

**CITY OF BERLIN, NEW HAMPSHIRE**  
**Financial Statements**  
**With Schedule of Expenditures of Federal Awards**  
**June 30, 2014**  
**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**

**Schedule of Findings and Questioned Costs**

**CITY OF BERLIN, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**June 30, 2014**

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**CITY OF BERLIN, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**June 30, 2014**

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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, 2014, 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 did not audit the financial statements of the Berlin Water Works, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Berlin Water Works, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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, 2014, 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, and the schedule of funding progress for other post-employment benefits on pages i-xii and 34-37 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.

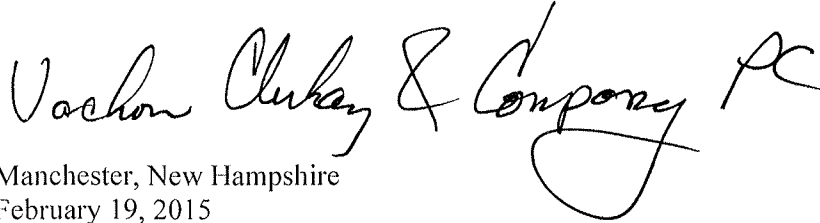
### ***Supplementary Information***

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 February 19, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Berlin, New Hampshire's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vachon Clukey & Company PC". The signature is written in a cursive, flowing style. The "V" is large and loops around the "a". The "C" in "Company" is also large and loops around the "o". The "PC" is written in a simpler, more upright style at the end of the signature.

Manchester, New Hampshire  
February 19, 2015

**City of Berlin, New Hampshire  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2014**

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 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, 2014. 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

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, 2014 by \$51.5 million, an increase of \$3.2 million 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 increased from the prior year with an ending balance of \$10 million. Restricted net position of \$400 thousand was restricted for permanent funds principal and income, food service operations and various unexpended grants and donations. The net investment in capital assets increased from the prior year with an ending balance of \$41.1 million.
- **Changes in Net Position:** The City's total net position increased from last fiscal year's \$48.3 million to \$51.5 million in fiscal year 2014. Net position of governmental activities increased by \$2.0 million or 9.2%, and net position of the business-type activities increased by \$1.2 million or 4.6%. 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 2014, the City's governmental funds reported an increase of \$1.6 million in the combined ending fund balance of \$6.8 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 \$2,242,700, which is an increase of \$355 thousand from the previous fiscal year.
- **Proprietary Funds – Net Position:** As of the close of fiscal year 2014, the City's proprietary funds reported an increase of \$1.2 million in the combined ending net position of \$27.6 million, compared to last fiscal year. Included in the combined proprietary funds net position is the activity of the City's Sewer Fund and the Nonmajor Proprietary Funds. The Sewer Fund ended the fiscal year with an unrestricted net position of \$7.9 million, which is an increase of \$1.4 million 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, but 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 3-4.

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 also be found on pages 3-4.

The City's only major governmental fund is 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 51-54. The nonmajor governmental funds are:

- Federal Projects Fund
- Food Service Fund
- Airport Authority Fund
- Health Department Fund
- Recreation and Parks Programs Fund
- Grants Fund
- Neighborhood Stabilization Grants Fund
- CDBG 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 -
  - 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 propriety funds financial statements can be found on pages 5-7, with individual fund data for each of the City's nonmajor proprietary funds provided as supplementary information in the combining statements found on pages 55-57.

- 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 8-9 include the:

- Berlin Trust Fund
- Home Nursing Trust Fund
- Miles Scholarship Trust Fund
- Library Trust Fund
- Student Activities 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 10-33.

#### 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 and includes a reconciliation between the reported activity of the revenues, expenditures and other financing sources and uses for budgetary purposes (Schedule 1, page 34) and the activity as presented in the governmental fund financial statements (Exhibit D, page 4). The City's only major governmental fund for fiscal year 2014 is the General Fund. Also, included in the required supplementary information is the funding progress for other post-employment benefits (Schedule 2, page 35). The notes to the required supplementary information can be found on pages 36-37.

### 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 \$51.5 million at the end of fiscal year 2014, an increase of \$3.2 million compared to the end of the previous fiscal year.

Net position of the City as of June 30, 2014 and 2013 is as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Capital assets, net	\$ 24.4	\$ 23.0	\$ 38.2	\$ 32.6	\$ 62.6	\$ 55.6
Other assets	13.5	11.6	10.2	9.5	23.7	21.1
Total Assets	37.9	34.6	48.4	42.1	86.3	76.7
Total Deferred Outflows of Resources	-	-	-	-	-	-
Long-term liabilities	7.7	6.7	19.4	14.2	27.1	20.9
Other liabilities	1.0	0.7	1.4	1.5	2.4	2.2
Total Liabilities	8.7	7.4	20.8	15.7	29.5	23.1
Total Deferred Inflows of Resources	5.3	5.3	-	-	5.3	5.3
Net position:						
Net investment in capital assets	21.9	18.9	19.2	19.4	41.1	38.3
Restricted	0.4	2.2			0.4	2.2
Unrestricted	1.6	0.8	8.4	7.0	10.0	7.8
Total Net Position	\$ 23.9	\$ 21.9	\$ 27.6	\$ 26.4	\$ 51.5	\$ 48.3

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 an increase in unrestricted net position of \$2.2 million from the prior fiscal year. The City carries a liability for compensated absences. While this currently seems like a relatively small liability for most municipalities, at some point in the future funds should begin to be reserved for it.

## Statement of Activities

The City's total net position increased \$3.2 million during this fiscal year. Property and other taxes brought in \$15.1 million in revenues. Other revenues consisted of charges for services, operating grants and contributions, capital grants and contributions, interest and investment earnings, and miscellaneous revenues. Changes in net position for the years ending June 30, 2014 and 2013 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 2.8	\$ 2.7	\$ 1.8	\$ 1.6	\$ 4.6	\$ 4.3
Operating grants and contributions	14.8	15.1			14.8	15.1
Capital grants and contributions	1.8	1.3	1.9	1.3	3.7	2.6
General revenues:						
Property and other taxes	15.1	14.2			15.1	14.2
Licenses and permits	1.3	1.2			1.3	1.2
Intergovernmental	0.4	0.4			0.4	0.4
Interest and investment earnings	-	-			-	-
Miscellaneous	1.1	0.9	0.1	(0.1)	1.2	0.8
Total revenues	<u>37.3</u>	<u>35.8</u>	<u>3.8</u>	<u>2.8</u>	<u>41.1</u>	<u>38.6</u>
Expenses						
General government	2.8	2.2			2.8	2.2
Public safety	5.6	5.4			5.6	5.4
Airport/Aviation center	0.4	0.4			0.4	0.4
Highways and streets	2.5	2.8			2.5	2.8
Health and welfare	0.7	0.6			0.7	0.6
Sanitation	0.8	0.8			0.8	0.8
Culture and recreation	0.7	0.7			0.7	0.7
Economic development	0.3	0.6			0.3	0.6
Education	18.5	18.5			18.5	18.5
Food service	0.6	0.6			0.6	0.6
Debt service	0.8	0.9			0.8	0.9
Intergovernmental	1.6	1.7			1.6	1.7
Sewer	-	-	2.5	2.5	2.5	2.5
Nonmajor enterprise funds	-	-	0.1	0.1	0.1	0.1
Total expenses	<u>35.3</u>	<u>35.2</u>	<u>2.6</u>	<u>2.6</u>	<u>37.9</u>	<u>37.8</u>
Excess (Deficiency) before contributions to permanent fund principal and transfers	2.0	0.6	1.2	0.2	3.2	0.8
Contributions to permanent fund principal	-				-	-
Transfers		0.5		(0.5)	-	-
Change in net position	2.0	1.1	1.2	(0.3)	3.2	0.8
Net position, beginning of year	21.9	20.8	26.4	26.7	48.3	47.5
Net position, end of year	<u>\$ 23.9</u>	<u>\$ 21.9</u>	<u>\$ 27.6</u>	<u>\$ 26.4</u>	<u>\$ 51.5</u>	<u>\$ 48.3</u>

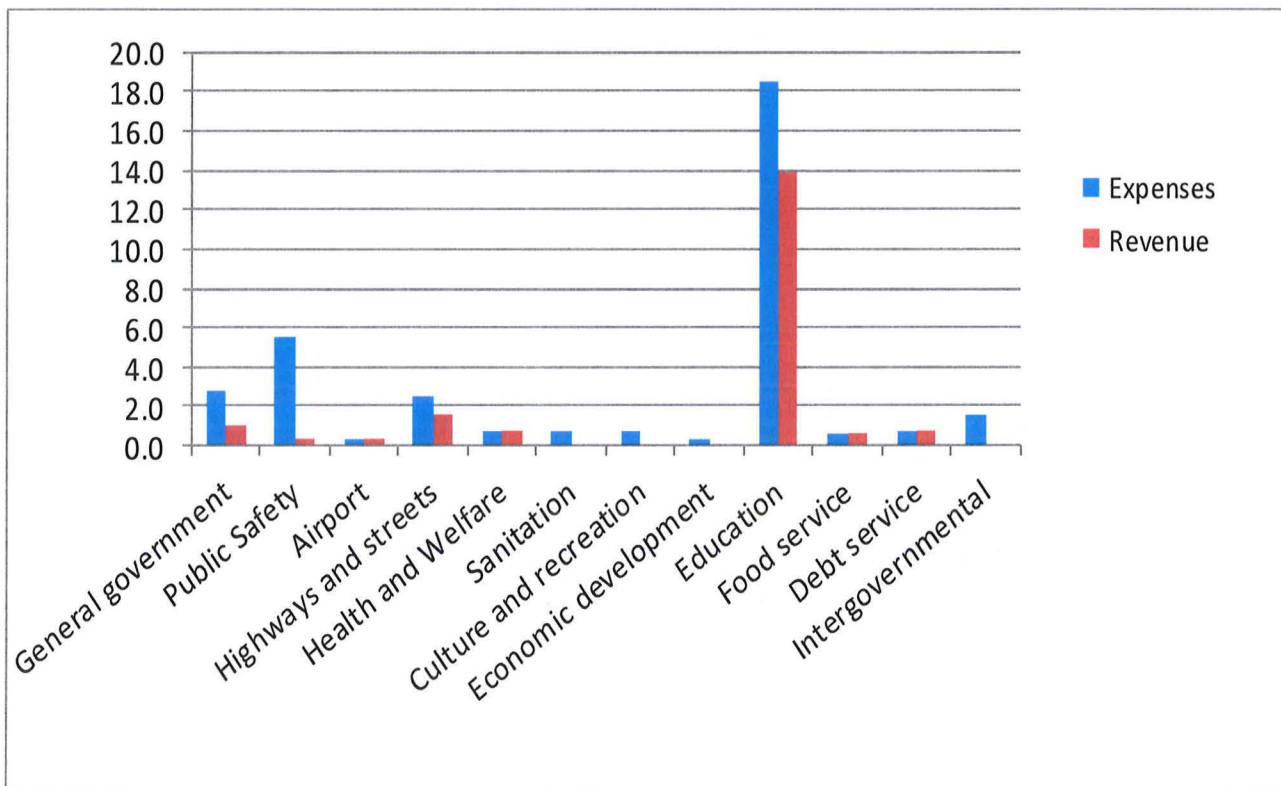
The City's expenses cover a range of services. The largest governmental expenses were for education (52%), public safety (16%), general government (8%), and highways and streets (7%), which accounted for roughly 83% of total governmental expenditures.

### Governmental Activities

Governmental activities revenue and contributions to permanent fund principal totaling \$37.3 million exceeded expenses of \$35.3 million in fiscal year 2014, thereby increasing the City's governmental net position by \$2.0 million.

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 the largest expenses for the City (Education, Public Safety, General Government and Highways and Streets) also represent the activities that have the largest gap between expenses and program revenues. Since program revenues do not offset these expenditures, the difference is made up from property taxes.

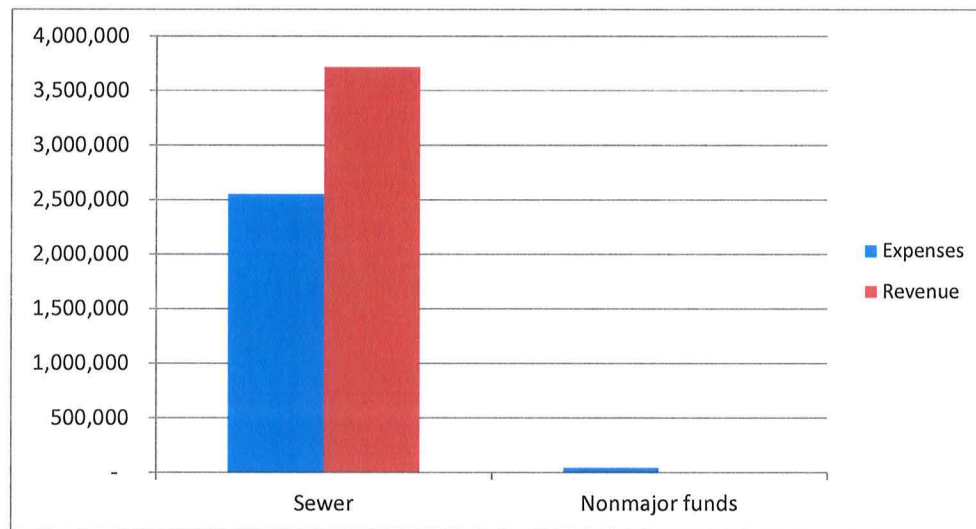
Expenses and Program Revenues – Governmental Activities  
Fiscal Year Ending June 30, 2014



### 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 inflow of capital from State-Aid Grants provided to offset Sewer Debt, Federal Grant Programs and State Revolving Loan Fund Program proceeds used toward the significant sewer improvements currently being undertaken.

Expenses and Program Revenues – Business Type Activities  
Fiscal Year Ending June 30, 2014

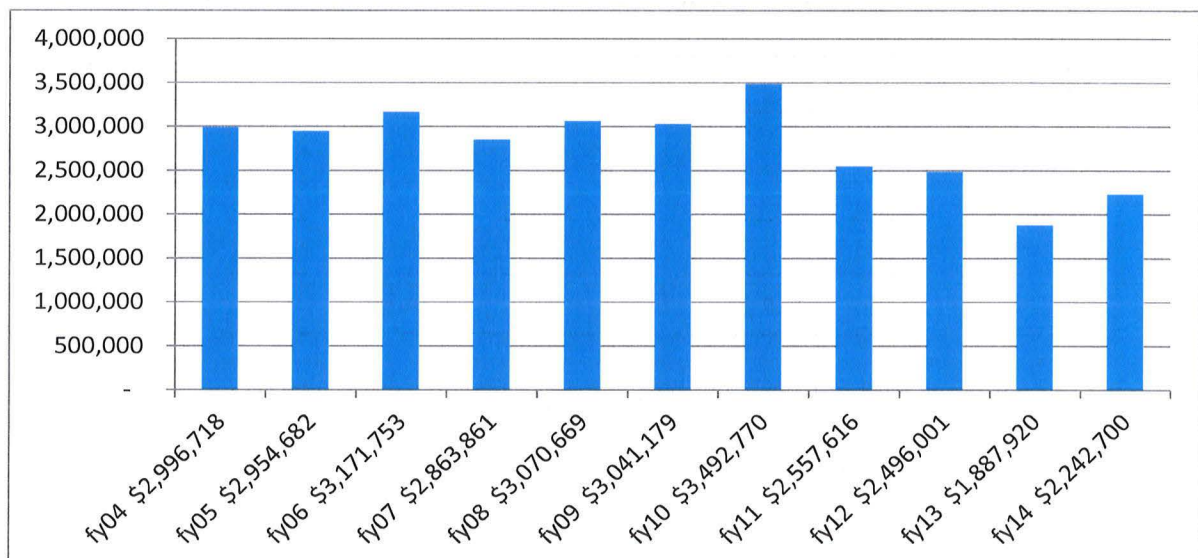


FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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 FY 2004 through FY 2014 are as follows:



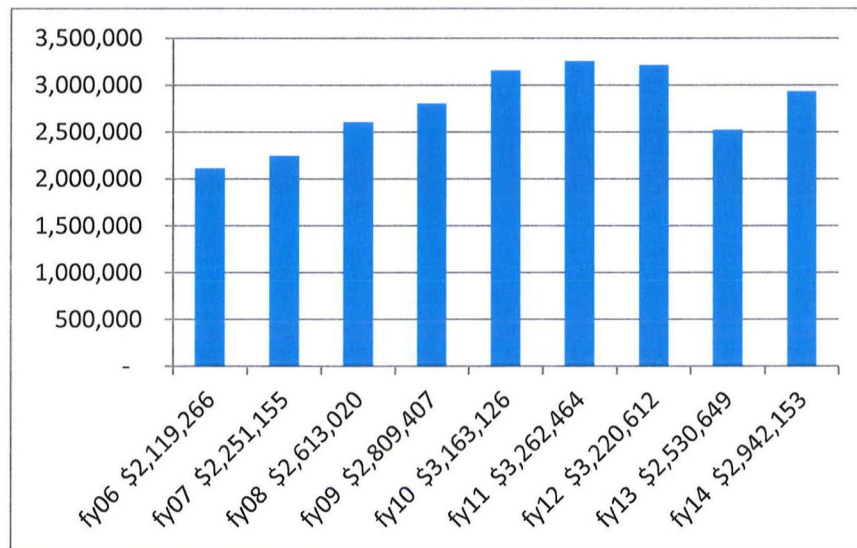


## General Fund

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 \$2,242,700, while total fund balance was \$4,096,782. 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 increased by \$354,780 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 nine 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 to increase its Unassigned Fund Balance has been generally successful, although the difficulty in doing so becomes greater every year. In FY14, the General Fund Unassigned Fund Balance has increased to \$2,942,153.

## Other Governmental Funds

The combined fund balances of the nonmajor governmental funds increased during the year by \$589,450 to a fiscal year end balance of \$2,670,466. The increase was primarily due to unspent bond proceeds in the Capital Projects Fund.

## 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 increased by \$1,207,513 from the prior year. The amount collected from sewer user fees was insufficient to offset operating expenses. This is primarily because depreciation does not show up in the City Sewer Fund budget as an expense when figuring sewer rates. The Sewer Fund itself had an increase of net position of \$1,184,576. The increase in net position is due to capital contributions of \$1.9 million during fiscal year 2014. The Nonmajor Proprietary Funds had a combined net position increase of \$22,937 in fiscal year 2014.

### 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) can be found in the Required Supplementary Information section on page 34.

Actual budgetary revenues were more than the budgeted estimated revenues by \$1,523,916. There was a favorable variance of \$168,816 in actual property taxes received from the amount budgeted. Miscellaneous revenues were significantly more than budgeted due to an unanticipated land sale, an insurance refund, and unanticipated payment received for the Berlin Station Agreement. Actual budgetary expenditures at fiscal year-end were \$26,226 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 \$94,015 less than budgeted. Public Safety spent \$244,588 less than budgeted and Sanitation spent \$74,642 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, 2014, amounted to \$107.8 million. Accumulated depreciation was \$45.2 million leaving a net book value of \$62.6 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 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 6 on pages 20-22 of the Notes to the Basic Financial Statements.

#### Other Post-Employment Benefits

With the implementation of GASB Statement 45, the City is required to account for other post-employment benefits (OPEB) on an accrual basis rather than a pay-as-you-go basis. The City provides healthcare benefits to its retirees, their spouses and dependents. It also provides life insurance benefits to its retirees. Although, the City is not required to fund this contribution, it is recognized as a liability in these financial statements. The net OPEB obligation as of June 30, 2014 is \$604,426. Additional information regarding the City's OPEB can be found in Note 8 on pages 23-25 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 \$8.8 million. This amount does not include bonded debt outstanding by the Berlin Water Works, its component unit, of \$7.5 million. The City is required to 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 reimburses the City for direct payments made on its behalf for annual principal and interest on such debt. Other long-term obligations of the City consist solely of borrowings on State Revolving Loan Funds totaling \$14.9 million at year end. The City issued general obligation bonds subsequent to year end to current refund a significant portion of these borrowings. Additional information regarding the City's long-term debt obligations can be found in Note 9 on pages 25-29 of the Notes to the Basic Financial Statements.

## ECONOMIC CONDITIONS

The Burgess BioPower biomass plant, completed in late 2013 is now in operation. The owners continue to work on maximizing output from the facility. The demand for whole tree chips created by the biomass plant consumption has caused an increase in chip prices. The increase in demand is expected to be met by a response by chip producers to increase supply capacity. This should result in secondary jobs created in the forest products industry.

The Gorham Paper Mill continues to operate and produce paper despite challenges posed by high fuel prices and the general competitive market for paper.

The Federal Corrections Institution has been coming on line over the past year. It is now near capacity with the inmate population. Staffing has come up to approximately 300 employees over this past year with approximately another 45 that remain to be hired. These added jobs to the local economy have added a significant amount of economic value to the area.

Jericho Wind Power began construction of its 5 tower wind farm in 2014. The 2.85 mega-watt towers are schedule to be installed in 2015. This project will add approximately 3 to 4 permanent jobs once constructed and further increase the City's utility tax base.

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. Over the past year BIDPA has worked with Presby Steel who is cited at the Berlin Industrial Park. The City has sold Presby additional land that is adjacent to their operations which will be used for improvements and expansion the company is making in its operations. To date, BIPPA has sold all of its active properties to the business owners in the Industrial Park. This strategy has left BIDPA with some significant cash reserves that it will now focus on additional business growth projects.

As evidenced by the most recent Department of Revenue housing sales study the City's overall housing stock and related values have not yet rebounded to an acceptable level. At the center of these depressed values are the City's multi-unit rental properties. The City has demolished approximately 260 units to date. There remains another approximately 240 units to be removed. The City is funding demolition work as best it can through General Fund appropriations and is

considering additional grant and borrowing for this high priority work. A bright spot in the DRA Housing market study is that there is a trend developing where single family homes assessed at \$100,000 or more are selling for market prices greater than their assessed value. This suggests that there is an increase in demand in this market segment that is likely attributable to the influx of Bureau of Prison employees.

Phase II of the Rte. 110 improvement project, is now largely constructed. The last segment will be constructed during the summer of 2015. The construction to date has had a dramatic effect on this transportation corridor. While improving general traffic and truck traffic flow through the City it also improves the adjacent quality of the neighborhoods by removing traffic. It also improves access to several businesses recreational opportunities.

The City previously zoned the extended portion of Route 110 as a recreation zone. The State of New Hampshire is continuing the development of 7,200 acres in this quadrant of the City for its multi-use trail, Jericho Mountain State Park. Included in this development is 300 acres Jericho Lake that the City donated to the State. The park is turning out to be a New England-wide, and beyond, attraction. The park has a campground with 20 primitive campsites, including 5 cabins, 6 tent sites and 9 RV sites, and offers only water and portable toilets this season. The campground connects to the 75 miles of OHRV trails at the park, as well as connecting with the 1,000 miles of trails in Coos County. The park also has a day-use area with a beach for swimming, pavilion and boat launch. This development is having a very significant impact on the City's image and economic base. In addition, the City developed a first of its kind in the State OHRV connection between this Park and the many trails in Success on the east side of the City. Subsequently, the City passed an ordinance which allows OHRV traffic on all City streets. The first season with this ordinance in place was very successful and the City has decided to continue this into the future. It is known that the OHRV friendly atmosphere has also led to the sale of some residential properties in the City as second homes. The City participates in the annual ATV/OHRV Festival. This past year the festival was the most attended yet and it now includes a downtown Berlin block party that is organized for OHRV'ers

Like the granite that surrounds it, Berlin has weathered everything that has been thrown at it. In spite of this, Berlin is in the process of redefining itself in a way that is leading to economic growth and opportunity. In addition to the long established hydroelectric industry, we now make electricity from biomass at the Burgess BioPower facility and will soon generate wind power. The ATV Park and the new Coos Coalition ATV trail effort bode well for significant recreation industry development. There has been significant interest from the private sector in developing another campground on Route 110 to service the ATV/OHRV population. While the City's economy has been stabilized by several larger employers including the Federal Prison, it is as encouraging to consider the City's successful foray into the tourism industry by way ATV/OHRV recreation.

### 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, 2014**

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 17,080,053		\$ 17,080,053	\$ 289,033
Investments	372,358		372,358	33,039
Taxes receivable, net	758,133		758,133	
Accounts receivable, net	78,920	\$ 388,332	467,252	197,179
Due from other governments	1,688,152	1,232,344	2,920,496	392,893
Internal balances	(7,103,303)	7,103,303	-	
Prepaid expenses	204,636	9,032	213,668	
Inventory	10,423	82,131	92,554	370,989
Tax deeded property	409,641		409,641	
Total Current Assets	<u>13,499,013</u>	<u>8,815,142</u>	<u>22,314,155</u>	<u>1,283,133</u>
Noncurrent Assets:				
Due from other governments		1,404,002	1,404,002	
Capital assets:				
Non-depreciable capital assets	9,794,072	17,875,349	27,669,421	4,239,763
Depreciable capital assets, net	<u>14,635,108</u>	<u>20,339,546</u>	<u>34,974,654</u>	<u>36,926,325</u>
Total Noncurrent Assets	<u>24,429,180</u>	<u>39,618,897</u>	<u>64,048,077</u>	<u>41,166,088</u>
Total Assets	<u>37,928,193</u>	<u>48,434,039</u>	<u>86,362,232</u>	<u>42,449,221</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	343,318	656,744	1,000,062	87,600
Accrued expenses	585,643	87,386	673,029	71,217
Retainage payable		573,371	573,371	
Advances from grantors	71,977		71,977	
Unearned revenue	11,100	37,236	48,336	
Current portion of bonds payable	371,617	151,615	523,232	1,232,875
Current portion of notes payable		38,978	38,978	4,216,725
Current portion of capital leases payable	81,160		81,160	63,428
Current portion of compensated absences payable	80,636		80,636	89,379
Current portion of estimated liability for landfill postclosure care costs	<u>11,300</u>	<u>12,450</u>	<u>23,750</u>	
Total Current Liabilities	<u>1,556,751</u>	<u>1,557,780</u>	<u>3,114,531</u>	<u>5,761,224</u>
Noncurrent Liabilities:				
Bonds payable	4,254,952	4,003,079	8,258,031	6,226,113
Other long-term obligations		14,852,859	14,852,859	
Capital leases payable	571,379		571,379	21,448
Compensated absences payable	1,655,926	111,617	1,767,543	111,229
Estimated liability for landfill postclosure care costs	135,600	249,000	384,600	
Other post-employment benefits payable	<u>587,329</u>	<u>17,097</u>	<u>604,426</u>	<u>34,692</u>
Total Noncurrent Liabilities	<u>7,205,186</u>	<u>19,233,652</u>	<u>26,438,838</u>	<u>6,393,482</u>
Total Liabilities	<u>8,761,937</u>	<u>20,791,432</u>	<u>29,553,369</u>	<u>12,154,706</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes collected in advance	<u>5,316,000</u>		<u>5,316,000</u>	
Total Deferred Inflows of Resources	<u>5,316,000</u>	<u>-</u>	<u>5,316,000</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	21,900,076	19,207,342	41,107,418	29,405,501
Restricted	401,887		401,887	
Unrestricted	<u>1,548,293</u>	<u>8,435,265</u>	<u>9,983,558</u>	<u>889,014</u>
Total Net Position	<u>\$ 23,850,256</u>	<u>\$ 27,642,607</u>	<u>\$ 51,492,863</u>	<u>\$ 30,294,515</u>

*See accompanying notes to the basic financial statements*

**EXHIBIT B**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

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	\$ 2,782,964	\$ 373,049	\$ 568,577		\$ (1,841,338)		\$ (1,841,338)	
Public safety	5,604,150	260,048	161,812		(5,182,290)		(5,182,290)	
Airport/Aviation center	414,031	148,198		\$ 240,480	(25,353)		(25,353)	
Highways and streets	2,533,772	19,049	196,726	1,437,480	(880,517)		(880,517)	
Health and welfare	711,716	142,932	535,769		(33,015)		(33,015)	
Sanitation	804,098				(804,098)		(804,098)	
Culture and recreation	674,311	37,573			(636,738)		(636,738)	
Economic development	270,750		110,770		(159,980)		(159,980)	
Education	18,481,386	1,623,765	12,139,498	165,970	(4,552,153)		(4,552,153)	
Food service	641,410	220,862	414,039		(6,509)		(6,509)	
Debt service	826,377		676,031		(150,346)		(150,346)	
Intergovernmental	<u>1,555,772</u>				<u>(1,555,772)</u>		<u>(1,555,772)</u>	
Total governmental activities	<u>35,300,737</u>	<u>2,825,476</u>	<u>14,803,222</u>	<u>1,843,930</u>	<u>(15,828,109)</u>	<u>\$ -</u>	<u>(15,828,109)</u>	
Business-type activities:								
Sewer	2,556,481	1,806,921		1,909,053		1,159,493	1,159,493	
Nonmajor enterprise funds	<u>48,779</u>					<u>(48,779)</u>	<u>(48,779)</u>	
Total business-type activities	<u>2,605,260</u>	<u>1,806,921</u>	<u>-</u>	<u>1,909,053</u>	<u>-</u>	<u>1,110,714</u>	<u>1,110,714</u>	
Total primary government	<u>\$ 37,905,997</u>	<u>\$ 4,632,397</u>	<u>\$ 14,803,222</u>	<u>\$ 3,752,983</u>	<u>(15,828,109)</u>	<u>1,110,714</u>	<u>(14,717,395)</u>	
Component unit:								
Water	<u>\$ 3,088,262</u>	<u>\$ 2,259,014</u>		<u>\$ 1,158,173</u>				<u>\$ 328,925</u>
Total component unit	<u>\$ 3,088,262</u>	<u>\$ 2,259,014</u>	<u>\$ -</u>	<u>\$ 1,158,173</u>				<u>328,925</u>
General revenues:								
Property and other taxes					15,073,458		15,073,458	
Licenses and permits					1,252,401		1,252,401	
Grants and contributions:								
Rooms and meals tax distribution					435,602		435,602	
Interest and investment earnings					12,869	3,396	16,265	135
Miscellaneous					1,056,238	96,246	1,152,484	57,862
Contributions to permanent fund principal					350		350	
Loss on disposal of capital assets						(2,843)	(2,843)	
Total general revenues, contributions to permanent fund principal and loss on disposal of capital assets								
					<u>17,830,918</u>	<u>96,799</u>	<u>17,927,717</u>	<u>57,997</u>
Change in net position					2,002,809	1,207,513	3,210,322	386,922
Net position - beginning					<u>21,847,447</u>	<u>26,435,094</u>	<u>48,282,541</u>	<u>29,907,593</u>
Net position - ending					<u>\$ 23,850,256</u>	<u>\$ 27,642,607</u>	<u>\$ 51,492,863</u>	<u>\$ 30,294,515</u>

See accompanying notes to the basic financial statements

**EXHIBIT C**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,070,655	\$ 9,398	\$ 17,080,053
Investments	2,274	370,084	372,358
Taxes receivable, net	758,133		758,133
Accounts receivable	75,680	2,740	78,420
Due from other governments	797,055	891,097	1,688,152
Due from other funds	991,630	2,425,539	3,417,169
Prepaid expenses	370,222	44,927	415,149
Inventory		10,423	10,423
Tax deduced property	409,641		409,641
Total Assets	<u>20,475,290</u>	<u>3,754,208</u>	<u>24,229,498</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,475,290</u>	<u>\$ 3,754,208</u>	<u>\$ 24,229,498</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 335,682	\$ 7,636	\$ 343,318
Accrued expenses	490,580	9,850	500,430
Advances from grantors		71,977	71,977
Unearned revenue	7,951	3,149	11,100
Due to other funds	9,528,842	991,130	10,519,972
Total Liabilities	<u>10,363,055</u>	<u>1,083,742</u>	<u>11,446,797</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes collected in advance	5,316,000		5,316,000
Unearned property tax revenue	699,453		699,453
Total Deferred Inflows of Resources	<u>6,015,453</u>	<u>-</u>	<u>6,015,453</u>
<b>FUND BALANCES</b>			
Nonspendable	779,863	205,703	985,566
Restricted		2,653,760	2,653,760
Committed		23,251	23,251
Assigned	1,074,219		1,074,219
Unassigned (Deficit)	2,242,700	(212,248)	2,030,452
Total Fund Balances	<u>4,096,782</u>	<u>2,670,466</u>	<u>6,767,248</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,475,290</u>	<u>\$ 3,754,208</u>	
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			24,429,180
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis			699,453
Prepaid expenses for debt service requirements reduce long-term liabilities on the accrual basis in the statement of net position, not the modified accrual basis in the funds			(210,513)
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			(4,626,569)
Capital leases payable			(652,539)
Accrued interest on long-term obligations			(85,213)
Compensated absences payable			(1,736,562)
Estimated liability for landfill postclosure care costs			(146,900)
Other post-employment benefits payable			(587,329)
Net Position of Governmental Activities			<u>\$ 23,850,256</u>

See accompanying notes to the basic financial statements

**EXHIBIT D**
**CITY OF BERLIN, NEW HAMPSHIRE**
**Statement of Revenues, Expenditures and Changes in Fund Balances**
**Governmental Funds**
**For the Year Ended June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 15,016,734		\$ 15,016,734
Licenses and permits	1,252,401		1,252,401
Intergovernmental	12,860,709	\$ 2,784,565	15,645,274
Charges for services	2,403,661	401,268	2,804,929
Interest income	9,690	3,179	12,869
Miscellaneous	972,472	104,663	1,077,135
Total Revenues	<u>32,515,667</u>	<u>3,293,675</u>	<u>35,809,342</u>
Expenditures:			
Current operations:			
General government	2,137,577	568,577	2,706,154
Public safety	5,234,200	159,105	5,393,305
Airport/Aviation center		204,890	204,890
Highways and streets	2,093,472	500	2,093,972
Health and welfare	702,723	3,571	706,294
Sanitation	792,202		792,202
Culture and recreation	573,291	31,369	604,660
Economic development		166,698	166,698
Education	17,015,452	1,318,655	18,334,107
Food service		637,292	637,292
Capital outlay	624,275	639,320	1,263,595
Debt service:			
Principal retirement	661,703	3,484,793	4,146,496
Interest and fiscal charges	187,240	5,285	192,525
Intergovernmental	1,555,772		1,555,772
Total Expenditures	<u>31,577,907</u>	<u>7,220,055</u>	<u>38,797,962</u>
Excess of revenues over (under) expenditures	<u>937,760</u>	<u>(3,926,380)</u>	<u>(2,988,620)</u>
Other Financing Sources (Uses):			
Proceeds from bond issuance		3,971,500	3,971,500
Bond premium		528,500	528,500
Proceeds from capital lease obligations	79,978		79,978
Transfers in	4,711	20,541	25,252
Transfers out	(20,541)	(4,711)	(25,252)
Total Other Financing Sources (Uses)	<u>64,148</u>	<u>4,515,830</u>	<u>4,579,978</u>
Net change in fund balances	1,001,908	589,450	1,591,358
Fund balances at beginning of year	<u>3,094,874</u>	<u>2,081,016</u>	<u>5,175,890</u>
Fund balances at end of year	<u>\$ 4,096,782</u>	<u>\$ 2,670,466</u>	<u>\$ 6,767,248</u>

**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, 2014**

Change in Fund Balances - Total Governmental Funds	\$ 1,591,358
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.	4,670
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,494,204
Repayment of bond and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,541,496
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	226,244
Proceeds from bond issuance are other financing sources in the funds, but bond issuance increases long-term liabilities in the statement of net position.	(4,500,000)
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.	43,540
Proceeds from capital lease obligations are other financing sources in the funds, but capital lease obligations increase long-term liabilities in the statement of net position.	(79,978)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(72,392)
Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits 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.	(246,333)
Change in Net Position of Governmental Activities	<u>\$ 2,002,809</u>

*See accompanying notes to the basic financial statements*

**EXHIBIT E**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
<b>ASSETS</b>			
Current Assets:			
Accounts receivable	\$ 387,725	\$ 607	\$ 388,332
Due from other governments	1,131,366	100,978	1,232,344
Due from other funds	6,312,103	791,200	7,103,303
Prepaid expenses	9,032		9,032
Inventory	82,131		82,131
Total Current Assets	<u>7,922,357</u>	<u>892,785</u>	<u>8,815,142</u>
Noncurrent Assets:			
Due from other governments	1,404,002		1,404,002
Capital assets:			
Non-depreciable capital assets	17,838,111	37,238	17,875,349
Depreciable capital assets, net	20,287,095	52,451	20,339,546
Total Noncurrent Assets	<u>39,529,208</u>	<u>89,689</u>	<u>39,618,897</u>
Total Assets	<u>47,451,565</u>	<u>982,474</u>	<u>48,434,039</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	654,074	2,670	656,744
Accrued expenses	87,386		87,386
Retainage payable	573,371		573,371
Unearned revenue		37,236	37,236
Current portion of bonds payable	151,615		151,615
Current portion of note payable		38,978	38,978
Current portion of estimated liability for landfill postclosure care costs		12,450	12,450
Total Current Liabilities	<u>1,466,446</u>	<u>91,334</u>	<u>1,557,780</u>
Noncurrent Liabilities:			
Bonds payable	4,003,079		4,003,079
Other long-term obligations	14,852,859		14,852,859
Compensated absences payable	111,617		111,617
Estimated liability for landfill postclosure care costs		249,000	249,000
Other post-employment benefits payable	17,097		17,097
Total Noncurrent Liabilities	<u>18,984,652</u>	<u>249,000</u>	<u>19,233,652</u>
Total Liabilities	<u>20,451,098</u>	<u>340,334</u>	<u>20,791,432</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,117,653	89,689	19,207,342
Unrestricted	7,882,814	552,451	8,435,265
Total Net Position	<u>\$ 27,000,467</u>	<u>\$ 642,140</u>	<u>\$ 27,642,607</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, 2014**

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Operating revenues:			
Charges for services	\$ 1,806,921		\$ 1,806,921
Miscellaneous	24,770	\$ 71,476	96,246
Total Operating Revenues	<u>1,831,691</u>	<u>71,476</u>	<u>1,903,167</u>
Operating expenses:			
Personnel services	794,028		794,028
Contractual services	6,009	167	6,176
Repairs and maintenance	20,584	18,381	38,965
Administrative	100,426	2,855	103,281
Materials and supplies	236,958		236,958
Utilities	214,339	3,259	217,598
Depreciation	<u>1,004,608</u>	<u>24,117</u>	<u>1,028,725</u>
Total Operating Expenses	<u>2,376,952</u>	<u>48,779</u>	<u>2,425,731</u>
Operating income (loss)	<u>(545,261)</u>	<u>22,697</u>	<u>(522,564)</u>
Non-operating revenues (expenses):			
Loss on disposal of capital assets	(2,843)		(2,843)
Interest revenue	3,156	240	3,396
Interest expense	<u>(179,529)</u>		<u>(179,529)</u>
Net non-operating revenues (expenses)	<u>(179,216)</u>	<u>240</u>	<u>(178,976)</u>
Income (Loss) before capital contributions	(724,477)	22,937	(701,540)
Capital contributions	<u>1,909,053</u>		<u>1,909,053</u>
Change in net position	1,184,576	22,937	1,207,513
Total net position at beginning of year	<u>25,815,891</u>	<u>619,203</u>	<u>26,435,094</u>
Total net position at end of year	<u>\$ 27,000,467</u>	<u>\$ 642,140</u>	<u>\$ 27,642,607</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, 2014**

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,728,979	\$ 69,981	\$ 1,798,960
Cash paid to suppliers	(795,176)	(30,746)	(825,922)
Cash paid to employees	(568,352)		(568,352)
Other operating cash receipts		11,803	11,803
Net cash provided by operating activities	<u>365,451</u>	<u>51,038</u>	<u>416,489</u>
Cash flows from capital and related financing activities:			
Proceeds from other long-term obligations	6,064,586		6,064,586
Principal paid on bonds payable	(145,369)		(145,369)
Principal paid on note payable		(86,178)	(86,178)
Interest paid on long-term debt	(181,331)		(181,331)
Capital contributions	1,763,511		1,763,511
Proceeds from deposits on land sales agreements		37,000	37,000
Purchases of capital assets	(6,760,819)		(6,760,819)
Net cash provided (used) for capital and related financing activities	<u>740,578</u>	<u>(49,178)</u>	<u>691,400</u>
Cash flows from investing activities:			
Interest on investments	3,156	240	3,396
Net cash provided by investing activities	<u>3,156</u>	<u>240</u>	<u>3,396</u>
Net increase in cash and cash equivalents	1,109,185	2,100	1,111,285
Cash and cash equivalents at beginning of year	<u>5,202,918</u>	<u>789,100</u>	<u>5,992,018</u>
Cash and cash equivalents at end of year	<u>\$ 6,312,103</u>	<u>\$ 791,200</u>	<u>\$ 7,103,303</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (545,261)	\$ 22,697	\$ (522,564)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,004,608	24,117	1,028,725
Changes in assets and liabilities:			
Accounts receivable	(102,712)	2,211	(100,501)
Due from other governments		15,632	15,632
Prepaid expenses	(7,177)		(7,177)
Inventory	(9,672)		(9,672)
Accounts payable	20,415	(1,169)	19,246
Accrued expenses	3,579		3,579
Compensated absences payable	(5,047)		(5,047)
Other post-employment benefits payable	6,718		6,718
Estimated liability for landfill postclosure care costs		(12,450)	(12,450)
Net cash provided by operating activities	<u>\$ 365,451</u>	<u>\$ 51,038</u>	<u>\$ 416,489</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	\$ 1,187,084		\$ 1,187,084
Net book value of disposed capital assets	2,843		2,843
	<u>\$ 1,189,927</u>	<u>\$ -</u>	<u>\$ 1,189,927</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, 2014**

	Private- Purpose <u>Trusts</u>	Agency <u>Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 879	\$ 240,158
Investments	113,415	
Total Assets	<u>114,294</u>	<u>\$ 240,158</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total Deferred Outflows of Resources	<u>-</u>	
<b>LIABILITIES</b>		
Due to other funds	500	
Due to student groups		\$ 240,158
Total Liabilities	<u>500</u>	<u>\$ 240,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total Deferred Inflows of Resources	<u>-</u>	
<b>NET POSITION</b>		
Held in trust	<u>113,794</u>	
Total Net Position	<u>\$ 113,794</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, 2014**

	Private- Purpose <u>Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 70
Total Contributions	<u>70</u>
Investment earnings:	
Investment income	<u>603</u>
Total Investment Earnings	<u>603</u>
Total Additions	<u>673</u>
DEDUCTIONS:	
Benefits	<u>5,042</u>
Total Deductions	<u>5,042</u>
Change in Net Position	(4,369)
Net Position - beginning of year	<u>118,163</u>
Net Position - end of year	<u>\$ 113,794</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, 2014**

**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 columns in the government-wide financial statements include 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 is issued by the City on behalf of the Berlin Water Works. 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, 2014**

**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, 2014**

**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 fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The City's agency fund accounts for the Student Activities Fund of the City's schools.

***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, 2014**

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, the recording of unearned property tax 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 2). 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.

**2. Unearned Revenue:**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as unearned revenue.

**3. 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, 2014**

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, 2014, the City applied \$615,000 of its unappropriated 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	\$ 6,312,103
Nonmajor Enterprise Funds	<u>791,200</u>
Total cash and cash equivalents	<u>\$ 7,103,303</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, 2014 are recorded as receivables net of reserves for estimated uncollectible taxes of \$478,237.

***Prepaid Expenses***

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items. Prepaid expenses reported on the modified accrual basis of accounting in the General Fund at June 30, 2014 in the amount of \$210,513, represent a prepayment on capital lease obligations.



**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

***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, 2014, 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 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.

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 fair values 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. Interest incurred during the construction phase of capital assets of business-type activities is also capitalized.

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:

	<u>Description</u>	<u>Years</u>
Infrastructure		15-50
Land improvements		10-30
Buildings and improvements		5-60
Vehicles and equipment		3-30

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

***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. The balance of the unamortized bond premium included in bonds payable of the governmental activities as of June 30, 2014 is \$484,960.

***Compensated Absences***

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.

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

***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***

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

- *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 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.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

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.

***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. Significant estimates include depreciation expense, the allowances for uncollectible taxes and notes receivable, the liability for other post-employment benefits and the liabilities for landfill postclosure care costs.

**NOTE 2—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$445,996,392 as of April 1, 2013) and are due in two installments on July 2, 2013 and December 27, 2013. Taxes paid after the due dates accrue interest at 12% 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 18% 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, 2014 were \$1,555,772. The City bears responsibility for uncollected taxes.

**NOTE 3—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Deficit Fund Balance***

At June 30, 2014, the Airport Authority Fund, a Nonmajor Governmental Fund, had a deficit 'Unassigned' fund balance of (\$212,248) and total deficit fund balance of (\$167,321).

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

**NOTE 4—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, 2014, 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, 2014.

***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 \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. 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.

**NOTE 5—DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 17,080,053
Investments	372,358
Statement of fiduciary net position:	
Cash and cash equivalents	241,037
Investments	113,415
Total deposits and investments	<u>\$ 17,806,863</u>

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

Deposits and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 3,260
Deposits with financial institutions	17,800,901
Investments	<u>2,702</u>
Total deposits and investments	<u>\$ 17,806,863</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.

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.

***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, \$19,245,357 was collateralized by securities held by the bank in the bank's name and \$5,744 was uninsured and uncollateralized.

***Investment in NHPDIP***

The City is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). 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.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. 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.

**NOTE 6—CAPITAL ASSETS**

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 711,156			\$ 711,156
Construction in progress	6,873,095	\$ 2,209,821		9,082,916
Total capital assets not being depreciated	<u>7,584,251</u>	<u>2,209,821</u>	<u>\$ -</u>	<u>9,794,072</u>
Other capital assets:				
Infrastructure	8,785,651			8,785,651
Land improvements	5,270,699	14,790		5,285,489
Buildings and improvements	11,376,333	31,052		11,407,385
Vehicles and equipment	8,745,886	290,130	(30,161)	9,005,855
Total other capital assets at historical cost	<u>34,178,569</u>	<u>335,972</u>	<u>(30,161)</u>	<u>34,484,380</u>
Less accumulated depreciation for:				
Infrastructure	(4,933,436)	(269,909)		(5,203,345)
Land improvements	(2,950,072)	(183,977)		(3,134,049)
Buildings and improvements	(5,127,916)	(209,643)		(5,337,559)
Vehicles and equipment	(5,764,366)	(440,114)	30,161	(6,174,319)
Total accumulated depreciation	<u>(18,775,790)</u>	<u>(1,103,643)</u>	<u>30,161</u>	<u>(19,849,272)</u>
Total other capital assets, net	<u>15,402,779</u>	<u>(767,671)</u>	<u>-</u>	<u>14,635,108</u>
Total capital assets, net	<u>\$ 22,987,030</u>	<u>\$ 1,442,150</u>	<u>\$ -</u>	<u>\$ 24,429,180</u>

The balance of capital assets acquired through capital leases as of June 30, 2014 is as follows:

Buildings and improvements	\$ 1,652,511
Vehicles and equipment	123,846
Less: Accumulated depreciation	<u>(240,382)</u>
	<u>\$ 1,535,975</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 19,885
Public safety	152,159
Airport/Aviation center	208,624
Highways and streets	371,789
Sanitation	15,961
Culture and recreation	60,903
Education	270,204
Food service	<u>4,118</u>
Total governmental activities depreciation expense	<u>\$ 1,103,643</u>

During the year ended June 30, 2014, the State of New Hampshire's Department of Transportation administered a road reconstruction project on a City highway. The City will be responsible for 20% of the project's total cost, with the remaining 80% funded by the State of New Hampshire through a federal grant. On the Statement of Net Position and the Statement of Activities, \$1,437,480 has been included as an addition to capital assets and a capital contribution, respectively.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

The following is a summary of changes in capital assets in the proprietary funds:

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 95,187			\$ 95,187
Construction in progress	11,106,309	\$ 6,673,853		17,780,162
Total capital assets not being depreciated	11,201,496	6,673,853	\$ -	17,875,349
Other capital assets:				
Infrastructure	21,157,022	11,308		21,168,330
Buildings and improvements	23,810,168			23,810,168
Vehicles and equipment	859,933		(129,817)	730,116
Total other capital assets at historical cost	45,827,123	11,308	(129,817)	45,708,614
Less accumulated depreciation for:				
Infrastructure	(7,182,985)	(531,095)		(7,714,080)
Buildings and improvements	(16,485,952)	(486,573)		(16,972,525)
Vehicles and equipment	(798,380)	(11,057)	126,974	(682,463)
Total accumulated depreciation	(24,467,317)	(1,028,725)	126,974	(25,369,068)
Total other capital assets, net	21,359,806	(1,017,417)	(2,843)	20,339,546
Total capital assets, net	\$ 32,561,302	\$ 5,656,436	\$ (2,843)	\$ 38,214,895

Depreciation expense was charged to proprietary funds as follows:

Sewer Fund	\$ 1,004,608
Nonmajor Enterprise Funds:	
Industrial Development and Park Authority Fund	24,117
Total business-type activities depreciation expense	\$ 1,028,725

**NOTE 7—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The City contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. 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.

***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 25.30%, 27.74%, 14.16% and 10.77%, respectively. The City contributes 100% of the employer cost for police officers, fire employees, teachers, and general employees of the City.



**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

Under State law (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 years ending June 30, 2014, 2013, and 2012 were \$2,213,433, \$1,738,558, and \$1,736,938, respectively, equal to the required contributions for each year.

**NOTE 8—OTHER POST-EMPLOYMENT BENEFITS**

In addition to providing pension benefits, the City provides healthcare and life insurance benefits to its eligible retirees and their spouses and dependents. 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. 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. As of July 1, 2012, the most recent actuarial valuation date, approximately 42 retirees, 16 spouses and 279 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

***Annual OPEB Costs***

The City's fiscal year ending June 30, 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC equals the Normal Cost plus a provision for amortizing the unfunded actuarial accrued liability. The City assumed increasing dollar amortization over the maximum acceptable amortization period of thirty years. The City's annual OPEB cost for the year ending June 30, 2014, including the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2012, is as follows:

Annual Required Contribution (ARC)	\$ 501,802
Interest on net OPEB obligation	15,535
Amortization of net OPEB obligation	(12,945)
Annual OPEB cost	504,392
Contributions made	(288,310)
Increase in net OPEB obligation	216,082
Net OPEB obligation - beginning of year	388,344
Net OPEB obligation - end of year	<u>\$ 604,426</u>

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2014, 2013 and 2012 are as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2014	\$ 504,392	57.2%	\$ 604,426
6/30/2013	\$ 484,457	59.0%	\$ 388,344
6/30/2012	\$ 417,206	97.3%	\$ 196,864

The City's total net OPEB obligation as of June 30, 2014 is recognized as a liability in these financial statements.

***Funded Status and Funding Progress for OPEB***

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 5,702,638
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,702,638</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 13,739,039
UAAL as a percentage of covered payroll	42%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Actuarial Methods and Assumptions for OPEB***

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the July 1, 2012 actuarial valuation the Projected Unit Credit cost method was applied. The actuarial value of assets was not determined as the City has not advance funded its obligation. The City employs the Pay-as-you-go basis to fund the plan. The actuarial assumptions included a 4.0% investment rate of return (discount rate) and an initial annual healthcare cost trend rate of 9.0% which decreases to a 5.0% long-term rate for all medical benefits after four years. The amortization costs for the initial Unfunded

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

Actuarial Accrued Liability (UAAL) is an increasing dollar amortization for a period of thirty years on an open amortization period for pay-as-you-go. This has been calculated assuming the amortization payment increases at a rate of 4.0% per year.

**NOTE 9—LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations***

The changes in the City's long-term obligations for the year ended June 30, 2014 are as follows:

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Governmental activities:					
Bonds payable	\$ 226,812	\$ 3,971,500	\$ (56,703)	\$ 4,141,609	\$ 298,203
Unamortized bond premium	-	528,500	(43,540)	484,960	73,414
Total Bonds payable	226,812	4,500,000	(100,243)	4,626,569	371,617
Notes payable	3,484,793		(3,484,793)	-	
Capital leases payable	798,805	79,978	(226,244)	652,539	81,160
Compensated absences payable	1,688,293	133,911	(85,642)	1,736,562	80,636
Total governmental activities	<u>\$ 6,198,703</u>	<u>\$ 4,713,889</u>	<u>\$(3,896,922)</u>	<u>\$ 7,015,670</u>	<u>\$ 533,413</u>

Payments on the general obligation bonds and capital leases 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 will be paid from the governmental fund where the employee's salary is paid.

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Business-type activities:					
Bonds payable	\$ 4,300,063		\$ (145,369)	\$ 4,154,694	\$ 151,615
Note payable	125,156		(86,178)	38,978	38,978
Other long-term obligations	9,464,529	\$ 5,388,330		14,852,859	-
Compensated absences payable	116,664	6,672	(11,719)	111,617	-
Total business-type activities	<u>\$ 14,006,412</u>	<u>\$ 5,395,002</u>	<u>\$ (243,266)</u>	<u>\$ 19,158,148</u>	<u>\$ 190,593</u>

Payments on the general obligation bonds and note payable of the business-type activities are paid out of the Sewer Fund and Industrial Development and Park Authority Fund, respectively. The compensated absences are solely attributable to and will be paid from the Sewer Fund.

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Component unit:					
Bonds payable	\$ 8,773,526		\$(1,314,538)	\$ 7,458,988	\$ 1,232,875
Total component unit	<u>\$ 8,773,526</u>	<u>\$ -</u>	<u>\$(1,314,538)</u>	<u>\$ 7,458,988</u>	<u>\$ 1,232,875</u>

Payments on the general obligation bonds of the component unit are paid by the Berlin Water Works.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

***General Obligation Bonds***

Governmental Activities:

Bonds payable at June 30, 2014 are comprised of the following individual issues:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2014</u>
1997 Landfill Closure Bonds	\$ 1,134,062	4.48%	November 2016	\$ 170,109
2013 Series C Bonds	3,971,500	4.1-5.6%	August 2025	3,971,500
	<u>\$ 5,105,562</u>			4,141,609
			Add: <i>Unamortized bond premium</i>	484,960
			Total Bonds Payable	<u>\$ 4,626,569</u>

Debt service requirements to retire outstanding general obligation bonds for governmental activities at June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 298,203	\$ 203,534	\$ 501,737
2016	311,703	188,333	500,036
2017	326,703	171,730	498,433
2018	285,000	153,650	438,650
2019	300,000	137,270	437,270
2020-2024	1,780,000	420,040	2,200,040
2025-2026	840,000	34,850	874,850
Sub-total Bonds Payable	\$ 4,141,609	1,309,407	5,451,016
Add: <i>Unamortized Bond Premium</i>	484,960	-	484,960
Total Bonds Payable	<u>\$ 4,626,569</u>	<u>\$ 1,309,407</u>	<u>\$ 5,935,976</u>

The State of New Hampshire annually reimburses the City for its share of landfill related debt service payments. For the year ended June 30, 2014, the landfill closure debt reimbursement was recorded in the General Fund in the amount of \$10,144.

As included on the Statement of Activities (Exhibit B) as 'Debt service' expense, interest expense for the year ended June 30, 2014 was \$161,648 on general obligation debt of the governmental activities.

Business-type Activities:

Bonds payable at June 30, 2014 is comprised of the following individual issue:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2014</u>
2007 Rural Utilities Bond	<u>\$ 5,000,000</u>	4.25%	September 2032	<u>\$ 4,154,694</u>

Debt service requirements to retire outstanding general obligation bonds for business-type activities at June 30, 2014 are as follows:

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

Year Ending June 30,	Principal	Interest	Totals
2015	\$ 151,615	\$ 175,085	\$ 326,700
2016	158,129	168,571	326,700
2017	164,923	161,777	326,700
2018	172,009	154,691	326,700
2019	179,400	147,300	326,700
2020-2024	1,019,462	614,038	1,633,500
2025-2029	1,258,121	375,379	1,633,500
2030-2033	1,051,035	91,340	1,142,375
	<u>\$ 4,154,694</u>	<u>\$ 1,888,181</u>	<u>\$ 6,042,875</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, 2014, the sewer related debt reimbursement was \$50,546.

As included on the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds (Exhibit F), interest expense for the year ended June 30, 2014 was \$179,529 on general obligation debt of the business-type activities.

Component Unit:

Under state law, the City is required to issue 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. The Commissioners of the Berlin Water Works have agreed to reimburse the City for all direct payments made on its behalf for annual principal and interest on such debt. For the year ended June 30, 2014, the total reimbursement from Berlin Water Works was \$665,887, which consists of \$605,000 in principal and \$60,887 in interest.

Bonds payable for the Berlin Water Works at June 30, 2014 are comprised of the following individual issues:

Description	Interest Rate	Maturity Date	Balance at June 30, 2014
Water Bond	6.13%	August 2014	\$ 150,000
Water Bond	5.50%	August 2015	610,000
State Revolving Loan	0.00%	November 2017	595,338
State Revolving Loan	0.00%	December 2017	460,645
State Revolving Loan	0.00%	December 2017	270,035
State Revolving Loan	0.00%	December 2018	689,475
State Revolving Loan	1.73%	May 2021	1,012,099
State Revolving Loan	0.04%	September 2024	1,034,248
Rural Utilities Service - Godfrey Dam	2.25%	December 2040	216,985
State Revolving Loan	1.10%	October 2031	1,444,295
Rural Utilities Service - Water Facility	2.25%	October 2041	975,868
			<u>\$ 7,458,988</u>

Debt service requirements to retire outstanding general obligation bonds for the component unit at June 30, 2014 are as follows:

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

Year Ending June 30,	Principal	Interest	Totals
2015	\$ 1,232,875	\$ 76,707	\$ 1,309,582
2016	1,098,909	42,756	1,141,665
2017	803,425	34,439	837,864
2018	813,082	33,244	846,326
2019	484,305	32,019	516,324
2020-2024	1,350,050	140,656	1,490,706
2025-2029	744,161	105,277	849,438
2030-2034	519,726	66,098	585,824
2035-2039	255,679	35,151	290,830
2040-2043	156,776	6,867	163,643
	<u>\$ 7,458,988</u>	<u>\$ 573,214</u>	<u>\$ 8,032,202</u>

Interest expense for the year ended June 30, 2014 was \$191,199 for the Berlin Water Works.

***Note Payable***

Business-type Activities:

Note payable for business-type activities at June 30, 2014 is comprised of the following individual issue:

\$625,000 Note payable to Business Finance Authority, secured  
by real estate, due in monthly installments of \$6,629 through  
December 2014; interest at 0% \$ 38,978

Debt service requirements to retire the outstanding note payable for business-type activities at June 30, 2014 are as follows:

Year Ending June 30,	Principal
2015	<u>\$ 38,978</u>

***Capital Lease Obligations***

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 are the individual capital lease obligations of the governmental activities at June 30, 2014:

School Equipment, due in annual installments of \$210,513, including interest at 4.295%, through July 2016	\$ 394,892
School Equipment, due in annual installments of \$47,901, including interest at 3.090%, through August 2017	177,669
Police Equipment, due in annual installments of \$43,868, including interest at 6.40%, through December 2015	<u>79,978</u>
	<u>\$ 652,539</u>

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

Debt service requirements to retire outstanding capital lease obligations for governmental activities at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	\$ 81,160	\$ 10,609	\$ 91,769
2016	278,164	24,117	302,281
2017	246,750	11,663	258,413
2018	46,465	1,436	47,901
	<u>\$ 652,539</u>	<u>\$ 47,825</u>	<u>\$ 700,364</u>

***Other Long-Term Obligations***

The City has drawn \$14,852,859 of approximately \$17,200,000 in funds under the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for an improvement project for the Wastewater Treatment Facility Upgrade, Phase 2. Payments 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 construction project within the following year. Total funding to date of \$14,852,859 has been reported as 'Other long-term obligations' in the business-type activities.

As authorized by the Water Pollution Control Revolving Fund Program, the City shall be provided federal financial assistance for the Wastewater Treatment Facility Upgrade, Phase 2 Project, whereby a portion of the principal sum, not to exceed \$2,000,000 or 30% of aggregate disbursements, whichever is less, will be forgiven. The principal forgiveness will be applied at the time of the initial loan repayment.

***Authorized and Unissued Debt***

The following debt was authorized and unissued as of June 30, 2014:

Sewer Wastewater Treatment Facility Phase II	\$ 2,347,141
Industrial Development Revenue Bonds - Greenova Project	<u>10,000,000</u>
	<u>\$ 12,347,141</u>

**NOTE 10—LANDFILL POSTCLOSURE CARE COSTS**

State and federal laws and regulations require 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. 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 \$408,350 as of June 30, 2014. The estimated liability for the post-closure care costs of the East Milan landfill (\$146,900) and the Cates Hill landfill (\$261,450) have been reported as a liability of the Governmental Activities and the Cates Hill Landfill Proprietary Fund, respectively. The East Milan landfill was capped during fiscal year 1997, and the Cates Hill landfill was capped during fiscal year 2005. 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, 2014. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

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. The City has entered into an inter-municipal agreement with surrounding communities for the reimbursement of their share of the Cates Hill landfill 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, 2014:

	Governmental activities	Business-type activities	Totals
Balance - July 1, 2013	\$ 158,200	\$ 273,900	\$ 432,100
Current year expenditures	(3,138)	(4,915)	(8,053)
Net change in estimated liability for postclosure care costs	(8,162)	(7,535)	(15,697)
Balance - June 30, 2014	<u>\$ 146,900</u>	<u>\$ 261,450</u>	<u>\$ 408,350</u>

**NOTE 11—INTERFUND BALANCES AND TRANSFERS**

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, 2014 are as follows:

		Due from			
		Nonmajor			
		General	Governmental	Fiduciary	
		Fund	Funds	Funds	Totals
Due to	General Fund		\$ 991,130	\$ 500	\$ 991,630
	Nonmajor Governmental Funds	\$ 2,425,539			2,425,539
	Sewer Fund	6,312,103			6,312,103
	Nonmajor Enterprise Funds	791,200			791,200
		<u>\$ 9,528,842</u>	<u>\$ 991,130</u>	<u>\$ 500</u>	<u>\$ 10,520,472</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2014 are as follows:

		Transfers out			
		Nonmajor			
		General	Governmental		
		Fund	Funds	Totals	
Transfers in	General Fund		\$ 4,711	\$ 4,711	
	Nonmajor Governmental Funds	\$ 20,541		20,541	
		<u>\$ 20,541</u>	<u>\$ 4,711</u>	<u>\$ 25,252</u>	



**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

**NOTE 12—RESTRICTED NET POSITION**

Net position is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 150,353
Permanent Funds - Income	221,704
School Private Grants and Contributions	1,710
Food Service Operations	20,199
Health Department Donations	2,714
Police Forfeiture Funds	5,207
	<u>\$ 401,887</u>

**NOTE 13—COMPONENTS OF FUND BALANCE**

The components of the City's fund balance for its governmental funds at June 30, 2014 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Prepaid expenses	\$ 370,222	\$ 44,927	\$ 415,149
Tax deduced property	409,641		409,641
Inventory		10,423	10,423
Permanent funds - Principal		150,353	150,353
<b>Restricted for:</b>			
Permanent funds - Income		221,704	221,704
Capital projects		2,402,226	2,402,226
School private grants and contributions		1,710	1,710
Food service operations		20,199	20,199
Health department donations		2,714	2,714
Police forfeiture funds		5,207	5,207
<b>Committed for:</b>			
Recreation and parks programs		23,251	23,251
<b>Assigned for:</b>			
Continuing appropriations	965,067		965,067
Encumbrances	109,152		109,152
<b>Unassigned (Deficit):</b>			
Unassigned - General operations	2,242,700		2,242,700
Airport Authority Fund (Deficit)		(212,248)	(212,248)
	<u>\$ 4,096,782</u>	<u>\$ 2,670,466</u>	<u>\$ 6,767,248</u>

**NOTE 14—TOP TAXPAYERS**

The following are the five major property owners as they relate to the City's total assessed property valuation of \$445,996,392 (as of April 1, 2013):

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Public Service of New Hampshire	\$ 75,185,400	16.86%
Great Lakes Hydro America, LLC	33,600,000	7.53%
Portland Natural Gas	15,989,300	3.59%
Fisher, L GP	2,227,300	0.50%
TKB Properties, LLC	2,007,900	0.45%

**NOTE 15—COMMITMENTS**

***Ambulance Services Contract***

During 2007, the City entered into a long-term agreement with an independent company to provide emergency ambulance services. The original agreement was in effect from July 1, 2007 through June 30, 2010, with an automatic three year renewal expiring June 30, 2013. In June 2013, the City extended this contract for an additional three year period through June 30, 2016. The terms of the extended contract include minimum monthly payments of \$25,917. These monthly payments may be adjusted based on future Medicare or Medicaid reimbursement rates. For the year ended June 30, 2014, the City expended \$311,000 under the terms of the emergency ambulance service agreement.

***Guaranteed Debt - Component Unit***

Debt issued by Berlin Water Works (a component unit of the City) is backed by the full faith and credit of the City. Berlin Water Works has been experiencing decreasing operating revenues since the May 2006 shutdown of the Fraser Pulp Mill and will likely continue to experience cash flow pressures in the near-term. Management of Berlin Water Works plans to rectify liquidity issues through additional revenues from the Federal prison and the newly constructed Bio-mass Facility, as well as the recent refinancing of seven outstanding loans with total approximate debt service savings of \$600,000.

**NOTE 16—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 legal counsel and 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.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2014**

**NOTE 17—SUBSEQUENT EVENTS**

During September 2014, the City issued general obligation bonds in the amount of \$6,000,000 and \$6,508,000 for the purpose of current refunding State of New Hampshire Water Pollution Control Revolving Loan Funds which were issued to finance the cost of design and construction for improvements to the City's Wastewater Treatment Facility. The general obligation bonds have an annual interest rate of 2.375% and a maturity date of September 12, 2037.

**NOTE 18—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the City is required to implement in the fiscal year ending June 30, 2015. Management believes that this pronouncement will have a potentially significant impact on the City's government-wide financial statements. Under GASB Statement 68, the City will be required to report its estimated proportional share of the New Hampshire Retirement System's unfunded pension liability in the financial statements for fiscal years beginning after June 15, 2014.

**SCHEDULE 1**  
**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 14,904,642	\$ 14,904,642	\$ 15,073,458	\$ 168,816
Licenses and permits	1,132,900	1,132,900	1,252,401	119,501
Intergovernmental	12,371,892	12,526,298	12,860,709	334,411
Charges for services	2,299,117	2,240,135	2,403,661	163,526
Interest income	10,000	10,000	9,690	(310)
Miscellaneous	234,500	234,500	972,472	737,972
Total Revenues	<u>30,953,051</u>	<u>31,048,475</u>	<u>32,572,391</u>	<u>1,523,916</u>
Expenditures:				
Current operations:				
General government	2,081,963	2,037,981	2,149,105	(111,124)
Public safety	5,475,668	5,475,668	5,231,080	244,588
Highways and streets	1,909,825	1,909,825	2,074,796	(164,971)
Health and welfare	608,243	608,243	702,723	(94,480)
Sanitation	858,990	858,990	784,348	74,642
Culture and recreation	582,219	582,219	573,291	8,928
Education	17,186,447	17,186,447	17,092,432	94,015
Capital outlay	1,110,046	544,979	544,297	682
Debt service:				
Principal retirement	511,703	661,703	661,703	-
Interest and fiscal charges	156,780	161,186	187,240	(26,054)
Intergovernmental	<u>1,555,772</u>	<u>1,555,772</u>	<u>1,555,772</u>	<u>-</u>
Total Expenditures	<u>32,037,656</u>	<u>31,583,013</u>	<u>31,556,787</u>	<u>26,226</u>
Excess of revenues over (under) expenditures	<u>(1,084,605)</u>	<u>(534,538)</u>	<u>1,015,604</u>	<u>1,550,142</u>
Other Financing Sources (Uses):				
Transfers in	5,000	5,000	4,711	(289)
Transfers out	<u>(20,541)</u>	<u>(20,541)</u>	<u>(20,541)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(15,541)</u>	<u>(15,541)</u>	<u>(15,830)</u>	<u>(289)</u>
Net change in fund balance	(1,100,146)	(550,079)	999,774	1,549,853
Fund balance at beginning of year				
- Budgetary Basis	<u>3,687,309</u>	<u>3,687,309</u>	<u>3,687,309</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 2,587,163</u>	<u>\$ 3,137,230</u>	<u>\$ 4,687,083</u>	<u>\$ 1,549,853</u>

*See accompanying notes to the required supplementary information*

**SCHEDULE 2**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Schedule of Funding Progress for Other Post-Employment Benefits**  
**For the Year Ended June 30, 2014**

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability (AAL) <u>Liability (AAL)</u>	Unfunded AAL (UAAL) <u>(UAAL)</u>	Funded Ratio <u>Ratio</u>	Covered Payroll <u>Payroll</u>	UAAL as a Percentage of Covered Payroll <u>Payroll</u>
7/1/2007	\$ -	\$ 5,686,000	\$ 5,686,000	0.0%	\$ 13,652,000	42%
7/1/2010	\$ -	\$ 5,335,764	\$ 5,335,764	0.0%	\$ 16,757,081	32%
7/1/2012	\$ -	\$ 5,702,638	\$ 5,702,638	0.0%	\$ 13,739,039	42%

*See accompanying notes to the required supplementary information*

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2014**

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

*General Fund*

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 as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 32,600,356	\$ 31,598,448
Difference in property taxes meeting susceptible to accrual criteria	56,724	
Encumbrances, June 30, 2014		109,152
Encumbrances, June 30, 2013		(50,294)
Capital lease obligation proceeds	(79,978)	(79,978)
Per Schedule 1	<u>\$ 32,577,102</u>	<u>\$ 31,577,328</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at June 30, 2014 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 370,222
Tax deeded property	409,641
<i>Assigned for:</i>	
Continuing appropriations	965,067
<i>Unassigned:</i>	
Unassigned - General operations	2,942,153
	<u>\$ 4,687,083</u>

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**June 30, 2014**

**NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS**

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the City is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The City implemented the provisions of GASB Statement #45 during the year ended June 30, 2009. Accordingly, the funding progress has been presented for the three most recent actuarial valuation reports.

**SCHEDULE I**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<u>Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
<b>DEPARTMENT OF AGRICULTURE</b>		
Pass Through Payments from the New Hampshire Department of Education		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	\$ 77,080
National School Lunch Program	10.555	340,068
Special Milk Program for Children	10.556	2,004
<i>Total Child Nutrition Cluster</i>		419,152
Fresh Fruit and Vegetable Program	10.582	28,980
Received directly from U.S. Treasury Department		
Water and Waste Disposal Systems for Rural Communities	10.760	625,555
<b>Total Department of Agriculture</b>		1,073,687
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
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	
#09-053-NSPH		56,488
#11-053-NSP3		11,852
#013-053-CDHS		490,000
#014-053-CDHS		1,620
#B-09-SP-NH-0089		40,810
		600,770
<b>Total Department of Housing and Urban Development</b>		600,770
<b>DEPARTMENT OF JUSTICE</b>		
Received directly from U.S. Treasury Department		
Public Safety Partnership and Community Policing Grants	16.710	
#2010-UM-WX-0212		79,425
Pass Through Payments from the New Hampshire Department of Justice		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	
#2014-03-01		30,000
<b>Total Department of Justice</b>		109,425

*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, 2014**

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Expenditures
<b>DEPARTMENT OF TRANSPORTATION</b>		
Pass Through Payments from the New Hampshire Department of Transportation Airport Improvement Program #SBG-01-04-2013	20.106	<u>226,433</u>
Pass Through Payments from the New Hampshire Highway Safety Agency <i>Highway Safety Cluster:</i> State and Community Highway Safety #304-14B-026 #314-13B-007 #315-13B-056 #315-13B-146 #315-13B-147 #315-13B-148 #315-14B-063	20.600	<u>1,681</u> <u>4,023</u> <u>702</u> <u>4,686</u> <u>2,214</u> <u>4,070</u> <u>1,877</u> <u>19,253</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I #308-13B-058 #308-13B-059	20.601	<u>7,179</u> <u>4,847</u> <u>12,026</u> <u>31,279</u>
<i>Total Highway Safety Cluster</i>		<u>31,279</u>
<b>Total Department of Transportation</b>		<u>257,712</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>		
Pass Through Payments from the New Hampshire Department of Environmental Services Capitalization Grants for Clean Water State Revolving Funds #CS-330111-05	66.458	<u>4,490,275</u>
<b>Total Environmental Protection Agency</b>		<u>4,490,275</u>
<b>DEPARTMENT OF ENERGY</b>		
Pass Through Payments from the New Hampshire Office of Energy and Planning Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Program #DE-EE0003576	81.128	<u>78,577</u>
<b>Total Department of Energy</b>		<u>78,577</u>

*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, 2014**

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Expenditures
<b>DEPARTMENT OF EDUCATION</b>		
Pass Through Payments from the New Hampshire Department of Education		
Title I Grants to Local Educational Agencies	84.010	
#30012		431
#30175		1,542
#31512		5,957
#31513		6,808
#40012		471,224
#40174		30,062
#40175		26,629
#40217		11,565
		<u>554,218</u>
<i>Special Education Cluster (IDEA):</i>		
Special Education - Grants to States	84.027	
#42573		<u>313,903</u>
Special Education - Preschool Grants	84.173	
#42573		<u>12,198</u>
<i>Total Special Education Cluster (IDEA)</i>		<u>326,101</u>
Career and Technical Education - Basic Grants to States	84.048	
#35011		52,917
#45011		<u>31,693</u>
		<u>84,610</u>
Twenty-First Century Community Learning Centers	84.287	
#46282		<u>184,546</u>
Rural Education	84.358	
#26242		1,962
#36470		26,051
#46470		21,997
		<u>50,010</u>
Improving Teacher Quality State Grants	84.367	
#34798		11,424
#44798		49,486
#45371		4,500
		<u>65,410</u>
<b>Total Department of Education</b>		<u>1,264,895</u>

*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, 2014**

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>		
Pass Through Payments from the New Hampshire Department of Safety Homeland Security Grant Program	97.067	<u>1,600</u>
Pass Through Payments from the New Hampshire Department of Homeland Security and Emergency Management Homeland Security Grant Program	97.067	<u>12,861</u>
<b>Total Department of Homeland Security</b>		<u>14,461</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 7,889,802</u></u>

*See notes to schedule of expenditures of federal awards*

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

**NOTE 1—BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Berlin, New Hampshire (the City) under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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—BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented 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.

**NOTE 3—NON-CASH TRANSACTIONS**

The City participates in the USDA Food Distribution Program which is a non-cash program. On the Schedule of Expenditures of Federal Awards, \$42,700 has been reported as part of the National School Lunch Program which represents the value of commodities received by the City.

**NOTE 4—SUBRECIPIENT AWARDS**

Certain federal awards were passed through to a subrecipient entity by the City. Expenditures incurred by the subrecipient and paid for directly by the City are included on the Schedule of Expenditures of Federal Awards. For the year ended June 30, 2014, the City recognized federal expenditures totaling \$480,000 incurred by a subrecipient of the Community Development Block Grants/State's Program (CDFA #14.228).

**NOTE 5—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:

Nonmajor Governmental Funds	\$ 2,731,272
Major Proprietary Fund:	
Sewer Fund	<u>625,555</u>
	<u>\$ 3,356,827</u>

Additionally, the recognition of expenditures of federal awards in the amount of \$4,490,275 represents 83.33% of the drawdowns from the Clean Water State Revolving Loan Fund Program. Federal financial assistance with the principal sum not to exceed \$7,738,433 or 83.33% of aggregate disbursements, whichever is less, is provided in the form of a federal loan through the program.

**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, in accordance with the 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 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, 2014, 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 February 19, 2015. Our report includes a reference to other auditors who audited the financial statements of Berlin Water Works, the discretely presented component unit, as described in our report on the City of Berlin, New Hampshire's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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.

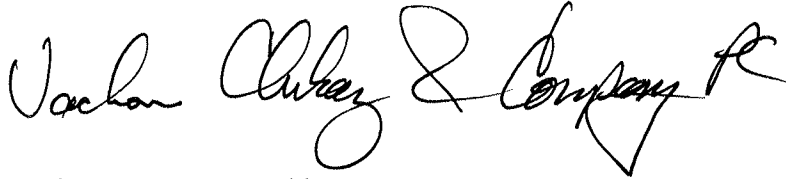
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Jackson Chubb & Company PC". The signature is fluid and cursive, with the letters "J", "C", and "P" being particularly prominent.

Manchester, New Hampshire  
February 19, 2015



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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 Circular A-133 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, 2014. 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 component unit of the City, which received federal awards which are not included in the schedule during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Berlin Water Works because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

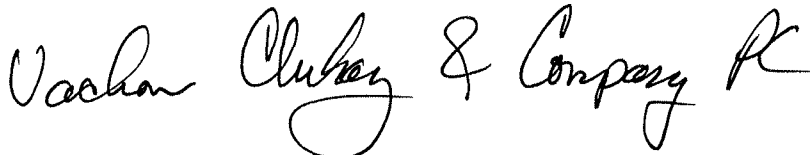
### **Report on Internal Control Over Compliance**

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vashan Chubey & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire  
February 19, 2015



**City of Berlin, New Hampshire  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

**Finding #2013-01 Cash Management:**

**Department of Housing and Urban Development  
CFDA #14.228 Community Development Block Grants/State's Program  
Federal Award Number: 09-053-NSPH  
Passed Through Payments from the New Hampshire Community Development Finance Authority**

***Condition:*** During our testing of the federal program we noted two costs requested under the federal award with an inappropriate amount of time lapse between receipt of funds and disbursement.

***Context:*** In reviewing the final claim report for the federal award paid in March 2013, it was noted that two of the costs requested in this claim were not disbursed by the City as of the fiscal year ended June 30, 2013. Additionally, the funds were still not fully disbursed as of the commencement of audit fieldwork in September 2013. No other significant time lapses between receipt and disbursement of funds were noted in our review of the claims for the federal program.

***Effect:*** The City did not fulfill its cash requirement of timely disbursement of funds, as amounts were drawn down in excess of immediate cash needs. Actual expenditures may differ from the anticipated/claimed costs resulting in excess funding received by the City.

***Recommendation:*** We recommend that future grant funding request claims only include costs which have already been incurred or are scheduled in the immediate future. Grant funding requests should be based upon actual immediate cash needs in accordance with Federal regulations.

***Status of finding:*** The finding has been resolved. The federal award pass-through agency, New Hampshire Community Development Finance Authority, has issued a letter stating they are satisfied with corrective actions taken by the City which includes the return of unused funds under the program in the amount of \$9,172 and training courses for department heads which include topics relevant to this finding.

**City of Berlin, New Hampshire  
Summary Schedule of Prior Audit Findings (Continued)  
Year Ended June 30, 2014**

**Finding #2013-02 Period of Availability:**

**Department of Housing and Urban Development**

**CFDA #14.228 Community Development Block Grants/State's Program**

**Federal Award Number: 09-053-NSPH**

**Passed Through Payments from the New Hampshire Community Development Finance Authority**

**Condition:** During our testing of the federal program we noted two costs requested under the federal award where the liabilities/obligations were not incurred during the specified period of availability. The claimed funds remained unobligated and unspent as of the fiscal year ended June 30, 2013.

**Context:** In reviewing the final claim report for the federal award paid in March 2013, it was noted that two of the costs requested were for anticipated expenditures that were not incurred prior to the expiration of the period of availability. The questioned claimed costs were still not fully incurred as of the commencement of audit fieldwork in September 2013. A sample of 40 expenditures encompassing all the federal awards of the major federal program was selected for testing requirements of allowable costs and period of availability and no other deviations were noted.

**Effect:** Costs that were not incurred within the allowed period of availability were inappropriately charged to the grant.

**Recommendation:** We recommend that future grant funding request claims be carefully reviewed to only include costs which have been incurred within the stated period of availability. Grant funds not spent within the allowed period of availability should be communicated directly to the granting agency in order to determine the appropriate treatment.

**Status of finding:** The finding has been resolved. The federal award pass-through agency, New Hampshire Community Development Finance Authority, has issued a letter stating they are satisfied with corrective actions taken by the City which includes the return of unused funds under the program in the amount of \$9,172 and training courses for department heads which include topics relevant to this finding.

**City of Berlin, New Hampshire**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

**Section I—Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified – all reporting units

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_yes    X no

Significant deficiency(ies) identified  
not considered to be material weaknesses? \_\_\_\_\_yes    X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes    X no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_yes    X no

Significant deficiency(ies) identified  
not considered to be material weaknesses? \_\_\_\_\_yes    X none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)? \_\_\_\_\_yes    X no

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B program: \$ 300,000 .

Auditee qualified as low-risk auditee? \_\_\_\_\_yes    X 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 OMB Circular A-133 .510(a).

**SCHEDULE A**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
**June 30, 2014**

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,714	\$ 6,684		\$ 9,398
Investments		370,084		370,084
Accounts receivable	2,740			2,740
Due from other governments	891,097			891,097
Due from other funds	23,313		\$ 2,402,226	2,425,539
Prepaid expenses	44,927			44,927
Inventory	10,423			10,423
Total Assets	<u>975,214</u>	<u>376,768</u>	<u>2,402,226</u>	<u>3,754,208</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 975,214</u>	<u>\$ 376,768</u>	<u>\$ 2,402,226</u>	<u>\$ 3,754,208</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,636			\$ 7,636
Accrued expenses	9,850			9,850
Advances from grantors	71,977			71,977
Unearned revenue	3,149			3,149
Due to other funds	986,419	\$ 4,711		991,130
Total Liabilities	<u>1,079,031</u>	<u>4,711</u>	<u>\$ -</u>	<u>1,083,742</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	55,350	150,353		205,703
Restricted	29,830	221,704	2,402,226	2,653,760
Committed	23,251			23,251
Unassigned (Deficit)	(212,248)			(212,248)
Total Fund Balances (Deficit)	<u>(103,817)</u>	<u>372,057</u>	<u>2,402,226</u>	<u>2,670,466</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 975,214</u>	<u>\$ 376,768</u>	<u>\$ 2,402,226</u>	<u>\$ 3,754,208</u>

SCHEDULE A-1  
CITY OF BERLIN, NEW HAMPSHIRE  
Combining Balance Sheet  
Governmental Funds - All Nonmajor Special Revenue Funds  
June 30, 2014

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Health Department Fund	Grants Fund	CDBG Fund	Neighborhood Stabilization Grant Fund	Recreation and Parks Programs Fund	Combining Totals
<b>ASSETS</b>									
Cash and cash equivalents				\$ 2,714					\$ 2,714
Accounts receivable			\$ 2,740						2,740
Due from other governments	\$ 248,789	\$ 35,846	240,502		\$ 336,226	\$ 1,620	\$ 28,114		891,097
Due from other funds								\$ 23,313	23,313
Prepaid expenses			44,927						44,927
Inventory		10,423							10,423
Total Assets	<u>248,789</u>	<u>46,269</u>	<u>288,169</u>	<u>2,714</u>	<u>336,226</u>	<u>1,620</u>	<u>28,114</u>	<u>23,313</u>	<u>975,214</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 248,789</u>	<u>\$ 46,269</u>	<u>\$ 288,169</u>	<u>\$ 2,714</u>	<u>\$ 336,226</u>	<u>\$ 1,620</u>	<u>\$ 28,114</u>	<u>\$ 23,313</u>	<u>\$ 975,214</u>
<b>LIABILITIES</b>									
Accounts payable	\$ 1,196		\$ 6,192		\$ 168	\$ 80			\$ 7,636
Accrued expenses		\$ 109	7,800		1,661	218		\$ 62	9,850
Advances from grantors	45,994				25,983				71,977
Unearned revenue		3,149							3,149
Due to other funds	<u>199,889</u>	<u>12,389</u>	<u>441,498</u>		<u>303,207</u>	<u>1,322</u>	<u>\$ 28,114</u>		<u>986,419</u>
Total Liabilities	<u>247,079</u>	<u>15,647</u>	<u>455,490</u>	<u>\$ -</u>	<u>331,019</u>	<u>1,620</u>	<u>28,114</u>	<u>62</u>	<u>1,079,031</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>									
Nonspendable		10,423	44,927						55,350
Restricted	1,710	20,199		2,714	5,207				29,830
Committed								23,251	23,251
Unassigned (Deficit)			(212,248)						(212,248)
Total Fund Balances (Deficit)	<u>1,710</u>	<u>30,622</u>	<u>(167,321)</u>	<u>2,714</u>	<u>5,207</u>	<u>-</u>	<u>-</u>	<u>23,251</u>	<u>(103,817)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 248,789</u>	<u>\$ 46,269</u>	<u>\$ 288,169</u>	<u>\$ 2,714</u>	<u>\$ 336,226</u>	<u>\$ 1,620</u>	<u>\$ 28,114</u>	<u>\$ 23,313</u>	<u>\$ 975,214</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, 2014**

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ 2,784,565			\$ 2,784,565
Charges for services	401,268			401,268
Interest income		\$ 3,179		3,179
Miscellaneous	104,313	350		104,663
Total Revenues	<u>3,290,146</u>	<u>3,529</u>	<u>\$ -</u>	<u>3,293,675</u>
Expenditures:				
Current operations:				
General government	568,577			568,577
Public safety	159,105			159,105
Airport/Aviation center	204,890			204,890
Highways and streets	500			500
Health and welfare	3,571			3,571
Culture and recreation	31,369			31,369
Economic development	166,698			166,698
Education	1,318,655			1,318,655
Food service	637,292			637,292
Capital outlay	251,592		387,728	639,320
Debt service:				
Principal retirement			3,484,793	3,484,793
Interest and fiscal charges			5,285	5,285
Total Expenditures	<u>3,342,249</u>	<u>-</u>	<u>3,877,806</u>	<u>7,220,055</u>
Excess of revenues over (under) expenditures	<u>(52,103)</u>	<u>3,529</u>	<u>(3,877,806)</u>	<u>(3,926,380)</u>
Other Financing Sources (Uses):				
Proceeds from bond issuance			3,971,500	3,971,500
Bond premium			528,500	528,500
Transfers in	20,541			20,541
Transfers out		(4,711)		(4,711)
Total Other Financing Sources (Uses)	<u>20,541</u>	<u>(4,711)</u>	<u>4,500,000</u>	<u>4,515,830</u>
Net change in fund balances	(31,562)	(1,182)	622,194	589,450
Fund balances (deficit) at beginning of year	<u>(72,255)</u>	<u>373,239</u>	<u>1,780,032</u>	<u>2,081,016</u>
Fund balances (deficit) at end of year	<u>\$ (103,817)</u>	<u>\$ 372,057</u>	<u>\$ 2,402,226</u>	<u>\$ 2,670,466</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, 2014**

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Health Department Fund	Grants Fund	CDBG Fund	Neighborhood Stabilization Grant Fund	Recreation and Parks Programs Fund	Combining Totals
Revenues:									
Intergovernmental	\$ 1,288,887	\$ 414,039	\$ 240,480		\$ 730,389	\$ 1,620	\$ 109,150		\$ 2,784,565
Charges for services		220,862	148,198					\$ 32,208	401,268
Miscellaneous	29,768		7,800	\$ 1,167	9,650		55,928		104,313
Total Revenues	<u>1,318,655</u>	<u>634,901</u>	<u>396,478</u>	<u>1,167</u>	<u>740,039</u>	<u>1,620</u>	<u>165,078</u>	<u>32,208</u>	<u>3,290,146</u>
Expenditures:									
Current operations:									
General government					568,577				568,577
Public safety					159,105				159,105
Airport/Aviation center			204,890						204,890
Highways and streets					500				500
Health and welfare				513	3,058				3,571
Culture and recreation					3,592			27,777	31,369
Economic development						1,620	165,078		166,698
Education	1,318,655								1,318,655
Food service		637,292							637,292
Capital outlay			251,592						251,592
Total Expenditures	<u>1,318,655</u>	<u>637,292</u>	<u>456,482</u>	<u>513</u>	<u>734,832</u>	<u>1,620</u>	<u>165,078</u>	<u>27,777</u>	<u>3,342,249</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(2,391)</u>	<u>(60,004)</u>	<u>654</u>	<u>5,207</u>	<u>-</u>	<u>-</u>	<u>4,431</u>	<u>(52,103)</u>
Other financing sources (uses):									
Transfers in			20,541						20,541
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>20,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,541</u>
Net change in fund balances	-	(2,391)	(39,463)	654	5,207	-	-	4,431	(31,562)
Fund balances (deficit) at beginning of year	1,710	33,013	(127,858)	2,060	-	-	-	18,820	(72,255)
Fund balances (deficit) at end of year	<u>\$ 1,710</u>	<u>\$ 30,622</u>	<u>\$ (167,321)</u>	<u>\$ 2,714</u>	<u>\$ 5,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,251</u>	<u>\$ (103,817)</u>



**SCHEDULE C**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Combining Statement of Net Position**  
**All Nonmajor Proprietary Funds**  
**June 30, 2014**

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
<b>ASSETS</b>			
Current Assets:			
Accounts receivable	\$ 607		\$ 607
Due from other governments		\$ 100,978	100,978
Due from other funds	486,996	304,204	791,200
Total Current Assets	<u>487,603</u>	<u>405,182</u>	<u>892,785</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	37,238		37,238
Depreciable capital assets, net	<u>52,451</u>		<u>52,451</u>
Total Noncurrent Assets	<u>89,689</u>	<u>-</u>	<u>89,689</u>
Total Assets	<u>577,292</u>	<u>405,182</u>	<u>982,474</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	2,670		2,670
Unearned revenue	37,236		37,236
Current portion of note payable	38,978		38,978
Current portion of estimated liability for landfill postclosure care costs		12,450	12,450
Total Current Liabilities	<u>78,884</u>	<u>12,450</u>	<u>91,334</u>
Noncurrent Liabilities:			
Estimated liability for landfill postclosure care costs		249,000	249,000
Total Noncurrent Liabilities	<u>-</u>	<u>249,000</u>	<u>249,000</u>
Total Liabilities	<u>78,884</u>	<u>261,450</u>	<u>340,334</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	89,689		89,689
Unrestricted	<u>408,719</u>	<u>143,732</u>	<u>552,451</u>
Total Net Position	<u>\$ 498,408</u>	<u>\$ 143,732</u>	<u>\$ 642,140</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, 2014**

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Operating revenues:			
Miscellaneous	\$ 67,770	\$ 3,706	\$ 71,476
Total Operating Revenues	<u>67,770</u>	<u>3,706</u>	<u>71,476</u>
Operating expenses:			
Contractual services	167		167
Repairs and maintenance	18,381		18,381
Administrative	2,855		2,855
Utilities	3,259		3,259
Depreciation	24,117		24,117
Total Operating Expenses	<u>48,779</u>	<u>-</u>	<u>48,779</u>
Operating income	<u>18,991</u>	<u>3,706</u>	<u>22,697</u>
Non-operating revenues (expenses):			
Interest revenue	240		240
Net non-operating revenues (expenses)	<u>240</u>	<u>-</u>	<u>240</u>
Change in net position	19,231	3,706	22,937
Total net position at beginning of year	<u>479,177</u>	<u>140,026</u>	<u>619,203</u>
Total net position at end of year	<u>\$ 498,408</u>	<u>\$ 143,732</u>	<u>\$ 642,140</u>

**SCHEDULE E**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Combining Statement of Cash Flows**  
**All Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Cash flows from operating activities:			
Cash received from customers	\$ 69,981		\$ 69,981
Cash paid to suppliers	(25,831)	\$ (4,915)	(30,746)
Other operating cash receipts		11,803	11,803
Net cash provided by operating activities	<u>44,150</u>	<u>6,888</u>	<u>51,038</u>
Cash flows from capital and related financing activities:			
Principal paid on note payable	(86,178)		(86,178)
Proceeds from deposits on land sales agreements	<u>37,000</u>		<u>37,000</u>
Net cash used for capital and related financing activities	<u>(49,178)</u>	<u>-</u>	<u>(49,178)</u>
Cash flows from investing activities:			
Interest on investments	<u>240</u>		<u>240</u>
Net cash provided by investing activities	<u>240</u>	<u>-</u>	<u>240</u>
Net increase (decrease) in cash and cash equivalents	(4,788)	6,888	2,100
Cash and cash equivalents at beginning of year	<u>491,784</u>	<u>297,316</u>	<u>789,100</u>
Cash and cash equivalents at end of year	<u>\$ 486,996</u>	<u>\$ 304,204</u>	<u>\$ 791,200</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 18,991	\$ 3,706	\$ 22,697
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	24,117		24,117
Changes in assets and liabilities:			
Accounts receivable	2,211		2,211
Due from other governments		15,632	15,632
Accounts payable	(1,169)		(1,169)
Estimated liability for landfill postclosure care costs		(12,450)	(12,450)
Net cash provided by operating activities	<u>\$ 44,150</u>	<u>\$ 6,888</u>	<u>\$ 51,038</u>