proprietary Funds – Net position:** As of the close of fiscal year 2019, the City's proprietary funds reported a decrease of (\$400) thousand when compared to last fiscal year, with a combined ending net position of \$28.3 million. Included in the combined proprietary funds net position is the activity of the City's Sewer Fund and the Nonmajor Enterprise Funds. The Sewer Fund ended the fiscal year with an unrestricted net position of \$6.2 million, which is a decrease of (\$200) thousand from the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include the following three components:

1. Government-wide financial statements;
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also contains certain required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the City's finances. These statements (Statement of Net Position and the Statement of Activities) provide both short-term and long-term information about the City's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

- The **Statement of Net Position**, found on page 1, presents all of the City's non-fiduciary assets and liabilities. The *difference* between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as "Net Position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The **Statement of Activities**, found on page 2, presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned, and unused sick leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

The government-wide financial statements have separate sections for three types of City activities. These three types of activities are:

- **Governmental Activities:** The activities in this section represent most of the City's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the City include general government, public safety, airport/aviation center, highways and streets, health and welfare, sanitation, culture and recreation, education, food service, economic development, and debt service.
- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the operations of the:
 - Sewer Fund
 - BIDPA (Berlin Industrial Development and Park Authority Fund)
 - Cates Hill Landfill Fund

- **Component Unit:** A component unit is an entity that is legally separate from the City, but for which the City is financially accountable. The financial data for the Berlin Water Works, the City's only component unit, has been included in the City's government-wide financial statements, as required. Complete financial statements for the Berlin Water Works can be obtained by writing to the Board of Commissioners, 55 Willow Street, Berlin, NH 03570.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the City government and report on the City's operations in more detail than the government-wide statements. The City's funds are divided into 3 categories—governmental, proprietary and fiduciary. For governmental and proprietary funds, only those funds that are considered major funds are reported in individual columns in the Fund Financial Statements. The combining schedules included in the Supplementary Section of the report are to support the non-major activities. Fiduciary Funds are reported by fiduciary type (private-purpose trusts and agency funds).

- **Governmental Funds:** Most of the basic services provided by the City are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The basic governmental fund financial statements can be found on pages 3 and 5.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the government-wide financial statements. Reconciliations are provided between the Governmental Fund Statements and the Government-Wide Statements, which can be found on pages 4 and 6.

The City has one major governmental fund; the General Fund. Individual fund data for each of the City's nonmajor governmental funds is provided as supplementary information in the combining statements found on pages 63-66. The nonmajor governmental funds are:

- Federal Projects Fund
- Food Service Fund
- Airport Authority Fund
- Recreation and Parks Programs Fund
- Grants Fund
- Capital Projects Fund
- Permanent Funds
- **Proprietary Funds:** The City's proprietary funds provide goods and services to the general public and charge a user fee. These activities are reported in one major fund, the Sewer Fund, and two nonmajor proprietary funds -
 - Cates Hill Landfill Fund
 - Berlin Industrial Park and Development Authority (BIDPA) Fund

Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. Therefore, reconciliation is not necessary between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 7-9, with individual fund data for each of the City's nonmajor proprietary funds provided as supplementary information in the combining statements found on pages 67-69.

- **Fiduciary Funds:** These funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the accrual basis of accounting. The City's fiduciary funds on pages 10-11 include the:
 - Berlin Trust Fund
 - Miles Scholarship Trust Fund
 - Elaine Hardy Scholarship Fund
 - Library Trust Fund
 - Irene Markovich Scholarship Fund
 - Student Activities Agency Fund
 - Jericho Wind-power Agency Fund

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12-43.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the City's major governmental funds with a legally adopted budget (General Fund only) and includes a reconciliation between the reported activity of the revenues, expenditures and other financing sources and uses for budgetary purposes (Schedule 1, page 44) and the activity as presented in the governmental fund financial statements (Exhibit D, page 5). Also, included in the required supplementary information is the schedule of changes in the City's proportionate share of the net OPEB liability, schedule of City OPEB contributions, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in the City's proportionate share of the net pension liability, and schedule of City pension contributions (Schedules 2-6, pages 45-49). The notes to the required supplementary information can be found on pages 50-51.

Other Supplementary Information

Other supplementary information includes the schedule of expenditures of federal awards and combining financial statements for nonmajor governmental and proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The City's Primary Government combined net position (governmental and business-type activities) totaled \$25.9 million at the end of fiscal year 2019, a decrease of (\$400) thousand compared to the end of the previous fiscal year.

Net position of the City as of June 30, 2019 and 2018 is as follows (amounts reported in millions):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Capital assets, net	\$ 35.0	\$ 34.6	\$ 33.8	\$ 35.1	\$ 68.8	\$ 69.7
Other assets	5.1	10.5	10.6	10.3	15.7	20.8
Total Assets	40.1	45.1	44.4	45.4	84.5	90.5
Total Deferred Outflows of Resources	6.4	5.9	0.2	0.2	6.6	6.1
Long-term liabilities	44.3	44.5	15.9	16.7	60.2	61.2
Other liabilities	1.2	1.4	0.3	0.2	1.5	1.6
Total Liabilities	45.5	45.9	16.2	16.9	61.7	62.8
Total Deferred Inflows of Resources	3.4	7.1	0.1	-	3.5	7.1
Net position:						
Net investment in capital assets	27.0	26.5	19.5	20.1	46.5	46.6
Restricted	0.5	0.4	1.9	1.4	2.4	1.8
Unrestricted (Deficit)	(29.9)	(28.9)	6.9	7.2	(23.0)	(21.7)
Total Net Position	\$ (2.4)	\$ (2.0)	\$ 28.3	\$ 28.7	\$ 25.9	\$ 26.7

The largest portion of the City's net position consists of its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used.

This year the City had a decrease in unrestricted net position of (\$1.3) million from the prior fiscal year. The most significant components affecting the deficit unrestricted net position of the governmental activities at year end is due to the recognition of the City's proportionate share of the New Hampshire Retirement System's net other post-employment benefits (OPEB) and pension liabilities and related deferred outflows and inflows of resources in accordance with GASB Statements No. 68 and 75. A deficit unrestricted net position balance is expected to continue into subsequent years as a result of Statements 68 and 75.

Statement of Activities

Changes in net position for the years ending June 30, 2019 and 2018 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 2.2	\$ 2.3	\$ 2.2	\$ 2.1	\$ 4.4	\$ 4.4
Operating grants and contributions	13.7	14.4	-	-	13.7	14.4
Capital grants and contributions	1.2	0.5	0.9	2.8	2.1	3.3
General revenues:						
Property and other taxes	17.4	16.8	-	-	17.4	16.8
Licenses and permits	1.5	1.5	-	-	1.5	1.5
Intergovernmental	0.5	0.5	-	-	0.5	0.5
Miscellaneous	0.4	0.2	0.1	-	0.5	0.2
Total revenues	<u>36.9</u>	<u>36.2</u>	<u>3.2</u>	<u>4.9</u>	<u>40.1</u>	<u>41.1</u>
Expenses						
General government	1.9	2.1	-	-	1.9	2.1
Public safety	6.5	6.6	-	-	6.5	6.6
Airport/Aviation center	0.3	0.3	-	-	0.3	0.3
Highways and streets	3.4	3.8	-	-	3.4	3.8
Health and welfare	0.1	0.1	-	-	0.1	0.1
Sanitation	0.8	1.0	-	-	0.8	1.0
Culture and recreation	0.7	0.7	-	-	0.7	0.7
Economic development	-	-	-	-	-	-
Education	21.0	20.6	-	-	21.0	20.6
Food service	0.6	0.6	-	-	0.6	0.6
Debt service	0.2	0.2	-	-	0.2	0.2
Intergovernmental	1.8	1.6	-	-	1.8	1.6
Sewer	-	-	3.6	3.9	3.6	3.9
Total expenses	<u>37.3</u>	<u>37.6</u>	<u>3.6</u>	<u>3.9</u>	<u>40.9</u>	<u>41.5</u>
Change in net position	(0.4)	(1.4)	(0.4)	1.0	(0.8)	(0.4)
Net position, beginning of year	<u>(2.0)</u>	<u>(0.6)</u>	<u>28.7</u>	<u>27.7</u>	<u>26.7</u>	<u>27.1</u>
Net position, end of year	<u>\$ (2.4)</u>	<u>\$ (2.0)</u>	<u>\$ 28.3</u>	<u>\$ 28.7</u>	<u>\$ 25.9</u>	<u>\$ 26.7</u>

Property and other taxes brought in \$17.4 million in revenue. Other major revenues consisted of licenses and permits, charges for services, operating grants and contributions, and capital grants and contributions.

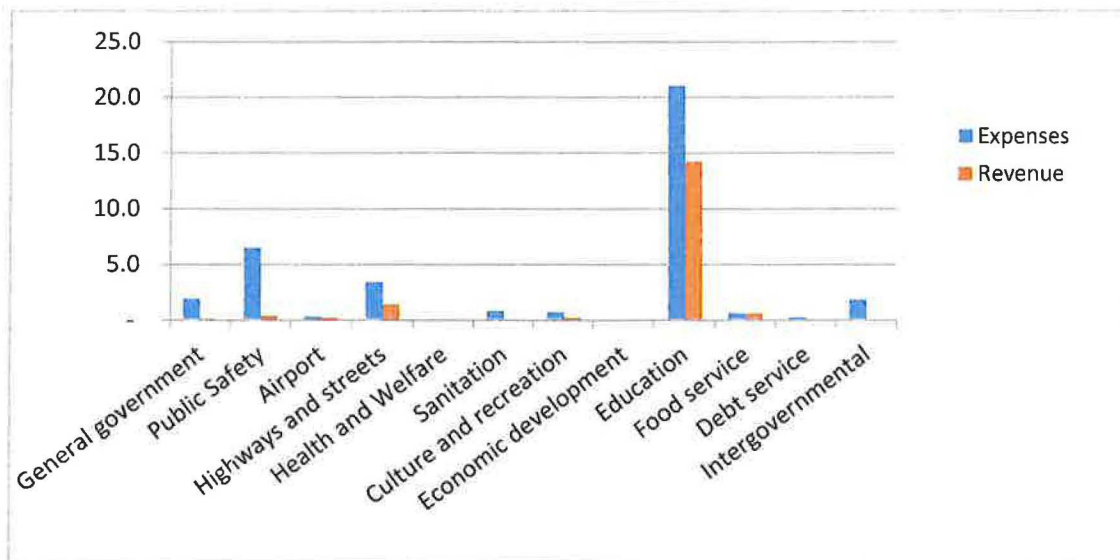
The City's expenses cover a range of services. The largest governmental expenses (excluding business-type activities) were for education (56%), public safety (17%), highways and streets (9%) and general government (5%), which accounted for roughly 87% of total governmental expenditures.

Governmental Activities

Governmental activities revenues of \$36.9 million were exceeded by expenses of \$37.3 million in fiscal year 2019, thereby decreasing the City's governmental activities net position by (\$400) thousand.

A comparison of the cost of services by function for the City's governmental activities with the related program revenues is shown below. Note that some of the largest expenses for the City (Education, Public Safety and General Government) also represent the activities that have the largest gap between expenses and program revenues. Since program revenues do not offset these expenses, the difference is made up from property taxes.

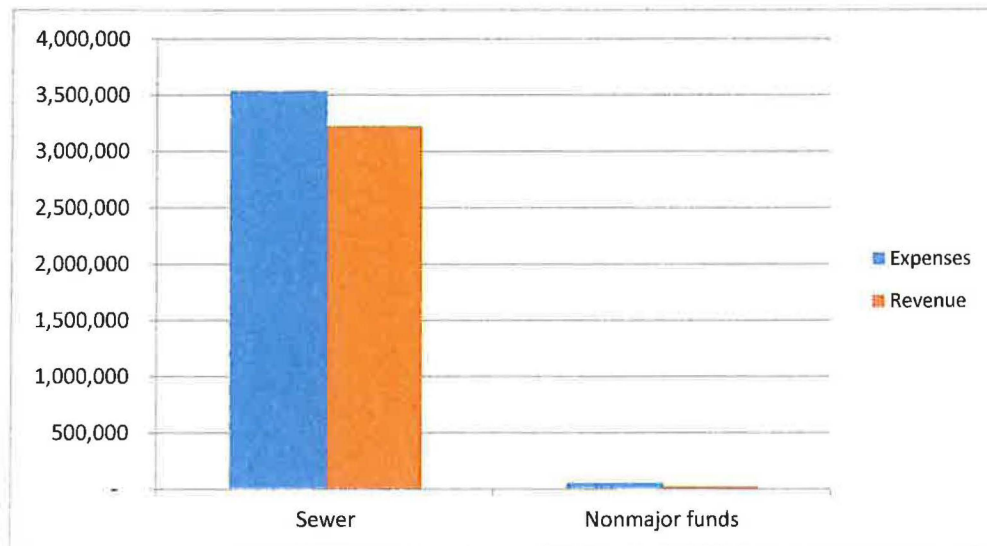
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ending June 30, 2019



Business-type Activities

The charges for goods and services for the City's Sewer Fund, the major proprietary fund, were inadequate to cover the operating expenses, which includes depreciation expense. However, this does not include the inflows of capital from State-Aid Grants provided to offset Sewer Debt, Federal Grant Programs and State Revolving Loan Fund Program proceeds.

**Expenses and Program Revenues – Business Type Activities
Fiscal Year Ending June 30, 2019**

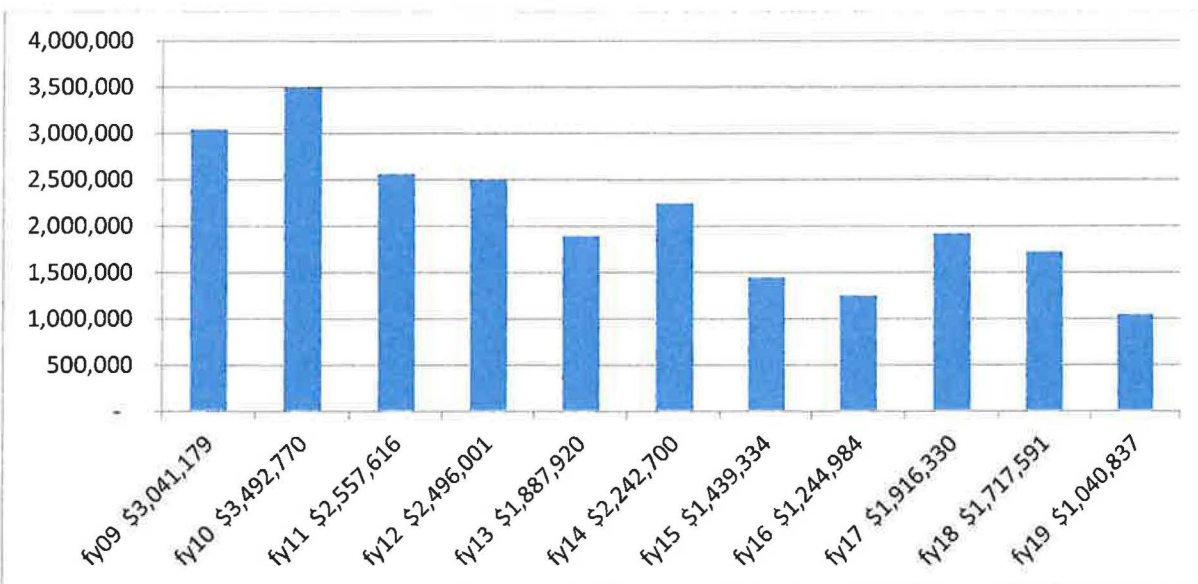


FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's near-term financing requirements. In particular, the General Fund unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned General Fund Balances from fiscal years 2009 through 2019 are as follows:

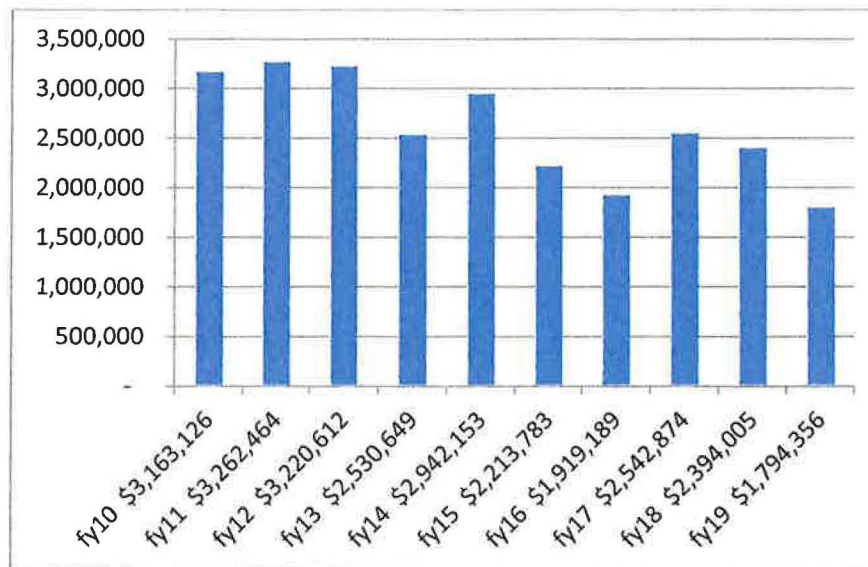


General Fund

As indicated above, the General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$1,040,837, while total fund balance was \$2,190,242. The total fund balance includes nonspendable balances for prepaid expenses and tax deeded property, as well as assignments for encumbrances and continuing appropriations at fiscal year-end. The total General Fund unassigned fund balance decreased by (\$676,754) from the previous year.

Budgetary Basis

The above analysis done in this review has been based on modified accrual accounting basis figures from the audit. This is different than the budgetary basis that the City actually operates on. Accordingly, the chart below provides the General Fund Unassigned Fund Balance for the last ten years on a budgetary basis since these are the figures used by the City in budgeting and the figures the City would actually rely on for decision-making.



As indicated in the above chart, the City's effort in past years to increase its Unassigned Fund Balance was generally successful until the current year. The difficulty in maintaining unassigned fund balance becomes greater every year, as the City has applied a significant amount of the balance to reduce the tax rate in each of the past four years. For the fiscal year 2019, the General Fund Unassigned Fund Balance has decreased to \$1,794,356, with \$1,350,000 being applied to reduce the 2018 tax rate.

Other Governmental Funds

The combined fund balances of the nonmajor governmental funds decreased slightly during the year by (\$13) thousand to a fiscal year end balance of \$256,595. The decrease was primarily a result of the City expending the remaining proceeds of prior year bonds for authorized project purposes in the current year.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements (accrual basis). Therefore there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Total net position of the proprietary funds decreased by (\$339,572) from the prior year. This decrease was primarily caused by monies collected from sewer user fees being insufficient to offset operating expenses which was largely offset by State Aid capital contributions. This is primarily because depreciation does not show up in the City Sewer Fund budget as an expense when determining sewer rates. The Sewer Fund itself had a loss before capital contributions of (\$1,184,286). The Nonmajor Proprietary Funds had a modest combined net position decrease of (\$29,441) in fiscal year 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and authorized transfers. A Budget to Actual Schedule for the major governmental fund (the General Fund) required to report budgetary activity can be found in the Required Supplementary Information section on page 44.

Actual budgetary revenues were greater than the budgeted estimated revenues by \$553,522. There were favorable variances of \$80,637, \$76,845, and \$178,286 in actual property taxes, licenses and permits, and intergovernmental revenue from the amounts budgeted, respectively. Additionally, there were favorable variances of \$10,318 and \$23,879 in actual charges for services and miscellaneous revenue from the amounts budgeted, respectively. Actual budgetary expenditures at fiscal year-end were \$390,347 less than the final budgeted appropriations. Several City Departments were over budget, while several were under budgeted amounts. The City made a concerted effort to control costs resulting in savings on certain budgeted items. The Schools spent \$122,659 less than budgeted. General government was \$113,333 less than budgeted and Public safety spent \$313,096 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounted to \$124.5 million. Accumulated depreciation was \$55.7 million leaving a net book value of \$68.8 million. This investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure assets are items that are normally immovable, of value only to the City, which include roads and bridges. GASB Statement 34 requires assets, including infrastructure, for the City's governmental funds to be reported in the Government-Wide Statements. Additional information on the City's capital assets can be found in Note 4 on pages 23-24 of the Notes to the Basic Financial Statements.

Debt Administration

The City may issue general obligation bonds and notes in anticipation of such bonds authorized by the City Council. At the end of the current fiscal year, the City had total bonded debt outstanding of \$21.8 million. This amount does not include unamortized bond premiums or bonded debt

outstanding by the Berlin Water Works, its component unit. The City may issue general obligation debt for the Berlin Water Works (a component unit of the City) and these general obligation bonds are backed by the full faith and credit of the City. Accordingly, this general obligation debt is recognized as a liability of the Berlin Water Works and is not recorded as a long-term obligation of the City. The Berlin Water Works will reimburse the City for direct payments made on its behalf for annual principal and interest on such debt. The City did not make any direct debt service payments on-behalf of the Berlin Water Works in the current year. Outstanding capital leases payable of governmental activities totaled \$170 thousand at year end. Additional information regarding the City's long-term debt obligations can be found in Note 5 on pages 24-29 of the Notes to the Basic Financial Statements.

Net Pension Liability and Other Post-Employment Benefits

During fiscal year 2015, the City implemented GASB Statement 68 which requires the City to recognize a liability for its proportionate share of the New Hampshire Retirement System's net pension liability. Under GASB Statement 68, the City recognizes pension expense and reports deferred outflows and inflows of resources related to pension for its proportionate share of collective pension expense and collective deferred outflows and inflows of resources related to pension. At current year end, the City had a net pension liability of \$27.4 million, with deferred outflows and inflows of resources related to pension in the amounts of \$5.6 million and \$2.5 million, respectively. Additional information regarding the City's net pension liability can be found in Note 7 on pages 35-39 of the Notes to the Basic Financial Statements.

During fiscal year 2018 the City implemented GASB Statement 75 which requires the City to recognize a liability for its proportionate share of the New Hampshire Retirement System's net OPEB liability in addition to modifying the accounting and measurement methods used to value the City's single employer OPEB plan. Under GASB Statement 75, the City recognizes OPEB expense and reports deferred outflows and inflows of resources related to OPEB for its single employer OPEB plan and for its proportionate share of collective OPEB expense and collective deferred outflows and inflows of resources related to the New Hampshire Retirement System's multi-employer OPEB plan. At year end, the City had a total OPEB liability of \$8.1 million, with total deferred outflows and inflows of resources related to OPEB in the amounts of \$1.0 million and \$209 thousand, respectively. Additional information regarding the City's OPEB liability can be found in Note 6 on pages 29-35 of the Notes to the Basic Financial Statements.

ECONOMIC CONDITIONS

The Burgess BioPower biomass plant continues to operate efficiently while providing 25 direct jobs and supports many more indirect jobs and services.

Jericho Wind Power continues to operate its 5-tower wind farm. The 2.85 mega-watt towers are online and are producing power to the grid.

Smith Hydro, with a 15 MW capacity, is owned by Hull St. Energy and operated by Central Rivers Power, LLC. The plant employs 5 people locally.

Brookfield Renewable operates three hydroelectric facilities in the City; Sawmill – 3.2 MW, Riverside – 7.9 MW and Cross – 3.2 MW. Brookfield employs 12 staff including an administrative assistant, operations manager, planner, project manager and multiple technicians.

Capone Iron Corporation expanded their fabrication space and has added a total of 27 jobs with plans to hire an additional employees.

The Gorham Paper Mill continues to operate and improve product lines and actively seek employees. They continue to operate with approximately 115 employees.

The Federal Corrections Institutions current staffing is approximately 235 employees. They continue to actively recruit additional staff.

Androscoggin Valley Hospital continues to develop its association with the other 3 North Country hospitals in order to improve the quality of services while decreasing costs. AVH currently employs 384 individuals.

The Berlin Industrial Development Park Authority's (BIDPA) mission is to promote the development and preservation of business and industry to serve the City of Berlin. BIDPA has acquired a 215-acre parcel that is situated immediately north of the current industrial park. BIDPA is in continued discussions with a commercial agricultural enterprise who wishes to occupy the site. This has been an attenuated process for a variety of reasons but it is still being worked on. This enterprise is expected to create 80 jobs.

Recorded residential property sales in FY19 continued to show an increase in sale prices, particularly in multi-unit properties. This has been welcome news and the City attributes this growth to efforts focused on reducing over supply and increasing demand through growth activities like ATV recreation.

The City continued planning and design work on a riverwalk project to be constructed along the Androscoggin on Upper Main St. The City has obtained grant funding for the riverwalk and will begin construction 2020. The features of the project are designed to support the operations of the festivals and activities that occur in this area, such as the Riverfire event which attracts several thousand visitors each year.

The State of New Hampshire is continuing the development of its multi-use Jericho Mountain State Park. Included in this development is 300 acres around Jericho Lake that the City donated to the State. The park is a large regional attraction and also attracts visitors from across the country and internationally. The park has a campground with 20 primitive campsites, including 5 cabins, 6 tent sites and 9 RV sites. The campground now has a new bath house available for visitors. The campground connects to the 75 miles of OHRV trails at the park and serves as the gateway to the 1,000 miles of trails in Coos County known as Ride the Wilds. The park also has a day-use area with a beach for swimming, pavilion, and boat launch. The City ordinance which allows OHRV traffic on all City streets continues to be successful. The OHRV friendly atmosphere has also led to the sale of residential properties in the City as second homes. The City is an active partner in the extremely popular, annual Jericho ATV/OHRV Festival. Each year, the event continues to break attendance records.

Further significant developments, which are occurring on Route 110, include a proposed 170 RV site campground, the marketing of a large old manufacturing plant site which has been cleared for re-use. Renovation of older buildings for commercial development and other land sale activity continue on Route 110. Work also began in FY19 on a site plan for a new 10 cabin campground expected to be constructed in FY20.

With the marked upswing in property sale prices and robust overall sale activity continuing over last year, it is evident that the investments in housing stock, ATV recreation and more traditional employment are now having a significant impact on the economy. The City needs to stay the course in its transformation. The biggest threat continues to be reduced state education aid and a variety of legislative proposals which will hurt the current economic status. Being vigilant in addressing these threats will be important for future economic health.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all Berlin citizens, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Berlin, Department of Finance, 168 Main Street, Berlin, NH 03570.

EXHIBIT A
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Position
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,469,400		\$ 2,469,400	\$ 1,714,076
Investments	4,975,490		4,975,490	748,726
Taxes receivable, net	877,857		877,857	
Accounts receivable, net	718,978	\$ 326,719	1,045,697	220,717
Due from other governments	1,776,526	264,850	2,041,376	
Unbilled user charges			-	458,720
Internal balances	(6,251,470)	6,251,470	-	
Prepaid expenses	58,280	385	58,665	
Inventory	6,804	87,204	94,008	250,166
Tax decided property	480,491		480,491	
Total Current Assets	5,112,356	6,930,628	12,042,984	3,392,405
Noncurrent Assets:				
Due from other governments		3,644,622	3,644,622	
Capital assets:				
Non-depreciable capital assets	1,583,491	346,622	1,930,113	758,048
Depreciable capital assets, net	33,376,902	33,475,376	66,852,278	38,426,528
Total Noncurrent Assets	34,960,393	37,466,620	72,427,013	39,184,576
Total Assets	40,072,749	44,397,248	84,469,997	42,576,981
DEFERRED OUTFLOWS OF RESOURCES				
Loss on debt refunding		40,269	40,269	
Deferred outflows related to OPEB	973,624	64,700	1,038,324	90,166
Deferred outflows related to pension	5,455,750	125,123	5,580,873	133,326
Total Deferred Outflows of Resources	6,429,374	230,092	6,659,466	223,492
LIABILITIES				
Current Liabilities:				
Accounts payable	326,197	77,382	403,579	29,932
Accrued expenses	786,765	161,975	948,740	147,980
Advances from grantors	153,496		153,496	
Unearned revenue	10,179	50,000	60,179	
Due to other governments	2,859		2,859	
Current portion of bonds payable	545,000	666,586	1,211,586	
Current portion of notes payable			-	407,167
Current portion of capital lease payable	26,109		26,109	
Current portion of compensated absences payable			-	14,428
Current portion of estimated liability for landfill postclosure care costs	14,100	14,700	28,800	
Total Current Liabilities	1,864,705	970,643	2,835,348	599,507
Noncurrent Liabilities:				
Bonds payable	7,325,460	13,633,149	20,958,609	
Notes payable			-	8,665,781
State of New Hampshire revolving loans			-	735,997
Capital lease payable	101,811		101,811	
Compensated absences payable	1,833,602	178,611	2,012,213	133,941
Accrued longevity payout	29,000		29,000	
Other post-employment benefits (OPEB) liability	7,589,536	489,810	8,079,346	340,181
Net pension liability	26,724,832	680,764	27,405,596	772,514
Estimated liability for landfill postclosure care costs	98,700	220,500	319,200	
Total Noncurrent Liabilities	43,702,941	15,202,834	58,905,775	10,648,414
Total Liabilities	45,567,646	16,173,477	61,741,123	11,247,921
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	741,968		741,968	
Deferred inflows related to OPEB	202,737	6,283	209,020	43,691
Deferred inflows related to pension	2,411,156	89,369	2,500,525	275,779
Total Deferred Inflows of Resources	3,355,861	95,652	3,451,513	319,470
NET POSITION				
Net investment in capital assets	26,962,013	19,522,263	46,484,276	29,375,631
Restricted	492,862	1,868,000	2,360,862	
Unrestricted (Deficit)	(29,876,259)	6,967,948	(22,908,311)	1,857,451
Total Net Position	\$ (2,421,384)	\$ 28,358,211	\$ 25,936,827	\$ 31,233,082

See accompanying notes to the basic financial statements

EXHIBIT B
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 1,867,722	\$ 66,890	\$ 7,869		\$ (1,792,963)		\$ (1,792,963)	
Public safety	6,482,743	234,853	154,639		(6,093,251)		(6,093,251)	
Airport/Aviation center	320,236	99,771	38,668	\$ 58,957	(122,840)		(122,840)	
Highways and streets	3,348,675	9,975	421,698	963,678	(1,953,324)		(1,953,324)	
Health and welfare	65,770	2,421			(63,349)		(63,349)	
Sanitation	842,076	30,519			(811,557)		(811,557)	
Culture and recreation	748,767	39,015	6,000	101,370	(602,382)		(602,382)	
Economic development	2,057			38,862	36,805		36,805	
Education	21,037,036	1,529,043	12,603,690	9,999	(6,894,304)		(6,894,304)	
Food service	621,594	192,772	446,451		17,629		17,629	
Interest and fiscal charges	217,004				(217,004)		(217,004)	
Intergovernmental	1,781,979				(1,781,979)		(1,781,979)	
Total governmental activities	37,335,659	2,205,259	13,679,015	1,172,866	(20,278,519)	\$ -	(20,278,519)	
Business-type activities:								
Sewer	3,535,784	2,215,719		874,155		(445,910)	(445,910)	
Nonmajor enterprise funds	49,475					(49,475)	(49,475)	
Total business-type activities	3,585,259	2,215,719	-	874,155	-	(495,385)	(495,385)	
Total primary government	\$ 40,920,918	\$ 4,420,978	\$ 13,679,015	\$ 2,047,021	(20,278,519)	(495,385)	(20,773,904)	
Component unit:								
Water	\$ 2,994,994	\$ 2,680,279		\$ 668,363				\$ 353,648
Total component unit	2,994,994	2,680,279	-	668,363				353,648
General revenues:								
					17,414,196		17,414,196	
					1,519,245		1,519,245	
Grants and contributions:								
					526,852		526,852	
					48,624	76,077	124,701	17,318
					327,936	79,736	407,672	127,831
					525		525	
Contributions to permanent fund principal								
					19,837,378	155,813	19,993,191	145,149
					(441,141)	(339,572)	(780,713)	498,797
					(1,980,243)	28,697,783	26,717,540	30,734,285
					\$ (2,421,384)	\$ 28,358,211	\$ 25,936,827	\$ 31,233,082

See accompanying notes to the basic financial statements

EXHIBIT C
CITY OF BERLIN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2019

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,467,669	\$ 1,731	\$ 2,469,400
Investments	4,598,741	376,749	4,975,490
Taxes receivable, net	877,857		877,857
Accounts receivable	615,393	103,085	718,478
Due from other governments	716,404	1,060,122	1,776,526
Due from other funds	1,196,960	51,132	1,248,092
Prepaid expenses	19,671	38,609	58,280
Inventory		6,804	6,804
Tax deeded property	480,491		480,491
Total Assets	<u>10,973,186</u>	<u>1,638,232</u>	<u>12,611,418</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 10,973,186</u>	<u>\$ 1,638,232</u>	<u>\$ 12,611,418</u>
LIABILITIES			
Accounts payable	\$ 310,621	\$ 15,576	\$ 326,197
Accrued expenses	669,752	7,549	677,301
Advances from grantors		153,496	153,496
Unearned revenue	1,623	8,556	10,179
Due to other governments	2,859		2,859
Due to other funds	6,302,602	1,196,460	7,499,062
Total Liabilities	<u>7,287,457</u>	<u>1,381,637</u>	<u>8,669,094</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	741,968		741,968
Uncollected property tax revenue	753,519		753,519
Total Deferred Inflows of Resources	<u>1,495,487</u>	<u>-</u>	<u>1,495,487</u>
FUND BALANCES			
Nonspendable	500,162	201,492	701,654
Restricted		336,783	336,783
Committed		12,699	12,699
Assigned	649,243		649,243
Unassigned (Deficit)	1,040,837	(294,379)	746,458
Total Fund Balances	<u>2,190,242</u>	<u>256,595</u>	<u>2,446,837</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,973,186</u>	<u>\$ 1,638,232</u>	<u>\$ 12,611,418</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
CITY OF BERLIN, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 2,446,837
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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	34,960,393
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Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	753,519
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Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:

Deferred outflows of resources related to OPEB	973,624
Deferred outflows of resources related to pension	5,455,750
Deferred inflows of resources related to OPEB	(202,737)
Deferred inflows of resources related to pension	(2,411,156)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

Bonds payable	(7,870,460)
Capital lease payable	(127,920)
Accrued interest on long-term obligations	(109,464)
Compensated absences payable	(1,833,602)
Accrued longevity payout	(29,000)
Other post-employment benefits (OPEB) liability	(7,589,536)
Net pension liability	(26,724,832)
Estimated liability for landfill postclosure care costs	<u>(112,800)</u>

Net Position of Governmental Activities (Exhibit A)	<u>\$ (2,421,384)</u>
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EXHIBIT D
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 17,337,091		\$ 17,337,091
Licenses and permits	1,519,245		1,519,245
Intergovernmental	10,828,367	\$ 4,273,135	15,101,502
Charges for services	1,861,124	325,853	2,186,977
Interest income	43,879	4,745	48,624
Miscellaneous	337,218	207,757	544,975
Total Revenues	<u>31,926,924</u>	<u>4,811,490</u>	<u>36,738,414</u>
Expenditures:			
Current operations:			
General government	1,722,660	7,869	1,730,529
Public safety	5,759,697	136,423	5,896,120
Airport/Aviation center		146,581	146,581
Highways and streets	2,214,879	1,059,405	3,274,284
Health and welfare	79,629		79,629
Sanitation	851,958		851,958
Culture and recreation	632,347	82,797	715,144
Economic development	126	38,862	38,988
Education	17,984,418	2,689,050	20,673,468
Food service		621,594	621,594
Capital outlay	831,711	57,686	889,397
Debt service:			
Principal retirement	520,000		520,000
Interest and fiscal charges	276,612		276,612
Intergovernmental	1,781,979		1,781,979
Total Expenditures	<u>32,656,016</u>	<u>4,840,267</u>	<u>37,496,283</u>
Excess of revenues (under) expenditures	<u>(729,092)</u>	<u>(28,777)</u>	<u>(757,869)</u>
Other Financing Sources (Uses):			
Proceeds from capital lease obligation	127,920		127,920
Transfers in	7,944	23,362	31,306
Transfers out	(23,362)	(7,944)	(31,306)
Total Other Financing Sources (Uses)	<u>112,502</u>	<u>15,418</u>	<u>127,920</u>
Net change in fund balances	(616,590)	(13,359)	(629,949)
Fund balances at beginning of year	<u>2,806,832</u>	<u>269,954</u>	<u>3,076,786</u>
Fund balances at end of year	<u>\$ 2,190,242</u>	<u>\$ 256,595</u>	<u>\$ 2,446,837</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
CITY OF BERLIN, NEW HAMPSHIRE
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, 2019

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ (629,949)
Amounts reported for governmental activities in the statement of activities are different because:	
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	239,604
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	156,104
Repayment of principal on bonds and capital leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	520,000
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	51,439
Proceeds from capital lease issuances are other financing sources in the funds, but capital lease issuances increase long-term liabilities in the statement of net position.	(127,920)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	8,169
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	(207,489)
Net changes in pension	(314,182)
Some expenses reported in the statement of activities, such as compensated absences, accrued longevity payout and the estimated liability for landfill postclosure care costs, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>(136,917)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (441,141)</u>

See accompanying notes to the basic financial statements

EXHIBIT E
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
ASSETS			
Current Assets:			
Accounts receivable	\$ 326,719		\$ 326,719
Due from other governments	186,080	\$ 78,770	264,850
Due from other funds	5,258,450	993,020	6,251,470
Prepaid expenses	385		385
Inventory	87,204		87,204
Total Current Assets	<u>5,858,838</u>	<u>1,071,790</u>	<u>6,930,628</u>
Noncurrent Assets:			
Due from other governments	3,644,622		3,644,622
Capital assets:			
Non-depreciable capital assets	250,419	96,203	346,622
Depreciable capital assets, net	<u>33,475,376</u>		<u>33,475,376</u>
Total Noncurrent Assets	<u>37,370,417</u>	<u>96,203</u>	<u>37,466,620</u>
Total Assets	<u>43,229,255</u>	<u>1,167,993</u>	<u>44,397,248</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refunding	40,269		40,269
Deferred outflows related to OPEB	64,700		64,700
Deferred outflows related to pension	<u>125,123</u>		<u>125,123</u>
Total Deferred Outflows of Resources	<u>230,092</u>	<u>-</u>	<u>230,092</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	73,318	4,064	77,382
Accrued expenses	161,975		161,975
Unearned revenue		50,000	50,000
Current portion of bonds payable	666,586		666,586
Current portion of estimated liability for landfill postclosure care costs		<u>14,700</u>	<u>14,700</u>
Total Current Liabilities	<u>901,879</u>	<u>68,764</u>	<u>970,643</u>
Noncurrent Liabilities:			
Bonds payable	13,633,149		13,633,149
Compensated absences payable	178,611		178,611
Other post-employment benefits (OPEB) liability	489,810		489,810
Net pension liability	680,764		680,764
Estimated liability for landfill postclosure care costs		<u>220,500</u>	<u>220,500</u>
Total Noncurrent Liabilities	<u>14,982,334</u>	<u>220,500</u>	<u>15,202,834</u>
Total Liabilities	<u>15,884,213</u>	<u>289,264</u>	<u>16,173,477</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	6,283		6,283
Deferred inflows related to pension	<u>89,369</u>		<u>89,369</u>
Total Deferred Inflows of Resources	<u>95,652</u>	<u>-</u>	<u>95,652</u>
NET POSITION			
Net investment in capital assets	19,426,060	96,203	19,522,263
Restricted for:			
Short-lived asset replacement reserve	1,868,000		1,868,000
Unrestricted	<u>6,185,422</u>	<u>782,526</u>	<u>6,967,948</u>
Total Net Position	<u>\$ 27,479,482</u>	<u>\$ 878,729</u>	<u>\$ 28,358,211</u>

See accompanying notes to the basic financial statements

EXHIBIT F
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities		
	Sewer <u>Fund</u>	Nonmajor Enterprise <u>Funds</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 2,215,719		\$ 2,215,719
Miscellaneous	<u>71,710</u>	<u>\$ 8,026</u>	<u>79,736</u>
Total Operating Revenues	<u>2,287,429</u>	<u>8,026</u>	<u>2,295,455</u>
Operating expenses:			
Personnel services	1,026,685		1,026,685
Contractual services	1,500	261	1,761
Repairs and maintenance	40,438	45,433	85,871
Administrative	208,083	3,781	211,864
Materials and supplies	253,368		253,368
Utilities	240,330		240,330
Depreciation	<u>1,435,583</u>		<u>1,435,583</u>
Total Operating Expenses	<u>3,205,987</u>	<u>49,475</u>	<u>3,255,462</u>
Operating loss	<u>(918,558)</u>	<u>(41,449)</u>	<u>(960,007)</u>
Non-operating revenues (expenses):			
Interest income	64,069	12,008	76,077
Interest expense	<u>(329,797)</u>		<u>(329,797)</u>
Net non-operating revenues (expenses)	<u>(265,728)</u>	<u>12,008</u>	<u>(253,720)</u>
Loss before capital contributions	(1,184,286)	(29,441)	(1,213,727)
Capital contributions	<u>874,155</u>		<u>874,155</u>
Change in net position	(310,131)	(29,441)	(339,572)
Net Position at beginning of year	<u>27,789,613</u>	<u>908,170</u>	<u>28,697,783</u>
Net Position at end of year	<u>\$ 27,479,482</u>	<u>\$ 878,729</u>	<u>\$ 28,358,211</u>

See accompanying notes to the basic financial statements

EXHIBIT G
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 2,400,727		\$ 2,400,727
Cash paid to suppliers	(734,763)	\$ (52,861)	(787,624)
Cash paid to employees	(1,038,193)		(1,038,193)
Other operating cash receipts	47,968	34,117	82,085
Net cash provided (used) by operating activities	<u>675,739</u>	<u>(18,744)</u>	<u>656,995</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(645,621)		(645,621)
Interest paid on long-term debt	(369,373)		(369,373)
Capital contributions	301,483		301,483
Purchases of capital assets	<u>(205,035)</u>		<u>(205,035)</u>
Net cash used for capital and related financing activities	<u>(918,546)</u>	<u>-</u>	<u>(918,546)</u>
Cash flows from investing activities:			
Interest on investments	64,069	12,008	76,077
Net cash provided by investing activities	<u>64,069</u>	<u>12,008</u>	<u>76,077</u>
Net decrease in cash and cash equivalents	(178,738)	(6,736)	(185,474)
Cash and cash equivalents at beginning of year	5,437,188	999,756	6,436,944
Cash and cash equivalents at end of year	<u>\$ 5,258,450</u>	<u>\$ 993,020</u>	<u>\$ 6,251,470</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (918,558)	\$ (41,449)	\$ (960,007)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	1,435,583		1,435,583
Change in deferred outflows related to OPEB	(57,001)		(57,001)
Change in deferred outflows related to pension	58,851		58,851
Change in deferred inflows related to OPEB	(597)		(597)
Change in deferred inflows related to pension	49,112		49,112
Changes in assets and liabilities:			
Accounts receivable	161,266		161,266
Due from other governments		4,118	4,118
Prepaid expenses	5,963		5,963
Inventory	(21,917)		(21,917)
Accounts payable	24,910	3,287	28,197
Accrued expenses	7,533		7,533
Unearned revenue		50,000	50,000
Refundable deposits		(20,000)	(20,000)
Compensated absences payable	35,635		35,635
Other post-employment benefits (OPEB) liability	106,275		106,275
Net pension liability	(211,316)		(211,316)
Estimated liability for landfill postclosure care costs		(14,700)	(14,700)
Net cash provided (used) by operating activities	<u>\$ 675,739</u>	<u>\$ (18,744)</u>	<u>\$ 656,995</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	\$ 23,114		\$ 23,114
Amortization on bond premium	37,347		37,347
Amortization on loss on debt refunding	<u>(6,786)</u>		<u>(6,786)</u>
	<u>\$ 53,675</u>	<u>\$ -</u>	<u>\$ 53,675</u>

See accompanying notes to the basic financial statements

EXHIBIT H
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private- Purpose Trusts	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 85,564	\$ 252,078
Investments	<u>22,761</u>	<u>57,667</u>
Total Assets	<u>108,325</u>	<u>\$ 309,745</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Deposits		\$ 59,944
Due to student groups		249,801
Due to other funds	<u>500</u>	
Total Liabilities	<u>500</u>	<u>\$ 309,745</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>107,825</u>	
Total Net Position	<u>\$ 107,825</u>	

See accompanying notes to the basic financial statements

EXHIBIT I
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Private- Purpose Trusts
ADDITIONS:	
Contributions:	
Total Contributions	<u>\$ -</u>
Investment earnings:	
Investment income	<u>90</u>
Total Additions	<u>90</u>
DEDUCTIONS:	
Benefits	<u>4,500</u>
Total Deductions	<u>4,500</u>
Change in Net Position	(4,410)
Net Position at beginning of year	<u>112,235</u>
Net Position at end of year	<u>\$ 107,825</u>

See accompanying notes to the basic financial statements

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Berlin, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The City of Berlin, New Hampshire (the City) was incorporated in 1829. The City operates under the City Council/City Mayor form of government and performs local governmental functions as authorized by its charter.

The financial statements include those of the various departments governed by the City Council and other officials with financial responsibility.

Governmental Accounting Standards Board Statement No. 14 (as amended by GASB No. 39 and No. 61) requires that all component units for which the City maintains financial oversight and a financial benefit or burden relationship be included in the financial statements. Oversight responsibility is derived from a number of criteria including financial interdependency, selection of governing authority, designation of management, ability to influence operations and accountability for fiscal matters. The relative importance of each criterion must be evaluated in light of specific circumstances.

Although the decision to include or exclude a component unit is left to the professional judgment of local responsible officials, a positive response to any of the criteria requires that the specific reason for excluding the component unit be disclosed.

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the financial data of the City's component unit, the Berlin Water Works. The Berlin Water Works financial data is reported in a separate column to emphasize that they are separate from the City and to allow financial statement users to distinguish between the primary government and the component unit.

The Berlin Water Works, which was incorporated as a body politic in 1925, is included because the Mayor, with confirmation of the City Council, appoints the Water Commissioners, and debt may be issued by the City on behalf of the Berlin Water Works. Additionally, debt issued by the Berlin Water Works is backed by the full faith and credit of the City.

Separately issued financial statements of the Berlin Water Works may be obtained by writing to their Board of Commissioners at 55 Willow Street, Berlin, New Hampshire 03570-1883.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government and its component unit, except for fiduciary funds.

The statement of net position presents the financial conditions of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

2. Fund Financial Statements:

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following is the City's sole major governmental fund:

The *General Fund* is the main operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The City has no internal service funds. The following is the City's sole major proprietary fund:

The *Sewer Fund* accounts for all revenues and expenses pertaining to the City's wastewater operations.

The Sewer Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City maintains various private-purpose trust funds which account for monies designated to benefit individuals within the City. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's agency funds account for the Student Activities Fund of the City's schools and deposits held for the future decommissioning of privately funded wind turbines located within the City.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City and its component unit are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The private-purpose trust funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 13). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, charges for services and interest on investments.

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Grants received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, property taxes receivable that will not be collected within the available period have been reported as deferred inflows of resources.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The City's budget represents functional appropriations as authorized by annual or special City Council meetings. The City Council may transfer funds between operating categories as they deem necessary. The City adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the fiscal year ended June 30, 2019, the City applied \$1,350,000 of its unassigned fund balance to reduce taxes.

Cash and Cash Equivalents

The City pools its cash resources for the governmental and proprietary funds. Cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	<u>Due from other funds</u>
Proprietary Funds:	
Sewer Fund	\$ 5,258,450
Nonmajor Enterprise Funds	<u>993,020</u>
Total cash and cash equivalents	<u>\$ 6,251,470</u>

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at June 30, 2019 are recorded as receivables net of reserves for estimated uncollectible taxes of \$495,896.

Due from Other Governments

Receivables due from other governments at June 30, 2019 consist of various federal and state funding programs and reimbursements due from other local governmental units for services performed by the City. All receivables are considered collectible in full. Due from other governments in the Sewer Fund consist of state aid grant reimbursements which are to be received over the life of the related state debt, and as such, are classified as both current and noncurrent receivables in the amount of \$186,080 and \$3,644,622, respectively.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items.

Inventory

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventory in governmental funds consists of food supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

Note Receivable

During December 2013, the City was awarded a Community Development Block Grant, the purpose of which was to sub-grant the funds to a sub-recipient for renovation costs associated with converting a City property into affordable elderly housing. As part of the grant agreement, the City transferred the converted property to the sub-recipient in exchange for a note receivable in the amount of \$480,000. Annual interest will be at 0% for the entire term of the note. The principal balance of the note shall become due and payable in full the earlier of transfer of property to an entity not controlled by the sub-recipient or 20 years from the date on which the project is placed in service for federal tax purposes, but in no event later than December 31, 2034. Additionally, the note is secured by certain covenants that require 100% of persons or households residing in the property to be low and moderate-income households. As of June 30, 2019, the City does not intend to collect on this balance and believes that payment in the event of default by the sub-recipient is unlikely. Accordingly, the City has recorded an allowance for uncollectible accounts in the governmental activities for the entire \$480,000 note balance.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of \$10,000. The City's infrastructure consists of roads, bridges, sidewalks, sewer collection and treatment systems, and similar items. The City does not possess any intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	<u>Description</u>	<u>Years</u>
Infrastructure		10-50
Land improvements		5-30
Buildings and improvements		5-60
Vehicles and equipment		3-30

Loss on Debt Refunding

Debt refunding that results in a difference between the reacquisition price of old debt and the net carrying value of the old debt has been reported in the accompanying financial statements as a loss on debt refunding. The loss on debt refunding is amortized as a component of interest expense over the remaining life of the related refunding debt using the effective interest rate method.

Bond Premiums

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premiums.

Compensated Absences and Accrued Longevity Payout

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to City personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused sick pay earned and, upon retirement, resignation, or death, will be compensated for such amounts at current rates of pay. Vacation leave accrued and unused at year end, must be taken within the following year or is forfeited.

Pursuant to a collective bargaining agreement between the City and a certain local union, eligible employees who retire, resign, or otherwise leave employment in good standing, may receive a one-time severance longevity payment based upon completed years of service at the rate of \$250 per year. To be eligible, the employee must have completed at least 10 years of continuous service to the City.

For governmental fund financial statements, compensated absences and accrued longevity payouts are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death, resignation or retirement. The entire compensated absence and accrued longevity payout liabilities are reported on the government-wide and proprietary fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences and accrued longevity payouts that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

The City has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts that can only be spent for specific purposes stipulated by external resource providers or by enabling legislation. Restrictions may be changed or lifted only with the consent of the external resource providers or the enabling legislation.
- *Committed Fund Balance*: Amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority (City Council Resolutions). Commitments may be changed or lifted only upon the governing body taking the same formal action that imposed the constraint originally. The resolution must either be approved

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

- Assigned Fund Balance: Amounts the City intends to use for a specific purpose; intent can be expressed by the City Council or City School Board or by an official or body to which the City Council or City School Board delegates the authority. For all governmental funds other than the General Fund, any remaining positive balances are to be classified as 'Assigned'.
- Unassigned Fund Balance: Amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another governmental fund is also classified as 'Unassigned'.

The City Council delegates to the City's Finance Director the authority to assign amounts to be used for specific purposes. The City's School Board delegates the authority to assign amounts to the Business Administrator.

Spending Prioritizations

The City's policy is to first apply restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned amounts and unassigned amounts.

Deficit Fund Balance

At fiscal year-end, if any of the City's governmental special revenue funds has a deficit unassigned fund balance, the City Manager is authorized to transfer funds from the General Fund to offset the deficit, providing the General Fund has the resources to do so.

Minimum Fund Balance

The City will strive to maintain an unassigned fund balance in its General Fund equal to 8-15% of total annual appropriations of the City (includes City, School Department and County). The City Council has the authority to apply the City's beginning unassigned fund balance in order to balance the budget and to reduce the subsequent fiscal year property tax rate.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Sewer Fund, these revenues represent charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At June 30, 2019, the Airport Authority Fund, a Nonmajor Governmental Fund, had a deficit 'Unassigned' fund balance of (\$294,379) and total deficit fund balance of (\$255,770).

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 2,469,400
Investments	4,975,490
Statement of Fiduciary Net Position:	
Cash and cash equivalents	337,642
Investments	80,428
Total deposits and investments	<u>\$ 7,862,960</u>

Deposits and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 3,225
Deposits with financial institutions	7,329,086
Investments	530,649
Total deposits and investments	<u>\$ 7,862,960</u>

The City's investment policy for governmental and proprietary funds requires that deposits be made in federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. The City limits its investments to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law, and federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the State to the following investment types: money market accounts, certificates of deposit, repurchase agreements, all other types of interest bearing accounts, or obligations fully guaranteed as to principal and interest by the United States government.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Responsibility for the investments of the Trust Funds is with the Board of Trustees. Investments of the Student Activities Agency Fund are at the discretion of the School Principals.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy for managing credit risk is based on the prudent person principal to ensure capital preservation and protection of investment principal while maintaining sufficient liquidity and seeking a fair rate of return.

As of June 30, 2019, the City's investment in the NHPDIP, a state investment pool, had a fair value balance of \$470,705 and was rated *AAA-mf*. Additionally, City investments in fixed income and money market mutual funds had fair value balances of \$13,765 and \$2,277, respectively, at June 30, 2019 and were unrated.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy for assurance against custodial credit risk requires collateralization for all deposits not covered by Federal Depository Insurance. The Trustees of Trust Funds do not have a specific policy regarding custodial credit risk.

Of the City's deposits with financial institutions at year end, \$6,768,694 was collateralized by securities held by the bank in the bank's name and \$17,667 was uninsured and uncollateralized.

As of June 30, 2019, City investments in the following investment types were held by the same counterparty that was used to buy the securities:

<u>Investment Type</u>	<u>Amount</u>
Equity securities	\$ 43,902
Fixed income mutual funds	13,765
	<u>\$ 57,667</u>

Investment in NHPDIP

The City is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

The City's exposure to derivatives is indirect through its participation in the NHPDIP. The City's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Fair value Measurement of Investments

The City categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs - Significant unobservable inputs.

As of June 30, 2019, the City's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Totals</u>
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	
Equity securities	\$ 43,902			\$ 43,902
Fixed income mutual funds	13,765			13,765
	<u>\$ 57,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,667</u>

Equity securities and fixed income mutual funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities.

NOTE 4—CAPITAL ASSETS

The following is a summary of changes in capital assets of the governmental activities:

	<u>Balance 07/01/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/19</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,208,025	\$ 60,000		\$ 1,268,025
Construction in progress	515,097	283,129	\$ (482,760)	315,466
Total capital assets not being depreciated	<u>1,723,122</u>	<u>343,129</u>	<u>(482,760)</u>	<u>1,583,491</u>
Other capital assets:				
Infrastructure	29,560,753	1,162,517		30,723,270
Land improvements	5,339,049	232,526		5,571,575
Buildings and improvements	12,364,190	82,009		12,446,199
Vehicles and equipment	9,784,680	731,882	(262,989)	10,253,573
Total other capital assets at historical cost	<u>57,048,672</u>	<u>2,208,934</u>	<u>(262,989)</u>	<u>58,994,617</u>
Less accumulated depreciation for:				
Infrastructure	(6,945,611)	(936,484)		(7,882,095)
Land improvements	(3,675,811)	(112,664)		(3,788,475)
Buildings and improvements	(6,553,603)	(255,100)		(6,808,703)
Vehicles and equipment	(6,954,979)	(446,452)	262,989	(7,138,442)
Total accumulated depreciation	<u>(24,130,004)</u>	<u>(1,750,700)</u>	<u>262,989</u>	<u>(25,617,715)</u>
Total other capital assets, net	<u>32,918,668</u>	<u>458,234</u>	<u>-</u>	<u>33,376,902</u>
Total capital assets, net	<u>\$ 34,641,790</u>	<u>\$ 801,363</u>	<u>\$ (482,760)</u>	<u>\$ 34,960,393</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Depreciation expense was charged to governmental functions as follows:

General government	\$ 50,221
Public safety	182,822
Airport/Aviation center	177,325
Highways and streets	987,498
Health and welfare	812
Sanitation	22,801
Culture and recreation	33,558
Education	295,663
Total governmental activities depreciation expense	<u>\$ 1,750,700</u>

The balance of governmental activities assets acquired through capital leases as of June 30, 2019 is as follows:

Vehicles and equipment	\$ 181,399
Less: Accumulated depreciation	<u>(7,558)</u>
	<u>\$ 173,841</u>

The following is a summary of changes in capital assets of the business-type activities:

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 154,152			\$ 154,152
Construction in progress	95,079	\$ 97,391		192,470
Total capital assets not being depreciated	<u>249,231</u>	<u>97,391</u>	<u>\$ -</u>	<u>346,622</u>
Other capital assets:				
Infrastructure	39,301,337	20,302		39,321,639
Buildings and improvements	23,174,300			23,174,300
Vehicles and equipment	950,039	83,011		1,033,050
Total other capital assets at historical cost	<u>63,425,676</u>	<u>103,313</u>	<u>-</u>	<u>63,528,989</u>
Less accumulated depreciation for:				
Infrastructure	(9,936,421)	(911,604)		(10,848,025)
Buildings and improvements	(18,202,074)	(464,165)		(18,666,239)
Vehicles and equipment	(479,535)	(59,814)		(539,349)
Total accumulated depreciation	<u>(28,618,030)</u>	<u>(1,435,583)</u>	<u>-</u>	<u>(30,053,613)</u>
Total other capital assets, net	<u>34,807,646</u>	<u>(1,332,270)</u>	<u>-</u>	<u>33,475,376</u>
Total capital assets, net	<u>\$ 35,056,877</u>	<u>\$ (1,234,879)</u>	<u>\$ -</u>	<u>\$ 33,821,998</u>

Depreciation expense was charged to proprietary funds as follows:

Sewer Fund	\$ 1,435,583
Total business-type activities depreciation expense	<u>\$ 1,435,583</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

The following is a summary of changes in capital assets of the discretely presented component unit:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019
Component unit:				
Capital assets not being depreciated:				
Land	\$ 353,649			\$ 353,649
Construction in progress	288,109	\$ 342,871	\$ (226,581)	404,399
Total capital assets not being depreciated	641,758	342,871	(226,581)	758,048
Other capital assets:				
Infrastructure	40,785,591	334,244		41,119,835
Buildings and improvements	15,095,363			15,095,363
Machinery and equipment	2,155,548			2,155,548
Vehicles	273,956	30,000		303,956
Total other capital assets at historical cost	58,310,458	364,244	-	58,674,702
Less accumulated depreciation for:				
Infrastructure	(10,694,440)	(811,368)		(11,505,808)
Buildings and improvements	(6,599,188)	(336,427)		(6,935,615)
Machinery and equipment	(1,528,695)	(41,109)		(1,569,804)
Vehicles	(223,381)	(13,566)		(236,947)
Total accumulated depreciation	(19,045,704)	(1,202,470)	-	(20,248,174)
Total other capital assets, net	39,264,754	(838,226)	-	38,426,528
Total capital assets, net	\$ 39,906,512	\$ (495,355)	\$ (226,581)	\$ 39,184,576

Depreciation expense recognized by Berlin Water Works, the component unit, was \$1,202,470.

NOTE 5—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the City's long-term obligations for the year ended June 30, 2019 are as follows:

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Governmental activities:					
Bonds payable	\$ 8,220,000		\$ (520,000)	\$ 7,700,000	\$ 545,000
Unamortized bond premium	221,899		(51,439)	170,460	
Total Bonds payable	8,441,899	\$ -	(571,439)	7,870,460	545,000
Capital lease payable	-	127,920		127,920	26,109
Compensated absences payable	1,675,210	374,169	(215,777)	1,833,602	
Accrued longevity payout	36,375	1,625	(9,000)	29,000	
Total governmental activities	\$ 10,153,484	\$ 503,714	\$ (796,216)	\$ 9,860,982	\$ 571,109

Payments on the general obligation bonds and capital lease payable of the governmental activities are paid out of the General Fund. Amortization of the governmental activities bond premium is recognized as a component of interest expense on the Statement of Activities (Exhibit B). The compensated absences and accrued longevity payouts will be paid from the governmental fund where the employee's salary is paid.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Business-type activities:					
Bonds payable	\$ 14,723,748		\$ (645,621)	\$ 14,078,127	\$ 666,586
Unamortized bond premium	258,955		(37,347)	221,608	
Total Bonds payable	14,982,703	\$ -	(682,968)	14,299,735	666,586
Compensated absences payable	142,976	37,839	(2,204)	178,611	
Total business-type activities	<u>\$ 15,125,679</u>	<u>\$ 37,839</u>	<u>\$ (685,172)</u>	<u>\$ 14,478,346</u>	<u>\$ 666,586</u>

Payments on the general obligation bonds of the business-type activities are paid out of the Sewer Fund. Amortization of the business-type activities bond premium is recognized as a component of interest expense in the Sewer Fund on the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds (Exhibit F). The compensated absences are solely attributable to, and will be paid from, the Sewer Fund.

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Component unit:					
Notes payable	\$ 8,532,961	\$ 2,000,000	\$ (1,460,013)	\$ 9,072,948	\$ 407,167
State of New Hampshire revolving loans	2,000,000	735,997	(2,000,000)	735,997	
Total component unit	<u>\$ 10,532,961</u>	<u>\$ 2,735,997</u>	<u>\$ (3,460,013)</u>	<u>\$ 9,808,945</u>	<u>\$ 407,167</u>

Payments on the long-term obligations of the component unit are paid by the Berlin Water Works.

General Obligation Bonds

Governmental Activities:

Bonds payable at June 30, 2019 are comprised of the following individual issues:

Description	Original Issue	Interest Rate	Maturity Date	Balance at June 30, 2019
2013 Series C Bonds	\$ 3,971,500	2.85%	August 2025	\$ 2,620,000
2016 Series Bonds	5,500,000	2.65%	July 2036	5,080,000
	<u>\$ 9,471,500</u>			7,700,000
			Add: <i>Unamortized bond premium</i>	170,460
			Total Bonds Payable	<u>\$ 7,870,460</u>

Debt service requirements to retire outstanding general obligation bonds for governmental activities at June 30, 2019 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Year Ending June 30,	Principal	Interest	Totals
2020	\$ 545,000	\$ 252,216	\$ 797,216
2021	565,000	229,066	794,066
2022	590,000	204,448	794,448
2023	615,000	178,626	793,626
2024	645,000	151,603	796,603
2025-2029	2,185,000	464,481	2,649,481
2030-2034	1,535,000	239,096	1,774,096
2035-2037	1,020,000	41,075	1,061,075
Sub-total Bonds Payable	7,700,000	1,760,611	9,460,611
Add: <i>Unamortized Bond Premium</i>	170,460	-	170,460
Total Bonds Payable	<u>\$ 7,870,460</u>	<u>\$ 1,760,611</u>	<u>\$ 9,631,071</u>

Business-type Activities:

Bonds payable at June 30, 2019 is comprised of the following individual issues:

Description	Original Issue	Interest Rate	Maturity Date	Balance at June 30, 2019
2014 Rural Utilities Bond #R-1	\$ 6,508,000	2.375%	September 2037	\$ 5,495,894
2014 Rural Utilities Bond #R-2	6,000,000	2.375%	September 2037	5,066,900
2016 State Revolving Loan	240,925	2.0%	December 2035	210,333
2016 Series C Refunding Bonds	3,670,000	1.85%	August 2032	3,305,000
	<u>\$ 16,418,925</u>			14,078,127
			Add: <i>Unamortized bond premium</i>	221,608
			Total Bonds Payable	<u>\$ 14,299,735</u>

Debt service requirements to retire outstanding general obligation bonds for business-type activities at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2020	\$ 666,586	\$ 350,808	\$ 1,017,394
2021	687,812	331,582	1,019,394
2022	704,305	311,789	1,016,094
2023	726,072	291,422	1,017,494
2024	748,119	270,375	1,018,494
2025-2029	4,061,589	1,023,534	5,085,123
2030-2034	4,093,841	525,547	4,619,388
2035-2038	2,389,803	114,083	2,503,886
Sub-total Bonds Payable	14,078,127	3,219,140	17,297,267
Add: <i>Unamortized Bond Premium</i>	221,608	-	221,608
Total Bonds Payable	<u>\$ 14,299,735</u>	<u>\$ 3,219,140</u>	<u>\$ 17,518,875</u>

The State of New Hampshire annually reimburses the City for its share of sewer related debt service payments. For the year ended June 30, 2019, the sewer related debt reimbursement was \$215,438.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Component Unit:

Under state law, the City is required to issue certain general obligation debt for the Berlin Water Works (a component unit of the City). Accordingly, this general obligation debt is recognized as a liability of the Berlin Water Works and is not recorded as a long-term obligation of the City.

Notes payable for the Berlin Water Works at June 30, 2019 are comprised of the following individual issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2019</u>
Rural Utilities Service - Water Facility	2.25%	October 2041	\$ 843,034
State of NH Revolving Loan #6	1.87%	September 2024	591,040
State of NH Revolving Loan #7	2.69%	October 2031	1,109,532
State of NH Revolving Loan #8	2.46%	December 2035	2,706,720
State of NH Revolving Loan #9	2.46%	December 2035	846,447
State of NH Revolving Loan #10	1.96%	October 2036	1,431,043
State of NH Revolving Loan #11	2.53%	May 2033	1,545,132
			<u>\$ 9,072,948</u>

Debt service requirements to retire outstanding general obligation debt for the component unit at June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 407,167	\$ 214,590	\$ 621,757
2021	420,247	202,387	622,634
2022	433,617	189,872	623,489
2023	447,277	177,043	624,320
2024	461,237	163,889	625,126
2025-2029	2,186,489	622,221	2,808,710
2030-2034	2,113,129	293,225	2,406,354
2035-2039	814,075	55,015	869,090
2040-2042	135,877	6,159	142,036
Add: <i>Princial Forgiveness</i>	<u>1,653,833</u>	<u>-</u>	<u>1,653,833</u>
	<u>\$ 9,072,948</u>	<u>\$ 1,924,401</u>	<u>\$ 10,997,349</u>

Interest expense for the year ended June 30, 2019 was \$239,781 for the Berlin Water Works.

State of New Hampshire Revolving Loans

Component Unit:

The Berlin Water Works has drawn \$735,997 of \$1,500,000 in funds under the State of New Hampshire Drinking Water Revolving Loan Fund Program for various waterline projects. Payments on the State of New Hampshire revolving loan balance are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the project within the following year.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Capital Lease Obligations

Governmental Activities:

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following is the individual capital lease obligation of the governmental activities at June 30, 2019:

<u>Description</u>	<u>Original Obligation</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2019</u>
Tractor Lease	\$ 127,920	3.97%	July 2024	\$ 127,920

Debt service requirements to retire the outstanding capital lease obligation for governmental activities at June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 26,109	\$ 1,919	\$ 28,028
2021	23,986	4,042	28,028
2022	24,938	3,090	28,028
2023	25,929	2,099	28,028
2024	26,958	1,070	28,028
	<u>\$ 127,920</u>	<u>\$ 12,220</u>	<u>\$ 140,140</u>

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS

Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 331,473	\$ 2,556,208	\$ 85,894	\$ 177,917
Single Employer Plan	<u>706,851</u>	<u>5,523,138</u>	<u>123,126</u>	<u>500,216</u>
Total	<u>\$ 1,038,324</u>	<u>\$ 8,079,346</u>	<u>\$ 209,020</u>	<u>\$ 678,133</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$829,304.

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

Benefits Provided

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contribution rates for the covered payroll of public safety employees, political subdivision employees and teachers were 4.10%, 0.30% and 1.66%, respectively, for the year ended June 30, 2019. Contributions to the OPEB plan for the City were \$246,678 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB plan.

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

At June 30, 2019, the City reported a liability of \$2,556,208 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The City's proportion of the net OPEB liability was based on actual contributions by the City during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2018, the City's proportion was approximately 0.5583 percent, which was a decrease of 0.0082 percentage points from its proportion measured as of June 30, 2017.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

For the year ended June 30, 2019, the City recognized OPEB expense of \$177,917. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,005	
Net difference between projected and actual earnings on OPEB plan investments		\$ 8,122
Changes in proportion and differences between City contributions and proportionate share of contributions	69,790	77,772
City contributions subsequent to the measurement date	246,678	
Totals	<u>\$ 331,473</u>	<u>\$ 85,894</u>

The City reported \$246,678 as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2019	\$ 4,488
2020	(2,534)
2021	(2,534)
2022	(519)
	<u>\$ (1,099)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on OPEB Plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net OPEB Liability	\$ 2,660,512	\$ 2,556,208	\$ 2,264,032

SINGLE EMPLOYER PLAN

Plan Description

The City administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Benefits Provided

The City provides medical and life insurance benefits to its eligible retirees and their covered spouses. Most regular active employees who retire directly from the City and meet the eligibility criteria may participate. The amount the City pays for medical and life insurance premiums for retirees and their spouses varies by employee group. All eligible employees and their spouses are allowed to continue medical coverage under the City plan for the lifetime by paying the required medical premium rates. The following groups of retirees qualify for these benefits. School employees hired before July 1, 2011 are eligible for benefits after (1) attaining age 60 or (2) attaining age 50 with 10 or more years of service or (3) age plus service is at least 70 with 20 or more years of service. School employees hired on or after July 1, 2011 are eligible for benefits after (1) attaining age 65 or (2) attaining age 60 with 30 or more years of service. Employees who are members of OPEIU/Local 345 or the Teamsters and Non-Union Supervisory Employees/Local 633 are eligible at age 62 with 10 years of service. Employees who are members of Local 1444 are eligible at age 62. Police and Fire employees are eligible for benefits after 20 years of service. Retired employees contribute 100% of the total premium cost, except for the following groups: for members of OPEIU/Local 345 and the Teamsters and Non-Union Supervisory Employees/Local 633 the City pays the full cost of single coverage from age 62 to 65 and for members of Local 1444 the City pays 80% of coverage from age 62 to 65. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

Employees Covered By Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	172
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	253
	<u>425</u>

Total OPEB Liability

The City's total OPEB liability of \$5,523,138 was measured as of June 30, 2019 and was determined by a roll forward of the actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the July 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Chained CPI	2.35 percent
Discount rate	3.5 percent
Healthcare cost trend rates	8% for 2019, decreasing 0.5% per year to 5.5%, then grading down to an ultimate rate of 3.9%, in 2075

The discount rate was based on the Bond Buyer 20-Bond GO Index published on June 27, 2019.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Mortality rates for active employees were based on the RP-2014 Employees Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015. Mortality rates for retirees were based on the RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 4,525,937
Changes for the year:	
Service Cost	212,902
Interest	179,982
Changes of benefit terms	-
Differences between expected and actual experience	181,892
Changes in assumptions or other inputs	598,651
Benefit payments	(176,226)
Net changes	997,201
Balance at June 30, 2019	<u>\$ 5,523,138</u>

Changes of assumptions and other inputs reflect a change in the discount rate of 3.87% at June 30, 2018 to 3.50% at June 30, 2019. Additionally, the health cost trend rates, mortality improvement scale, and the retirement, disability, and withdrawal rates were updated from the prior measurement.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 6,003,693	\$ 5,523,138	\$ 5,085,334

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 2.9 percent) or 1-percentage-point higher (9 percent decreasing to 4.9 percent) than the current healthcare cost trend rate:

	1% Decrease (7% decreasing to 2.9%)	Healthcare Cost Trend Rates (8% decreasing to 3.9%)	1% Increase (9% decreasing to 4.9%)
Total OPEB Liability	\$ 4,951,089	\$ 5,523,138	\$ 6,191,906

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$500,216. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 202,476	\$ 49,229
Changes of assumptions	<u>504,375</u>	<u>73,897</u>
Totals	<u>\$ 706,851</u>	<u>\$ 123,126</u>

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

<u>June 30,</u>	
2020	\$ 107,372
2021	107,372
2022	107,372
2023	107,372
2024	111,330
Thereafter	<u>42,907</u>
	<u>\$ 583,725</u>

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members vested by January 1, 2012, who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have not attained status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by 1/4 of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively of their covered salary, whereas teachers and general employees are required to contribute 7.0% of their covered salary. The City is required to contribute at an actuarially determined rate. The City's contribution rates for the covered payroll of police officers, fire employees, teachers, and general employees were 25.33%, 27.79%, 15.70%, and 11.08%, respectively. The City contributes 100% of the employer cost for police officers, fire employees, teachers, and general employees of the City.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contributions to the NHRS for the year ending June 30, 2019 were \$2,407,701.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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

At June 30, 2019, the City reported a liability of \$27,405,596 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The City's proportion of the net pension liability was based on actual contributions by the City during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2018, the City's proportion was approximately 0.5691 percent, which was a decrease of 0.0067 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$2,619,673. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 218,746	\$ 221,904
Change in assumptions	1,896,602	
Net difference between projected and actual earnings on pension plan investments		634,190
Changes in proportion and differences between City contributions and proportionate share of contributions	1,057,824	1,644,431
City contributions subsequent to the measurement date	2,407,701	
Totals	<u>\$ 5,580,873</u>	<u>\$ 2,500,525</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$3,080,348. The City reported \$2,407,701 as deferred outflows of resources related to pension resulting from City contributions made subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense for the measurement periods as follows:

Year ended June 30,	
2019	\$ 950,601
2020	622,702
2021	(747,204)
2022	(153,452)
	<u>\$ 672,647</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%. 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. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to 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 collective pension liability.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City's proportionate share of the net pension liability	\$ 36,463,370	\$ 27,405,596	\$ 19,814,904

NOTE 8—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations required that the City place final covers on its two landfills when closed and perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. The East Milan landfill was capped during fiscal year 1997, and the Cates Hill landfill was capped during fiscal year 2005. Estimated liabilities have been recorded based on the future post-closure care costs that will be incurred for the two landfills. The total estimated liability for landfill post-closure care costs for the two landfills has a combined balance of \$348,000 as of June 30, 2019. The estimated liability for the post-closure care costs of the East Milan landfill (\$112,800) and the Cates Hill landfill (\$235,200) have been reported as a liability of the Governmental Activities and the Cates Hill Landfill Proprietary Fund, respectively. The estimated total current cost of the landfill post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfills were acquired as of June 30, 2019. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The closure costs of the East Milan landfill were financed through the issuance of debt under the State of New Hampshire Water Pollution Control Revolving Fund Program. The remaining post-closure care costs for the East Milan landfill are expected to be financed through annual taxation. For the Cates Hill landfill, the City entered into an inter-municipal agreement with surrounding communities for the reimbursement of their share of the closure and post-closure care costs. The remaining post-closure care costs for the Cates Hill landfill are expected to be financed from the motor vehicle surcharges previously collected in the Cates Hill Landfill Fund.

The following is a summary of changes in the estimated liability for post-closure care costs for the year ended June 30, 2019:

	Governmental activities	Business-type activities	Totals
Balance - July 1, 2018	\$ 126,900	\$ 249,900	\$ 376,800
Reductions (actual current year payments)	(7,452)	(6,673)	(14,125)
Change in estimated liability	(6,648)	(8,027)	(14,675)
Balance - June 30, 2019	<u>\$ 112,800</u>	<u>\$ 235,200</u>	<u>\$ 348,000</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

NOTE 9—INTERFUND BALANCES AND TRANSFERS

Interfund Balances

The City has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2019 are as follows:

	General Fund	Due from		Totals
		Nonmajor Governmental Funds	Fiduciary Funds	
Due to General Fund		\$ 1,196,460	\$ 500	\$ 1,196,960
Nonmajor Governmental Funds	\$ 51,132			51,132
Sewer Fund	5,258,450			5,258,450
Nonmajor Enterprise Funds	993,020			993,020
	<u>\$ 6,302,602</u>	<u>\$ 1,196,460</u>	<u>\$ 500</u>	<u>\$ 7,499,562</u>

Interfund Transfers

During the year, the Permanent Funds, a Nonmajor Governmental Fund, transferred \$7,944 to the General Fund, in accordance with the purpose of the cemetery trusts. Additionally, the General Fund transferred \$23,362 to the Airport Authority Fund, a Nonmajor Governmental Fund, in order to offset any current year deficit in operations. The transfers were made in accordance with budgetary authorization.

NOTE 10—TAX ANTICIPATION NOTE

During December 2018, the City issued a tax anticipation note in the amount of \$1,500,000, for the purpose of assisting in the payment of operating expenditures. The borrowing was guaranteed to be repaid from property tax revenue received from the taxpayers within the City and accrued interest at an annual rate of 2.25%. Changes in the City's short-term debt obligations for the year ended June 30, 2019 are as follows:

Balance - July 1, 2018	\$ -
Additions	750,000
Reductions	(750,000)
Balance - June 30, 2019	<u>\$ -</u>

NOTE 11—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes as follows at June 30, 2019:

Permanent Funds - Principal	\$ 156,079
Permanent Funds - Income	214,457
Capital Projects	76,055
School Private Grants and Contributions	1,710
Food Service Operations	35,822
Police Forfeiture Funds	8,739
	<u>\$ 492,862</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

NOTE 12—COMPONENTS OF FUND BALANCE

The components of the City's fund balance for its governmental funds at June 30, 2019 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenses	\$ 19,671	\$ 38,609	\$ 58,280
Tax deeded property	480,491		480,491
Inventory		6,804	6,804
Permanent funds - Principal		156,079	156,079
Restricted for:			
Capital projects		76,055	76,055
Permanent funds - Income		214,457	214,457
School private grants and contributions		1,710	1,710
Food service operations		35,822	35,822
Police forfeiture funds		8,739	8,739
Committed for:			
Recreation and parks programs		12,699	12,699
Assigned for:			
Continuing appropriations	570,057		570,057
Encumbrances	79,186		79,186
Unassigned (Deficit):			
Unassigned - General operations	1,040,837		1,040,837
Airport Authority Fund (Deficit)		(294,379)	(294,379)
	<u>\$ 2,190,242</u>	<u>\$ 256,595</u>	<u>\$ 2,446,837</u>

NOTE 13—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$410,331,775 as of April 1, 2018) and are due in two installments on July 6, 2018 and February 27, 2019. Taxes paid after the due dates accrue interest at 8% per annum. On the modified accrual basis of accounting, property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 14% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the City.

In accordance with State law, the City collects taxes for Coos County, an independent governmental unit, which are remitted to the County as required by law. Total taxes appropriated to Coos County for the year ended June 30, 2019 were \$1,781,979. The City bears responsibility for uncollected taxes.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

NOTE 14—SIGNIFICANT CONCENTRATION OF PROPERTY TAXES REVENUE

The following are the five major property owners as they relate to the City's total assessed property valuation of \$410,331,775 (as of April 1, 2018):

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Eversource	\$ 43,765,800	10.67%
HSE Hydro NH Smith, LLC	43,392,600	10.58%
Great Lakes Hydro America, LLC	27,999,700	6.82%
Portland Natural Gas	19,060,300	4.65%
TKB Properties, LLC	2,081,000	0.51%

NOTE 15—RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2019, the City was a member of and participated in public entity risk pools (Trusts) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trusts to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trusts foresee no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2019.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the City shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

NOTE 16—COMMITMENTS

Ambulance Services Contract

During April 2016, the City entered into a long-term agreement with an independent company to provide emergency ambulance services. Terms of the agreement will be in effect for one 3-year term beginning July 1, 2016 and ending June 30, 2019. The terms of the contract include minimum monthly payments of \$27,417 at the beginning of the agreement. These monthly payments may be adjusted based on future Medicare or Medicaid reimbursement rates. At the beginning of July of each subsequent contract year, \$500 shall be added to the base monthly subsidy then in effect. For the year ended June 30, 2019, the City expended \$341,000 under the terms of the emergency ambulance service agreement.

Guaranteed Debt - Component Unit

Certain debt issued by Berlin Water Works (a component unit of the City) may be backed by the full faith and credit of the City. In the event of a default on payments of any such debt by the Berlin Water Works, the City would be responsible for making the payments. The City does not estimate or anticipate making any guaranteed payments at this time.

NOTE 17—CONTINGENT LIABILITIES

Litigation

There may be various claims and suits pending against the City, which arise in the normal course of the City's activities. In the opinion of City management, any potential claims against the City which are not covered by insurance are immaterial and would not affect the financial position of the City.

Federal Grants

The City participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 18—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, which the City is required to implement in the fiscal year ending June 30, 2020. Management believes that this pronouncement will have a potentially significant impact on the City's financial statements, wherein certain funds currently reported as Fiduciary Funds will require classification as a Governmental Fund.

NOTE 19—SUBSEQUENT EVENTS

During December 2019, the City entered into a capital lease agreement for the purchase of vehicles and equipment in the amount of \$447,263. The capital lease agreement requires annual lease payments of \$96,680, including interest at 3.97%, through December 2023.

CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 17,333,559	\$ 17,333,559	\$ 17,414,196	\$ 80,637
Licenses and permits	1,442,400	1,442,400	1,519,245	76,845
Intergovernmental	10,608,992	10,608,992	10,828,367	219,375
Charges for services	1,850,806	1,850,806	1,861,124	10,318
Interest income	20,000	20,000	43,879	23,879
Miscellaneous	194,750	194,750	337,218	142,468
Total Revenues	<u>31,450,507</u>	<u>31,450,507</u>	<u>32,004,029</u>	<u>553,522</u>
Expenditures:				
Current operations:				
General government	1,835,993	1,835,993	1,722,660	113,333
Public safety	6,072,793	6,072,793	5,759,697	313,096
Highways and streets	2,017,462	2,017,462	2,214,879	(197,417)
Health and welfare	115,990	115,990	79,629	36,361
Sanitation	860,742	860,742	851,958	8,784
Culture and recreation	623,673	623,673	632,347	(8,674)
Economic development	200	200	126	74
Education	18,114,311	18,114,311	17,991,652	122,659
Capital outlay	1,144,786	707,729	703,791	3,938
Debt service:				
Principal retirement	520,000	520,000	520,000	-
Interest and fiscal charges	274,805	274,805	276,612	(1,807)
Intergovernmental	1,781,979	1,781,979	1,781,979	-
Total Expenditures	<u>33,362,734</u>	<u>32,925,677</u>	<u>32,535,330</u>	<u>390,347</u>
Excess of revenues over (under) expenditures	<u>(1,912,227)</u>	<u>(1,475,170)</u>	<u>(531,301)</u>	<u>943,869</u>
Other Financing Sources (Uses):				
Transfers in	4,700	4,700	7,944	3,244
Transfers out	(23,362)	(23,362)	(23,362)	-
Total Other Financing Sources (Uses)	<u>(18,662)</u>	<u>(18,662)</u>	<u>(15,418)</u>	<u>3,244</u>
Net change in fund balance	(1,930,889)	(1,493,832)	(546,719)	947,113
Fund balance at beginning of year				
- Budgetary Basis	<u>3,411,294</u>	<u>3,411,294</u>	<u>3,411,294</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,480,405</u>	<u>\$ 1,917,462</u>	<u>\$ 2,864,575</u>	<u>\$ 947,113</u>

See accompanying notes to the required supplementary information

SCHEDULE 2**CITY OF BERLIN, NEW HAMPSHIRE****Schedule of Changes in the City's Proportionate Share of the Net OPEB Liability
For the Year Ended June 30, 2019**

<u>Measurement Period Ended</u>	Cost-Sharing Multiple Employer Plan Information Only				
	<u>City's Proportion of the Net OPEB Liability</u>	<u>City's Proportionate Share of the Net OPEB Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2018	0.5583%	\$ 2,556,208	\$ 14,901,826	17.15%	7.53%
June 30, 2017	0.5665%	\$ 2,590,292	\$ 14,814,604	17.48%	7.91%
June 30, 2016	0.5857%	\$ 2,835,309	\$ 14,905,786	19.02%	5.21%

See accompanying notes to the required supplementary information

SCHEDULE 3
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of City OPEB Contributions
For the Year Ended June 30, 2019

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	\$ 246,678	\$ (246,678)	\$ -	\$ 14,949,381	1.65%
June 30, 2018	\$ 246,958	\$ (246,958)	\$ -	\$ 14,901,826	1.66%
June 30, 2017	\$ 335,773	\$ (335,773)	\$ -	\$ 14,814,604	2.27%
June 30, 2016	\$ 340,316	\$ (340,316)	\$ -	\$ 14,905,786	2.28%

See accompanying notes to the required supplementary information

SCHEDULE 4
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2019

<u>Single Employer Plan Information Only</u>				
		<u>2019</u>		<u>2018</u>
Total OPEB Liability:				
Service cost	\$	212,902	\$	218,384
Interest		179,982		163,723
Changes of benefit terms		-		-
Differences between expected and actual experience		181,892		-
Changes of assumptions or other inputs		598,651		(105,076)
Benefit payments		(176,226)		(211,943)
Net change in total OPEB liability		997,201		65,088
Total OPEB liability - beginning		4,525,937		4,460,849
Total OPEB liability - ending	\$	<u>5,523,138</u>	\$	<u>4,525,937</u>
Covered employee payroll	\$	14,695,170	\$	14,581,811
Total OPEB liability as a percentage of covered employee payroll		37.58%		31.04%

<u>Significant Actuarial Assumptions</u>				
Discount rate		3.50%		3.87%
Health cost trend rates:				
Initial		8% - 2018		8% - 2016
Ultimate		3.9% - 2075		5% - 2019
Mortality improvement scale		MP-2015		MP-2014

See accompanying notes to the required supplementary information

SCHEDULE 5**CITY OF BERLIN, NEW HAMPSHIRE****Schedule of Changes in the City's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2019**

<u>Measurement Period Ended</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2018	0.5691%	\$ 27,405,596	\$ 14,901,826	183.91%	64.73%
June 30, 2017	0.5758%	\$ 28,318,165	\$ 14,814,604	191.15%	62.66%
June 30, 2016	0.5913%	\$ 31,444,314	\$ 14,905,786	210.95%	58.30%
June 30, 2015	0.5864%	\$ 23,228,768	\$ 14,750,588	157.48%	65.47%
June 30, 2014	0.5959%	\$ 22,367,371	\$ 14,461,687	154.67%	66.32%
June 30, 2013	0.5788%	\$ 24,911,429	\$ 13,904,404	179.16%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 6
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of City Pension Contributions
For the Year Ended June 30, 2019

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	\$ 2,407,701	\$ (2,407,701)	\$ -	\$ 14,949,381	16.11%
June 30, 2018	\$ 2,405,545	\$ (2,405,545)	\$ -	\$ 14,901,826	16.14%
June 30, 2017	\$ 2,109,432	\$ (2,109,432)	\$ -	\$ 14,814,604	14.24%
June 30, 2016	\$ 2,115,681	\$ (2,115,681)	\$ -	\$ 14,905,786	14.19%
June 30, 2015	\$ 1,967,282	\$ (1,967,282)	\$ -	\$ 14,750,588	13.34%
June 30, 2014	\$ 1,933,217	\$ (1,933,217)	\$ -	\$ 14,461,687	13.37%
June 30, 2013	\$ 1,439,273	\$ (1,439,273)	\$ -	\$ 13,904,404	10.35%

See accompanying notes to the required supplementary information

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the City. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for encumbrances and capital lease obligation proceeds. See table below for differences.

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 32,062,788	\$ 32,679,378
Difference in property taxes meeting susceptible to accrual criteria	77,105	
Encumbrances - June 30, 2019		79,186
Encumbrances - June 30, 2018		(71,952)
Capital lease obligation proceeds	(127,920)	(127,920)
Per Schedule 1	<u>\$ 32,011,973</u>	<u>\$ 32,558,692</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at June 30, 2019 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 19,671
Tax deeded property	480,491
<i>Assigned for:</i>	
Continuing appropriations	570,057
<i>Unassigned:</i>	
Unassigned - General operations	1,794,356
	<u>\$ 2,864,575</u>

NOTE 3—SCHEDULE OF CHANGES IN THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF CITY OPEB CONTRIBUTIONS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City is required to disclose historical information for each of the prior ten years within a schedule of changes in the City's proportionate share of the net OPEB liability, and schedule of City OPEB contributions. The City implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2019

NOTE 4—SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City is required to disclose historical information for each of the prior ten years within a schedule of changes in the City's total OPEB liability and related ratios. The City implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

NOTE 5—SCHEDULE OF CHANGES IN THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CITY PENSION CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the City is required to disclose historical information for each of the prior ten years within a schedule of changes in the City's proportionate share of the net pension liability, and schedule of City contributions. The City implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

Changes in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE			
Received directly from U.S. Treasury Department Rural Business Development Grant	10.351	\$ -	\$ 26,600
Pass Through Payments from the New Hampshire Department of Education <i>Child Nutrition Cluster:</i> School Breakfast Program	10.553	-	83,569
National School Lunch Program	10.555		
- School Lunch (Cash)		-	302,844
- Commodities (Non-cash)		-	35,327
		-	338,171
<i>Total Child Nutrition Cluster</i>		-	421,740
Child and Adult Care Food Program	10.558	-	23,148
Fresh Fruit and Vegetable Program	10.582	-	27,714
Total Department of Agriculture		-	499,202
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass Through Payments from the New Hampshire Community Development Finance Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		
#016-053-FSPS-02		-	11,400
#017-053-FSPF-04		-	7,719
#017-053-FSPS-02		-	11,823
		-	30,942
Total Department of Housing and Urban Development		-	30,942
DEPARTMENT OF JUSTICE			
Pass Through Payments from the New Hampshire Department of Justice Edward Byrne Memorial Justice Assistance Grant	16.738		
#2017-DTF-301		-	60,000
Total Department of Justice		-	60,000

See notes to schedule of expenditures of federal awards

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION			
Pass Through Payments from the New Hampshire Department of Transportation Airport Improvement Program #SBG-01-06-2019	20.106	-	51,917
<i>Highway Planning and Construction Cluster:</i> Highway Planning and Construction #41367	20.205	-	25,981
Pass Through Payments from the New Hampshire Highway Safety Agency <i>Highway Safety Cluster:</i> State and Community Highway Safety #314-18B-006 #315-18B-057	20.600	- - -	2,232 3,365 5,597
Alcohol Impaired Driving Countermeasures Incentive Grants I #308-18B-048	20.601	-	5,098
National Priority Safety Programs #308-18B-047 #19-018	20.616	- - -	4,023 4,105 8,128
<i>Total Highway Safety Cluster</i>		-	18,823
Total Department of Transportation		-	96,721
DEPARTMENT OF EDUCATION			
Pass Through Payments from the New Hampshire Department of Education Title I Grants to Local Educational Agencies #80012 #80175 #20180174 #20181672 #20190126	84.010	- - - - -	26,960 2,101 47,643 2,007 720,732
		-	799,443

See notes to schedule of expenditures of federal awards

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027		
#72509		-	8,272
#82588		-	14,728
#92580		-	327,307
		-	350,307
Special Education - Preschool Grants	84.173		
#92580		-	11,124
<i>Total Special Education Cluster (IDEA)</i>		-	361,431
Career and Technical Education - Basic Grants to States	84.048		
#85209		-	3,000
#20193112		-	66,178
		-	69,178
Twenty-First Century Community Learning Centers	84.287		
#20190011		-	187,517
Rural Education	84.358		
#76470		-	6,000
#20186470		-	10,091
#20190435		-	18,550
		-	34,641
Supporting Effective Instruction State Grants	84.367		
#74798		-	2,880
#84798		-	66,167
#20190298		-	51,782
		-	120,829
Total Department of Education		-	1,573,039
NORTHERN BORDER REGIONAL COMMISSION			
Received directly from U.S. Treasury Department			
Norther Border Regional Development	90.601		
#NBRC16GNH10		-	12,882
Total Northern Border Regional Commission		-	12,882

See notes to schedule of expenditures of federal awards

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Payments from the New Hampshire Department of Education Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	-	20,705
#82618		-	130,865
#92541		-	151,570
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	-	161,179
#82589		-	446,323
#94656		-	607,502
Total Department of Health and Human Services		-	759,072
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments from the New Hampshire Department of Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	-	544,904
#4355-DR-NH		-	24,533
Homeland Security Grant Program	97.067	-	522
State Homeland Security Program #EMW20187SS00055S01	97.073	-	569,959
Total Department of Homeland Security		-	
Total Expenditures of Federal Awards		\$ -	\$ 3,601,817

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Berlin, New Hampshire (the City) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for federal programs accounted for in the governmental funds, and on the accrual basis of accounting for federal programs accounted for in the proprietary funds, which are described in Note 1 to the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The City of Berlin, New Hampshire has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the City's basic financial statements as intergovernmental revenues in the governmental funds and capital contributions in the proprietary funds as follows:

Major Governmental Fund:	
General Fund	\$ 126,319
Nonmajor Governmental Funds	3,394,328
Major Proprietary Fund:	
Sewer Fund	45,843
	<u>\$ 3,566,490</u>

Additionally, the recognition of expenditures of federal awards on the Schedule pertaining to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) federal grant program in the amount of \$482,306 represents eligible expenditures which occurred in the prior year.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the Honorable Mayor, City Council and Manager
City of Berlin, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Berlin, New Hampshire's basic financial statements, and have issued our report thereon dated March 18, 2020. 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. The financial statements of Berlin Water Works, a discretely presented component unit of the City, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Berlin Water Works.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Berlin, New Hampshire's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Berlin, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Berlin, New Hampshire's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Berlin, New Hampshire's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vashon Clukay & Company PC

Manchester, New Hampshire

March 18, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Honorable Mayor, City Council and Manager
City of Berlin, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the City of Berlin, New Hampshire's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Berlin, New Hampshire's major federal programs for the year ended June 30, 2019. The City of Berlin, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Berlin, New Hampshire's basic financial statements include the operations of the Berlin Water Works, a discretely presented component unit of the City. Berlin Water Works did not expend any federal awards during the year ended June 30, 2019, and as such, no amounts have been included in the City of Berlin, New Hampshire's schedule of expenditures of federal awards. Our audit, described below, did not include the operations of the Berlin Water Works which is a separate legal entity and has separately issued audited financial statements.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Berlin, New Hampshire's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Berlin, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Berlin, New Hampshire's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Berlin, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City of Berlin, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Berlin, New Hampshire's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Berlin, New Hampshire's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vashon Clukay & Company PC

Manchester, New Hampshire
March 18, 2020

City of Berlin, New Hampshire
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified – all reporting units</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified	_____ yes	<u> X </u> none reported

Type of auditor's report issued on compliance
for major federal programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster (IDEA)
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000 .

Auditee qualified as low-risk auditee? X yes _____ no

Section II—Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III—Federal Award Findings and Questioned Costs

There were no findings and questioned costs required to be reported under 2 CFR 200.516(a).

SCHEDULE A
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2019

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents		\$ 1,731		\$ 1,731
Investments		376,749		376,749
Accounts receivable	\$ 103,085			103,085
Due from other governments	733,004		\$ 327,118	1,060,122
Due from other funds	51,132			51,132
Prepaid expenses	38,609			38,609
Inventory	6,804			6,804
Total Assets	<u>932,634</u>	<u>378,480</u>	<u>327,118</u>	<u>1,638,232</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 932,634</u>	<u>\$ 378,480</u>	<u>\$ 327,118</u>	<u>\$ 1,638,232</u>
LIABILITIES				
Accounts payable	\$ 15,576			\$ 15,576
Accrued expenses	7,549			7,549
Advances from grantors	153,496			153,496
Unearned revenue	8,556			8,556
Due to other funds	937,453	\$ 7,944	\$ 251,063	1,196,460
Total Liabilities	<u>1,122,630</u>	<u>7,944</u>	<u>251,063</u>	<u>1,381,637</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	45,413	156,079		201,492
Restricted	46,271	214,457	76,055	336,783
Committed	12,699			12,699
Unassigned (Deficit)	(294,379)			(294,379)
Total Fund Balances (Deficit)	<u>(189,996)</u>	<u>370,536</u>	<u>76,055</u>	<u>256,595</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 932,634</u>	<u>\$ 378,480</u>	<u>\$ 327,118</u>	<u>\$ 1,638,232</u>

SCHEDULE A-1
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2019

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Grants Fund	Recreation and Parks Programs Fund	Combining Totals
ASSETS						
Accounts receivable	\$ 78,551	\$ 21,446	\$ 3,088			\$ 103,085
Due from other governments	543,193	70,871	57,604	\$ 61,336		733,004
Due from other funds				38,182	\$ 12,950	51,132
Prepaid expenses			38,609			38,609
Inventory		6,804				6,804
Total Assets	<u>621,744</u>	<u>99,121</u>	<u>99,301</u>	<u>99,518</u>	<u>12,950</u>	<u>932,634</u>
DEFERRED OUTFLOWS OF RESOURCES						
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 621,744</u>	<u>\$ 99,121</u>	<u>\$ 99,301</u>	<u>\$ 99,518</u>	<u>\$ 12,950</u>	<u>\$ 932,634</u>
LIABILITIES						
Accounts payable	\$ 13,599		\$ 783	\$ 943	\$ 251	\$ 15,576
Accrued expenses	414	\$ 2,263	862	4,010		7,549
Advances from grantors	67,670			85,826		153,496
Unearned revenue		8,556				8,556
Due to other funds	<u>538,351</u>	<u>45,676</u>	<u>353,426</u>			<u>937,453</u>
Total Liabilities	<u>620,034</u>	<u>56,495</u>	<u>355,071</u>	<u>90,779</u>	<u>251</u>	<u>1,122,630</u>
DEFERRED INFLOWS OF RESOURCES						
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable		6,804	38,609			45,413
Restricted	1,710	35,822		8,739		46,271
Committed					12,699	12,699
Unassigned (Deficit)			(294,379)			(294,379)
Total Fund Balances (Deficit)	<u>1,710</u>	<u>42,626</u>	<u>(255,770)</u>	<u>8,739</u>	<u>12,699</u>	<u>(189,996)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 621,744</u>	<u>\$ 99,121</u>	<u>\$ 99,301</u>	<u>\$ 99,518</u>	<u>\$ 12,950</u>	<u>\$ 932,634</u>

SCHEDULE B
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2019

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ 3,309,457		\$ 963,678	\$ 4,273,135
Charges for services	325,853			325,853
Interest income		\$ 4,745		4,745
Miscellaneous	207,232	525		207,757
Total Revenues	<u>3,842,542</u>	<u>5,270</u>	<u>963,678</u>	<u>4,811,490</u>
Expenditures:				
Current operations:				
General government	7,869			7,869
Public safety	136,423			136,423
Airport/Aviation center	146,581			146,581
Highways and streets	54,823		1,004,582	1,059,405
Culture and recreation	82,797			82,797
Economic development	38,862			38,862
Education	2,689,050			2,689,050
Food service	621,594			621,594
Capital outlay	57,686			57,686
Total Expenditures	<u>3,835,685</u>	<u>-</u>	<u>1,004,582</u>	<u>4,840,267</u>
Excess of revenues over (under) expenditures	<u>6,857</u>	<u>5,270</u>	<u>(40,904)</u>	<u>(28,777)</u>
Other Financing Sources (Uses):				
Transfers in	23,362			23,362
Transfers out		(7,944)		(7,944)
Total Other Financing Sources (Uses)	<u>23,362</u>	<u>(7,944)</u>	<u>-</u>	<u>15,418</u>
Net change in fund balances	30,219	(2,674)	(40,904)	(13,359)
Fund balances (deficit) at beginning of year	<u>(220,215)</u>	<u>373,210</u>	<u>116,959</u>	<u>269,954</u>
Fund balances (deficit) at end of year	<u>\$ (189,996)</u>	<u>\$ 370,536</u>	<u>\$ 76,055</u>	<u>\$ 256,595</u>

SCHEDULE B-1
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
For the Year Ended June 30, 2019

	Federal Projects <u>Fund</u>	Food Service <u>Fund</u>	Airport Authority <u>Fund</u>	Grants <u>Fund</u>	Recreation and Parks Programs <u>Fund</u>	Combining <u>Totals</u>
Revenues:						
Intergovernmental	\$ 2,573,005	\$ 446,451	\$ 58,957	\$ 231,044		\$ 3,309,457
Charges for services		192,772	99,771		\$ 33,310	325,853
Miscellaneous	116,045		38,668	52,519		207,232
Total Revenues	<u>2,689,050</u>	<u>639,223</u>	<u>197,396</u>	<u>283,563</u>	<u>33,310</u>	<u>3,842,542</u>
Expenditures:						
Current operations:						
General government				7,869		7,869
Public safety				136,423		136,423
Airport/Aviation center			146,581			146,581
Highways and streets				54,823		54,823
Culture and recreation				47,370	35,427	82,797
Economic development				38,862		38,862
Education	2,689,050					2,689,050
Food service		621,594				621,594
Capital outlay			57,686			57,686
Total Expenditures	<u>2,689,050</u>	<u>621,594</u>	<u>204,267</u>	<u>285,347</u>	<u>35,427</u>	<u>3,835,685</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>17,629</u>	<u>(6,871)</u>	<u>(1,784)</u>	<u>(2,117)</u>	<u>6,857</u>
Other Financing Sources:						
Transfers in			23,362			23,362
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>23,362</u>	<u>-</u>	<u>-</u>	<u>23,362</u>
Net change in fund balances	-	17,629	16,491	(1,784)	(2,117)	30,219
Fund balances (deficit) at beginning of year	<u>1,710</u>	<u>24,997</u>	<u>(272,261)</u>	<u>10,523</u>	<u>14,816</u>	<u>(220,215)</u>
Fund balances (deficit) at end of year	<u>\$ 1,710</u>	<u>\$ 42,626</u>	<u>\$ (255,770)</u>	<u>\$ 8,739</u>	<u>\$ 12,699</u>	<u>\$ (189,996)</u>

SCHEDULE C
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Net Position
All Nonmajor Proprietary Funds
June 30, 2019

	Industrial Development and Park Authority <u>Fund</u>	Cates Hill Landfill <u>Fund</u>	Combining <u>Totals</u>
ASSETS			
Current Assets:			
Due from other governments		\$ 78,770	\$ 78,770
Due from other funds	\$ 697,671	295,349	993,020
Total Current Assets	<u>697,671</u>	<u>374,119</u>	<u>1,071,790</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	96,203		96,203
Total Noncurrent Assets	<u>96,203</u>	<u>-</u>	<u>96,203</u>
Total Assets	<u>793,874</u>	<u>374,119</u>	<u>1,167,993</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	4,064		4,064
Unearned revenue	50,000		50,000
Current portion of estimated liability for landfill postclosure care costs		14,700	14,700
Total Current Liabilities	<u>54,064</u>	<u>14,700</u>	<u>68,764</u>
Noncurrent Liabilities:			
Estimated liability for landfill postclosure care costs		220,500	220,500
Total Noncurrent Liabilities	<u>-</u>	<u>220,500</u>	<u>220,500</u>
Total Liabilities	<u>54,064</u>	<u>235,200</u>	<u>289,264</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	96,203		96,203
Unrestricted	643,607	138,919	782,526
Total Net Position	<u>\$ 739,810</u>	<u>\$ 138,919</u>	<u>\$ 878,729</u>

SCHEDULE D
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenses and Changes in Net Position
All Nonmajor Proprietary Funds
For the Year Ended June 30, 2019

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Operating revenues:			
Miscellaneous		\$ 8,026	\$ 8,026
Total Operating Revenues	\$ -	8,026	8,026
Operating expenses:			
Contractual services	261		261
Repairs and maintenance	45,433		45,433
Administrative	3,781		3,781
Total Operating Expenses	49,475	-	49,475
Operating income (loss)	(49,475)	8,026	(41,449)
Non-operating revenues:			
Interest income	12,008		12,008
Non-operating revenues	12,008	-	12,008
Change in net position	(37,467)	8,026	(29,441)
Net Position at beginning of year	777,277	130,893	908,170
Net Position at end of year	\$ 739,810	\$ 138,919	\$ 878,729

SCHEDULE E
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Cash Flows
All Nonmajor Proprietary Funds
For the Year Ended June 30, 2019

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Cash flows from operating activities:			
Cash paid to suppliers	\$ (46,188)	\$ (6,673)	\$ (52,861)
Other operating cash receipts	30,000	4,117	34,117
Net cash used by operating activities	<u>(16,188)</u>	<u>(2,556)</u>	<u>(18,744)</u>
Cash flows from investing activities:			
Interest on investments	12,008		12,008
Net cash provided by investing activities	<u>12,008</u>	<u>-</u>	<u>12,008</u>
Net decrease in cash and cash equivalents	(4,180)	(2,556)	(6,736)
Cash and cash equivalents at beginning of year	701,851	297,905	999,756
Cash and cash equivalents at end of year	<u>\$ 697,671</u>	<u>\$ 295,349</u>	<u>\$ 993,020</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (49,475)	\$ 8,026	\$ (41,449)
Changes in assets and liabilities:			
Due from other governments		4,118	4,118
Accounts payable	3,287		3,287
Unearned revenue	50,000		50,000
Refundable deposits	(20,000)		(20,000)
Estimated liability for landfill postclosure care costs		(14,700)	(14,700)
Net cash used by operating activities	<u>\$ (16,188)</u>	<u>\$ (2,556)</u>	<u>\$ (18,744)</u>