

CITY OF BERLIN, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2021
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, 2021

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-xiii
BASIC FINANCIAL STATEMENTS	
EXHIBITS:	
A Statement of Net Position	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
C-1 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
D-1 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
E Statement of Net Position – Proprietary Funds	7
F Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8
G Statement of Cash Flows – Proprietary Funds	9
H Statement of Fiduciary Net Position – Fiduciary Funds	10
I Statement of Changes in Fiduciary Net Position – Fiduciary Funds	11
NOTES TO BASIC FINANCIAL STATEMENTS	12-45
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES:	
1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	46
2 Schedule of Changes in the City's Proportionate Share of the Net OPEB Liability	47
3 Schedule of City OPEB Contributions	48
4 Schedule of Changes in the City's Total OPEB Liability and Related Ratios	49
5 Schedule of Changes in the City's Proportionate Share of the Net Pension Liability	50
6 Schedule of City Pension Contributions	51
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	52-53

CITY OF BERLIN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2021

TABLE OF CONTENTS (CONTINUED)

	<u>Page(s)</u>
FEDERAL COMPLIANCE	
SCHEDULE:	
I Schedule of Expenditures of Federal Awards	54-56
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	57
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	58-59
Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	60-61
Schedule of Findings and Questioned Costs	62-64
Corrective Action Plan	65
SUPPLEMENTAL SCHEDULES	
SCHEDULES:	
A Combining Balance Sheet – Governmental Funds – All Nonmajor Funds	66
A-1 Combining Balance Sheet – Governmental Funds – All Nonmajor Special Revenue Funds	67
B Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds	68
B-1 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Special Revenue Funds	69
C Combining Statement of Net Position – All Nonmajor Proprietary Funds	70
D Combining Statement of Revenues, Expenses and Changes in Net Position – All Nonmajor Proprietary Funds	71
E Combining Statement of Cash Flows – All Nonmajor Proprietary Funds	72

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, 2021, 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, 2021, 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 46-53 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 November 2, 2022 on our consideration of the City of Berlin, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Berlin, New Hampshire's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Berlin, New Hampshire's internal control over financial reporting and compliance.

Vachon Clukay & Company PC

Manchester, New Hampshire
November 2, 2022

**City of Berlin, New Hampshire
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2021**

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, 2021. 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:

- GASB Statement #88, Certain Disclosures Related to Debt, was implemented by the City during the year ended June 30, 2021. Under GASB Statement 88 the City further classifies debt into categories such as direct borrowings or direct placements in the notes to the financials and provides further information regarding collateral related to debt.

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, 2021 by \$23.3 million, a decrease of (\$785) 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).
- Changes in Net Position: The City’s total net position decreased from last fiscal year’s \$24.1 million to \$23.3 million in fiscal year 2021. Net position of governmental activities increased by (\$272) thousand, and net position of the business-type activities decreased by (\$1) million. 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 2021, the City’s governmental funds reported an increase of \$4 million compared to last fiscal year, with a combined ending fund balance of \$7 million at fiscal year end. 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 \$3.7 million, which is an increase of \$2.4 million from the previous fiscal year.
- Proprietary Funds – Net position: As of the close of fiscal year 2021, the City’s proprietary funds reported a decrease of (\$1) million when compared to last fiscal year, with a combined ending net position of \$25.8 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 \$2.5 million, which is a decrease of (\$2.4) million from the prior fiscal year.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

- The **Statement of Net Position**, found on page 1, presents all of the City's non-fiduciary assets and liabilities. The *difference* between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as "Net Position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The **Statement of Activities**, found on page 2, presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned, 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 custodial 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 governmental-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 66-69. The nonmajor governmental funds are:

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

Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. Therefore, reconciliation is not necessary between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 7-9, with individual fund data for each of the City's nonmajor proprietary funds provided as supplementary information in the combining statements found on pages 70-72.

- 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 (Private-Purpose Trust)
 - Miles Scholarship Trust Fund (Private-Purpose Trust)
 - Elaine Hardy Scholarship Fund (Private-Purpose Trust)
 - Library Trust Fund (Private-Purpose Trust)
 - Irene Markovich Scholarship Fund (Private-Purpose Trust)
 - Jericho Wind-power Custodial 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 12-45.

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 46) 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 47-51). The notes to the required supplementary information can be found on pages 52-53.

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 \$23.3 million at the end of fiscal year 2021, a decrease of (\$1) million compared to the end of the previous fiscal year.

Net position of the City as of June 30, 2021 and 2020 is as follows (amounts reported in millions):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Capital assets, net	\$ 33.3	\$ 34.4	\$ 32.1	\$ 32.6	\$ 65.4	\$ 67.0
Other assets	10.2	7.7	9.2	9.9	19.4	17.6
Total Assets	<u>43.5</u>	<u>42.1</u>	<u>41.3</u>	<u>42.5</u>	<u>84.8</u>	<u>84.6</u>
Total Deferred Outflows of Resources	<u>10.5</u>	<u>5.3</u>	<u>0.4</u>	<u>0.2</u>	<u>10.9</u>	<u>5.5</u>
Long-term liabilities	49.6	43.6	14.4	15.4	64.0	59.0
Other liabilities	1.8	1.2	1.3	0.3	3.1	1.5
Total Liabilities	<u>51.4</u>	<u>44.8</u>	<u>15.7</u>	<u>15.7</u>	<u>67.1</u>	<u>60.5</u>
Total Deferred Inflows of Resources	<u>5.1</u>	<u>5.4</u>	<u>0.2</u>	<u>0.1</u>	<u>5.3</u>	<u>5.5</u>
Net position:						
Net investment in capital assets	26.7	26.8	19.0	18.9	45.7	45.7
Restricted	0.6	0.4	2.8	2.3	3.4	2.7
Unrestricted (Deficit)	<u>(29.8)</u>	<u>(30.0)</u>	<u>4.0</u>	<u>5.7</u>	<u>(25.8)</u>	<u>(24.3)</u>
Total Net Position	<u>\$ (2.5)</u>	<u>\$ (2.8)</u>	<u>\$ 25.8</u>	<u>\$ 26.9</u>	<u>\$ 23.3</u>	<u>\$ 24.1</u>

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

This year the City had a decrease in unrestricted net position of (\$1.5) million from the prior fiscal year. The most significant components affecting the deficit unrestricted net position of the governmental activities at year end is due to the recognition of the City’s proportionate share of the New Hampshire Retirement System’s net other post-employment benefits (OPEB) and pension liabilities and related deferred outflows and inflows of resources in accordance with GASB Statements No. 68 and 75. A deficit unrestricted net position balance is expected to continue into subsequent years as a result of Statements 68 and 75.

Statement of Activities

Changes in net position for the years ending June 30, 2021 and 2020 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 2.1	\$ 2.0	\$ 2.1	\$ 2.1	\$ 4.2	\$ 4.1
Operating grants and contributions	16.6	13.9	-	-	16.6	13.9
Capital grants and contributions	-	1.1	0.1	0.2	0.1	1.3
General revenues:						
Property and other taxes	19.0	17.5	-	-	19.0	17.5
Licenses and permits	1.6	1.5	-	-	1.6	1.5
Intergovernmental	0.7	0.8	-	-	0.7	0.8
Interest and investment earnings	-	0.1	-	0.1	-	0.2
Miscellaneous	0.3	0.3	0.6	-	0.9	0.3
Total revenues	<u>40.3</u>	<u>37.2</u>	<u>2.8</u>	<u>2.4</u>	<u>43.1</u>	<u>39.6</u>
Expenses						
General government	2.8	1.9	-	-	2.8	1.9
Public safety	7.6	6.2	-	-	7.6	6.2
Airport/Aviation center	0.4	0.4	-	-	0.4	0.4
Highways and streets	3.3	3.3	-	-	3.3	3.3
Health and welfare	0.1	0.1	-	-	0.1	0.1
Sanitation	1.0	0.8	-	-	1.0	0.8
Culture and recreation	0.7	0.7	-	-	0.7	0.7
Economic development	-	0.5	-	-	-	0.5
Education	21.2	20.9	-	-	21.2	20.9
Food service	0.6	0.6	-	-	0.6	0.6
Other student	0.1	0.2	-	-	0.1	0.2
Debt service	0.2	0.2	-	-	0.2	0.2
Intergovernmental	2.2	2.0	-	-	2.2	2.0
Sewer	-	-	3.9	3.8	3.9	3.8
Total expenses	<u>40.2</u>	<u>37.8</u>	<u>3.9</u>	<u>3.8</u>	<u>44.1</u>	<u>41.6</u>
Change in net position	0.1	(0.6)	(1.1)	(1.4)	(1.0)	(2.0)
Net position, beginning of year, as restated	<u>(2.6)</u>	<u>(2.2)</u>	<u>26.9</u>	<u>28.3</u>	<u>24.3</u>	<u>26.1</u>
Net position, end of year	<u>\$ (2.5)</u>	<u>\$ (2.8)</u>	<u>\$ 25.8</u>	<u>\$ 26.9</u>	<u>\$ 23.3</u>	<u>\$ 24.1</u>

Property and other taxes brought in \$19 million in revenue. Other major revenues consisted of licenses and permits, charges for services, operating grants and contributions, and capital grants and contributions.

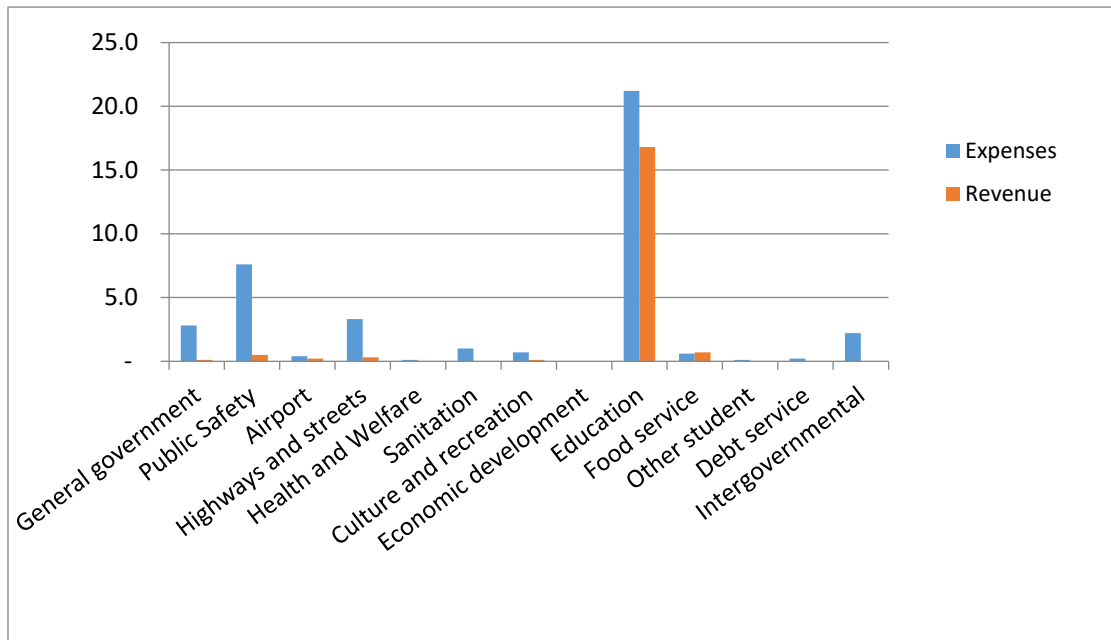
The City's expenses cover a range of services. The largest governmental expenses (excluding business-type activities) were for education (53%), public safety (18%), highways and streets (8%) and general government (6%), which accounted for roughly 85% of total governmental expenditures.

Governmental Activities

Governmental activities revenues of \$40.3 million were exceeded by expenses of \$40.2 million in fiscal year 2021, thereby increasing the City’s governmental activities net position by \$100 thousand.

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

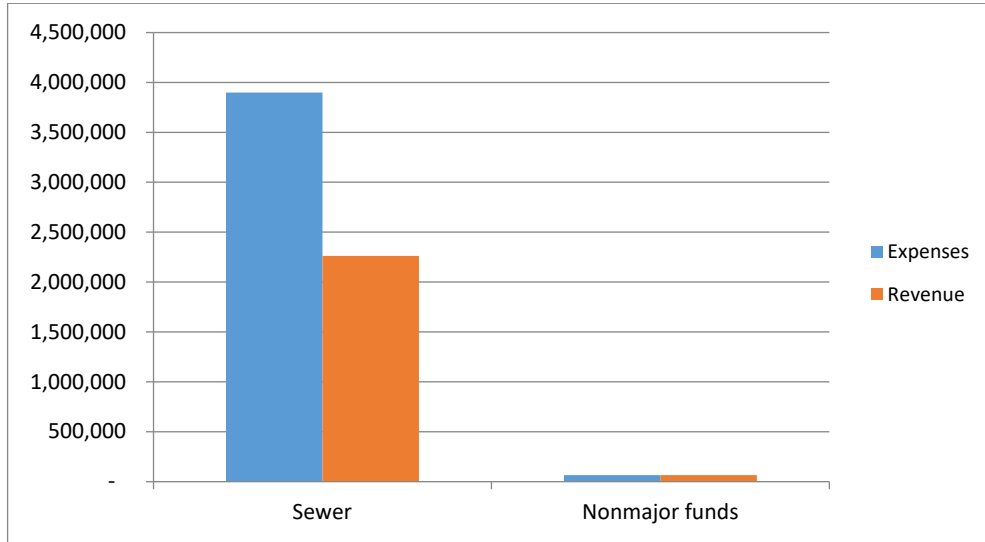
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ending June 30, 2021



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, 2021

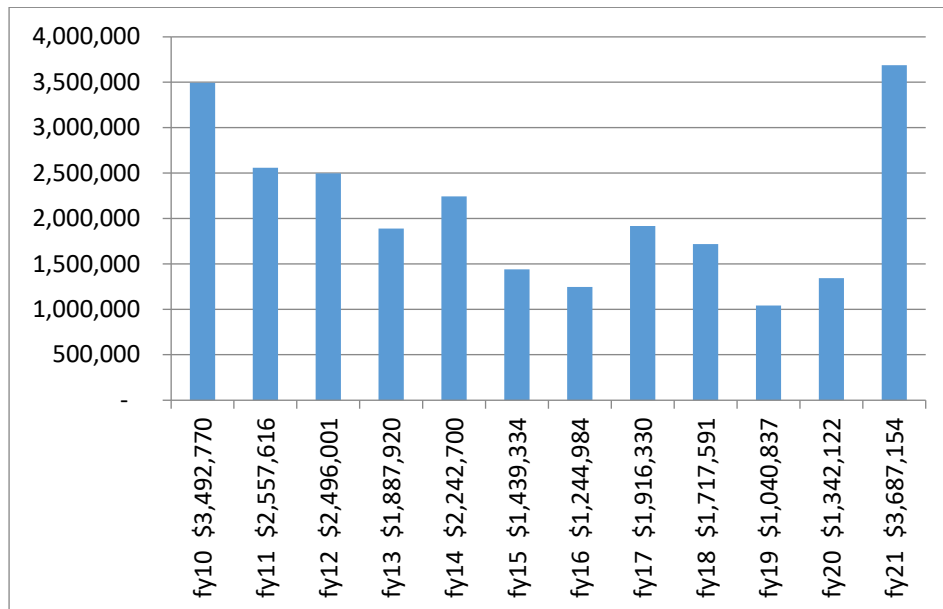


FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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 2010 through 2021 are as follows:

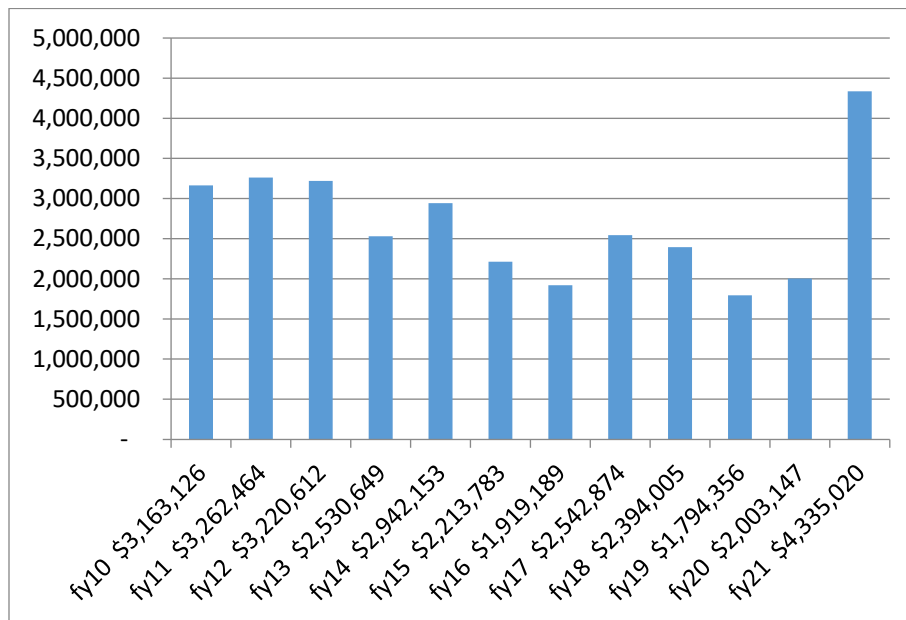


General Fund

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 \$3,687,154, while total fund balance was \$5,676,869. The total fund balance includes nonspendable balances for prepaid items and tax deeded property, as well as commitments for encumbrances and continuing appropriations at fiscal year-end. The total General Fund unassigned fund balance increased by \$2,345,032 from the previous year.

Budgetary Basis

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



As indicated in the above chart, the City's effort in past years to increase its Unassigned Fund Balance was generally successful until the past few years. The difficulty in maintaining unassigned fund balance becomes greater every year, as the City has applied a significant amount of the balance to reduce the tax rate in each of the past five years. For the fiscal year 2021, the General Fund Unassigned Fund Balance has increased to \$4,335,020, with \$400,000 being applied to reduce the 2020 tax rate.

Other Governmental Funds

The combined fund balances of the nonmajor governmental funds increased during the year by \$897 thousand to a fiscal year end balance of \$1,288,596. The increase was a result of proceeds from note issuance in the Capital Projects Fund of \$1.1 million.

Proprietary Funds

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

Total net position of the proprietary funds decreased by (\$1) million from the prior year. This decrease was primarily caused by monies collected from sewer user fees being 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 (\$1,699,451). The Nonmajor Proprietary Funds had a combined net position increase of (\$562,499) in fiscal year 2021.

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 46.

Actual budgetary revenues were greater than the budgeted estimated revenues by \$1,059,733. There were favorable variances of \$127,455, \$181,070, \$431,092, and \$380,418 in actual licenses and permits, intergovernmental revenue, charges for services and miscellaneous revenue from the amounts budgeted, respectively, which was somewhat offset by an unfavorable variance in property taxes of (\$47,197). Additionally, there was a unfavorable variance of (\$13,105) in interest income. Actual budgetary expenditures at fiscal year-end were \$2,073,893 less than the final budgeted appropriations. There were no City Departments that were well over budget, while several were significantly under budgeted amounts. The City made a concerted effort to control costs resulting in savings on certain budgeted items. The Schools actual expenditures were \$1,438,952 less than budgeted. Public Safety was \$334,797 less than budgeted and Highway and Streets spent \$338,863 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, 2021, amounted to \$127 million. Accumulated depreciation was \$62 million leaving a net book value of \$65 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 23-25 of the Notes to the Basic Financial Statements.

Debt Administration

The City may issue general obligation bonds and notes in anticipation of such bonds authorized by the City Council. At the end of the current fiscal year, the City had total bonded debt outstanding of \$19.8 million. This amount does not include unamortized bond premiums or bonded debt

outstanding by the Berlin Water Works, its component unit. The City may issue general obligation debt for the Berlin Water Works (a component unit of the City) and these general obligation bonds are backed by the full faith and credit of the City. Accordingly, this general obligation debt is recognized as a liability of the Berlin Water Works and is not recorded as a long-term obligation of the City. The Berlin Water Works will reimburse the City for direct payments made on its behalf for annual principal and interest on such debt. The City did not make any direct debt service payments on-behalf of the Berlin Water Works in the current year. Outstanding capital leases payable of the governmental activities and business-type activities totaled \$256 thousand and \$89 thousand, respectively, at year end. Additional information regarding the City's long-term debt obligations can be found in Note 5 on pages 25-30 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 \$34.1 million, with deferred outflows and inflows of resources related to pension in the amounts of \$9.3 million and \$2.1 million, respectively. Additional information regarding the City's net pension liability can be found in Note 8 on pages 37-41 of the Notes to the Basic Financial Statements.

During fiscal year 2018 the City implemented GASB Statement 75 which requires the City to recognize a liability for its proportionate share of the New Hampshire Retirement System's net OPEB liability in addition to modifying the accounting and measurement methods used to value the City's single employer OPEB plan. Under GASB Statement 75, the City recognizes OPEB expense and reports deferred outflows and inflows of resources related to OPEB for its single employer OPEB plan and for its proportionate share of collective OPEB expense and collective deferred outflows and inflows of resources related to the New Hampshire Retirement System's cost-sharing multi-employer OPEB plan. At year end, the City had a total OPEB liability of \$7.8 million, with total deferred outflows and inflows of resources related to OPEB in the amounts of \$1.5 million and \$1.3 million, respectively. Additional information regarding the City's OPEB liability can be found in Note 7 on pages 31-37 of the Notes to the Basic Financial Statements.

ECONOMIC CONDITIONS

The Burgess BioPower biomass plant continues to operate efficiently while providing 29 direct jobs and supporting many more indirect jobs and services.

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

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

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

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

The Gorham Paper Mill continues to operate and improve product lines and actively seek employees. They operate with approximately 75 employees. They are working to decommission their onsite lagoons and studying the feasibility of exploring an innovative way to treat process water through a closed-loop waste treatment system between Berlin, Gorham and the Mill.

The Federal Corrections Institutions current staffing is approximately 215 employees. They continue to actively recruit additional staff.

Androscoggin Valley Hospital continues to develop its association with the other three North Country hospitals in order to improve the quality of services while decreasing costs. AVH currently employs 335 individuals.

North Country Growers LLC, a commercial agricultural enterprise broke ground this spring on their commercial scale greenhouse project. This has been a protracted process for a variety of reasons but is now under active site construction. This enterprise is expected to create 80 jobs.

Recorded residential property sales continue in FY21 and continues to show an increase in sale prices, particularly in multi-unit properties. This has been welcome news as the City has worked toward increasing property values for the last twenty years. There are many factors the City attributes to this growth including efforts focused on reducing over supply and increasing demand through growth activities like outdoor recreation.

The City will start work shortly along the Androscoggin on Upper Main Street for the Riverwalk project. The City obtained grant funding for the Riverwalk in 2016 and will reach substantial completion in Fall 2022. The features of the project are designed to support the operations of the festivals and activities that occur in this area, such as the RiverFire event which attracts several thousand visitors each year.

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

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

With the marked multi-year upswing in property sale prices and robust overall sale activity continuing over last year, it is evident that the investments in housing stock, ATV recreation and

more traditional employment are now having a significant impact on the economy. The City needs to stay the course in its transformation. The biggest threat continues to be reduced state education aid and a variety of legislative proposals which will hurt the current economic status. Being vigilant in addressing these threats will be important for future economic health.

REQUESTS FOR INFORMATION

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

EXHIBIT A
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Position
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 6,571,428		\$ 6,571,428	\$ 281,706
Investments	5,084,635		5,084,635	1,671,854
Taxes receivable, net	707,353		707,353	
Accounts receivable, net	729,018	\$ 746,753	1,475,771	154,917
Due from other governments	1,362,872	291,572	1,654,444	
Unbilled user charges			-	441,884
Internal balances	(4,725,099)	4,725,099	-	
Prepaid items	79,989	826	80,815	
Inventory	27,253	98,876	126,129	266,408
Tax deduced property	382,961		382,961	
Total Current Assets	<u>10,220,410</u>	<u>5,863,126</u>	<u>16,083,536</u>	<u>2,816,769</u>
Noncurrent Assets:				
Due from other governments		3,323,768	3,323,768	
Capital assets:				
Non-depreciable capital assets	1,443,534	557,638	2,001,172	493,423
Depreciable capital assets, net	<u>31,868,229</u>	<u>31,610,953</u>	<u>63,479,182</u>	<u>36,874,652</u>
Total Noncurrent Assets	<u>33,311,763</u>	<u>35,492,359</u>	<u>68,804,122</u>	<u>37,368,075</u>
Total Assets	<u>43,532,173</u>	<u>41,355,485</u>	<u>84,887,658</u>	<u>40,184,844</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on debt refunding		28,181	28,181	
Deferred outflows related to OPEB	1,417,335	106,287	1,523,622	70,622
Deferred outflows related to pension	9,106,163	225,025	9,331,188	278,836
Total Deferred Outflows of Resources	<u>10,523,498</u>	<u>359,493</u>	<u>10,882,991</u>	<u>349,458</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	223,168	658,460	881,628	19,188
Accrued liabilities	817,855	118,812	936,667	54,099
Advances from grantors	133,520		133,520	
Unearned revenue	27,973		27,973	
Refundable deposits	1,623		1,623	
Current portion of bonds payable	235,000	494,306	729,306	
Current portion of notes payable	98,747		98,747	566,639
Current portion of capital leases payable	82,499	28,780	111,279	
Current portion of compensated absences payable	153,808		153,808	61,427
Current portion of estimated liability for landfill postclosure care costs	7,700	13,600	21,300	
Total Current Liabilities	<u>1,781,893</u>	<u>1,313,958</u>	<u>3,095,851</u>	<u>701,353</u>
Noncurrent Liabilities:				
Bonds payable	6,086,409	12,174,504	18,260,913	
Notes payable	1,001,253		1,001,253	5,539,946
State of New Hampshire revolving loan		327,789	327,789	
Capital leases payable	174,091	60,603	234,694	
Compensated absences payable	1,803,403	155,124	1,958,527	93,690
Accrued longevity payout	33,750		33,750	
Other post-employment benefits (OPEB) liability	7,230,527	608,554	7,839,081	237,991
Net pension liability	33,266,623	867,481	34,134,104	1,024,727
Estimated liability for landfill postclosure care costs	38,500	176,800	215,300	
Total Noncurrent Liabilities	<u>49,634,556</u>	<u>14,370,855</u>	<u>64,005,411</u>	<u>6,896,354</u>
Total Liabilities	<u>51,416,449</u>	<u>15,684,813</u>	<u>67,101,262</u>	<u>7,597,707</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	1,867,206		1,867,206	
Deferred inflows related to OPEB	1,217,374	107,164	1,324,538	72,731
Deferred inflows related to pension	2,091,963	69,464	2,161,427	107,864
Total Deferred Inflows of Resources	<u>5,176,543</u>	<u>176,628</u>	<u>5,353,171</u>	<u>180,595</u>
NET POSITION				
Net investment in capital assets	26,733,764	19,082,609	45,816,373	31,261,490
Restricted	546,171	2,788,000	3,334,171	
Unrestricted (Deficit)	<u>(29,817,256)</u>	<u>3,982,928</u>	<u>(25,834,328)</u>	<u>1,494,510</u>
Total Net Position	<u>\$ (2,537,321)</u>	<u>\$ 25,853,537</u>	<u>\$ 23,316,216</u>	<u>\$ 32,756,000</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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating	Capital	Primary Government			
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 2,778,989	\$ 87,622	\$ 14,315		\$ (2,677,052)		\$ (2,677,052)	
Public safety	7,643,012	133,510	424,134		(7,085,368)		(7,085,368)	
Airport/Aviation center	401,479	165,987	26,853		(208,639)		(208,639)	
Highways and streets	3,367,296	59,722	228,641		(3,078,933)		(3,078,933)	
Health and welfare	80,233	2,827			(77,406)		(77,406)	
Sanitation	1,065,978	25,458			(1,040,520)		(1,040,520)	
Culture and recreation	701,828	21,906	10,000	\$ 33,630	(636,292)		(636,292)	
Economic development	33,530		32,995		(535)		(535)	
Education	21,200,084	1,605,834	15,219,580		(4,374,670)		(4,374,670)	
Food service	629,905	17,589	678,994		66,678		66,678	
Other student	103,202				(103,202)		(103,202)	
Interest and fiscal charges	202,997				(202,997)		(202,997)	
Intergovernmental	2,211,284				(2,211,284)		(2,211,284)	
Total governmental activities	<u>40,419,817</u>	<u>2,120,455</u>	<u>16,635,512</u>	<u>33,630</u>	<u>(21,630,220)</u>	<u>\$ -</u>	<u>(21,630,220)</u>	
Business-type activities:								
Sewer	3,898,134	2,182,329		78,976		(1,636,829)	(1,636,829)	
Nonmajor enterprise funds	66,871					(66,871)	(66,871)	
Total business-type activities	<u>3,965,005</u>	<u>2,182,329</u>	<u>-</u>	<u>78,976</u>	<u>-</u>	<u>(1,703,700)</u>	<u>(1,703,700)</u>	
Total primary government	<u>\$ 44,384,822</u>	<u>\$ 4,302,784</u>	<u>\$ 16,635,512</u>	<u>\$ 112,606</u>	<u>(21,630,220)</u>	<u>(1,703,700)</u>	<u>(23,333,920)</u>	
Component unit:								
Water	\$ 2,928,496	\$ 2,548,736		\$ 1,868,019			\$ 1,488,259	
Total component unit	<u>\$ 2,928,496</u>	<u>\$ 2,548,736</u>	<u>\$ -</u>	<u>\$ 1,868,019</u>			<u>1,488,259</u>	
General revenues:								
Property and other taxes					19,022,657		19,022,657	
Licenses and permits					1,619,055		1,619,055	
Grants and contributions:								
Rooms and meals tax distribution					514,478		514,478	
Municipal aid					232,281		232,281	
Interest and investment earnings					54,986	10,983	65,969	3,049
Miscellaneous					625,347	634,741	1,260,088	90,019
Contributions to permanent fund principal					6,952		6,952	
Net loss on disposal of capital assets					(330,063)		(330,063)	
Total general revenues, contributions to permanent fund principal, and net loss on disposal of capital assets					<u>21,745,693</u>	<u>645,724</u>	<u>22,391,417</u>	<u>93,068</u>
Change in net position					115,473	(1,057,976)	(942,503)	1,581,327
Net Position at beginning of year, as restated					(2,652,794)	26,911,513	24,258,719	31,174,673
Net Position at end of year					<u>\$ (2,537,321)</u>	<u>\$ 25,853,537</u>	<u>\$ 23,316,216</u>	<u>\$ 32,756,000</u>

See accompanying notes to the basic financial statements

EXHIBIT C
CITY OF BERLIN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2021

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 6,357,375	\$ 214,053	\$ 6,571,428
Investments	4,711,289	373,346	5,084,635
Taxes receivable, net	707,353		707,353
Accounts receivable	729,018		729,018
Due from other governments		1,362,872	1,362,872
Due from other funds	1,311,794	845,426	2,157,220
Prepaid items	461,834	20,469	482,303
Inventory		27,253	27,253
Tax deeded property	382,961		382,961
Total Assets	<u>14,661,624</u>	<u>2,843,419</u>	<u>17,505,043</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 14,661,624</u>	<u>\$ 2,843,419</u>	<u>\$ 17,505,043</u>
LIABILITIES			
Accounts payable	\$ 147,284	\$ 75,884	\$ 223,168
Accrued liabilities	755,903		755,903
Advances from grantors		133,520	133,520
Unearned revenue	16,750	11,223	27,973
Refundable deposits	1,623		1,623
Due to other funds	5,548,123	1,334,196	6,882,319
Total Liabilities	<u>6,469,683</u>	<u>1,554,823</u>	<u>8,024,506</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	1,867,206		1,867,206
Uncollected property tax revenue	647,866		647,866
Total Deferred Inflows of Resources	<u>2,515,072</u>	<u>-</u>	<u>2,515,072</u>
FUND BALANCES			
Nonspendable	844,795	211,625	1,056,420
Restricted		1,156,130	1,156,130
Committed	1,144,920	14,032	1,158,952
Assigned		206,624	206,624
Unassigned (Deficit)	3,687,154	(299,815)	3,387,339
Total Fund Balances	<u>5,676,869</u>	<u>1,288,596</u>	<u>6,965,465</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,661,624</u>	<u>\$ 2,843,419</u>	<u>\$ 17,505,043</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, 2021

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 6,965,465
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.	33,311,763
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	647,866
Prepaid items for debt service requirements reduce long-term liabilities on the accrual basis in the statement of net position, not the modified accrual basis in the funds.	(402,314)
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	1,417,335
Deferred outflows of resources related to pension	9,106,163
Deferred inflows of resources related to OPEB	(1,217,374)
Deferred inflows of resources related to pension	(2,091,963)
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	(6,321,409)
Notes payable	(1,100,000)
Capital leases payable	(256,590)
Accrued interest on long-term obligations	(61,952)
Compensated absences payable	(1,957,211)
Accrued longevity payout	(33,750)
Other post-employment benefits (OPEB) liability	(7,230,527)
Net pension liability	(33,266,623)
Estimated liability for landfill postclosure care costs	<u>(46,200)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ (2,537,321)</u>

See accompanying notes to the basic financial statements

EXHIBIT D
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 19,035,816		\$ 19,035,816
Licenses and permits	1,619,055		1,619,055
Intergovernmental	13,427,626	\$ 3,988,275	17,415,901
Charges for services	1,918,872	201,583	2,120,455
Interest income	51,895	3,091	54,986
Miscellaneous	392,918	239,381	632,299
Total Revenues	<u>36,446,182</u>	<u>4,432,330</u>	<u>40,878,512</u>
Expenditures:			
Current operations:			
General government	2,071,545	15,856	2,087,401
Public safety	6,084,326	383,547	6,467,873
Airport/Aviation center		150,636	150,636
Highways and streets	1,869,985	249,733	2,119,718
Health and welfare	73,746		73,746
Sanitation	879,250		879,250
Culture and recreation	601,445	64,520	665,965
Economic development	535	32,995	33,530
Education	17,382,292	2,974,204	20,356,496
Food service		629,905	629,905
Other student		103,202	103,202
Capital outlay	1,352,603	26,813	1,379,416
Debt service:			
Principal retirement	588,986		588,986
Interest and fiscal charges	241,538		241,538
Intergovernmental	2,211,284		2,211,284
Total Expenditures	<u>33,357,535</u>	<u>4,631,411</u>	<u>37,988,946</u>
Excess of revenues over (under) expenditures	<u>3,088,647</u>	<u>(199,081)</u>	<u>2,889,566</u>
Other financing sources (uses):			
Bond issuance		1,100,000	1,100,000
Transfers in	3,771		3,771
Transfers out		(3,771)	(3,771)
Total Other financing sources (uses)	<u>3,771</u>	<u>1,096,229</u>	<u>1,100,000</u>
Net change in fund balances	3,092,418	897,148	3,989,566
Fund Balances at beginning of year	<u>2,584,451</u>	<u>391,448</u>	<u>2,975,899</u>
Fund Balances at end of year	<u>\$ 5,676,869</u>	<u>\$ 1,288,596</u>	<u>\$ 6,965,465</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, 2021

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 3,989,566
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. Depreciation expense and capital outlays in the current period are as follows:	
Depreciation expense	(1,442,178)
Capital outlays	218,423
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds as follows:	
Property tax revenue	(13,159)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayments in the current year are as follows:	
Principal paid on bonds payable	920,000
Principal paid on capital leases payable	79,610
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.	
	38,818
Issuance of long-term debt obligations are reported as other financing sources in the governmental funds, but long-term debt obligations increase long-term liabilities in the statement of net position.	
Note payable issuance	(1,100,000)
Prepayment of bond principal and interest is an asset in the governmental funds, but the repayment of principal reduces long-term liabilities in the statement of net position and the prepayment of interest is expensed in the statement of activities.	
	(402,314)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	
	47,037
Some expenses reported in the statement of activities, do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.	
Compensated absences payable	(128,361)
Accrued longevity payout	(4,750)
Landfill postclosure care costs	7,700
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	(90,641)
Net changes in pension	<u>(2,004,278)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 115,473</u>

See accompanying notes to the basic financial statements

EXHIBIT E
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
ASSETS			
Current Assets:			
Accounts receivable	\$ 746,753		\$ 746,753
Due from other governments	224,470	\$ 67,102	291,572
Due from other funds	3,161,057	1,564,042	4,725,099
Prepaid items	826		826
Inventory	98,876		98,876
Total Current Assets	<u>4,231,982</u>	<u>1,631,144</u>	<u>5,863,126</u>
Noncurrent Assets:			
Due from other governments	3,323,768		3,323,768
Capital assets:			
Non-depreciable capital assets	615,587		615,587
Depreciable capital assets, net	31,553,004		31,553,004
Total Noncurrent Assets	<u>35,492,359</u>	<u>-</u>	<u>35,492,359</u>
Total Assets	<u>39,724,341</u>	<u>1,631,144</u>	<u>41,355,485</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refunding	28,181		28,181
Deferred outflows related to OPEB	106,287		106,287
Deferred outflows related to pension	225,025		225,025
Total Deferred Outflows of Resources	<u>359,493</u>	<u>-</u>	<u>359,493</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	658,460		658,460
Accrued liabilities	118,812		118,812
Current portion of bonds payable	494,306		494,306
Current portion of capital lease payable	28,780		28,780
Current portion of estimated liability for landfill postclosure care costs		13,600	13,600
Total Current Liabilities	<u>1,300,358</u>	<u>13,600</u>	<u>1,313,958</u>
Noncurrent Liabilities:			
Bonds payable	12,174,504		12,174,504
State of New Hampshire revolving loan	327,789		327,789
Capital lease payable	60,603		60,603
Compensated absences payable	155,124		155,124
Other post-employment benefits (OPEB) liability	608,554		608,554
Net pension liability	867,481		867,481
Estimated liability for landfill postclosure care costs		176,800	176,800
Total Noncurrent Liabilities	<u>14,194,055</u>	<u>176,800</u>	<u>14,370,855</u>
Total Liabilities	<u>15,494,413</u>	<u>190,400</u>	<u>15,684,813</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	107,164		107,164
Deferred inflows related to pension	69,464		69,464
Total Deferred Inflows of Resources	<u>176,628</u>	<u>-</u>	<u>176,628</u>
NET POSITION			
Net investment in capital assets	19,082,609		19,082,609
Restricted for:			
Short-lived asset replacement reserve	2,788,000		2,788,000
Unrestricted	2,542,184	1,440,744	3,982,928
Total Net Position	<u>\$ 24,412,793</u>	<u>\$ 1,440,744</u>	<u>\$ 25,853,537</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, 2021

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Operating revenues:			
Charges for services	\$ 2,182,329		\$ 2,182,329
Miscellaneous	5,944	\$ 628,797	634,741
Total Operating revenues	<u>2,188,273</u>	<u>628,797</u>	<u>2,817,070</u>
Operating expenses:			
Personnel services	1,269,777		1,269,777
Contractual services		26,000	26,000
Repairs and maintenance	61,894	36,938	98,832
Administrative	174,175	3,933	178,108
Materials and supplies	398,805		398,805
Utilities	207,866		207,866
Depreciation	1,482,974		1,482,974
Total Operating expenses	<u>3,595,491</u>	<u>66,871</u>	<u>3,662,362</u>
Operating income (loss)	<u>(1,407,218)</u>	<u>561,926</u>	<u>(845,292)</u>
Non-operating revenues (expenses):			
Interest income	10,410	573	10,983
Interest expense	<u>(302,643)</u>		<u>(302,643)</u>
Net Non-operating revenues (expenses)	<u>(292,233)</u>	<u>573</u>	<u>(291,660)</u>
Income (Loss) before capital contributions	(1,699,451)	562,499	(1,136,952)
Capital contributions	<u>78,976</u>		<u>78,976</u>
Change in net position	(1,620,475)	562,499	(1,057,976)
Net Position at beginning of year	<u>26,033,268</u>	<u>878,245</u>	<u>26,911,513</u>
Net Position at end of year	<u>\$ 24,412,793</u>	<u>\$ 1,440,744</u>	<u>\$ 25,853,537</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, 2021

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,749,597		\$ 1,749,597
Cash paid to suppliers	(843,876)	\$ (84,948)	(928,824)
Cash paid to employees	(1,171,313)		(1,171,313)
Other operating cash receipts	324	9,732	10,056
Net cash used by operating activities	<u>(265,268)</u>	<u>(75,216)</u>	<u>(340,484)</u>
Cash flows from capital and related financing activities:			
Proceeds from State of New Hampshire revolving loan	327,789		327,789
Principal paid on long-term debt	(897,812)		(897,812)
Principal paid on capital lease	(27,811)		(27,811)
Interest paid on long-term debt	(378,843)		(378,843)
Capital contributions	299,740		299,740
Proceeds from sale of capital assets		645,000	645,000
Purchases of capital assets	(532,133)		(532,133)
Net cash provided (used) for capital and related financing activities	<u>(1,209,070)</u>	<u>645,000</u>	<u>(564,070)</u>
Cash flows from investing activities:			
Interest on investments	10,410	573	10,983
Net cash provided by investing activities	<u>10,410</u>	<u>573</u>	<u>10,983</u>
Net increase (decrease) in cash and cash equivalents	(1,463,928)	570,357	(893,571)
Cash and cash equivalents at beginning of year	4,624,985	993,685	5,618,670
Cash and cash equivalents at end of year	<u>\$ 3,161,057</u>	<u>\$ 1,564,042</u>	<u>\$ 4,725,099</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (1,407,218)	\$ 561,926	\$ (845,292)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Gain on sale of assets		(628,797)	(628,797)
Depreciation expense	1,482,974		1,482,974
Change in deferred outflows related to OPEB	(3,987)		(3,987)
Change in deferred outflows related to pension	(125,197)		(125,197)
Change in deferred inflows related to OPEB	101,811		101,811
Change in deferred inflows related to pension	(15,339)		(15,339)
Changes in assets and liabilities:			
Accounts receivable	(438,352)		(438,352)
Due from other governments		5,495	5,495
Prepaid items	(413)		(413)
Inventory	(4,845)		(4,845)
Accounts payable	4,122	(240)	3,882
Accrued liabilities	1,799		1,799
Compensated absences payable	1,525		1,525
Other post-employment benefits (OPEB) liability	(4,950)		(4,950)
Net pension liability	142,802		142,802
Estimated liability for landfill postclosure care costs		(13,600)	(13,600)
Net cash used by operating activities	<u>\$ (265,268)</u>	<u>\$ (75,216)</u>	<u>\$ (340,484)</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	\$ 602,462		\$ 602,462
Amortization on bond premium	31,855		31,855
Amortization on loss on debt refunding	(5,788)		(5,788)
Net book value of disposed capital assets		\$ 96,203	\$ 96,203
	<u>\$ 628,529</u>	<u>\$ 96,203</u>	<u>\$ 724,732</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, 2021

	Private- Purpose <u>Trusts</u>	Custodial <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 85,821	
Investments	<u>22,361</u>	\$ 130,179
Total Assets	<u>108,182</u>	<u>130,179</u>
LIABILITIES		
Accounts payable	<u>9,086</u>	<u> </u>
Total Liabilities	<u>9,086</u>	<u> -</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	<u>99,096</u>	<u>130,179</u>
Total Net Position	<u>\$ 99,096</u>	<u>\$ 130,179</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, 2021

	Private- Purpose <u>Trusts</u>	Custodial <u>Funds</u>
ADDITIONS:		
Contributions:		
Private donations	\$ 914	
Total Contributions	<u>914</u>	<u>\$ -</u>
Investment earnings:		
Investment income	<u>75</u>	<u>47,940</u>
Total Investment earnings	<u>75</u>	<u>47,940</u>
Motor vehicle fee collections for other governments		<u>470,586</u>
Total Additions	<u>989</u>	<u>518,526</u>
DEDUCTIONS:		
Beneficiary payments to individuals	4,500	
Beneficiary payments to others		1,024
Payments of motor vehicle fees to other governments		<u>470,586</u>
Total Deductions	<u>4,500</u>	<u>471,610</u>
Change in net position	(3,511)	46,916
Net Position at beginning of year	<u>102,607</u>	<u>83,263</u>
Net Position at end of year	<u>\$ 99,096</u>	<u>\$ 130,179</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, 2021**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

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

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

Discretely Presented Component Unit

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

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

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

Basis of Presentation

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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, 2021

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 custodial 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 custodial funds are held and administered by the City for the benefit of others. Therefore, assets of the custodial funds are not available to support the City or its programs. The City's custodial funds account for deposits held for the future decommissioning of privately funded wind turbines located within the City and motor vehicle fees collected on behalf of the State of New Hampshire.

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, 2021

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 fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

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

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

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

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

2. Expenses/Expenditures:

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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, 2021, the City applied \$400,000 of its unassigned fund balance to reduce taxes.

Cash and Cash Equivalents

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

	<u>Due from other funds</u>
Proprietary Funds:	
Sewer Fund	\$ 3,161,057
Nonmajor Enterprise Funds	<u>1,564,042</u>
Total cash and cash equivalents	<u>\$ 4,725,099</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, 2021 are recorded as receivables net of reserves for estimated uncollectible taxes of \$602,691.

Due from Other Governments

Receivables due from other governments at June 30, 2021 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 consists 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 amounts of \$224,470 and \$3,323,768, respectively.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021 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 initially 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, 2021, the City does not intend to collect on this balance and believes that payment in the event of default by the sub-recipient is unlikely. Accordingly, the City has recorded an allowance for uncollectible accounts in the governmental activities for the entire \$480,000 note balance.

Capital Assets

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

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	<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 absences 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, 2021

Postemployment Benefits Other Than Pensions (OPEB)

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

Pensions

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

Net Position

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

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

Fund Balance Policy

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

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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, 2021

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, 2021, the Airport Authority Fund, a Nonmajor Governmental Fund, had a deficit 'Unassigned' fund balance of (\$299,815) and total deficit fund balance of (\$279,346).

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 6,571,428
Investments	5,084,635
Statement of Fiduciary Net Position:	
Cash and cash equivalents	85,821
Investments	152,540
Total deposits and investments	<u>\$ 11,894,424</u>

Deposits and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 3,225
Deposits with financial institutions	11,023,713
Investments	867,486
Total deposits and investments	<u>\$ 11,894,424</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, 2021

Responsibility for the investments of the Trust Funds is with the Board of Trustees. Investments of the Student Activities Funds 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, 2021, the City's investment in the NHPDIP, a state investment pool, had a fair value balance of \$737,307 and was rated *AAA-m*. Additionally, City investments in fixed income and money market mutual funds had fair value balances of \$20,913 and \$3,966, respectively, at June 30, 2021, 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, \$11,564,293 was collateralized by securities held by the bank in the bank's name.

As of June 30, 2021, 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	\$ 105,300
Fixed income mutual funds	20,913
	<u>\$ 126,213</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, 2021

Fair value Measurement of Investments

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

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

As of June 30, 2021, 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	\$ 105,300			\$ 105,300
Fixed income mutual funds	20,913			20,913
	<u>\$ 126,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,213</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>Restated Balance 7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,268,025		\$ (81,146)	\$ 1,186,879
Construction in progress	499,286		(242,631)	256,655
Total capital assets not being depreciated	<u>1,767,311</u>	<u>\$ -</u>	<u>(323,777)</u>	<u>1,443,534</u>
Other capital assets:				
Infrastructure	30,723,270			30,723,270
Land improvements	6,099,744	242,631		6,342,375
Buildings and improvements	12,502,089	192,546	(569,221)	12,125,414
Vehicles and equipment	10,905,399	762,112	(85,868)	11,581,643
Total other capital assets at historical cost	<u>60,230,502</u>	<u>1,197,289</u>	<u>(655,089)</u>	<u>60,772,702</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Less accumulated depreciation for:

Infrastructure	(8,835,207)	(952,264)		(9,787,471)
Land improvements	(3,907,091)	(149,981)		(4,057,072)
Buildings and improvements	(7,047,957)	(239,746)	326,104	(6,961,599)
Vehicles and equipment	(7,672,040)	(506,359)	80,068	(8,098,331)
Total accumulated depreciation	<u>(27,462,295)</u>	<u>(1,848,350)</u>	<u>406,172</u>	<u>(28,904,473)</u>
Total other capital assets, net	<u>32,768,207</u>	<u>(651,061)</u>	<u>(248,917)</u>	<u>31,868,229</u>
Total capital assets, net	<u>\$ 34,535,518</u>	<u>\$ (651,061)</u>	<u>\$ (572,694)</u>	<u>\$ 33,311,763</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 13,769
Public safety	175,419
Airport/Aviation center	224,030
Highways and streets	1,114,659
Health and welfare	812
Sanitation	12,318
Culture and recreation	34,741
Education	<u>272,602</u>
Total governmental activities depreciation expense	<u>\$ 1,848,350</u>

The balance of governmental activities assets acquired through capital leases as of June 30, 2021 is as follows:

Vehicles and equipment	\$ 479,574
Less: Accumulated depreciation	<u>(133,290)</u>
	<u>\$ 346,284</u>

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

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 154,152		\$ (96,203)	\$ 57,949
Construction in progress	<u>93,839</u>	<u>\$ 520,481</u>	<u>(56,682)</u>	<u>557,638</u>
Total capital assets not being depreciated	<u>247,991</u>	<u>520,481</u>	<u>(152,885)</u>	<u>615,587</u>
Other capital assets:				
Infrastructure	39,371,221	627,235		39,998,456
Buildings and improvements	23,174,300			23,174,300
Vehicles and equipment	<u>1,337,449</u>	<u>43,561</u>	<u>(12,500)</u>	<u>1,368,510</u>
Total other capital assets at historical cost	<u>63,882,970</u>	<u>670,796</u>	<u>(12,500)</u>	<u>64,541,266</u>
Less accumulated depreciation for:				
Infrastructure	(11,760,718)	(913,933)		(12,674,651)
Buildings and improvements	(19,130,404)	(463,912)		(19,594,316)
Vehicles and equipment	(626,666)	(105,129)	12,500	(719,295)
Total accumulated depreciation	<u>(31,517,788)</u>	<u>(1,482,974)</u>	<u>12,500</u>	<u>(32,988,262)</u>
Total other capital assets, net	<u>32,365,182</u>	<u>(812,178)</u>	<u>-</u>	<u>31,553,004</u>
Total capital assets, net	<u>\$ 32,613,173</u>	<u>\$ (291,697)</u>	<u>\$ (152,885)</u>	<u>\$ 32,168,591</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Depreciation expense was charged to proprietary funds as follows:

Sewer Fund	<u>\$ 1,482,974</u>
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The balance of business-type activities assets acquired through capital leases as of June 30, 2021 is as follows:

Vehicles and equipment	\$ 149,088
Less: Accumulated depreciation	<u>(44,726)</u>
	<u>\$ 104,362</u>

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

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>
Component unit:				
Capital assets not being depreciated:				
Land	\$ 353,649			\$ 353,649
Construction in progress	11,313	\$ 135,981	\$ (7,520)	139,774
Total capital assets not being depreciated	<u>364,962</u>	<u>135,981</u>	<u>(7,520)</u>	<u>493,423</u>
Other capital assets:				
Infrastructure	41,750,765		(132,112)	41,618,653
Land improvements		15,040		15,040
Buildings and improvements	15,143,088		(490,816)	14,652,272
Machinery and equipment	2,178,889	128,787	(488,389)	1,819,287
Vehicles	303,956			303,956
Total other capital assets at historical cost	<u>59,376,698</u>	<u>143,827</u>	<u>(1,111,317)</u>	<u>58,409,208</u>
Less accumulated depreciation for:				
Infrastructure	(12,323,861)	(844,338)	132,112	(13,036,087)
Land improvements		(1,253)		(1,253)
Buildings and improvements	(7,266,476)	(311,894)	490,816	(7,087,554)
Machinery and equipment	(1,611,107)	(22,197)	488,389	(1,144,915)
Vehicles	(250,847)	(13,900)		(264,747)
Total accumulated depreciation	<u>(21,452,291)</u>	<u>(1,193,582)</u>	<u>1,111,317</u>	<u>(21,534,556)</u>
Total other capital assets, net	<u>37,924,407</u>	<u>(1,049,755)</u>	<u>-</u>	<u>36,874,652</u>
Total capital assets, net	<u>\$ 38,289,369</u>	<u>\$ (913,774)</u>	<u>\$ (7,520)</u>	<u>\$ 37,368,075</u>

Depreciation expense recognized by Berlin Water Works, the component unit, was \$1,193,582.

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, 2021 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	Balance <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2021</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable - direct placements	\$ 7,155,000		\$ (920,000)	\$ 6,235,000	\$ 235,000
Unamortized bond premium	125,227		(38,818)	86,409	
Total Bonds payable	<u>7,280,227</u>	\$ -	(958,818)	6,321,409	235,000
Notes payable - direct placement	-	1,100,000	-	1,100,000	98,747
Capital leases payable	336,200		(79,610)	256,590	82,499
Compensated absences payable	1,828,850	178,358	(49,997)	1,957,211	164,338
Accrued longevity payout	29,000	4,750		33,750	
Total governmental activities	<u>\$ 9,474,277</u>	<u>\$ 1,283,108</u>	<u>\$ (1,088,425)</u>	<u>\$ 9,668,960</u>	<u>\$ 580,584</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.

	Balance <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2021</u>	Due Within <u>One Year</u>
Business-type activities:					
Bonds payable - direct placements	\$ 13,411,540		\$ (897,812)	\$ 12,513,728	\$ 494,306
Unamortized bond premium	186,937		(31,855)	155,082	
Total Bonds payable	<u>13,598,477</u>	\$ -	(929,667)	12,668,810	494,306
State of New Hampshire revolving loan	-	327,789		327,789	
Capital lease payable	117,194		(27,811)	89,383	28,780
Compensated absences payable	153,599	12,143	(10,618)	155,124	
Total business-type activities	<u>\$ 13,869,270</u>	<u>\$ 339,932</u>	<u>\$ (968,096)</u>	<u>\$ 13,241,106</u>	<u>\$ 523,086</u>

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

	Balance <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2021</u>	Due Within <u>One Year</u>
Component unit:					
Notes payable	\$ 7,733,390	\$ 7,946,657	\$ (9,573,462)	\$ 6,106,585	\$ 566,639
State of New Hampshire revolving loans	1,403,489	96,511	(1,500,000)	-	
Compensated absences payable	160,578	15,411	(20,872)	155,117	61,427
Total component unit	<u>\$ 9,297,457</u>	<u>\$ 8,058,579</u>	<u>\$ (11,094,334)</u>	<u>\$ 6,261,702</u>	<u>\$ 628,066</u>

Payments on the long-term obligations 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, 2021

General Obligation Bonds

Governmental Activities:

Bonds payable are from direct placements at June 30, 2021 and 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 6/30/2021</u>
2013 Series C Bonds	\$ 3,971,500	2.85%	August 2025	\$ 1,610,000
2016 Series Bonds	<u>5,500,000</u>	2.65%	July 2036	<u>4,625,000</u>
	<u>\$ 9,471,500</u>			6,235,000
			Add: <i>Unamortized bond premium</i>	<u>86,409</u>
			Total Bonds Payable	<u>\$ 6,321,409</u>

General obligation bonds are direct obligations of the City, for which its full faith and credit are pledged.

Debt service requirements to retire outstanding general obligation bonds for governmental activities at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 235,000	\$ 157,134	\$ 392,134
2023	615,000	178,626	793,626
2024	645,000	151,603	796,603
2025	665,000	126,006	791,006
2026	690,000	101,962	791,962
2027-2031	1,420,000	356,425	1,776,425
2032-2036	1,615,000	155,621	1,770,621
2037	<u>350,000</u>	<u>4,638</u>	<u>354,638</u>
Sub-total Bonds Payable	6,235,000	1,232,015	7,467,015
Add: <i>Unamortized bond premium</i>	<u>86,409</u>	-	<u>86,409</u>
Total Bonds Payable	<u>\$ 6,321,409</u>	<u>\$ 1,232,015</u>	<u>\$ 7,553,424</u>

Business-type Activities:

Bonds payable are from direct placements at June 30, 2021 and 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 6/30/2021</u>
2014 Rural Utilities Bond #R-1	\$ 6,508,000	2.375%	September 2037	\$ 5,010,378
2014 Rural Utilities Bond #R-2	6,000,000	2.375%	September 2037	4,619,282
2016 State Revolving Loan	240,925	2.0%	December 2035	189,068
2016 Series C Refunding Bonds	<u>3,670,000</u>	1.85%	August 2032	<u>2,695,000</u>
	<u>\$ 16,418,925</u>			12,513,728
			Add: <i>Unamortized bond premium</i>	<u>155,082</u>
			Total Bonds Payable	<u>\$ 12,668,810</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

General obligation bonds are direct obligations of the City, for which its full faith and credit are pledged.

Debt service requirements to retire outstanding general obligation bonds for business-type activities at June 30, 2021 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 494,306	\$ 311,789	\$ 806,095
2023	726,072	291,422	1,017,494
2024	748,119	270,375	1,018,494
2025	770,453	248,641	1,019,094
2026	793,081	226,213	1,019,294
2027-2031	4,260,605	816,867	5,077,472
2032-2036	3,689,255	346,927	4,036,182
2037-2038	<u>1,031,837</u>	<u>24,515</u>	<u>1,056,352</u>
Sub-total Bonds Payable	12,513,728	2,536,749	15,050,477
Add: <i>Unamortized bond premium</i>	<u>155,082</u>	<u>-</u>	<u>155,082</u>
Total Bonds Payable	<u>\$ 12,668,810</u>	<u>\$ 2,536,749</u>	<u>\$ 15,205,559</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, 2021, the sewer related debt reimbursement was \$299,740.

General Obligation Notes

Notes payable are from a direct placement at June 30, 2021 and comprised of the following individual issue:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2021</u>
2020 GO Loan	<u>\$ 1,100,000</u>	2.35%	August 2030	<u>\$ 1,100,000</u>

General obligation notes are direct obligations of the City, for which its full faith and credit is irrevocably pledged to the punctual payment of the principal and interest of this instrument.

Debt service requirements to retire outstanding general obligation notes for governmental activities at June 30, 2021 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 98,747	\$ 26,130	\$ 124,877
2023	101,093	23,785	124,878
2024	103,494	21,383	124,877
2025	105,953	18,925	124,878
2026	108,470	16,408	124,878
2027-2031	<u>582,243</u>	<u>42,142</u>	<u>624,385</u>
Total Notes Payable	<u>\$ 1,100,000</u>	<u>\$ 148,773</u>	<u>\$ 1,248,773</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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, 2021 are comprised of the following individual issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2021</u>
General Obligation Note	2.25%	January 2031	<u>\$ 6,106,585</u>

General obligation notes are direct obligations of Berlin Water Works, for which its full faith and credit are pledged and are payable from all revenue raised from collecting and setting water rates for, and/or levying assessments against, its water customers. As well as any and all revenue received from the State of New Hampshire or the United States government or any agency or subdivision thereof, and from any and all unrestricted revenues received from any other source, which in each case may lawfully be used to pay for the expenditures of the Berlin Water Works funded by the Note.

Debt service requirements to retire outstanding general obligation debt for the component unit at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 566,639	\$ 132,639	\$ 699,278
2023	579,496	119,782	699,278
2024	592,645	106,633	699,278
2025	606,093	93,185	699,278
2026	619,845	79,433	699,278
2027-2031	<u>3,141,867</u>	<u>179,704</u>	<u>3,321,571</u>
Total Notes Payable	<u>\$ 6,106,585</u>	<u>\$ 711,376</u>	<u>\$ 6,817,961</u>

Interest expense for the year ended June 30, 2021 was \$166,801 for the Berlin Water Works.

During the year ended June 30, 2021, the Water Works issued \$6,446,657 of notes payable to affect a current refunding for \$7,674,747 of outstanding notes payable (old debt). Net refunding proceeds of \$6,446,657 were used to retire old debt principal of \$7,674,747, including principal forgiveness of \$1,311,627, and old debt interest of \$83,537. The Water Works in effect, reduced its aggregate debt service payments by \$534,197 over the next 10 years.

State of New Hampshire Revolving Loans

Business-type Activities:

The City has drawn \$327,789 of \$848,620 in funds under the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for reduction of infiltration and inflow within the City's sewer system. 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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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.

Capital Lease Obligations

Governmental Activities:

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following are the individual capital lease obligations of the governmental activities at June 30, 2021:

<u>Description</u>	<u>Original Obligation</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2021</u>
Tractor Lease	\$ 127,920	3.97%	July 2024	\$ 77,824
Loader Lease	234,389	3.43%	December 2023	178,766
				<u>\$ 256,590</u>

Debt service requirements to retire the outstanding capital lease obligations for governmental activities at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 82,499	\$ 9,316	\$ 91,815
2023	85,494	6,321	91,815
2024	88,597	3,217	91,814
	<u>\$ 256,590</u>	<u>\$ 18,854</u>	<u>\$ 275,444</u>

Business-type Activities:

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following is the individual capital lease obligation of the business-type activities at June 30, 2021:

<u>Description</u>	<u>Original Obligation</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2021</u>
Loader Lease	\$ 117,194	3.43%	December 2023	<u>\$ 89,383</u>

Debt service requirements to retire the outstanding capital lease obligation for business-type activities at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 28,780	\$ 3,113	\$ 31,893
2023	29,783	2,110	31,893
2024	30,820	1,073	31,893
	<u>\$ 89,383</u>	<u>\$ 6,296</u>	<u>\$ 95,679</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

NOTE 6—OPERATING LEASE

During the year the City entered into an operating lease agreement for use of two loaders. The lease agreement commenced on April 29, 2021, which includes annual lease payments of \$33,805 for 5 years ending April 29, 2026.

NOTE 7—OTHER POSTEMPLOYMENT BENEFITS

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

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 295,956	\$ 2,297,129	\$ 23,330	\$ 146,526
Single Employer Plan	<u>1,227,666</u>	<u>5,541,952</u>	<u>1,301,208</u>	<u>549,563</u>
Total	<u>\$ 1,523,622</u>	<u>\$ 7,839,081</u>	<u>\$ 1,324,538</u>	<u>\$ 696,089</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 \$199,084.

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. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. 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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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-A: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 3.66%, 0.29% and 1.81%, respectively, for the year ended June 30, 2021. Contributions to the OPEB plan for the City were \$264,641 for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

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

At June 30, 2021, the City reported a liability of \$2,297,129 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019. 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, 2020, the City's proportion was approximately 0.5248 percent, which was a decrease of 0.0160 percentage points from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized OPEB expense of \$146,526. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 6,656
Net difference between projected and actual earnings on OPEB plan investments	\$ 8,595	
Changes of assumptions	14,770	
Changes in proportion and differences between City contributions and proportionate share of contributions	7,950	16,674
City contributions subsequent to the measurement date	<u>264,641</u>	
Totals	<u>\$ 295,956</u>	<u>\$ 23,330</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

The City reported \$264,641 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, 2021. 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>	
2021	\$ 41
2022	2,545
2023	3,033
2024	2,366
	<u>\$ 7,985</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)
- Increased the medical subsidy margin for teachers from 0.20% to 0.50%

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	3.71-4.15%
International equity	20%	3.96-6.20%
Fixed income	25%	0.42-1.66%
Alternative investments	15%	4.81-7.71%
Real estate	10%	2.95%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2020 was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. 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 6.75 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:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net OPEB liability	\$ 2,494,444	\$ 2,297,129	\$ 2,125,823

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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 June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	177
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>253</u>
	<u><u>430</u></u>

Total OPEB Liability

The City's total OPEB liability of \$5,541,952 was measured as of June 30, 2021, and was determined by a roll forward of the actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the July 1, 2020 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Discount rate	2.16%
Healthcare cost trend rates	7% for 2020, decreasing 0.4% per year to 5.4% then grading down to an ultimate trend rate of 4.0% in 2075

The discount rate was based on the Bond Buyer 20-Bond GO Index published on June 30, 2021.

Mortality rates for active employees were based on the PubG-2010 headcount-weighted Employee General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019. Mortality rates for retirees were based on the 101% of PubG-2010 headcount-weighted Retiree General Mortality Tables for males and 109% of PubG-2010 headcount-weighted Retiree General Mortality Tables for females, projected with fully generational mortality improvement using scale MP-2019.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 6,366,243
Changes for the year:	
Service cost	288,923
Interest	144,341
Changes of benefit terms	-
Differences between expected and actual experience	464,490
Changes in assumptions or other inputs	(1,474,185)
Benefit payments	<u>(247,860)</u>
Net changes	<u>(824,291)</u>
Balance at June 30, 2021	<u>\$ 5,541,952</u>

Changes of assumptions and other inputs reflect a change in the discount rate of 2.21% at June 30, 2020 to 2.16% at June 30, 2021.

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

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
Total OPEB liability	\$ 6,057,660	\$ 5,541,952	\$ 5,076,973

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 (5.5 percent decreasing to 3.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 5.0 percent) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	<u>(5.5% decreasing to 3.0%)</u>	<u>(6.5% decreasing to 4.0%)</u>	<u>(7.5% decreasing to 5.0%)</u>
Total OPEB liability	\$ 4,921,776	\$ 5,541,952	\$ 6,280,978

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$549,563. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 413,396	
Changes of assumptions	<u>814,270</u>	<u>\$ 1,301,208</u>
Totals	<u>\$ 1,227,666</u>	<u>\$ 1,301,208</u>

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

<u>June 30,</u>	
2022	\$ 29,217
2023	29,217
2024	33,247
2025	(36,415)
2026	<u>(128,808)</u>
	<u>\$ (73,542)</u>

NOTE 8—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.

Benefits Provided

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012 the benefit is calculated the same way but the multiplier used in the calculation will change 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 8 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%

Changes in Benefits

Ch 340 laws of 2019 (HB 616) grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

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 24.77%, 26.43%, 15.99%, and 10.88%, respectively. The City contributes 100% of the employer cost for police officers, fire employees, teachers, and general employees of the City.

Per RSA-100-A: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, 2021 were \$2,544,394.

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

At June 30, 2021, the City reported a liability of \$34,134,104 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019. 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, 2020, the City's proportion was approximately 0.5337 percent, which was a decrease of 0.0201 percent from its proportion measured as of June 30, 2019.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

For the year ended June 30, 2021, the City recognized pension expense of \$4,555,529. At June 30, 2021, 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	\$ 921,787	\$ 366,503
Change in assumptions	3,376,540	
Net difference between projected and actual earnings on pension plan investments	2,111,231	
Changes in proportion and differences between City contributions and proportionate share of contributions	377,236	1,794,924
City contributions subsequent to the measurement date	<u>2,544,394</u>	
Totals	<u>\$ 9,331,188</u>	<u>\$ 2,161,427</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$7,169,761. The City reported \$2,544,394 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, 2021. 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>	
2021	\$ 630,676
2022	1,196,534
2023	1,397,364
2024	<u>1,400,793</u>
	<u>\$ 4,625,367</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	3.71-4.15%
International equity	20%	3.96-6.2%
Fixed income	25%	0.42-1.66%
Alternative investments	15%	4.81-7.71%
Real estate	10%	2.95%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 6.75%. 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 of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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

	1% Decrease <u>(5.75%)</u>	Current Discount rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
City's proportionate share of the net pension liability	\$ 44,189,773	\$ 34,134,104	\$ 25,917,291

NOTE 9—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 \$236,600 as of June 30, 2021. The estimated liability for the post-closure care costs of the East Milan landfill (\$46,200) and the Cates Hill landfill (\$190,400) have been reported as a liability of the Governmental Activities and the Cates Hill Landfill Proprietary Fund, respectively. The estimated total current cost of the landfill post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfills were acquired as of June 30, 2021. 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, 2021:

	Governmental activities	Business-type activities	Totals
Balance - July 1, 2020	\$ 53,900	\$ 204,000	\$ 257,900
Reductions (actual current year payments)	(15,643)	(14,937)	(30,580)
Change in estimated liability	7,943	1,337	9,280
Balance - June 30, 2021	<u>\$ 46,200</u>	<u>\$ 190,400</u>	<u>\$ 236,600</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

NOTE 10—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, 2021 are as follows:

	General Fund	Due from Nonmajor Governmental Funds	Totals
Due to			
General Fund		\$ 1,311,794	\$ 1,311,794
Nonmajor Governmental Funds	\$ 823,024	22,402	845,426
Sewer Fund	3,161,057		3,161,057
Nonmajor Enterprise Funds	1,564,042		1,564,042
	<u>\$ 5,548,123</u>	<u>\$ 1,334,196</u>	<u>\$ 6,882,319</u>

Interfund Transfers

During the year, the Permanent Funds, a Nonmajor Governmental Fund, transferred \$3,771 to the General Fund, in accordance with the purpose of the cemetery trusts. The transfer was made in accordance with budgetary authorization.

NOTE 11—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes as follows at June 30, 2021:

Permanent Funds - Principal	\$ 163,903
Permanent Funds - Income	213,101
Capital Projects	35,010
School Private Grants and Contributions	7,206
Food Service Operations	114,869
Police Forfeiture Funds	12,082
	<u>\$ 546,171</u>

NOTE 12—COMPONENTS OF FUND BALANCE

The components of the City's fund balance for its governmental funds at June 30, 2021 are as follows:

<u>Fund Balances</u>	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 461,834	\$ 20,469	\$ 482,303
Tax deeded property	382,961		382,961
Inventory		27,253	27,253
Permanent funds - Principal		163,903	163,903

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Restricted for:		
Capital projects	808,872	808,872
Permanent funds - Income	213,101	213,101
School private grants and contributions	7,206	7,206
Food service operations	114,869	114,869
Police forfeiture funds	12,082	12,082
Committed for:		
Recreation and parks programs	14,032	14,032
Assigned for:		
Continuing appropriations	1,144,920	1,144,920
Student activity funds	206,624	206,624
Unassigned (Deficit):		
Unassigned - General operations	3,687,154	3,687,154
Airport Authority Fund (Deficit)	(299,815)	(299,815)
	<u>\$ 5,676,869</u>	<u>\$ 6,965,465</u>

NOTE 13—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$477,951,783 as of April 1, 2020) and are due in two installments on July 8, 2020 and January 6, 2021. Taxes paid after the due dates accrue interest at 8% per annum. On the modified accrual basis of accounting, property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. Priority tax liens obtained prior to April 1, 2019 accrue interest at 18% per annum. Priority tax liens obtained after April 1, 2019 accrue interest at 14% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the City.

In accordance with State law, the City collects taxes for Coos County, an independent governmental unit, which are remitted to the County as required by law. Total taxes appropriated to Coos County for the year ended June 30, 2021 were \$2,211,284. The City bears responsibility for uncollected taxes.

NOTE 14—SIGNIFICANT CONCENTRATION OF PROPERTY TAXES REVENUE

The following are the five major property owners as they relate to the City's total assessed property valuation of \$477,951,783 (as of April 1, 2020):

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Eversource	\$ 51,907,500	10.86%
HSE Hydro NH Smith, LLC	48,216,400	10.09%
Great Lakes Hydro America, LLC	27,999,700	5.86%
Portland Natural Gas	19,782,600	4.14%
HKN Brookside LLC	3,400,900	0.71%

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

NOTE 15—RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, 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, 2021.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the City shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

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

NOTE 16—COMMITMENTS

Guaranteed Debt - Component Unit

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

NOTE 17—CONTINGENT LIABILITIES

Litigation

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

Federal Grants

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

NOTE 18—RESTATEMENT OF NET POSITION

During the year ended June 30, 2021, it was determined that capital assets of the governmental activities were understated, as previously reported. The impact on net position of the governmental activities as of July 1, 2020 is as follows:

	Governmental Activities
Net Position - July 1, 2020 (as previously reported)	\$ (2,809,446)
Amount of restatement due to:	
Understatement of capital assets	<u>156,652</u>
Net Position - July 1, 2020, as restated	<u><u>\$ (2,652,794)</u></u>

NOTE 19—SUBSEQUENT EVENTS

Refunding of Debt

During February 2022, the City issued a general obligation bond in the amount of \$12,039,800 for the purpose of retiring three outstanding general obligations bonds (old debt). The bond refunding impacts both the governmental activities and business-type activities of the City. Terms of the bond payable call for semiannual payments varying in amounts including interest at 2.19%, starting August 2022 through maturity of the bond in February 2038.

State Revolving Loan Debt

During July 2022, the City received its final drawdown in the amount of \$520,831 under the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for reduction of infiltration and inflow within the City’s sewer system. The final drawdown brought the project total to \$848,620, the allowable limit under the agreement with the State of New Hampshire, at which time the balance was converted to a note payable. Terms of the note call for annual payments commencing October 2022, including interest at 2.0%, and maturing in October 2041.

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 19,069,854	\$ 19,069,854	\$ 19,022,657	\$ (47,197)
Licenses and permits	1,491,600	1,491,600	1,619,055	127,455
Intergovernmental	13,246,556	13,246,556	13,427,626	181,070
Charges for services	1,487,780	1,487,780	1,918,872	431,092
Interest income	65,000	65,000	51,895	(13,105)
Miscellaneous	12,500	12,500	392,918	380,418
Total Revenues	<u>35,373,290</u>	<u>35,373,290</u>	<u>36,433,023</u>	<u>1,059,733</u>
Expenditures:				
Current operations:				
General government	1,990,766	1,990,766	2,071,545	(80,779)
Public safety	6,419,123	6,419,123	6,084,326	334,797
Highways and streets	2,208,848	2,208,848	1,869,985	338,863
Health and welfare	116,940	116,940	73,746	43,194
Sanitation	829,475	829,475	879,250	(49,775)
Culture and recreation	652,885	652,885	601,445	51,440
Economic development	200	200	535	(335)
Education	18,821,244	18,821,244	17,382,292	1,438,952
Capital outlay	2,531,244	1,386,324	1,352,603	33,721
Debt service:				
Principal retirement	564,004	564,004	588,986	(24,982)
Interest and fiscal charges	230,335	230,335	241,538	(11,203)
Intergovernmental	2,211,284	2,211,284	2,211,284	-
Total Expenditures	<u>36,576,348</u>	<u>35,431,428</u>	<u>33,357,535</u>	<u>2,073,893</u>
Excess of revenues over (under) expenditures	<u>(1,203,058)</u>	<u>(58,138)</u>	<u>3,075,488</u>	<u>3,133,626</u>
Other financing sources (uses):				
Transfers in	4,000	4,000	3,771	(229)
Transfers out	<u>(34,171)</u>	<u>(34,171)</u>		<u>34,171</u>
Total Other financing sources (uses)	<u>(30,171)</u>	<u>(30,171)</u>	<u>3,771</u>	<u>33,942</u>
Net change in fund balance	(1,233,229)	(88,309)	3,079,259	3,167,568
Fund Balance at beginning of year				
- Budgetary Basis	<u>3,245,476</u>	<u>3,245,476</u>	<u>3,245,476</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 2,012,247</u>	<u>\$ 3,157,167</u>	<u>\$ 6,324,735</u>	<u>\$ 3,167,568</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, 2021

Cost-Sharing Multiple Employer Plan Information Only					
<u>Measurement Period Ended</u>	<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, 2020	0.5248%	\$ 2,297,129	\$ 14,725,385	15.60%	7.74%
June 30, 2019	0.5408%	\$ 2,370,906	\$ 14,949,381	15.86%	7.75%
June 30, 2018	0.5583%	\$ 2,556,208	\$ 14,901,826	17.15%	7.53%
June 30, 2017	0.5665%	\$ 2,590,292	\$ 14,814,604	17.48%	7.91%
June 30, 2016	0.5857%	\$ 2,835,309	\$ 14,905,786	19.02%	5.21%

Significant Actuarial Assumptions					
<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015

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, 2021

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, 2021	\$ 264,641	\$ (264,641)	\$ -	\$ 15,750,498	1.68%
June 30, 2020	\$ 243,529	\$ (243,529)	\$ -	\$ 14,725,385	1.65%
June 30, 2019	\$ 246,678	\$ (246,678)	\$ -	\$ 14,949,381	1.65%
June 30, 2018	\$ 246,958	\$ (246,958)	\$ -	\$ 14,901,826	1.66%
June 30, 2017	\$ 335,773	\$ (335,773)	\$ -	\$ 14,814,604	2.27%
June 30, 2016	\$ 340,316	\$ (340,316)	\$ -	\$ 14,905,786	2.28%

See accompanying notes to the required supplementary information

SCHEDULE 4
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2021

<u>Single Employer Plan Information Only</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:				
Service cost	\$ 288,923	\$ 215,923	\$ 212,902	\$ 218,384
Interest	144,341	196,752	179,982	163,723
Changes of benefit terms	-	(15,639)	-	-
Differences between expected and actual experience	464,490	-	181,892	-
Changes of assumptions or other inputs	(1,474,185)	681,238	598,651	(105,076)
Benefit payments	(247,860)	(235,169)	(176,226)	(211,943)
Net change in total OPEB liability	(824,291)	843,105	997,201	65,088
Total OPEB Liability at beginning of year	<u>6,366,243</u>	<u>5,523,138</u>	<u>4,525,937</u>	<u>4,460,849</u>
Total OPEB Liability at end of year	<u>\$ 5,541,952</u>	<u>\$ 6,366,243</u>	<u>\$ 5,523,138</u>	<u>\$ 4,525,937</u>
Covered employee payroll	\$ 14,173,766	\$ 17,401,207	\$ 14,695,170	\$ 14,581,811
Total OPEB liability as a percentage of covered employee payroll	39.10%	36.59%	37.58%	31.04%
<u>Significant Actuarial Assumptions</u>				
Discount rate	2.16%	2.21%	3.50%	3.87%
Health cost trend rates:				
Initial	7% - 2020	8% - 2018	8% - 2018	8% - 2016
Ultimate	4.0% - 2075	3.9% - 2075	3.9% - 2075	5% - 2019
Mortality improvement scale	MP-2019	MP-2015	MP-2015	MP-2014

See accompanying notes to the required supplementary information

SCHEDULE 5
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Changes in the City's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021

<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, 2020	0.5337%	\$ 34,134,104	\$ 14,725,385	231.80%	58.72%
June 30, 2019	0.5537%	\$ 26,644,193	\$ 14,949,381	178.23%	65.59%
June 30, 2018	0.5691%	\$ 27,405,596	\$ 14,901,826	183.91%	64.73%
June 30, 2017	0.5758%	\$ 28,318,165	\$ 14,814,604	191.15%	62.66%
June 30, 2016	0.5913%	\$ 31,444,314	\$ 14,905,786	210.95%	58.30%
June 30, 2015	0.5864%	\$ 23,228,768	\$ 14,750,588	157.48%	65.47%
June 30, 2014	0.5959%	\$ 22,367,371	\$ 14,461,687	154.67%	66.32%
June 30, 2013	0.5788%	\$ 24,911,429	\$ 13,904,404	179.16%	59.81%

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

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, 2021

<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, 2021	\$ 2,544,394	\$ (2,544,394)	\$ -	\$ 15,750,498	16.15%
June 30, 2020	\$ 2,366,178	\$ (2,366,178)	\$ -	\$ 14,725,385	16.07%
June 30, 2019	\$ 2,407,701	\$ (2,407,701)	\$ -	\$ 14,949,381	16.11%
June 30, 2018	\$ 2,405,545	\$ (2,405,545)	\$ -	\$ 14,901,826	16.14%
June 30, 2017	\$ 2,109,432	\$ (2,109,432)	\$ -	\$ 14,814,604	14.24%
June 30, 2016	\$ 2,115,681	\$ (2,115,681)	\$ -	\$ 14,905,786	14.19%
June 30, 2015	\$ 1,967,282	\$ (1,967,282)	\$ -	\$ 14,750,588	13.34%
June 30, 2014	\$ 1,933,217	\$ (1,933,217)	\$ -	\$ 14,461,687	13.37%
June 30, 2013	\$ 1,439,273	\$ (1,439,273)	\$ -	\$ 13,904,404	10.35%

See accompanying notes to the required supplementary information

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 36,449,953	\$ 33,357,535
Difference in property taxes meeting susceptible to accrual criteria	<u>(13,159)</u>	
Per Schedule 1	<u>\$ 36,436,794</u>	<u>\$ 33,357,535</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at June 30, 2021 are as follows:

<i>Nonspendable:</i>	
Prepaid items	\$ 461,834
Tax deeded property	382,961
<i>Assigned for:</i>	
Continuing appropriations	1,144,920
<i>Unassigned:</i>	
Unassigned - General operations	<u>4,335,020</u>
	<u>\$ 6,324,735</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, 2021

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

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

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

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

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the City is required to disclose historical information for each of the prior ten years within a schedule of changes in the City’s proportionate share of the net pension liability, and schedule of City pension 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.

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE			
Pass Through Payments from the New Hampshire Department of Education			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	N/A	\$ 202,467
National School Lunch Program			
- School Lunch (Cash)	10.555	N/A	410,544
- Commodities (Non-cash)	10.555	N/A	40,736
			<u>451,280</u>
<i>Total Child Nutrition Cluster</i>			<u>653,747</u>
Child and Adult Care Food Program	10.558	N/A	21,320
Fresh Fruit and Vegetable Program	10.582	N/A	32,075
Total Department of Agriculture			<u>707,142</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass Through Payments from the New Hampshire Community Development Finance Authority			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	#21-053-FSPF	737
Total Department of Housing and Urban Development			<u>737</u>
DEPARTMENT OF JUSTICE			
Pass Through Payments from the New Hampshire Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	#2021DTF01	74,996
Direct Award Program			
Equitable Sharing Program	16.922		4,484
Total Department of Justice			<u>79,480</u>
DEPARTMENT OF TRANSPORTATION			
Pass Through Payments from the New Hampshire Department of Transportation			
Airport Improvement Program	20.106	#SBG-01-08-2020	26,117
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction	20.205	#41367	20,801
<i>Total Highway Planning and Construction Cluster</i>			<u>20,801</u>
Pass Through Payments from the New Hampshire Highway Safety Agency			
<i>Highway Safety Cluster:</i>			
National Priority Safety Programs	20.616	#20-018	8,630
<i>Total Highway Safety Cluster</i>			<u>8,630</u>
Total Department of Transportation			<u>55,548</u>

See notes to schedule of expenditures of federal awards

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF THE TREASURY			
Pass Through Payments from the State of New Hampshire Governor's Office			
COVID-19 Coronavirus Relief Fund			
- CARES - Election	21.019	N/A	14,315
- CARES - GOFFER	21.019	N/A	98,354
- CARES - 55 Grant	21.019	N/A	10,000
			<u>122,669</u>
Total Department of the Treasury			<u>122,669</u>
ENVIRONMENTAL PROTECTION AGENCY			
Pass Through Payments from the State of New Hampshire Department of Environmental Services			
<i>Clean Water State Revolving Fund Cluster:</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	#CS-330111-07	273,158
<i>Total Clean Water State Revolving Fund Cluster</i>			<u>273,158</u>
Total Environmental Protection Agency			<u>273,158</u>
DEPARTMENT OF EDUCATION			
Pass Through Payments from the New Hampshire Department of Education			
Title I Grants to Local Educational Agencies	84.010	#20210851	<u>770,530</u>
Pass Through Payments from the New Hampshire Department of Education			
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	#92580	31,671
Special Education - Grants to States	84.027	#202541	23,123
Special Education - Grants to States	84.027	#20211074	283,466
			<u>338,260</u>
Pass Through Payments from the New Hampshire Department of Education			
Special Education - Preschool Grants	84.173	#92580	5,503
Special Education - Preschool Grants	84.173	#20211074	7,057
			<u>12,560</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>350,820</u>
Pass Through Payments from the New Hampshire Department of Education			
Career and Technical Education - Basic Grants to States	84.048	#20203112	3,200
Career and Technical Education - Basic Grants to States	84.048	#20211084	51,501
Career and Technical Education - Basic Grants to States	84.048	#20211279	4,000
			<u>58,701</u>
Pass Through Payments from the New Hampshire Department of Education			
Twenty-First Century Community Learning Centers	84.287	#20210011	<u>229,353</u>
Pass Through Payments from the New Hampshire Department of Education			
Rural Education	84.358	#20200435	<u>22,800</u>

See notes to schedule of expenditures of federal awards

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF EDUCATION (CONTINUED)			
Pass Through Payments from the New Hampshire Department of Education			
Supporting Effective Instruction State Grants	84.367	#20190298	15,387
Supporting Effective Instruction State Grants	84.367	#20200298	37,688
Supporting Effective Instruction State Grants	84.367	#20210796	122,815
			<u>175,890</u>
Pass Through Payments from the New Hampshire Department of Education			
Student Support and Academic Enrichment Program	84.424	#20204854	39,515
Pass Through Payments from the New Hampshire Department of Education			
COVID-19 Education Stabilization Fund (ESF)			
- Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	#20204841	506,582
- Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	#20211479	367,345
- American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	#20220354	5,848
			<u>879,775</u>
Total Department of Education			<u>2,527,384</u>
NORTHERN BORDER REGIONAL COMMISSION			
Direct Award Program			
Northern Border Regional Development	90.601		12,194
Total Northern Border Regional Commission			<u>12,194</u>
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	#202563	19,063
Total Department of Health and Human Services			<u>19,063</u>
DEPARTMENT OF HOMELAND SECURITY			
Direct Award Program			
Assistance to Firefighters Grant	97.044		167,952
Pass Through Payments from the New Hampshire Department of Safety			
Homeland Security Grant Program			
- ILO Program	97.067	N/A	27,444
- Operation Stonegarden	97.067	N/A	9,302
			<u>36,746</u>
Direct Award Program			
Staffing for Adequate Fire and Emergency Response	97.083		200
Total Department of Homeland Security			<u>204,898</u>
Total Expenditures of Federal Awards			<u>\$ 4,002,273</u>

See notes to schedule of expenditures of federal awards

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Berlin, New Hampshire (the City) under programs of the federal government for the year ended June 30, 2021. 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.

**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, 2021, 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 November 2, 2022. 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2021-002 to be a significant deficiency.

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 financial statements. 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*.

City of Berlin, New Hampshire's Response to Findings

The City of Berlin, New Hampshire's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Berlin, New Hampshire's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on the response.

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 Clukay & Company PC

Manchester, New Hampshire
November 2, 2022

**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, 2021. The City of Berlin, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Berlin, New Hampshire's basic financial statements include the operations of the Berlin Water Works, a discretely presented component unit of the City. Berlin Water Works did not expend any federal awards during the year ended June 30, 2021, and as such, no amounts have been included in the City of Berlin, New Hampshire's schedule of expenditures of federal awards. Our audit, described below, did not include the operations of the Berlin Water Works which is a separate legal entity and has separately issued audited financial statements.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Berlin, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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 a 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.

Vachon Clukay & Company PC

Manchester, New Hampshire
November 2, 2022

**City of Berlin, New Hampshire
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified – all reporting units

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal 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 federal programs:

Unmodified

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

 yes X no

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? X yes no

Section II—Financial Statement Findings

There following findings relating to the financial statements are required to be reported by GAGAS.

Finding #2021-001 Cash Reconciliation Process

Criteria: Accurate financial reporting, including timely reconciliations of cash accounts is necessary for management and those charged with governance to make informed decisions about day to day operations.

Condition: During our audit of the City’s 2021 financial records, it was noted that the cash reconciliation process was not being performed on a monthly basis. Reconciliations for several accounts were completed several months subsequent to the period of activity. Reconciliations provided to us for purposes of the audit were dated as late as May 2022 for monthly periods occurring during fiscal year 2021.

Cause: The cause of the condition is that cash reconciliations attributable to the City’s School District bank accounts are not being performed in a timely manner. Reconciliations for the entire fiscal year 2021 were performed subsequent to year end. Due to employee turnover in key positions, the reconciliation process was not being performed throughout the year.

Effect: Failure to reconcile the cash balances on a timely basis increases the risk that financial decisions will be made based on incomplete or inaccurate information. Additionally, failure to complete these reconciliations in a timely manner creates a systematic weakness in internal controls due to the reconciliations of cash being a critical step across multiple internal control systems.

Recommendation: We recommend that cash balances reported on monthly bank statements be reconciled to the balances reported within the general ledger on a monthly basis. Additionally, we recommend that this reconciliation process be completed in as timely a manner as possible upon receiving monthly bank statements from the City’s financial institutions. Finally, we recommend that any unknown or unidentified differences be investigated and resolved immediately in order to maintain an effective internal control system. Management should determine the appropriate employee(s) to be responsible for performing and completing the bank reconciliation process.

Views of responsible officials: In agreement with the finding and will comply with the recommendation as outlined above.

Finding #2021-002 School Payroll Approval

Criteria: Effective internal controls over payroll, as related to financial reporting, include elements of review and approval by those individuals with ultimate authority over transactions, such as approval by City Council, School Board, Superintendent or Business Administrator.

Condition: While it was noted that rates of pay and time records are approved by appropriate levels of management and governance, we noted that gross payroll registers and payroll payment manifests were not approved by an individual at the management or governance level.

Cause: Design of policies and procedures.

Effect: The lack of a formal review and approval process by an appropriate level of management or those charged with governance increases the risk that inappropriate or incorrect payroll transactions may be processed and remain undetected.

Recommendations: We recommend that School payroll transactions be reviewed by an individual within the appropriate level of management, such as City Council, School Board, Superintendent, or Business Administrator, to ensure reasonableness and appropriateness of the information. Furthermore, we recommend that this review and approval process be documented to indicate the individual performing the control and the date it was performed.

Views of responsible officials: In agreement with the finding and will comply with the recommendation as outlined above.

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).



**The City of Berlin
Finance Department**

168 Main Street, Berlin, NH 03570

Finding 2021-001

Corrective Action Plan:

Do monthly bank reconciliations after BPS completes their reconciliations.

Name of Responsible Person:

Finance Director Holly Larsen -with the ability to delegate whom actually performs the reconciliation in the Finance Dept.

Anticipated Implementation Date of Corrective Action:

December 31, 2022

Finding 2021-002

Corrective Action Plan: Have a document that outlines the electronic Payroll process with signature line to have the person performing said review initial and date for every payroll period.

Name of Responsible Person: Business Administrator -Marion Moore

Anticipated Implementation Date of Corrective Action: October 20, 2022

Respectfully,

Holly Larsen
Finance Director
City of Berlin
603-752-6350

SCHEDULE A
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2021

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 206,624	\$ 7,429		\$ 214,053
Investments		373,346		373,346
Due from other governments	1,362,872			1,362,872
Due from other funds	36,554		\$ 808,872	845,426
Prepaid items	20,469			20,469
Inventory	27,253			27,253
Total Assets	<u>1,653,772</u>	<u>380,775</u>	<u>808,872</u>	<u>2,843,419</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>\$ 1,653,772</u>	<u>\$ 380,775</u>	<u>\$ 808,872</u>	<u>\$ 2,843,419</u>
LIABILITIES				
Accounts payable	\$ 75,884			\$ 75,884
Advances from grantors	133,520			133,520
Unearned revenue	11,223			11,223
Due to other funds	1,330,425	\$ 3,771		1,334,196
Total Liabilities	<u>1,551,052</u>	<u>3,771</u>	<u>\$ -</u>	<u>1,554,823</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	47,722	163,903		211,625
Restricted	134,157	213,101	808,872	1,156,130
Committed	14,032			14,032
Assigned	206,624			206,624
Unassigned (Deficit)	(299,815)			(299,815)
Total Fund Balances	<u>102,720</u>	<u>377,004</u>	<u>808,872</u>	<u>1,288,596</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,653,772</u>	<u>\$ 380,775</u>	<u>\$ 808,872</u>	<u>\$ 2,843,419</u>

**SCHEDULE A-1
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2021**

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Grants Fund	Recreation and Parks Programs Fund	Student Activity Fund	Combining Totals
ASSETS							
Cash and cash equivalents						\$ 206,624	\$ 206,624
Due from other governments	\$ 1,041,851	\$ 156,524	\$ 36,828	\$ 127,669			1,362,872
Due from other funds		22,402			\$ 14,152		36,554
Prepaid items			20,469				20,469
Inventory		27,253					27,253
Total Assets	<u>1,041,851</u>	<u>206,179</u>	<u>57,297</u>	<u>127,669</u>	<u>14,152</u>	<u>206,624</u>	<u>1,653,772</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,041,851</u>	<u>\$ 206,179</u>	<u>\$ 57,297</u>	<u>\$ 127,669</u>	<u>\$ 14,152</u>	<u>\$ 206,624</u>	<u>\$ 1,653,772</u>
LIABILITIES							
Accounts payable	\$ 71,006	\$ 151	\$ 716	\$ 3,891	\$ 120		\$ 75,884
Advances from grantors	69,299			64,221			133,520
Unearned revenue		11,223					11,223
Due to other funds	894,340	52,683	335,927	47,475			1,330,425
Total Liabilities	<u>1,034,645</u>	<u>64,057</u>	<u>336,643</u>	<u>115,587</u>	<u>120</u>	<u>\$ -</u>	<u>1,551,052</u>
DEFERRED INFLOWS OF RESOURCES							
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable		27,253	20,469				47,722
Restricted	7,206	114,869		12,082			134,157
Committed					14,032		14,032
Assigned						206,624	206,624
Unassigned (Deficit)			(299,815)				(299,815)
Total Fund Balances (Deficit)	<u>7,206</u>	<u>142,122</u>	<u>(279,346)</u>	<u>12,082</u>	<u>14,032</u>	<u>206,624</u>	<u>102,720</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,041,851</u>	<u>\$ 206,179</u>	<u>\$ 57,297</u>	<u>\$ 127,669</u>	<u>\$ 14,152</u>	<u>\$ 206,624</u>	<u>\$ 1,653,772</u>

SCHEDULE B
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2021

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:				
Intergovernmental	\$ 3,988,275			\$ 3,988,275
Charges for services	201,583			201,583
Interest income		\$ 3,091		3,091
Miscellaneous	<u>232,429</u>	<u>6,952</u>		<u>239,381</u>
Total Revenues	<u>4,422,287</u>	<u>10,043</u>	<u>\$ -</u>	<u>4,432,330</u>
Expenditures:				
Current operations:				
General government	15,856			15,856
Public safety	299,495		84,052	383,547
Airport/Aviation center	150,636			150,636
Highways and streets			249,733	249,733
Culture and recreation	64,520			64,520
Economic development	32,995			32,995
Education	2,974,204			2,974,204
Food service	629,905			629,905
Other student	103,202			103,202
Capital outlay	<u>26,813</u>			<u>26,813</u>
Total Expenditures	<u>4,297,626</u>	<u>-</u>	<u>333,785</u>	<u>4,631,411</u>
Excess of revenues over (under) expenditures	<u>124,661</u>	<u>10,043</u>	<u>(333,785)</u>	<u>(199,081)</u>
Other financing sources (uses):				
Bond issuance			1,100,000	1,100,000
Transfers out		<u>(3,771)</u>		<u>(3,771)</u>
Total Other financing sources (uses)	<u>-</u>	<u>(3,771)</u>	<u>1,100,000</u>	<u>1,096,229</u>
Net change in fund balances	124,661	6,272	766,215	897,148
Fund Balances (Deficit) at beginning of year	<u>(21,941)</u>	<u>370,732</u>	<u>42,657</u>	<u>391,448</u>
Fund Balances at end of year	<u>\$ 102,720</u>	<u>\$ 377,004</u>	<u>\$ 808,872</u>	<u>\$ 1,288,596</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, 2021

	Federal Projects <u>Fund</u>	Food Service <u>Fund</u>	Airport Authority <u>Fund</u>	Grants <u>Fund</u>	Recreation and Parks Programs <u>Fund</u>	Student Activity <u>Fund</u>	Combining <u>Totals</u>
Revenues:							
Intergovernmental	\$ 2,905,871	\$ 678,994	\$ 26,853	\$ 376,557			\$ 3,988,275
Charges for services		17,589	165,987		\$ 18,007		201,583
Miscellaneous	73,829		23,207	25,471		\$ 109,922	232,429
Total Revenues	<u>2,979,700</u>	<u>696,583</u>	<u>216,047</u>	<u>402,028</u>	<u>18,007</u>	<u>109,922</u>	<u>4,422,287</u>
Expenditures:							
Current operations:							
General government				15,856			15,856
Public safety				299,495			299,495
Airport/Aviation center			150,636				150,636
Culture and recreation				53,163	11,357		64,520
Economic development				32,995			32,995
Education	2,974,204						2,974,204
Food service		629,905					629,905
Other student						103,202	103,202
Capital outlay			26,813				26,813
Total Expenditures	<u>2,974,204</u>	<u>629,905</u>	<u>177,449</u>	<u>401,509</u>	<u>11,357</u>	<u>103,202</u>	<u>4,297,626</u>
Net change in fund balances	5,496	66,678	38,598	519	6,650	6,720	124,661
Fund Balances (Deficit) at beginning of year	<u>1,710</u>	<u>75,444</u>	<u>(317,944)</u>	<u>11,563</u>	<u>7,382</u>	<u>199,904</u>	<u>(21,941)</u>
Fund Balances (Deficit) at end of year	<u>\$ 7,206</u>	<u>\$ 142,122</u>	<u>\$ (279,346)</u>	<u>\$ 12,082</u>	<u>\$ 14,032</u>	<u>\$ 206,624</u>	<u>\$ 102,720</u>

SCHEDULE C
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Net Position
All Nonmajor Proprietary Funds
June 30, 2021

	Industrial Development and Park Authority <u>Fund</u>	Cates Hill Landfill <u>Fund</u>	Combining <u>Totals</u>
ASSETS			
Current Assets:			
Due from other governments		\$ 67,102	\$ 67,102
Due from other funds	\$ 1,277,300	286,742	1,564,042
Total Assets	<u>1,277,300</u>	<u>353,844</u>	<u>1,631,144</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Current portion of estimated liability for landfill postclosure care costs		13,600	13,600
Total Current Liabilities	<u>-</u>	<u>13,600</u>	<u>13,600</u>
Noncurrent Liabilities:			
Estimated liability for landfill postclosure care costs		176,800	176,800
Total Noncurrent Liabilities	<u>-</u>	<u>176,800</u>	<u>176,800</u>
Total Liabilities	<u>-</u>	<u>190,400</u>	<u>190,400</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Unrestricted	1,277,300	163,444	1,440,744
Total Net Position	<u>\$ 1,277,300</u>	<u>\$ 163,444</u>	<u>\$ 1,440,744</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, 2021

	Industrial Development and Park Authority <u>Fund</u>	Cates Hill Landfill <u>Fund</u>	Combining <u>Totals</u>
Operating revenues:			
Miscellaneous	\$ 628,797		\$ 628,797
Total Operating revenues	<u>628,797</u>	<u>\$ -</u>	<u>628,797</u>
Operating expenses:			
Contractual services	26,000		26,000
Repairs and maintenance	35,540	1,398	36,938
Administrative	3,933		3,933
Total Operating expenses	<u>65,473</u>	<u>1,398</u>	<u>66,871</u>
Operating income (loss)	<u>563,324</u>	<u>(1,398)</u>	<u>561,926</u>
Non-operating revenues (expenses):			
Interest income	<u>573</u>		<u>573</u>
Net non-operating revenues (expenses)	<u>573</u>	<u>-</u>	<u>573</u>
Change in net position	563,897	(1,398)	562,499
Net Position at beginning of year	<u>713,403</u>	<u>164,842</u>	<u>878,245</u>
Net Position at end of year	<u>\$ 1,277,300</u>	<u>\$ 163,444</u>	<u>\$ 1,440,744</u>

SCHEDULE E
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Cash Flows
All Nonmajor Proprietary Funds
For the Year Ended June 30, 2021

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Cash flows from operating activities:			
Cash paid to suppliers	\$ (65,713)	\$ (19,235)	\$ (84,948)
Other operating cash receipts	<u>9,732</u>	<u>9,732</u>	<u>9,732</u>
Net cash used cash used by operating activities	<u>(65,713)</u>	<u>(9,503)</u>	<u>(75,216)</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	<u>645,000</u>	<u>-</u>	<u>645,000</u>
Net cash provided for capital and related financing activities	<u>645,000</u>	<u>-</u>	<u>645,000</u>
Cash flows from investing activities:			
Interest on investments	<u>573</u>	<u>-</u>	<u>573</u>
Net cash provided by investing activities	<u>573</u>	<u>-</u>	<u>573</u>
Net increase (decrease) in cash and cash equivalents	579,860	(9,503)	570,357
Cash and cash equivalents at beginning of year	<u>697,440</u>	<u>296,245</u>	<u>993,685</u>
Cash and cash equivalents at end of year	<u>\$ 1,277,300</u>	<u>\$ 286,742</u>	<u>\$ 1,564,042</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ 563,324	\$ (1,398)	\$ 561,926
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Gain on disposal of assets	(628,797)		(628,797)
Changes in assets and liabilities:			
Due from other governments		5,495	5,495
Accounts payable	(240)		(240)
Estimated liability for landfill postclosure care costs		<u>(13,600)</u>	<u>(13,600)</u>
Net cash used by operating activities	<u>\$ (65,713)</u>	<u>\$ (9,503)</u>	<u>\$ (75,216)</u>
Non-cash transactions affecting financial position:			
Net book value of disposed capital assets	<u>\$ 96,203</u>	<u>\$ -</u>	<u>\$ 96,203</u>