

CITY OF BERLIN, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2018
and
Independent Auditor's Report

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

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

Schedule of Findings and Questioned Costs

CITY OF BERLIN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2018

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FINANCIAL STATEMENTS
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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, 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.

Vacuum Cleaners & Company PC

Manchester, New Hampshire
January 23, 2019

City of Berlin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

This section of the City of Berlin, New Hampshire's (the City) financial statements is prepared to comply with the requirements of GASB Statement 34 which requires management of the City to provide a discussion and analysis of the City's financial performance. It also provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. As in past years, this narrative should be read in conjunction with the City's basic financial statements, which begin on page 1.

Financial Highlights – Primary Government

New Standards Implemented:

- During the year ended June 30, 2018, the City of Berlin, New Hampshire adopted and implemented GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the financial statements and is described in Note 17 to the basic financial statements.

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, 2018 by \$26.7 million, a decrease of (\$400) thousand from the prior year. This amount is presented as "Net Position" on the Statement of Net Position for the Total Primary Government (a condensed statement can be seen in the MD&A section of this report on page v). Total unrestricted net position increased from the prior year with an ending deficit balance of (\$21.7) million. Restricted net position of \$1.8 million was restricted for permanent funds principal and income, food service operations, police forfeitures, various unexpended grants and donations, and short-lived sewer asset replacement reserves. The net investment in capital assets decreased from the prior year with an ending balance of \$46.6 million.
- **Changes in Net Position:** The City's total net position decreased from last fiscal year's \$27.1 million to \$26.7 million in fiscal year 2018. Net position of governmental activities decreased by (\$1.4) million or 5%, and net position of the business-type activities increased by \$1.0 million or 4%. 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 2018, the City's governmental funds reported a decrease of (\$3.7) million compared to last fiscal year, with a combined ending fund balance of \$3.1 million, compared to last fiscal year. Included in the combined governmental fund balance is the activity of the City's General Fund and the Nonmajor Governmental Funds. The General Fund ended the fiscal year with an unassigned fund balance of \$1.7 million, which is a decrease of (\$200) thousand from the previous fiscal year.
- **Proprietary Funds – Net position:** As of the close of fiscal year 2018, the City's proprietary funds reported an increase of \$1.0 million when compared to last fiscal year, with a combined ending net position of \$28.7 million. Included in the combined proprietary funds net position is the activity of the City's Sewer Fund and the Nonmajor Enterprise Funds.

The Sewer Fund ended the fiscal year with an unrestricted net position of \$6.4 million, which is an increase of \$900 thousand from the prior fiscal year.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

- **Governmental Activities:** The activities in this section represent most of the City's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the City include general government, public safety, airport/aviation center, highways and streets, health and welfare, sanitation, culture and recreation, education, food service, economic development, and debt service.

- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the operations of the:
 - Sewer Fund
 - BIDPA (Berlin Industrial Development and Park Authority Fund)
 - Cates Hill Landfill Fund
- **Component Unit:** A component unit is an entity that is legally separate from the City, but for which the City is financially accountable. The financial data for the Berlin Water Works, the City's only component unit, has been included in the City's government-wide financial statements, as required. Complete financial statements for the Berlin Water Works can be obtained by writing to the Board of Commissioners, 55 Willow Street, Berlin, NH 03570.

Fund Financial Statements

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

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

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

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

- Federal Projects Fund
- Food Service Fund
- Airport Authority Fund
- Health Department Fund
- Recreation and Parks Programs Fund
- 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, the Sewer Fund, and two nonmajor proprietary funds -
 - Cates Hill Landfill Fund
 - Berlin Industrial Park and Development Authority (BIDPA) Fund

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The City's Primary Government combined net position (governmental and business-type activities) totaled \$26.7 million at the end of fiscal year 2018, a decrease of (\$400) thousand compared to the end of the previous fiscal year.

Net position of the City as of June 30, 2018 and 2017 is as follows (amounts reported in millions):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	(Restated) 2017	2018	(Restated) 2017	2018	(Restated) 2017
Capital assets, net	\$ 34.6	\$ 32.4	\$ 35.1	\$ 36.3	\$ 69.7	\$ 68.7
Other assets	10.5	14.7	10.3	8.6	20.8	23.3
Total Assets	45.1	47.1	45.4	44.9	90.5	92.0
Total Deferred Outflows of Resources	5.9	8.8	0.2	0.3	6.1	9.1
Long-term liabilities	44.5	48.3	16.7	17.2	61.2	65.5
Other liabilities	1.4	2.0	0.2	0.3	1.6	2.3
Total Liabilities	45.9	50.3	16.9	17.5	62.8	67.8
Total Deferred Inflows of Resources	7.1	6.2	-	-	7.1	6.2
Net position:						
Net investment in capital assets	26.5	27.5	20.1	20.6	46.6	48.1
Restricted	0.4	0.4	1.4	1.0	1.8	1.4
Unrestricted (Deficit)	(28.9)	(28.5)	7.2	6.1	(21.7)	(22.4)
Total Net Position	\$ (2.0)	\$ (0.6)	\$ 28.7	\$ 27.7	\$ 26.7	\$ 27.1

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 \$700 thousand from the prior fiscal year. The most significant components affecting the deficit unrestricted net position of the governmental activities at year end is due to the recognition of the City's proportionate share of the New Hampshire Retirement System's net other post-employment benefits (OPEB) and pension liabilities and related deferred outflows and inflows of resources in accordance with GASB

Statements No. 68 and 75. A deficit unrestricted net position balance is expected to continue into subsequent years as a result of Statements 68 and 75.

Statement of Activities

Changes in net position for the years ending June 30, 2018 and 2017 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
		(Restated)		(Restated)		(Restated)
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 2.3	\$ 2.4	\$ 2.1	\$ 2.3	\$ 4.4	\$ 4.7
Operating grants and contributions	14.4	13.8	-	-	14.4	13.8
Capital grants and contributions	0.5	0.5	2.8	-	3.3	0.5
General revenues:						
Property and other taxes	16.8	16.7	-	-	16.8	16.7
Licenses and permits	1.5	1.4	-	-	1.5	1.4
Intergovernmental	0.5	0.6	-	-	0.5	0.6
Miscellaneous	0.2	0.2	-	-	0.2	0.2
Total revenues	<u>36.2</u>	<u>35.6</u>	<u>4.9</u>	<u>2.3</u>	<u>41.1</u>	<u>37.9</u>
Expenses						
General government	2.1	2.1	-	-	2.1	2.1
Public safety	6.6	6.4	-	-	6.6	6.4
Airport/Aviation center	0.3	0.4	-	-	0.3	0.4
Highways and streets	3.8	2.6	-	-	3.8	2.6
Health and welfare	0.1	0.6	-	-	0.1	0.6
Sanitation	1.0	0.8	-	-	1.0	0.8
Culture and recreation	0.7	0.7	-	-	0.7	0.7
Economic development	-	0.1	-	-	-	0.1
Education	20.6	20.2	-	-	20.6	20.2
Food service	0.6	0.6	-	-	0.6	0.6
Debt service	0.2	0.3	-	-	0.2	0.3
Intergovernmental	1.6	1.6	-	-	1.6	1.6
Sewer	-	-	3.9	3.4	3.9	3.4
Total expenses	<u>37.6</u>	<u>36.4</u>	<u>3.9</u>	<u>3.4</u>	<u>41.5</u>	<u>39.8</u>
Change in net position	(1.4)	(0.8)	1.0	(1.1)	(0.4)	(1.9)
Net position, beginning of year	(0.6)	5.9	27.7	29.1	27.1	35.0
Restatement due to implementation of GASB Statement No. 75	-	(5.7)	-	(0.3)	-	(6.0)
Net position, end of year	<u>\$ (2.0)</u>	<u>\$ (0.6)</u>	<u>\$ 28.7</u>	<u>\$ 27.7</u>	<u>\$ 26.7</u>	<u>\$ 27.1</u>

Property and other taxes brought in \$16.8 million in revenue. Other major revenues consisted of licenses and permits, charges for services, operating grants and contributions, and capital grants and contributions.

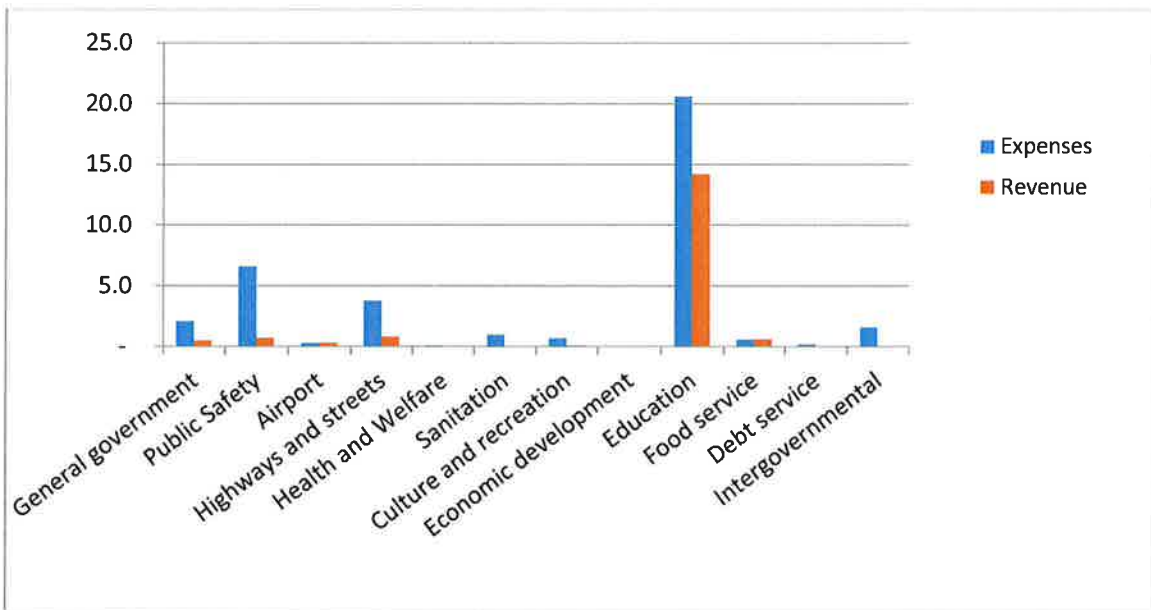
The City's expenses cover a range of services. The largest governmental expenses were for education (55%), public safety (18%), highways and streets (10%) and general government (6%), which accounted for roughly 89% of total governmental expenditures.

Governmental Activities

Governmental activities revenues of \$36.2 million were exceeded by expenses of \$37.6 million in fiscal year 2018, thereby decreasing the City's governmental activities net position by (\$1.4) 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 some of the largest expenses for the City (Education, Public Safety and General Government) also represent the activities that have the largest gap between expenses and program revenues. Since program revenues do not offset these expenses, the difference is made up from property taxes.

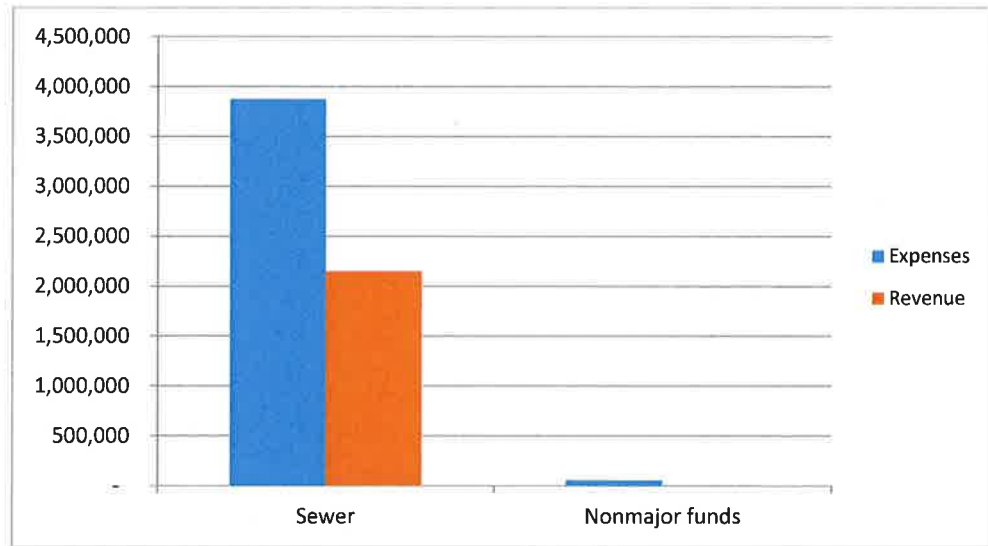
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ending June 30, 2018



Business-type Activities

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

**Expenses and Program Revenues – Business Type Activities
Fiscal Year Ending June 30, 2018**

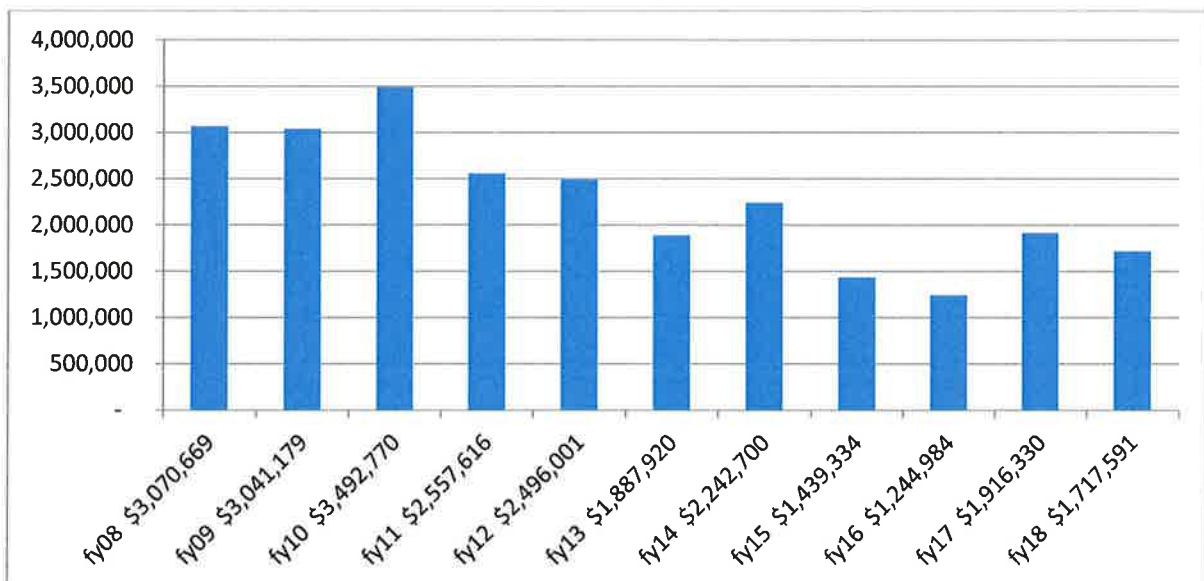


FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's near-term financing requirements. In particular, the General Fund unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned General Fund Balances from fiscal years 2008 through 2018 are as follows:

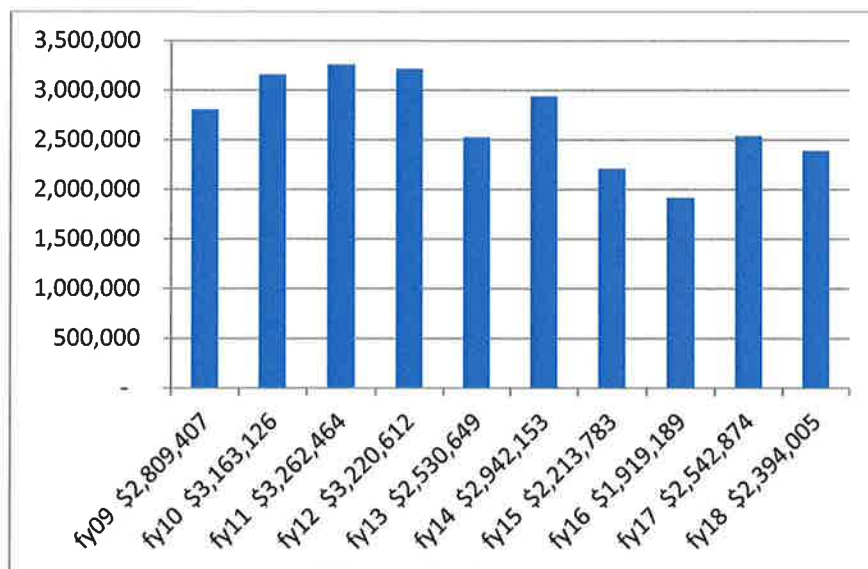


General Fund

As indicated above, the General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$1,717,591, while total fund balance was \$2,806,832. The total fund balance includes nonspendable balances for prepaid expenses and tax deeded property, as well as assignments for encumbrances and continuing appropriations at fiscal year-end. The total General Fund unassigned fund balance decreased by (\$198,739) from the previous year.

Budgetary Basis

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



As indicated in the above chart, the City's effort in past years to increase its Unassigned Fund Balance was generally successful. However, the difficulty in maintaining that balance becomes greater every year, as the City has applied a significant amount of the balance to reduce the tax rate in each of the past three years. For the fiscal year 2018, the General Fund Unassigned Fund Balance has decreased to \$2,394,005, with \$964,000 being applied to reduce the 2017 tax rate.

Other Governmental Funds

The combined fund balances of the nonmajor governmental funds decreased during the year by (\$3,644,797) to a fiscal year end balance of \$269,954. The decrease was primarily a result of the City expending \$3,660,157 of prior year bond proceeds for authorized project purposes in the current year.

Proprietary Funds

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

Total net position of the proprietary funds increased by \$983,507 from the prior year. This increase was primarily a result of capital contributions received in the form of long-term state aid grant receivables in the amount of \$2,764,377. Additionally, 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 determining sewer rates. The Sewer Fund itself had a loss before capital contributions of (\$1,728,668). The Nonmajor Proprietary Funds had a combined net position decrease of (\$52,202) in fiscal year 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual budgetary revenues were greater than the budgeted estimated revenues by \$215,302. There were favorable variances of \$116,983 and \$178,286 in actual licenses and permits and intergovernmental revenue from the amounts budgeted, respectively. There were unfavorable variances of (\$65,297) and (\$32,029) in actual charges for services and miscellaneous revenue from the amounts budgeted, respectively. Actual budgetary expenditures at fiscal year-end were \$906,349 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 \$489,941 less than budgeted. General government was \$187,241 less than budgeted and Public safety spent \$371,440 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, 2018, amounted to \$122.4 million. Accumulated depreciation was \$52.7 million leaving a net book value of \$69.7 million. This investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure assets are items that are normally immovable, of value only to the City, which include roads and bridges. GASB Statement 34 requires assets, including infrastructure, for the City's governmental funds to be reported in the Government-Wide Statements. Additional information on the City's capital assets can be found in Note 4 on pages 23-24 of the Notes to the Basic Financial Statements.

Debt Administration

The City may issue general obligation bonds and notes in anticipation of such bonds authorized by the City Council. At the end of the current fiscal year, the City had total bonded debt outstanding of \$22.9 million. This amount does not include unamortized bond premiums or bonded debt

outstanding by the Berlin Water Works, its component unit. The City may issue general obligation debt for the Berlin Water Works (a component unit of the City) and these general obligation bonds are backed by the full faith and credit of the City. Accordingly, this general obligation debt is recognized as a liability of the Berlin Water Works and is not recorded as a long-term obligation of the City. The Berlin Water Works will reimburse the City for direct payments made on its behalf for annual principal and interest on such debt. The City did not make any direct debt service payments on-behalf of the Berlin Water Works in the current year. Outstanding capital leases payable of governmental activities totaled \$73 thousand at year end. Additional information regarding the City's long-term debt obligations can be found in Note 5 on pages 24-28 of the Notes to the Basic Financial Statements.

Net Pension Liability and Other Post-Employment Benefits

During fiscal year 2015, the City implemented GASB Statement 68 which requires the City to recognize a liability for its proportionate share of the New Hampshire Retirement System's net pension liability. Under GASB Statement 68, the City recognizes pension expense and reports deferred outflows and inflows of resources related to pension for its proportionate share of collective pension expense and collective deferred outflows and inflows of resources related to pension. At current year end, the City had a net pension liability of \$28.3 million, with deferred outflows and inflows of resources related to pension in the amounts of \$5.8 million and \$1.6 million, respectively. Additional information regarding the City's net pension liability can be found in Note 7 on pages 35-38 of the Notes to the Basic Financial Statements.

As noted previously in this narrative, during the year the City implemented GASB Statement 75 which requires the City to recognize a liability for its proportionate share of the New Hampshire Retirement System's net OPEB liability in addition to modifying the accounting and measurement methods used to value the City's single employer OPEB plan. Under GASB Statement 75, the City recognizes OPEB expense and reports deferred outflows and inflows of resources related to OPEB for its single employer OPEB plan and for its proportionate share of collective OPEB expense and collective deferred outflows and inflows of resources related to the New Hampshire Retirement System's multi-employer OPEB plan. At year end, the City had a total OPEB liability of \$7.1 million, with total deferred outflows and inflows of resources related to OPEB in the amounts of \$247 thousand and \$125 thousand, respectively. Additional information regarding the City's OPEB liability can be found in Note 6 on pages 28-34 of the Notes to the Basic Financial Statements.

ECONOMIC CONDITIONS

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

Jericho Wind Power (recently acquired by LS Power) completed construction of its 5-tower wind farm in 2015. The 2.85 mega-watt towers are online and are producing power to the grid. The first payment in lieu of taxes made by agreement to the City occurred in July of 2016. The agreement will provide increasing revenues to the City over the next 20-year period.

Smith Hydro, formerly owned by Eversource, was sold to Hull St. Energy and is now being operated by Central Rivers Power, LLC. The plant has a 15 MW capacity and employs 5 people locally.

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

Capone Iron Corporation expanded their fabrication space and has added a total of 25 jobs which is 12 more jobs than reported last year. They have plans to hire additional staff.

The Gorham Paper Mill continues to operate and improve product lines and actively seek employees. They continue to operate with approximately 113 employees. Of the 123 employees, 22 were replaced through attrition with new employees.

The Federal Corrections Institutions current staffing is 235 employees. This is slightly down from last year's employment total. They continue to actively recruit additional staff.

Androscoggin Valley Hospital continues to develop its association with the other 3 North Country hospitals in order to improve the quality of services while decreasing costs. AVH currently employs 363 individuals.

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

The City's number of tax deeded properties taken in fiscal year 2018 was similar to that taken in 2017. There were 7 with building and 2 vacant lots. Nonetheless, the overall trend appears to be that tax deeded properties are decreasing. This is a relatively small number compared to past years. We hope that this is a trend that continues into the future. Recorded residential property sales in FY18 indicate a continued and significant increase in sales activity and sale prices. This has been welcome news and the City attributes this growth to efforts focused on reducing over supply and increasing demand through growth activities like ATV recreation.

The City continued construction of the Route 16 upgrade project which is an approximately \$6 million-dollar re-construction project designed to upgrade the deteriorated road and sidewalks with features that meet current standards to enhance both vehicular and pedestrian safety. The project is slated for substantial completion in FY18. The project has been in the City's capital plans for many years and includes connections to a riverwalk along the Androscoggin where none currently exists. The City has obtained grant funding for the riverwalk and will begin construction 2019. The new features of the project are designed to support the operations of the festivals and activities that occur in this area, such as the Riverfire event which attracts several thousand visitors each year. The City's funding strategy for paying the debt on this project includes the use of increasing revenues from the City's Pilot agreements.

The State of New Hampshire is continuing the development of its multi-use Jericho Mountain State Park. Included in this development is 300 acres around Jericho Lake that the City donated to the State. The park is a regional attraction. The park has a campground with 20 primitive campsites, including 5 cabins, 6 tent sites and 9 RV sites. The campground now has a new bath house available for visitors. The campground connects to the 75 miles of OHRV trails at the park and serves as the gateway to the 1,000 miles of trails in Coos County known as Ride the Wilds. The park also has a day-use area with a beach for swimming, pavilion, and boat launch. This development is having a

very significant impact on the City's image and economic base. The City ordinance which allows OHRV traffic on all City streets continues to be successful. The OHRV friendly atmosphere has also led to the sale of residential properties in the City as second homes. The City is an active partner in the extremely popular, annual Jericho ATV/OHRV Festival. Each year, the event continues to break attendance records. The Chamber of Commerce and the NH Bureau of Trails entered into discussions with OHRV manufacturer Polaris about hosting Polaris' premier event, "Camp RZR", at the park in September of 2016 and 2017. The event in the fall of 2016 was on the scale the annual Jericho ATV Festival by drawing in 6,000 or more attendees.

Further significant developments, which are occurring on Route 110, include a proposed 170 RV site campground, the marketing of a large old manufacturing plant site which has been cleared for re-use. Renovation of older buildings for commercial development and other land sale activity continue on Route 110.

With the marked upswing in property sale numbers and prices, it is evident that the investments in housing stock, ATV recreation and more traditional employment are now having a significant impact on the economy. The City needs to stay the course in its transformation. The biggest threat continues to be reduced state education aid and a variety of legislative proposals which will hurt the current economic status. Being vigilant in addressing these threats is another adaptive capacity the City has developed and this bodes well for our future.

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, 2018

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 7,195,813		\$ 7,195,813	\$ 1,857,618
Investments	6,901,516		6,901,516	233,949
Taxes receivable, net	706,254		706,254	
Accounts receivable, net	69,926	\$ 487,985	557,911	205,926
Due from other governments	1,603,342	232,652	1,835,994	
Unbilled user charges			-	440,148
Internal balances	(6,436,944)	6,436,944	-	
Prepaid expenses	47,521	6,348	53,869	
Inventory	7,030	65,287	72,317	251,233
Tax deeded property	410,179		410,179	
Total Current Assets	<u>10,504,637</u>	<u>7,229,216</u>	<u>17,733,853</u>	<u>2,988,874</u>
Noncurrent Assets:				
Due from other governments		3,108,266	3,108,266	
Capital assets:				
Non-depreciable capital assets	1,723,122	249,231	1,972,353	641,758
Depreciable capital assets, net	<u>32,918,668</u>	<u>34,807,646</u>	<u>67,726,314</u>	<u>39,264,754</u>
Total Noncurrent Assets	<u>34,641,790</u>	<u>38,165,143</u>	<u>72,806,933</u>	<u>39,906,512</u>
Total Assets	<u>45,146,427</u>	<u>45,394,359</u>	<u>90,540,786</u>	<u>42,895,386</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on debt refunding		47,055	47,055	
Deferred outflows related to OPEB	239,172	7,699	246,871	1,836
Deferred outflows related to pension	<u>5,618,498</u>	<u>183,974</u>	<u>5,802,472</u>	<u>168,942</u>
Total Deferred Outflows of Resources	<u>5,857,670</u>	<u>238,728</u>	<u>6,096,398</u>	<u>170,778</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	273,967	47,416	321,383	37,107
Accrued expenses	617,925	163,457	781,382	173,624
Retainage payable	315,638	6,100	321,738	
Refundable deposits		20,000	20,000	
Advances from grantors	191,027		191,027	
Unearned revenue	10,819		10,819	
Due to other governments	2,436		2,436	
Current portion of bonds payable	520,000	645,622	1,165,622	
Current portion of notes payable			-	518,313
Current portion of compensated absences payable	104,546		104,546	12,576
Current portion of estimated liability for landfill postclosure care costs	<u>14,100</u>	<u>14,700</u>	<u>28,800</u>	
Total Current Liabilities	<u>2,050,458</u>	<u>897,295</u>	<u>2,947,753</u>	<u>741,620</u>
Noncurrent Liabilities:				
Bonds payable	7,921,899	14,337,081	22,258,980	
Notes payable			-	8,014,648
State of New Hampshire revolving loans			-	2,000,000
Compensated absences payable	1,570,664	142,976	1,713,640	122,997
Accrued longevity payout	36,375		36,375	
Other post-employment benefits (OPEB) liability	6,732,694	383,535	7,116,229	283,134
Net pension liability	27,426,085	892,080	28,318,165	938,805
Estimated liability for landfill postclosure care costs	<u>112,800</u>	<u>235,200</u>	<u>348,000</u>	
Total Noncurrent Liabilities	<u>43,800,517</u>	<u>15,990,872</u>	<u>59,791,389</u>	<u>11,359,584</u>
Total Liabilities	<u>45,850,975</u>	<u>16,888,167</u>	<u>62,739,142</u>	<u>12,101,204</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	5,457,258		5,457,258	
Deferred inflows related to OPEB	117,638	6,880	124,518	6,232
Deferred inflows related to pension	<u>1,558,469</u>	<u>40,257</u>	<u>1,598,726</u>	<u>224,443</u>
Total Deferred Inflows of Resources	<u>7,133,365</u>	<u>47,137</u>	<u>7,180,502</u>	<u>230,675</u>
NET POSITION				
Net investment in capital assets	26,538,749	20,068,074	46,606,823	29,373,551
Restricted	403,410	1,408,000	1,811,410	
Unrestricted (Deficit)	<u>(28,922,402)</u>	<u>7,221,709</u>	<u>(21,700,693)</u>	<u>1,360,734</u>
Total Net Position	<u>\$ (1,980,243)</u>	<u>\$ 28,697,783</u>	<u>\$ 26,717,540</u>	<u>\$ 30,734,285</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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		
			Capital Contributions	Grants and Contributions		Total		
Governmental Activities:								
General government	\$ 2,101,487	\$ 67,512	\$ 464,179		\$ (1,569,796)		\$ (1,569,796)	
Public safety	6,614,117	326,009	322,183	\$ 6,800	(5,959,125)		(5,959,125)	
Airport/Aviation center	298,220	130,162	36,162	171,950	40,054		40,054	
Highways and streets	3,817,298	20,651	457,838	267,128	(3,071,681)		(3,071,681)	
Health and welfare	67,581	4,136	8,378		(55,067)		(55,067)	
Sanitation	939,073	29,363			(909,710)		(909,710)	
Culture and recreation	704,185	48,499	4,811		(650,875)		(650,875)	
Economic development	21,474		12,332		(9,142)		(9,142)	
Education	20,636,521	1,523,893	12,684,076		(6,428,552)		(6,428,552)	
Food service	607,786	191,234	420,253		3,701		3,701	
Interest and fiscal charges	229,385				(229,385)		(229,385)	
Intergovernmental	1,556,553				(1,556,553)		(1,556,553)	
Total governmental activities	37,593,680	2,341,459	14,410,212	445,878	(20,396,131)	\$ -	(20,396,131)	
Business-type activities:								
Sewer	3,878,641	2,094,158		2,764,377		979,894	979,894	
Nonmajor enterprise funds	58,401					(58,401)	(58,401)	
Total business-type activities	3,937,042	2,094,158	-	2,764,377	-	921,493	921,493	
Total primary government	\$ 41,530,722	\$ 4,435,617	\$ 14,410,212	\$ 3,210,255	(20,396,131)	921,493	(19,474,638)	
Component unit:								
Water	\$ 3,162,002	\$ 2,615,847		\$ 728,500				\$ 182,345
Total component unit	\$ 3,162,002	\$ 2,615,847	\$ -	\$ 728,500				182,345
General revenues:								
Property and other taxes					16,769,508		16,769,508	
Licenses and permits					1,469,283		1,469,283	
Grants and contributions:								
Rooms and meals tax distribution					539,391		539,391	
Interest and investment earnings					27,846	40,199	68,045	3,006
Miscellaneous					170,289	21,815	192,104	99,673
Contributions to permanent fund principal					1,350		1,350	
Net loss on disposal of capital assets					(4,810)		(4,810)	(150)
Total general revenues, contributions to permanent fund principal and net loss on disposal of capital assets					18,972,857	62,014	19,034,871	102,529
Change in net position					(1,423,274)	983,507	(439,767)	284,874
Net Position at beginning of year, as restated					(556,969)	27,714,276	27,157,307	30,449,411
Net Position at end of year					\$ (1,980,243)	\$ 28,697,783	\$ 26,717,540	\$ 30,734,285

See accompanying notes to the basic financial statements

EXHIBIT C
CITY OF BERLIN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2018

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 7,194,598	\$ 1,215	\$ 7,195,813
Investments	6,522,858	378,658	6,901,516
Taxes receivable, net	706,254		706,254
Accounts receivable	24,959	43,967	68,926
Due from other governments	717,365	885,977	1,603,342
Due from other funds	1,050,893	540,786	1,591,679
Prepaid expenses	13,983	33,538	47,521
Inventory		7,030	7,030
Tax dedeed property	410,179		410,179
Total Assets	<u>16,641,089</u>	<u>1,891,171</u>	<u>18,532,260</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,641,089</u>	<u>\$ 1,891,171</u>	<u>\$ 18,532,260</u>
LIABILITIES			
Accounts payable	\$ 229,675	\$ 44,292	\$ 273,967
Accrued expenses	487,528	12,764	500,292
Retainage payable		315,638	315,638
Advances from grantors		191,027	191,027
Unearned revenue	3,216	7,603	10,819
Due to other governments	2,436		2,436
Due to other funds	6,977,730	1,049,893	8,027,623
Total Liabilities	<u>7,700,585</u>	<u>1,621,217</u>	<u>9,321,802</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	5,457,258		5,457,258
Uncollected property tax revenue	676,414		676,414
Total Deferred Inflows of Resources	<u>6,133,672</u>	<u>-</u>	<u>6,133,672</u>
FUND BALANCES			
Nonspendable	424,162	196,121	620,283
Restricted		364,816	364,816
Committed		14,816	14,816
Assigned	665,079		665,079
Unassigned (Deficit)	1,717,591	(305,799)	1,411,792
Total Fund Balances	<u>2,806,832</u>	<u>269,954</u>	<u>3,076,786</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,641,089</u>	<u>\$ 1,891,171</u>	<u>\$ 18,532,260</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
CITY OF BERLIN, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 3,076,786
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	34,641,790
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Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	676,414
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Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:

Deferred outflows of resources related to OPEB	239,172
Deferred outflows of resources related to pension	5,618,498
Deferred inflows of resources related to OPEB	(117,638)
Deferred inflows of resources related to pension	(1,558,469)

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	(8,441,899)
Accrued interest on long-term obligations	(117,633)
Compensated absences payable	(1,675,210)
Accrued longevity payout	(36,375)
Other post-employment benefits (OPEB) liability	(6,732,694)
Net pension liability	(27,426,085)
Estimated liability for landfill postclosure care costs	<u>(126,900)</u>

Net Position of Governmental Activities (Exhibit A)	<u>\$ (1,980,243)</u>
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EXHIBIT D
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 16,719,638		\$ 16,719,638
Licenses and permits	1,469,283		1,469,283
Intergovernmental	11,191,013	\$ 3,825,213	15,016,226
Charges for services	1,931,685	389,842	2,321,527
Interest income	23,035	4,811	27,846
Miscellaneous	190,221	161,855	352,076
Total Revenues	<u>31,524,875</u>	<u>4,381,721</u>	<u>35,906,596</u>
Expenditures:			
Current operations:			
General government	1,641,275	464,178	2,105,453
Public safety	5,676,382	354,133	6,030,515
Airport/Aviation center		147,541	147,541
Highways and streets	2,132,097	390,680	2,522,777
Health and welfare	131,640	2,219	133,859
Sanitation	847,310		847,310
Culture and recreation	608,804	47,797	656,601
Economic development	57	16,577	16,634
Education	17,680,545	2,547,048	20,227,593
Food service		607,786	607,786
Capital outlay	580,822	3,441,896	4,022,718
Debt service:			
Principal retirement	485,000		485,000
Interest and fiscal charges	296,706		296,706
Intergovernmental	1,556,553		1,556,553
Total Expenditures	<u>31,637,191</u>	<u>8,019,855</u>	<u>39,657,046</u>
Excess of revenues (under) expenditures	<u>(112,316)</u>	<u>(3,638,134)</u>	<u>(3,750,450)</u>
Other Financing Sources (Uses):			
Transfers in	6,663		6,663
Transfers out		(6,663)	(6,663)
Total Other Financing Sources (Uses)	<u>6,663</u>	<u>(6,663)</u>	<u>-</u>
Net change in fund balances	(105,653)	(3,644,797)	(3,750,450)
Fund balances at beginning of year	<u>2,912,485</u>	<u>3,914,751</u>	<u>6,827,236</u>
Fund balances at end of year	<u>\$ 2,806,832</u>	<u>\$ 269,954</u>	<u>\$ 3,076,786</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
CITY OF BERLIN, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ (3,750,450)
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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.	2,007,211
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Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss of disposed capital assets reduced by the actual proceeds received from the sale.	(4,810)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	268,620
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Repayment of principal on bonds and capital leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	557,769
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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.	57,577
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In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	9,744
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Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	44,006
Net changes in pension	(453,153)

Some expenses reported in the statement of activities, such as compensated absences, accrued longevity payout and the estimated liability for landfill postclosure care costs, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>(159,788)</u>
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Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (1,423,274)</u>
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See accompanying notes to the basic financial statements

EXHIBIT E
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
ASSETS			
Current Assets:			
Accounts receivable	\$ 487,985		\$ 487,985
Due from other governments	149,764	\$ 82,888	232,652
Due from other funds	5,437,188	999,756	6,436,944
Prepaid expenses	6,348		6,348
Inventory	65,287		65,287
Total Current Assets	<u>6,146,572</u>	<u>1,082,644</u>	<u>7,229,216</u>
Noncurrent Assets:			
Due from other governments	3,108,266		3,108,266
Capital assets:			
Non-depreciable capital assets	153,028	96,203	249,231
Depreciable capital assets, net	<u>34,807,646</u>		<u>34,807,646</u>
Total Noncurrent Assets	<u>38,068,940</u>	<u>96,203</u>	<u>38,165,143</u>
Total Assets	<u>44,215,512</u>	<u>1,178,847</u>	<u>45,394,359</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refunding	47,055		47,055
Deferred outflows related to OPEB	7,699		7,699
Deferred outflows related to pension	<u>183,974</u>		<u>183,974</u>
Total Deferred Outflows of Resources	<u>238,728</u>	<u>-</u>	<u>238,728</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	46,639	777	47,416
Accrued expenses	163,457		163,457
Retainage payable	6,100		6,100
Refundable deposits		20,000	20,000
Current portion of bonds payable	645,622		645,622
Current portion of estimated liability for landfill postclosure care costs		<u>14,700</u>	<u>14,700</u>
Total Current Liabilities	<u>861,818</u>	<u>35,477</u>	<u>897,295</u>
Noncurrent Liabilities:			
Bonds payable	14,337,081		14,337,081
Compensated absences payable	142,976		142,976
Other post-employment benefits (OPEB) liability	383,535		383,535
Net pension liability	892,080		892,080
Estimated liability for landfill postclosure care costs		<u>235,200</u>	<u>235,200</u>
Total Noncurrent Liabilities	<u>15,755,672</u>	<u>235,200</u>	<u>15,990,872</u>
Total Liabilities	<u>16,617,490</u>	<u>270,677</u>	<u>16,888,167</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	6,880		6,880
Deferred inflows related to pension	<u>40,257</u>		<u>40,257</u>
Total Deferred Inflows of Resources	<u>47,137</u>	<u>-</u>	<u>47,137</u>
NET POSITION			
Net investment in capital assets	19,971,871	96,203	20,068,074
Restricted for:			
Short-lived asset replacement reserve	<u>1,408,000</u>		<u>1,408,000</u>
Unrestricted	<u>6,409,742</u>	<u>811,967</u>	<u>7,221,709</u>
Total Net Position	<u>\$ 27,789,613</u>	<u>\$ 908,170</u>	<u>\$ 28,697,783</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, 2018

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Operating revenues:			
Charges for services	\$ 2,094,158		\$ 2,094,158
Miscellaneous	21,815		21,815
Total Operating Revenues	<u>2,115,973</u>	<u>\$ -</u>	<u>2,115,973</u>
Operating expenses:			
Personnel services	1,246,377		1,246,377
Contractual services	617		617
Repairs and maintenance	78,458	50,208	128,666
Administrative	206,037	8,193	214,230
Materials and supplies	314,300		314,300
Utilities	221,390		221,390
Miscellaneous	30,847		30,847
Depreciation	1,428,762		1,428,762
Total Operating Expenses	<u>3,526,788</u>	<u>58,401</u>	<u>3,585,189</u>
Operating loss	<u>(1,410,815)</u>	<u>(58,401)</u>	<u>(1,469,216)</u>
Non-operating revenues (expenses):			
Interest income	34,000	6,199	40,199
Interest expense	(351,853)		(351,853)
Net non-operating revenues (expenses)	<u>(317,853)</u>	<u>6,199</u>	<u>(311,654)</u>
Loss before capital contributions	(1,728,668)	(52,202)	(1,780,870)
Capital contributions	<u>2,764,377</u>		<u>2,764,377</u>
Change in net position	1,035,709	(52,202)	983,507
Net Position at beginning of year, as restated	<u>26,753,904</u>	<u>960,372</u>	<u>27,714,276</u>
Net Position at end of year	<u>\$ 27,789,613</u>	<u>\$ 908,170</u>	<u>\$ 28,697,783</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, 2018

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 2,064,077		\$ 2,064,077
Cash paid to suppliers	(824,078)	\$ (34,686)	(858,764)
Cash paid to employees	(1,071,968)		(1,071,968)
Other operating cash receipts	4,775	2,533	7,308
Net cash provided (used) by operating activities	<u>172,806</u>	<u>(32,153)</u>	<u>140,653</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(629,912)		(629,912)
Interest paid on long-term debt	(387,382)		(387,382)
Capital contributions	393,108		393,108
Purchases of capital assets	(202,378)		(202,378)
Net cash used for capital and related financing activities	<u>(826,564)</u>	<u>-</u>	<u>(826,564)</u>
Cash flows from investing activities:			
Interest on investments	34,000	6,199	40,199
Net cash provided by investing activities	<u>34,000</u>	<u>6,199</u>	<u>40,199</u>
Net decrease in cash and cash equivalents	(619,758)	(25,954)	(645,712)
Cash and cash equivalents at beginning of year	<u>6,056,946</u>	<u>1,025,710</u>	<u>7,082,656</u>
Cash and cash equivalents at end of year	<u>\$ 5,437,188</u>	<u>\$ 999,756</u>	<u>\$ 6,436,944</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (1,410,815)	\$ (58,401)	\$ (1,469,216)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	1,428,762		1,428,762
Change in deferred outflows related to OPEB	(136)		(136)
Change in deferred outflows related to pension	70,331		70,331
Change in deferred inflows related to OPEB	6,880		6,880
Change in deferred inflows related to pension	19,139		19,139
Changes in assets and liabilities:			
Accounts receivable	(47,121)		(47,121)
Due from other governments		(16,979)	(16,979)
Prepaid expenses	(159)		(159)
Inventory	31,799		31,799
Accounts payable	(4,069)	(1,473)	(5,542)
Accrued expenses	9		9
Compensated absences payable	(6,503)		(6,503)
Other post-employment benefits (OPEB) liability	70,753		70,753
Net pension liability	13,936		13,936
Estimated liability for landfill postclosure care costs		44,700	44,700
Net cash provided (used) by operating activities	<u>\$ 172,806</u>	<u>\$ (32,153)</u>	<u>\$ 140,653</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	\$ 27,445		\$ 27,445
Amortization on bond premium	39,918		39,918
Amortization on loss on debt refunding	(7,253)		(7,253)
	<u>\$ 60,110</u>	<u>\$ -</u>	<u>\$ 60,110</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, 2018

	Private- Purpose Trusts	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 89,520	\$ 222,681
Investments	23,715	37,817
Total Assets	<u>113,235</u>	<u>\$ 260,498</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Deposits		\$ 38,780
Due to student groups		221,718
Due to other funds	1,000	
Total Liabilities	<u>1,000</u>	<u>\$ 260,498</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	112,235	
Total Net Position	<u>\$ 112,235</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, 2018

	Private- Purpose <u>Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 79,175
Total Contributions	<u>79,175</u>
Investment earnings:	
Investment income	<u>137</u>
Total Additions	<u>79,312</u>
DEDUCTIONS:	
Benefits	<u>69,638</u>
Total Deductions	<u>69,638</u>
Change in Net Position	9,674
Net Position at beginning of year	<u>102,561</u>
Net Position at end of year	<u>\$ 112,235</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, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

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

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

Discretely Presented Component Unit

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

The Berlin Water Works, which was incorporated as a body politic in 1925, is included because the Mayor, with confirmation of the City Council, appoints the Water Commissioners, and debt 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, 2018

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, 2018

2. Proprietary Funds:

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

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

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

3. Fiduciary Funds:

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

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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

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

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

2. Expenses/Expenditures:

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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, 2018, the City applied \$964,000 of its unassigned fund balance to reduce taxes.

Cash and Cash Equivalents

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

	<i>Due from other funds</i>
Proprietary Funds:	
Sewer Fund	\$ 5,437,188
Nonmajor Enterprise Funds	<u>999,756</u>
Total cash and cash equivalents	<u>\$ 6,436,944</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, 2018 are recorded as receivables net of reserves for estimated uncollectible taxes of \$503,669.

Due from Other Governments

Receivables due from other governments at June 30, 2018 consist of various federal and state funding programs and reimbursements due from other local governmental units for services performed by the City. All receivables are considered collectible in full. Due from other governments in the Sewer Fund consist of state aid grant reimbursements which are to be received over the life of the related state debt, and as such, are classified as both current and noncurrent receivables in the amount of \$149,764 and \$3,108,266, respectively.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

Inventory

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

Note Receivable

During December 2013, the City was awarded a Community Development Block Grant, the purpose of which was to sub-grant the funds to a sub-recipient for renovation costs associated with converting a City property into affordable elderly housing. As part of the grant agreement, the City transferred the converted property to the sub-recipient in exchange for a note receivable in the amount of \$480,000. Annual interest will be at 0% for the entire term of the note. The principal balance of the note shall become due and payable in full the earlier of transfer of property to an entity not controlled by the sub-recipient or 20 years from the date on which the project is placed in service for federal tax purposes, but in no event later than December 31, 2034. Additionally, the note is secured by certain covenants that require 100% of persons or households residing in the property to be low and moderate-income households. As of June 30, 2018, 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. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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

Loss on Debt Refunding

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

Bond Premiums

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

Compensated Absences and Accrued Longevity Payout

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

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

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

Accrued Liabilities and Long-Term Obligations

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

Postemployment Benefits Other Than Pensions (OPEB)

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

Pensions

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

Net Position

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

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

Fund Balance Policy

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:

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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

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

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

Spending Prioritizations

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

Deficit Fund Balance

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

Minimum Fund Balance

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

Interfund Activity

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

Operating Revenues and Expenses

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At June 30, 2018, the Airport Authority Fund, a Nonmajor Governmental Fund, had a deficit 'Unassigned' fund balance of (\$305,799) and total deficit fund balance of (\$272,261).

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 7,195,813
Investments	6,901,516
Statement of Fiduciary Net Position:	
Cash and cash equivalents	312,201
Investments	61,532
Total deposits and investments	<u>\$ 14,471,062</u>

Deposits and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 3,325
Deposits with financial institutions	13,969,602
Investments	498,135
Total deposits and investments	<u>\$ 14,471,062</u>

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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

Credit Risk

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

As of June 30, 2018, the City's investment in the NHPDIP, a state investment pool, had a fair value balance of \$460,318 and was rated *AAA-mf*. Additionally, City investments in fixed income mutual funds had a fair value balance of \$7,675 at June 30, 2018 and were unrated.

Custodial Credit Risk

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

Of the City's deposits with financial institutions at year end, \$13,278,110 was collateralized by securities held by the bank in the bank's name and \$16,979 was uninsured and uncollateralized.

As of June 30, 2018, City investments in the following investment types were held by the same counterparty that was used to buy the securities:

<u>Investment Type</u>	<u>Amount</u>
Equity securities	\$ 30,142
Fixed income mutual funds	7,675
	<u>\$ 37,817</u>

Investment in NHPDIP

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

Fair value Measurement of Investments

In accordance with GASB Statement 72, *Fair value Measurement and Application*, the City categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

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

As of June 30, 2018, the City's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Totals</u>
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	
Equity securities	\$ 30,142			\$ 30,142
Fixed income mutual funds	7,675			7,675
	<u>\$ 37,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,817</u>

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

NOTE 4—CAPITAL ASSETS

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

	<u>Balance 07/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/18</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,208,025			\$ 1,208,025
Construction in progress	16,207,536	\$ 330,537	\$(16,022,976)	515,097
Total capital assets not being depreciated	<u>17,415,561</u>	<u>330,537</u>	<u>(16,022,976)</u>	<u>1,723,122</u>
Other capital assets:				
Infrastructure	10,299,813	19,260,940		29,560,753
Land improvements	5,297,189	41,860		5,339,049
Buildings and improvements	12,313,561	50,629		12,364,190
Vehicles and equipment	9,827,983	273,283	(316,586)	9,784,680
Total other capital assets at historical cost	<u>37,738,546</u>	<u>19,626,712</u>	<u>(316,586)</u>	<u>57,048,672</u>
Less accumulated depreciation for:				
Infrastructure	(6,059,889)	(885,722)		(6,945,611)
Land improvements	(3,574,701)	(101,110)		(3,675,811)
Buildings and improvements	(6,284,248)	(269,355)		(6,553,603)
Vehicles and equipment	(6,814,630)	(455,725)	315,376	(6,954,979)
Total accumulated depreciation	<u>(22,733,468)</u>	<u>(1,711,912)</u>	<u>315,376</u>	<u>(24,130,004)</u>
Total other capital assets, net	<u>15,005,078</u>	<u>17,914,800</u>	<u>(1,210)</u>	<u>32,918,668</u>
Total capital assets, net	<u>\$ 32,420,639</u>	<u>\$ 18,245,337</u>	<u>\$(16,024,186)</u>	<u>\$ 34,641,790</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

Depreciation expense was charged to governmental functions as follows:

General government	\$ 49,690
Public safety	172,032
Airport/Aviation center	177,325
Highways and streets	935,511
Health and welfare	812
Sanitation	25,023
Culture and recreation	35,676
Education	315,843
Total governmental activities depreciation expense	<u>\$ 1,711,912</u>

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

	Balance 07/01/17	Additions	Reductions	Balance 06/30/18
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 154,152			\$ 154,152
Construction in progress	43,123	\$ 95,079	\$ (43,123)	95,079
Total capital assets not being depreciated	<u>197,275</u>	<u>95,079</u>	<u>(43,123)</u>	<u>249,231</u>
Other capital assets:				
Infrastructure	39,227,974	73,363		39,301,337
Buildings and improvements	23,174,300			23,174,300
Vehicles and equipment	961,275	63,558	(74,794)	950,039
Total other capital assets at historical cost	<u>63,363,549</u>	<u>136,921</u>	<u>(74,794)</u>	<u>63,425,676</u>
Less accumulated depreciation for:				
Infrastructure	(9,027,479)	(908,942)		(9,936,421)
Buildings and improvements	(17,737,909)	(464,165)		(18,202,074)
Vehicles and equipment	(498,674)	(55,655)	74,794	(479,535)
Total accumulated depreciation	<u>(27,264,062)</u>	<u>(1,428,762)</u>	<u>74,794</u>	<u>(28,618,030)</u>
Total other capital assets, net	<u>36,099,487</u>	<u>(1,291,841)</u>	<u>-</u>	<u>34,807,646</u>
Total capital assets, net	<u>\$ 36,296,762</u>	<u>\$ (1,196,762)</u>	<u>\$ (43,123)</u>	<u>\$ 35,056,877</u>

Depreciation expense was charged to proprietary funds as follows:

Sewer Fund	<u>\$ 1,428,762</u>
Total business-type activities depreciation expense	<u>\$ 1,428,762</u>

NOTE 5—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the City's long-term obligations for the year ended June 30, 2018 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

	<u>Balance</u> <u>07/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/18</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 8,705,000		\$ (485,000)	\$ 8,220,000	\$ 520,000
Unamortized bond premium	<u>279,476</u>		<u>(57,577)</u>	<u>221,899</u>	
Total Bonds payable	8,984,476	\$ -	(542,577)	8,441,899	520,000
Capital leases payable	72,769		(72,769)	-	
Compensated absences payable	1,550,947	156,360	(32,097)	1,675,210	104,546
Accrued longevity payout	<u>28,750</u>	<u>7,625</u>		<u>36,375</u>	
Total governmental activities	<u>\$ 10,636,942</u>	<u>\$ 163,985</u>	<u>\$ (647,443)</u>	<u>\$ 10,153,484</u>	<u>\$ 624,546</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 and accrued longevity payouts will be paid from the governmental fund where the employee's salary is paid.

	<u>Balance</u> <u>07/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/18</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities:					
Bonds payable	\$ 15,353,660		\$ (629,912)	\$ 14,723,748	\$ 645,622
Unamortized bond premium	<u>298,873</u>		<u>(39,918)</u>	<u>258,955</u>	
Total Bonds payable	15,652,533	\$ -	(669,830)	14,982,703	645,622
Compensated absences payable	<u>149,479</u>	<u>19,574</u>	<u>(26,077)</u>	<u>142,976</u>	
Total business-type activities	<u>\$ 15,802,012</u>	<u>\$ 19,574</u>	<u>\$ (695,907)</u>	<u>\$ 15,125,679</u>	<u>\$ 645,622</u>

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

	<u>Balance</u> <u>07/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/18</u>	<u>Due Within</u> <u>One Year</u>
Component unit:					
Notes payable	\$ 9,667,021		\$ (1,134,060)	\$ 8,532,961	\$ 518,313
State of New Hampshire revolving loans	<u>1,322,131</u>	<u>\$ 677,869</u>		<u>2,000,000</u>	
Total component unit	<u>\$ 10,989,152</u>	<u>\$ 677,869</u>	<u>\$ (1,134,060)</u>	<u>\$ 10,532,961</u>	<u>\$ 518,313</u>

Payments on the long-term obligation 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, 2018

General Obligation Bonds

Governmental Activities:

Bonds payable at June 30, 2018 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, 2018</u>
2013 Series C Bonds	\$ 3,971,500	4.1-5.6%	August 2025	\$ 2,920,000
2016 Series Bonds	5,500,000	2.65%	July 2036	5,300,000
	<u>\$ 9,471,500</u>			8,220,000
		Add: <i>Unamortized bond premium</i>		221,899
		Total Bonds Payable		<u>\$ 8,441,899</u>

Debt service requirements to retire outstanding general obligation bonds for governmental activities at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 520,000	\$ 274,606	\$ 794,606
2020	545,000	252,216	797,216
2021	565,000	229,066	794,066
2022	590,000	204,448	794,448
2023	615,000	178,626	793,626
2024-2028	2,545,000	544,600	3,089,600
2029-2033	1,495,000	279,244	1,774,244
2034-2037	1,345,000	72,411	1,417,411
Sub-total Bonds Payable	8,220,000	2,035,217	10,255,217
Add: <i>Unamortized Bond Premium</i>	221,899	-	221,899
Total Bonds Payable	<u>\$ 8,441,899</u>	<u>\$ 2,035,217</u>	<u>\$ 10,477,116</u>

As included on the Statement of Activities (Exhibit B) as 'Interest and fiscal charges' expense, interest expense for the year ended June 30, 2018 was \$229,385 on general obligation debt of the governmental activities.

Business-type Activities:

Bonds payable at June 30, 2018 is 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, 2018</u>
2014 Rural Utilities Bond #R-1	\$ 6,508,000	2.375%	September 2037	\$ 5,730,189
2014 Rural Utilities Bond #R-2	6,000,000	2.375%	September 2037	5,282,905
2016 State Revolving Loan	240,925	2.0%	December 2035	220,655
2016 Series C Refunding Bonds	3,670,000	2.0-4.0%	August 2032	3,490,000
	<u>\$ 16,418,925</u>			14,723,749
		Add: <i>Unamortized bond premium</i>		258,954
		Total Bonds Payable		<u>\$ 14,982,703</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

Debt service requirements to retire outstanding general obligation bonds for business-type activities at June 30, 2018 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 645,622	\$ 369,373	\$ 1,014,995
2020	666,586	350,808	1,017,394
2021	687,812	331,582	1,019,394
2022	704,305	311,789	1,016,094
2023	726,072	291,422	1,017,494
2024-2028	3,956,910	1,130,612	5,087,522
2029-2033	4,291,082	620,461	4,911,543
2034-2038	3,045,360	182,465	3,227,825
Sub-total Bonds Payable	14,723,749	3,588,512	18,312,261
Add: <i>Unamortized Bond Premium</i>	258,954	-	258,954
Total Bonds Payable	<u>\$ 14,982,703</u>	<u>\$ 3,588,512</u>	<u>\$ 18,571,215</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, 2018, the sewer related debt reimbursement was \$334,929.

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, 2018 was \$351,853 on general obligation debt of the business-type activities.

Component Unit:

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

Notes payable for the Berlin Water Works at June 30, 2018 are comprised of the following individual issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2018</u>
State Revolving Loan	0.00%	December 2018	\$ 140,708
State Revolving Loan	0.00%	May 2021	443,340
State Revolving Loan	0.00%	September 2024	683,316
State Revolving Loan	1.10%	October 2031	1,180,080
Rural Utilities Service - Water Facility	2.25%	October 2031	870,796
State Revolving Loan	2.46%	December 2035	2,820,267
State Revolving Loan	2.46%	December 2035	897,631
State Revolving Loan	1.96%	December 2036	1,496,823
			<u>\$ 8,532,961</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

Debt service requirements to retire outstanding general obligation debt for the component unit at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2019	\$ 518,313	\$ 190,218	\$ 708,531
2020	430,376	177,944	608,320
2021	442,348	166,850	609,198
2022	335,509	155,495	491,004
2023	346,682	145,152	491,834
2024-2028	1,657,433	567,215	2,224,648
2029-2033	1,663,256	312,294	1,975,550
2034-2038	1,053,488	83,381	1,136,869
2039-2042	179,200	10,191	189,391
Add: <i>Princial Forgiveness</i>	<u>1,906,356</u>	<u>-</u>	<u>1,906,356</u>
	<u>\$ 8,532,961</u>	<u>\$ 1,808,740</u>	<u>\$ 10,341,701</u>

Interest expense for the year ended June 30, 2018 was \$328,513 for the Berlin Water Works.

State of New Hampshire Revolving Loans

The Berlin Water Works has drawn \$2,000,000 in funds under the State of New Hampshire Drinking Water Revolving Loan Fund Program for various waterline projects. Payments on the State of New Hampshire revolving loan balance are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the project within the following year.

NOTE 6—OTHER POST EMPLOYMENT BENEFITS

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

	Deferred Outflows	OPEB Liability	Deferred Inflows	OPEB Expense
Cost-Sharing Multiple Employer Plan	\$ 246,871	\$ 2,590,292	\$ 36,056	\$ 126,812
Single Employer Plan	<u>-</u>	<u>4,525,937</u>	<u>88,462</u>	<u>365,492</u>
Total	<u>\$ 246,871</u>	<u>\$ 7,116,229</u>	<u>\$ 124,518</u>	<u>\$ 492,304</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$122,353.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

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

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

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

Benefits Provided

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

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

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contribution rates for the covered payroll of public safety employees, political subdivision employees and teachers were 4.10%, 0.30% and 1.66%, respectively, for the year ended June 30, 2018. Contributions to the OPEB plan for the City were \$246,931 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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

At June 30, 2018, the City reported a liability of \$2,590,292 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2016. The City's proportion of the net OPEB liability was based on actual contributions by the City during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2017, the City's proportion was approximately 0.5665 percent, which was a decrease of 0.0192 percentage points from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized OPEB expense of \$126,812. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Net difference between projected and actual earnings on OPEB plan investments		\$ 8,173
Changes in proportion and differences between City contributions and proportionate share of contributions		27,883
City contributions subsequent to the measurement date	\$ 246,871	
Totals	<u>\$ 246,871</u>	<u>\$ 36,056</u>

The City reported \$246,871 as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2018	\$ (29,927)
2019	(2,044)
2020	(2,044)
2021	(2,041)
	<u>\$ (36,056)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability	\$ 2,819,008	\$ 2,590,292	\$ 2,392,127

SINGLE EMPLOYER PLAN

Plan Description

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

Benefits Provided

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

Employees Covered By Benefit Terms

At July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	184
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>261</u>
	<u>445</u>

Total OPEB Liability

The City's total OPEB liability of \$4,525,937 was measured as of June 30, 2018, and was determined by a roll forward of the actuarial valuation as of July 1, 2016.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Chained CPI	2.35 percent
Discount rate	3.58 percent
Healthcare cost trend rates	8% for 2016, decreasing 1% per year to an ultimate rate of 5% for 2019 and later years.

The discount rate was based on the Bond Buyer 20-Bond GO Index published on June 28, 2018.

Mortality rates for active employees were based on the RP-2014 Employees Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2014. Mortality rates for retirees were based on the RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2014. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

Changes in the Total OPEB Liability

	Total OPEB
	<u>Liability</u>
Balance at June 30, 2017	\$ 4,460,849
Changes for the year:	
Service Cost	218,384
Interest	163,723
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(105,076)
Benefit payments	(211,943)
Net changes	<u>65,088</u>
Balance at June 30, 2018	<u>\$ 4,525,937</u>

Changes of assumptions and other inputs reflect a change in the discount rate of 3.58% at June 30, 2017 to 3.87% at June 30, 2018.

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total OPEB Liability	\$ 4,896,382	\$ 4,525,937	\$ 4,186,776

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 4 percent) or 1-percentage-point higher (9 percent decreasing to 6 percent) than the current healthcare cost trend rate:

	1% Decrease (7% decreasing to 4%)	Healthcare Cost Trend Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Total OPEB Liability	\$ 4,026,115	\$ 4,525,937	\$ 5,111,561

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$365,492. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions		\$ 88,462
Totals	\$ -	\$ 88,462

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

<u>June 30,</u>	
2019	\$ (15,411)
2020	(15,411)
2021	(15,411)
2022	(15,411)
2023	(15,411)
Thereafter	(11,407)
	<u>\$ (88,462)</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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

Benefits Provided

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

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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

Funding Policy

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

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contributions to the NHRS for the year ending June 30, 2018 were \$2,404,399.

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

At June 30, 2018, the City reported a liability of \$28,318,165 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2016. The City's proportion of the net pension liability was based on actual contributions by the City during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2017, the City's proportion was approximately 0.5758 percent, which was a decrease of 0.0155 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$2,964,618. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 64,209	\$ 360,408
Change in assumptions	2,843,518	
Net difference between projected and actual earnings on pension plan investments		360,646
Changes in proportion and differences between City contributions and proportionate share of contributions	490,346	877,672
City contributions subsequent to the measurement date	2,404,399	
Totals	<u>\$ 5,802,472</u>	<u>\$ 1,598,726</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$4,203,746. The City reported \$2,404,399 as deferred outflows of resources related to pension resulting from City contributions made subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense for the measurement periods as follows:

Year ended <u>June 30,</u>	
2018	\$ 481,996
2019	1,121,960
2020	790,626
2021	(595,235)
	<u>\$ 1,799,347</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

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

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

Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability	\$ 37,307,761	\$ 28,318,165	\$ 20,951,547

NOTE 8—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations required that the City place final covers on its two landfills when closed and perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. The East Milan landfill was capped during fiscal year 1997, and the Cates Hill landfill was capped during fiscal year 2005. Estimated liabilities have been recorded based on the future post-closure care costs that will be incurred for the two landfills. The total estimated liability for landfill post-closure care costs for the two landfills has a combined balance of \$376,800 as of June 30, 2018. The estimated liability for the post-closure care costs of the East Milan landfill (\$126,900) and the Cates Hill landfill (\$249,900) have been reported as a liability of the Governmental Activities and the Cates Hill Landfill Proprietary Fund, respectively. The estimated total current cost of the landfill post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

maintain the landfills were acquired as of June 30, 2018. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

The following is a summary of changes in the estimated liability for post-closure care costs for the year ended June 30, 2018:

	Governmental activities	Business-type activities	Totals
Balance - July 1, 2017	\$ 99,000	\$ 205,200	\$ 304,200
Reductions (actual current year payments)	(8,847)	(9,861)	(18,708)
Change in estimated liability	36,747	54,561	91,308
Balance - June 30, 2018	<u>\$ 126,900</u>	<u>\$ 249,900</u>	<u>\$ 376,800</u>

NOTE 9—INTERFUND BALANCES AND TRANSFERS

Interfund Balances

The City has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2018 are as follows:

	General Fund	Due from		Totals
		Nonmajor Governmental Funds	Fiduciary Funds	
Due to General Fund		\$ 1,049,893	\$ 1,000	\$ 1,050,893
Nonmajor Governmental Funds	\$ 540,786			540,786
Sewer Fund	5,437,188			5,437,188
Nonmajor Enterprise Funds	999,756			999,756
	<u>\$ 6,977,730</u>	<u>\$ 1,049,893</u>	<u>\$ 1,000</u>	<u>\$ 8,028,623</u>

Interfund Transfers

During the year, the Permanent Funds, a Nonmajor Governmental Fund, transferred \$6,663 to the General Fund. The transfer was made in accordance with budgetary authorization.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

NOTE 10—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes as follows at June 30, 2018:

Permanent Funds - Principal	\$ 155,553
Permanent Funds - Income	217,657
School Private Grants and Contributions	1,710
Food Service Operations	17,967
Police Forfeiture Funds	10,523
	<u>\$ 403,410</u>

NOTE 11—COMPONENTS OF FUND BALANCE

The components of the City's fund balance for its governmental funds at June 30, 2018 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenses	\$ 13,983	\$ 33,538	\$ 47,521
Tax deeded property	410,179		410,179
Inventory		7,030	7,030
Permanent funds - Principal		155,553	155,553
Restricted for:			
Capital projects		116,959	116,959
Permanent funds - Income		217,657	217,657
School private grants and contributions		1,710	1,710
Food service operations		17,967	17,967
Police forfeiture funds		10,523	10,523
Committed for:			
Recreation and parks programs		14,816	14,816
Assigned for:			
Continuing appropriations	593,127		593,127
Encumbrances	71,952		71,952
Unassigned (Deficit):			
Unassigned - General operations	1,717,591		1,717,591
Airport Authority Fund (Deficit)		(305,799)	(305,799)
	<u>\$ 2,806,832</u>	<u>\$ 269,954</u>	<u>\$ 3,076,786</u>

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$400,192,668 as of April 1, 2017) and are due in two installments on July 6, 2017 and December 6, 2017. 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).

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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, 2018 were \$1,556,553. The City bears responsibility for uncollected taxes.

NOTE 13—SIGNIFICANT CONCENTRATION OF PROPERTY TAXES REVENUE

The following are the five major property owners as they relate to the City's total assessed property valuation of \$400,192,668 (as of April 1, 2017):

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Eversource (formerly PSNH)	\$ 100,545,800	25.12%
Great Lakes Hydro America, LLC	27,999,700	7.00%
Portland Natural Gas	19,533,900	4.88%
TKB Properties, LLC	1,922,800	0.48%
DWP Berlin Realty LLC	1,871,300	0.47%

NOTE 14—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, 2018, 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, 2018.

Property and Liability Insurance

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

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 15—COMMITMENTS

Ambulance Services Contract

During April 2016, the City entered into a long-term agreement with an independent company to provide emergency ambulance services. Terms of the agreement will be in effect for one 3-year term beginning July 1, 2016 and ending June 30, 2019. The terms of the contract include minimum monthly payments of \$27,417 at the beginning of the agreement. These monthly payments may be adjusted based on future Medicare or Medicaid reimbursement rates. At the beginning of July of each subsequent contract year, \$500 shall be added to the base monthly subsidy then in effect. For the year ended June 30, 2018, the City expended \$335,000 under the terms of the emergency ambulance service agreement.

Guaranteed Debt - Component Unit

Certain debt issued by Berlin Water Works (a component unit of the City) may be backed by the full faith and credit of the City. In the event of a default on payments of any such debt by the Berlin Water Works, the City would be responsible for making the payments.

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 City management, any potential claims against the City which are not covered by insurance are immaterial and would not affect the financial position of the City.

Federal Grants

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

NOTE 17—RESTATEMENT OF NET POSITION

Government-Wide Statements

During the year ended June 30, 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The impact on net position of the Governmental Activities and Business-type Activities as of July 1, 2017 is as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Net Position, July 1, 2017 (as previously reported)	\$ 5,072,114	\$ 27,987,495
Amount of restatement due to:		
Deferred outflows of resources related to OPEB	328,210	7,563
OPEB Liability	<u>(5,957,293)</u>	<u>(280,782)</u>
Net Position, July 1, 2017 - as restated	<u>\$ (556,969)</u>	<u>\$ 27,714,276</u>

Proprietary Funds

The impact of the above restatement on net position of the Sewer Fund as of July 1, 2017 is as follows:

	<u>Sewer Fund</u>
Net Position, July 1, 2017 (as previously reported)	\$ 27,027,123
Amount of restatement due to:	
Deferred outflows of resources related to OPEB	7,563
OPEB Liability	<u>(280,782)</u>
Net Position, July 1, 2017 - as restated	<u>\$ 26,753,904</u>

NOTE 18—SUBSEQUENT EVENTS

During December 2018, the City issued a tax anticipation note in the amount of \$1,500,000, for the purpose of assisting in the payment of operating expenditures. The borrowing is guaranteed to be repaid from property tax revenue received from the taxpayers within the City. The note matures on March 1, 2019 and accrues interest at an annual rate of 2.25%.

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, 2018

	<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	\$ 16,755,184	\$ 16,755,184	\$ 16,769,508	\$ 14,324
Licenses and permits	1,352,300	1,352,300	1,469,283	116,983
Intergovernmental	10,808,948	11,012,727	11,191,013	178,286
Charges for services	1,996,982	1,996,982	1,931,685	(65,297)
Interest income	20,000	20,000	23,035	3,035
Miscellaneous	222,250	222,250	190,221	(32,029)
Total Revenues	<u>31,155,664</u>	<u>31,359,443</u>	<u>31,574,745</u>	<u>215,302</u>
Expenditures:				
Current operations:				
General government	1,828,516	1,828,516	1,641,275	187,241
Public safety	6,021,155	6,047,822	5,676,382	371,440
Highways and streets	1,948,836	1,948,836	2,132,097	(183,261)
Health and welfare	154,374	154,374	131,640	22,734
Sanitation	829,875	829,875	847,310	(17,435)
Culture and recreation	624,349	624,349	608,804	15,545
Economic development			57	(57)
Education	18,122,123	18,122,123	17,632,182	489,941
Capital outlay	661,476	591,111	580,822	10,289
Debt service:				
Principal retirement	495,000	495,000	485,000	10,000
Interest and fiscal charges	296,618	296,618	296,706	(88)
Intergovernmental	1,556,553	1,556,553	1,556,553	-
Total Expenditures	<u>32,538,875</u>	<u>32,495,177</u>	<u>31,588,828</u>	<u>906,349</u>
Excess of revenues over (under) expenditures	<u>(1,383,211)</u>	<u>(1,135,734)</u>	<u>(14,083)</u>	<u>1,121,651</u>
Other Financing Sources:				
Transfers in	<u>8,731</u>	<u>8,731</u>	<u>6,663</u>	<u>(2,068)</u>
Total Other Financing Sources	<u>8,731</u>	<u>8,731</u>	<u>6,663</u>	<u>(2,068)</u>
Net change in fund balance	(1,374,480)	(1,127,003)	(7,420)	1,119,583
Fund balance at beginning of year				
- Budgetary Basis	<u>3,418,714</u>	<u>3,418,714</u>	<u>3,418,714</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 2,044,234</u>	<u>\$ 2,291,711</u>	<u>\$ 3,411,294</u>	<u>\$ 1,119,583</u>

See accompanying notes to the required supplementary information

SCHEDULE 2**CITY OF BERLIN, NEW HAMPSHIRE****Schedule of Changes in the City's Proportionate Share of the Net OPEB Liability****For the Year Ended June 30, 2018**

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

See accompanying notes to the required supplementary information

SCHEDULE 3
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of City OPEB Contributions
For the Year Ended June 30, 2018

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	\$ 246,931	\$ (246,931)	\$ -	\$ 14,901,826	1.66%
June 30, 2017	\$ 335,773	\$ (335,773)	\$ -	\$ 14,814,604	2.27%
June 30, 2016	\$ 340,316	\$ (340,316)	\$ -	\$ 14,905,786	2.28%

See accompanying notes to the required supplementary information

SCHEDULE 4
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

<u>Single Employer Plan Information Only</u>		<u>2018</u>
Total OPEB Liability:		
Service cost	\$	218,384
Interest		163,723
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions or other inputs		(105,076)
Benefit payments		<u>(211,943)</u>
Net change in total OPEB liability		65,088
Total OPEB liability - beginning		<u>4,460,849</u>
Total OPEB liability - ending	\$	<u><u>4,525,937</u></u>
Covered employee payroll	\$	14,581,811
Total OPEB liability as a percentage of covered employee payroll		31.04%

See accompanying notes to the required supplementary information

SCHEDULE 5
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Changes in the City's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018

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

See accompanying notes to the required supplementary information

SCHEDULE 6
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of City Pension Contributions
For the Year Ended June 30, 2018

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	\$ 2,404,399	\$ (2,404,399)	\$ -	\$ 14,901,826	16.13%
June 30, 2017	\$ 2,105,772	\$ (2,105,772)	\$ -	\$ 14,814,604	14.21%
June 30, 2016	\$ 2,115,681	\$ (2,115,681)	\$ -	\$ 14,905,786	14.19%
June 30, 2015	\$ 1,967,282	\$ (1,967,282)	\$ -	\$ 14,750,588	13.34%
June 30, 2014	\$ 1,933,217	\$ (1,933,217)	\$ -	\$ 14,461,687	13.37%
June 30, 2013	\$ 1,439,273	\$ (1,439,273)	\$ -	\$ 13,904,404	10.35%

See accompanying notes to the required supplementary information

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 31,531,538	\$ 31,637,191
Difference in property taxes meeting susceptible to accrual criteria	49,870	
Encumbrances - June 30, 2018		71,952
Encumbrances - June 30, 2017		(120,315)
Per Schedule 1	<u>\$ 31,581,408</u>	<u>\$ 31,588,828</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at June 30, 2018 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 13,983
Tax deeded property	410,179
<i>Assigned for:</i>	
Continuing appropriations	593,127
<i>Unassigned:</i>	
Unassigned - General operations	2,394,005
	<u>\$ 3,411,294</u>

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2018

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

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

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

Change in Actuarial Assumptions

For the July 1, 2016 actuarial valuation, a discount rate of 3.58% was used as of June 30, 2017. The discount rate was increased to 3.87% in the rollforward to the June 30, 2018 measurement date.

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

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

Changes in Actuarial Assumptions

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

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
DEPARTMENT OF AGRICULTURE			
Pass Through Payments from the New Hampshire Department of Education <i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	\$ -	\$ 77,471
National School Lunch Program	10.555		
- School Lunch (Cash)		-	284,226
- Commodities (Non-cash)		-	44,421
		-	328,647
<i>Total Child Nutrition Cluster</i>		-	406,118
Child and Adult Care Food Program	10.558	-	24,854
Fresh Fruit and Vegetable Program	10.582	-	24,655
Total Department of Agriculture		-	455,627
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass Through Payments from the New Hampshire Community Development Finance Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
#015-053-CDED	14.228	-	7,000
#015-053-CDHS		443,782	460,398
#016-053-FSPS-02		-	399
#017-053-FSPF-04		-	3,781
#017-053-FSPS-02		-	70
		443,782	471,648
Total Department of Housing and Urban Development		443,782	471,648
DEPARTMENT OF JUSTICE			
Received directly from U.S. Treasury Department Bulletproof Vest Partnership Program			
	16.607	-	6,800
Pass Through Payments from the New Hampshire Department of Justice Edward Byrne Memorial Justice Assistance Grant			
#2017-DTF-301	16.738	-	60,000
Total Department of Justice		-	66,800

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, 2018

<u>Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
DEPARTMENT OF TRANSPORTATION			
Pass Through Payments from the New Hampshire Department of Transportation Airport Improvement Program #SBG-01-05-2016	20.106	-	163,789
Highway Planning and Construction #41367	20.205	-	3,334
Pass Through Payments from the New Hampshire Highway Safety Agency <i>Highway Safety Cluster:</i> State and Community Highway Safety	20.600	-	4,283
#314-17B-004		-	148
#314-18B-006		-	8,835
#315-17B-038		-	4,857
#315-18B-057		-	18,123
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	-	5,179
#308-17B-042		-	2,748
#308-18B-048		-	7,927
National Priority Safety Programs	20.616	-	3,183
#308-17B-027		-	1,558
#308-18B-026		-	4,377
#308-18B-047		-	9,118
<i>Total Highway Safety Cluster</i>		-	35,168
Total Department of Transportation		-	202,291
DEPARTMENT OF EDUCATION			
Pass Through Payments from the New Hampshire Department of Education Title I Grants to Local Educational Agencies	84.010	-	1,200
#70217		-	744,219
#80012		-	2,250
#80174		-	55,287
#80175		-	802,956

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, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027		
#72509		-	57,745
#82588		-	322,270
		-	380,015
Special Education - Preschool Grants	84.173		
#72509		-	9,377
#82588		-	10,888
		-	20,265
		-	400,280
<i>Total Special Education Cluster (IDEA)</i>			
Career and Technical Education - Basic Grants to States	84.048		
#75011		-	643
#85209		-	58,834
		-	59,477
Twenty-First Century Community Learning Centers	84.287		
#86282		-	183,908
Rural Education	84.358		
#76470		-	18,293
#86470		-	763
		-	19,056
Supporting Effective Instruction State Grants	84.367		
#64798		-	32,969
#74798		-	20,096
#78894		-	19,200
#84798		-	15,008
		-	87,273
Student Support and Academic Enrichment Program	84.424		
#89101		-	14,677
		-	1,567,627
Total Department of Education			
NORTHERN BORDER REGIONAL COMMISSION			
Received directly from U.S. Treasury Department			
Norther Border Regional Development	90.601		
#NBRC16GNH10		-	1,950
		-	1,950
Total Northern Border Regional Commission			

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, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Payments from the New Hampshire Department of Education			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	-	112,259
#72670		-	35,048
#82618		-	147,307
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	-	155,857
#72513		-	425,232
#82589		-	581,089
Total Department of Health and Human Services		-	728,396
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments from the New Hampshire Department of Safety			
Homeland Security Grant Program	97.067	-	33,020
Received directly from U.S. Treasury Department Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	-	171,629
#EMW-2014-FH-00868		-	204,649
Total Department of Homeland Security		-	3,698,988
Total Expenditures of Federal Awards		\$ 443,782	\$ 3,698,988

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, 2018

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3—INDIRECT COST RATE

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

NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

Nonmajor Governmental Funds	<u>\$ 3,654,567</u>
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire, as of and for the year ended June 30, 2018, 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 January 23, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Berlin Water Works, a discretely presented component unit of the City, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Berlin Water Works.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Vachon Cloutay & Company PC

Manchester, New Hampshire
January 23, 2019

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Berlin, New Hampshire's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Berlin, New Hampshire's major federal programs for the year ended June 30, 2018. The City of Berlin, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Berlin, New Hampshire's basic financial statements include the operations of the Berlin Water Works, a discretely presented component unit of the City, which received federal awards of \$545,348 which are not included in the City of Berlin, New Hampshire's schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of the Berlin Water Works which is a separate legal entity and has separately issued audited financial statements.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Berlin, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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


Manchester, New Hampshire
January 23, 2019

**City of Berlin, New Hampshire
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

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 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 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
2 CFR 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553 & 10.555</u>	<u>Child Nutrition Cluster</u>
<u>14.228</u>	<u>Community Development Block Grants/State's Program</u>

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

Auditee qualified as low-risk auditee? X yes no

Section II—Financial Statement Findings

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

Section III—Federal Award Findings and Questioned Costs

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

SCHEDULE A
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2018

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents		\$ 1,215		\$ 1,215
Investments		378,658		378,658
Accounts receivable	\$ 37,021		\$ 6,946	43,967
Due from other governments	885,977			885,977
Due from other funds	82,282		458,504	540,786
Prepaid expenses	33,538			33,538
Inventory	7,030			7,030
Total Assets	<u>1,045,848</u>	<u>379,873</u>	<u>465,450</u>	<u>1,891,171</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,045,848</u>	<u>\$ 379,873</u>	<u>\$ 465,450</u>	<u>\$ 1,891,171</u>
LIABILITIES				
Accounts payable	\$ 11,439		\$ 32,853	\$ 44,292
Accrued expenses	12,764			12,764
Retainage payable			315,638	315,638
Advances from grantors	191,027			191,027
Unearned revenue	7,603			7,603
Due to other funds	1,043,230	\$ 6,663		1,049,893
Total Liabilities	<u>1,266,063</u>	<u>6,663</u>	<u>348,491</u>	<u>1,621,217</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	40,568	155,553		196,121
Restricted	30,200	217,657	116,959	364,816
Committed	14,816			14,816
Unassigned (Deficit)	(305,799)			(305,799)
Total Fund Balances (Deficit)	<u>(220,215)</u>	<u>373,210</u>	<u>116,959</u>	<u>269,954</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,045,848</u>	<u>\$ 379,873</u>	<u>\$ 465,450</u>	<u>\$ 1,891,171</u>

SCHEDULE A-1
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2018

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Health Department Fund	Grants Fund	CDBG Fund	Recreation and Parks Programs Fund	Combining Totals
ASSETS								
Accounts receivable	\$ 17,500	\$ 15,826	\$ 3,695		\$ 73,623			\$ 37,021
Due from other governments	763,895	17,690	30,769		67,346		\$ 14,936	885,977
Due from other funds			33,538					82,282
Prepaid expenses		7,030						33,538
Inventory		40,546	68,002	\$ -	140,969	\$ -	14,936	7,030
Total Assets	781,395	40,546	68,002	\$ -	140,969	\$ -	14,936	1,045,848
DEFERRED OUTFLOWS OF RESOURCES								
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	781,395	40,546	68,002	\$ -	140,969	\$ -	14,936	1,045,848
LIABILITIES								
Accounts payable	\$ 4,257	\$ 2,236	\$ 6,831		\$ 4,488		\$ 120	\$ 11,439
Accrued expenses	70,544		796		5,475			12,764
Advances from grantors					120,483			191,027
Unearned revenue	704,884	7,603	332,636					7,603
Due to other funds	779,685	5,710	340,263		130,446		120	1,043,230
Total Liabilities	779,685	15,549	340,263	\$ -	130,446	\$ -	120	1,266,063
DEFERRED INFLOWS OF RESOURCES								
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-
FUND BALANCES								
Nonspendable		7,030	33,538					40,568
Restricted	1,710	17,967			10,523		14,816	30,200
Committed								14,816
Unassigned (Deficit)			(305,799)		10,523		14,816	(305,799)
Total Fund Balances (Deficit)	1,710	24,997	(272,261)	-	10,523	-	14,816	(220,215)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	781,395	40,546	68,002	\$ -	140,969	\$ -	14,936	1,045,848

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, 2018

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ 3,825,213			\$ 3,825,213
Charges for services	389,842			389,842
Interest income		\$ 4,811		4,811
Miscellaneous	160,505	1,350		161,855
Total Revenues	<u>4,375,560</u>	<u>6,161</u>	<u>\$ -</u>	<u>4,381,721</u>
Expenditures:				
Current operations:				
General government	464,178			464,178
Public safety	354,133			354,133
Airport/Aviation center	147,541			147,541
Highways and streets	469		390,211	390,680
Health and welfare	2,219			2,219
Culture and recreation	47,797			47,797
Economic development	16,577			16,577
Education	2,547,048			2,547,048
Food service	607,786			607,786
Capital outlay	171,950		3,269,946	3,441,896
Total Expenditures	<u>4,359,698</u>	<u>-</u>	<u>3,660,157</u>	<u>8,019,855</u>
Excess of revenues over (under) expenditures	<u>15,862</u>	<u>6,161</u>	<u>(3,660,157)</u>	<u>(3,638,134)</u>
Other Financing Uses:				
Transfers out		(6,663)		(6,663)
Total Other Financing Uses	<u>-</u>	<u>(6,663)</u>	<u>-</u>	<u>(6,663)</u>
Net change in fund balances	15,862	(502)	(3,660,157)	(3,644,797)
Fund balances (deficit) at beginning of year	<u>(236,077)</u>	<u>373,712</u>	<u>3,777,116</u>	<u>3,914,751</u>
Fund balances (deficit) at end of year	<u>\$ (220,215)</u>	<u>\$ 373,210</u>	<u>\$ 116,959</u>	<u>\$ 269,954</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, 2018

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Health Department Fund	Grants Fund	CDBG Fund	Recreation and Parks Programs Fund	Combining Totals
Revenues:								
Intergovernmental	\$ 2,427,516	\$ 420,253	\$ 171,950		\$ 805,494		\$ 41,446	\$ 3,825,213
Charges for services		191,234	130,162		27,000			389,842
Miscellaneous	84,532		36,162		39,811			160,505
Total Revenues	<u>2,512,048</u>	<u>611,487</u>	<u>338,274</u>	<u>\$ -</u>	<u>872,305</u>	<u>\$ -</u>	<u>41,446</u>	<u>4,375,560</u>
Expenditures:								
Current operations:								
General government					464,178			464,178
Public safety					354,133			354,133
Airport/Aviation center			147,541		469			147,541
Highways and streets				2,219				2,219
Health and welfare					4,811		42,986	47,797
Culture and recreation					12,332	4,245		16,577
Economic development	2,512,048				35,000			2,547,048
Education		607,786						607,786
Food service								171,950
Capital outlay	<u>2,512,048</u>	<u>607,786</u>	<u>171,950</u>	<u>2,219</u>	<u>870,923</u>	<u>4,245</u>	<u>42,986</u>	<u>4,359,698</u>
Total Expenditures								
Net change in fund balances	-	3,701	18,783	(2,219)	1,382	(4,245)	(1,540)	15,862
Fund balances (deficit) at beginning of year	<u>1,710</u>	<u>21,296</u>	<u>(291,044)</u>	<u>2,219</u>	<u>9,141</u>	<u>4,245</u>	<u>16,356</u>	<u>(236,077)</u>
Fund balances (deficit) at end of year	<u>\$ 1,710</u>	<u>\$ 24,997</u>	<u>\$ (272,261)</u>	<u>\$ -</u>	<u>\$ 10,523</u>	<u>\$ -</u>	<u>\$ 14,816</u>	<u>\$ (220,215)</u>

SCHEDULE C
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Net Position
All Nonmajor Proprietary Funds
June 30, 2018

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
ASSETS			
Current Assets:			
Due from other governments		\$ 82,888	\$ 82,888
Due from other funds	\$ 701,851	297,905	999,756
Total Current Assets	<u>701,851</u>	<u>380,793</u>	<u>1,082,644</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	96,203		96,203
Total Noncurrent Assets	<u>96,203</u>	<u>-</u>	<u>96,203</u>
Total Assets	<u>798,054</u>	<u>380,793</u>	<u>1,178,847</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	777		777
Refundable deposits	20,000		20,000
Current portion of estimated liability for landfill postclosure care costs		14,700	14,700
Total Current Liabilities	<u>20,777</u>	<u>14,700</u>	<u>35,477</u>
Noncurrent Liabilities:			
Estimated liability for landfill postclosure care costs		235,200	235,200
Total Noncurrent Liabilities	<u>-</u>	<u>235,200</u>	<u>235,200</u>
Total Liabilities	<u>20,777</u>	<u>249,900</u>	<u>270,677</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	96,203		96,203
Unrestricted	681,074	130,893	811,967
Total Net Position	<u>\$ 777,277</u>	<u>\$ 130,893</u>	<u>\$ 908,170</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, 2018

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Operating revenues:			
Total Operating Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating expenses:			
Repairs and maintenance	15,159	35,049	50,208
Administrative	<u>8,193</u>	<u></u>	<u>8,193</u>
Total Operating Expenses	<u>23,352</u>	<u>35,049</u>	<u>58,401</u>
Operating loss	<u>(23,352)</u>	<u>(35,049)</u>	<u>(58,401)</u>
Non-operating revenues:			
Interest income	<u>6,199</u>	<u></u>	<u>6,199</u>
Non-operating revenues	<u>6,199</u>	<u>-</u>	<u>6,199</u>
Change in net position	(17,153)	(35,049)	(52,202)
Net Position at beginning of year	<u>794,430</u>	<u>165,942</u>	<u>960,372</u>
Net Position at end of year	<u>\$ 777,277</u>	<u>\$ 130,893</u>	<u>\$ 908,170</u>

SCHEDULE E
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Cash Flows
All Nonmajor Proprietary Funds
For the Year Ended June 30, 2018

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Cash flows from operating activities:			
Cash paid to suppliers	\$ (24,825)	\$ (9,861)	\$ (34,686)
Other operating cash receipts		2,533	2,533
Net cash used by operating activities	<u>(24,825)</u>	<u>(7,328)</u>	<u>(32,153)</u>
Cash flows from investing activities:			
Interest on investments	6,199		6,199
Net cash provided by investing activities	<u>6,199</u>	<u>-</u>	<u>6,199</u>
Net decrease in cash and cash equivalents	(18,626)	(7,328)	(25,954)
Cash and cash equivalents at beginning of year	720,477	305,233	1,025,710
Cash and cash equivalents at end of year	<u>\$ 701,851</u>	<u>\$ 297,905</u>	<u>\$ 999,756</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (23,352)	\$ (35,049)	\$ (58,401)
Changes in assets and liabilities:			
Due from other governments		(16,979)	(16,979)
Accounts payable	(1,473)		(1,473)
Estimated liability for landfill postclosure care costs		44,700	44,700
Net cash used by operating activities	<u>\$ (24,825)</u>	<u>\$ (7,328)</u>	<u>\$ (32,153)</u>