

CITY OF BERLIN, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2022
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, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Berlin, New Hampshire's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Berlin, New Hampshire and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Berlin, New Hampshire's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Berlin, New Hampshire's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Berlin, New Hampshire's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

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*, and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 September 26, 2023 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 and other matters. 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
September 26, 2023

EXHIBIT A
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 5,800,454		\$ 5,800,454	\$ 862,043
Investments	5,097,557		5,097,557	998,880
Taxes receivable, net	779,349		779,349	
Accounts receivable, net	779,962	\$ 753,465	1,533,427	203,575
Due from other governments	1,240,757	264,115	1,504,872	
Unbilled user charges			-	442,523
Internal balances	(3,105,093)	3,105,093	-	
Prepaid items	69,583	5,182	74,765	
Inventory	24,306	101,831	126,137	261,434
Tax deeded property	346,535		346,535	
Total Current Assets	<u>11,033,410</u>	<u>4,229,686</u>	<u>15,263,096</u>	<u>2,768,455</u>
Noncurrent Assets:				
Due from other governments		3,126,756	3,126,756	
Capital assets:				
Non-depreciable capital assets	1,995,827	95,106	2,090,933	447,211
Depreciable capital assets, net	30,794,350	31,877,390	62,671,740	35,929,982
Total Noncurrent Assets	<u>32,790,177</u>	<u>35,099,252</u>	<u>67,889,429</u>	<u>36,377,193</u>
Total Assets	<u>43,823,587</u>	<u>39,328,938</u>	<u>83,152,525</u>	<u>39,145,648</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on debt refunding		22,924	22,924	
Deferred outflows related to OPEB	1,091,924	86,442	1,178,366	39,179
Deferred outflows related to pension	7,384,940	170,800	7,555,740	184,486
Total Deferred Outflows of Resources	<u>8,476,864</u>	<u>280,166</u>	<u>8,757,030</u>	<u>223,665</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	485,942	168,003	653,945	14,152
Accrued liabilities	614,926	37,991	652,917	33,906
Advances from grantors	688,340		688,340	
Unearned revenue	39,545	10,786	50,331	
Refundable deposits	1,623		1,623	
Current portion of bonds payable	187,600	389,072	576,672	
Current portion of notes payable	101,257		101,257	581,165
Current portion of financed purchase obligations payable	85,494	29,783	115,277	
Current portion of lease liability	61,210		61,210	
Current portion of compensated absences payable	103,722	4,686	108,408	8,615
Current portion of estimated liability for landfill postclosure care costs	7,850	14,500	22,350	
Total Current Liabilities	<u>2,377,509</u>	<u>654,821</u>	<u>3,032,330</u>	<u>637,838</u>
Noncurrent Liabilities:				
Bonds payable	5,504,188	11,524,938	17,029,126	
Notes payable	900,583		900,583	4,870,788
State of New Hampshire revolving loans		1,176,269	1,176,269	
Financed purchase obligations payable	88,598	30,820	119,418	
Lease liability	159,551		159,551	
Compensated absences payable	1,779,299	123,936	1,903,235	78,850
Accrued longevity payout	41,500		41,500	
Other post-employment benefits (OPEB) liability	6,712,825	476,888	7,189,713	222,742
Net pension liability	23,909,714	651,088	24,560,802	709,539
Estimated liability for landfill postclosure care costs	31,400	174,000	205,400	
Total Noncurrent Liabilities	<u>39,127,658</u>	<u>14,157,939</u>	<u>53,285,597</u>	<u>5,881,919</u>
Total Liabilities	<u>41,505,167</u>	<u>14,812,760</u>	<u>56,317,927</u>	<u>6,519,757</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	2,322,707		2,322,707	
Deferred inflows related to OPEB	1,495,055	137,127	1,632,182	63,918
Deferred inflows related to pension	8,027,493	231,558	8,259,051	242,806
Total Deferred Inflows of Resources	<u>11,845,255</u>	<u>368,685</u>	<u>12,213,940</u>	<u>306,724</u>
NET POSITION				
Net investment in capital assets	26,703,536	18,844,538	45,548,074	30,925,240
Restricted	746,641	3,248,000	3,994,641	
Unrestricted (Deficit)	(28,500,148)	2,335,121	(26,165,027)	1,617,592
Total Net Position	<u>\$ (1,049,971)</u>	<u>\$ 24,427,659</u>	<u>\$ 23,377,688</u>	<u>\$ 32,542,832</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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 2,184,180	\$ 246,261			\$ (1,937,919)		\$ (1,937,919)	
Public safety	6,125,535	130,664	\$ 201,896	\$ 47,601	(5,745,374)		(5,745,374)	
Airport/Aviation center	418,572	160,132		274,498	16,058		16,058	
Highways and streets	3,457,281	53,724	223,074	22,975	(3,157,508)		(3,157,508)	
Health and welfare	63,016	2,300	300		(60,416)		(60,416)	
Sanitation	931,779	12,507			(919,272)		(919,272)	
Culture and recreation	881,608	29,417	3,797		(848,394)		(848,394)	
Economic development	281		2,397	234,842	236,958		236,958	
Education	21,848,257	1,547,959	13,142,313	1,306,250	(5,851,735)		(5,851,735)	
Food service	705,920	46,954	898,372		239,406		239,406	
Other student	155,908		197,634		41,726		41,726	
Interest and fiscal charges	265,597				(265,597)		(265,597)	
Intergovernmental	2,288,686				(2,288,686)		(2,288,686)	
Total governmental activities	<u>39,326,620</u>	<u>2,229,918</u>	<u>14,669,783</u>	<u>1,886,166</u>	<u>(20,540,753)</u>	<u>\$ -</u>	<u>(20,540,753)</u>	
Business-type activities:								
Sewer	3,683,054	2,186,275		75,271		(1,421,508)	(1,421,508)	
Nonmajor enterprise funds	29,064					(29,064)	(29,064)	
Total business-type activities	<u>3,712,118</u>	<u>2,186,275</u>	<u>-</u>	<u>75,271</u>	<u>-</u>	<u>(1,450,572)</u>	<u>(1,450,572)</u>	
Total primary government	<u>\$ 43,038,738</u>	<u>\$ 4,416,193</u>	<u>\$ 14,669,783</u>	<u>\$ 1,961,437</u>	<u>(20,540,753)</u>	<u>(1,450,572)</u>	<u>(21,991,325)</u>	
Component unit:								
Water	\$ 2,957,368	\$ 2,588,814						\$ (368,554)
Total component unit	<u>\$ 2,957,368</u>	<u>\$ 2,588,814</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(368,554)</u>
General revenues:								
Property and other taxes					19,438,929		19,438,929	
Licenses and permits					1,578,933		1,578,933	
Grants and contributions:								
Rooms and meals tax distribution					727,199		727,199	
Interest and investment earnings					34,138	7,558	41,696	3,082
Miscellaneous					266,453	17,136	283,589	105,605
Contributions to permanent fund principal					2,450		2,450	
Net gain (loss) on disposal of capital assets					(20,000)		(20,000)	46,699
Total general revenues, contributions to permanent fund principal, and net gain (loss) on disposal of capital assets					<u>22,028,102</u>	<u>24,694</u>	<u>22,052,796</u>	<u>155,386</u>
Change in net position					1,487,349	(1,425,878)	61,471	(213,168)
Net Position at beginning of year					<u>(2,537,320)</u>	<u>25,853,537</u>	<u>23,316,217</u>	<u>32,756,000</u>
Net Position at end of year					<u>\$ (1,049,971)</u>	<u>\$ 24,427,659</u>	<u>\$ 23,377,688</u>	<u>\$ 32,542,832</u>

See accompanying notes to the basic financial statements

EXHIBIT C
CITY OF BERLIN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2022

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,546,054	\$ 254,400	\$ 5,800,454
Investments	4,720,714	376,843	5,097,557
Taxes receivable, net	779,349		779,349
Accounts receivable	779,962		779,962
Due from other governments	102	1,240,655	1,240,757
Due from other funds	993,592	792,451	1,786,043
Prepaid items	475,165	16,732	491,897
Inventory		24,306	24,306
Tax deeded property	<u>346,535</u>		<u>346,535</u>
Total Assets	<u>13,641,473</u>	<u>2,705,387</u>	<u>16,346,860</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 13,641,473</u>	<u>\$ 2,705,387</u>	<u>\$ 16,346,860</u>
LIABILITIES			
Accounts payable	\$ 237,240	\$ 248,702	\$ 485,942
Accrued liabilities	589,322	1,803	591,125
Advances from grantors	529,834	158,506	688,340
Unearned revenue	6,750	32,795	39,545
Refundable deposits	1,623		1,623
Due to other funds	<u>3,875,142</u>	<u>1,015,994</u>	<u>4,891,136</u>
Total Liabilities	<u>5,239,911</u>	<u>1,457,800</u>	<u>6,697,711</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	2,322,707		2,322,707
Uncollected property tax revenue	<u>692,061</u>		<u>692,061</u>
Total Deferred Inflows of Resources	<u>3,014,768</u>	<u>-</u>	<u>3,014,768</u>
FUND BALANCES			
Nonspendable	821,700	204,941	1,026,641
Restricted		1,102,336	1,102,336
Committed		15,159	15,159
Assigned	1,901,327	248,350	2,149,677
Unassigned (Deficit)	<u>2,663,767</u>	<u>(323,199)</u>	<u>2,340,568</u>
Total Fund Balances	<u>5,386,794</u>	<u>1,247,587</u>	<u>6,634,381</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,641,473</u>	<u>\$ 2,705,387</u>	<u>\$ 16,346,860</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, 2022

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 6,634,381
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and intangible right of use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,790,177
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	692,061
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.	(422,314)
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	1,091,924
Deferred outflows of resources related to pension	7,384,940
Deferred inflows of resources related to OPEB	(1,495,055)
Deferred inflows of resources related to pension	(8,027,493)
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	(5,691,788)
Notes payable	(1,001,840)
Financed purchase obligations payable	(174,092)
Lease liability	(220,761)
Accrued interest on long-term obligations	(23,801)
Compensated absences payable	(1,883,021)
Accrued longevity payout	(41,500)
Other post-employment benefits (OPEB) liability	(6,712,825)
Net pension liability	(23,909,714)
Estimated liability for landfill postclosure care costs	<u>(39,250)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ (1,049,971)</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, 2022

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 19,394,734		\$ 19,394,734
Licenses and permits	1,578,933		1,578,933
Intergovernmental	11,920,039	\$ 5,363,109	17,283,148
Charges for services	1,996,443	233,475	2,229,918
Interest income	30,640	3,498	34,138
Miscellaneous	161,571	107,332	268,903
Total Revenues	<u>35,082,360</u>	<u>5,707,414</u>	<u>40,789,774</u>
Expenditures:			
Current operations:			
General government	2,203,642	8,517	2,212,159
Public safety	6,270,605	427,293	6,697,898
Airport/Aviation center		193,328	193,328
Highways and streets	2,085,489	75,007	2,160,496
Health and welfare	66,886		66,886
Sanitation	890,514	35,930	926,444
Culture and recreation	670,880	32,521	703,401
Economic development	281	234,842	235,123
Education	18,562,933	3,605,233	22,168,166
Food service		705,920	705,920
Other student		155,908	155,908
Capital outlay	1,249,098	268,423	1,517,521
Debt service:			
Principal retirement	770,658		770,658
Interest and fiscal charges	330,544		330,544
Intergovernmental	2,288,686		2,288,686
Total Expenditures	<u>35,390,216</u>	<u>5,742,922</u>	<u>41,133,138</u>
Excess of revenues over (under) expenditures	<u>(307,856)</u>	<u>(35,508)</u>	<u>(343,364)</u>
Other financing sources (uses):			
Refunding bond issuance	4,402,280		4,402,280
Debt service - Refunding principal retirement	(4,390,000)		(4,390,000)
Transfers in	5,501		5,501
Transfers out		(5,501)	(5,501)
Total Other financing sources (uses)	<u>17,781</u>	<u>(5,501)</u>	<u>12,280</u>
Net change in fund balances	(290,075)	(41,009)	(331,084)
Fund Balances at beginning of year	<u>5,676,869</u>	<u>1,288,596</u>	<u>6,965,465</u>
Fund Balances at end of year	<u>\$ 5,386,794</u>	<u>\$ 1,247,587</u>	<u>\$ 6,634,381</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, 2022

Net Change in Fund Balances - Governmental Funds (Exhibit D) \$ (331,084)

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.

Capital outlays and depreciation and amortization expense in the current period are as follows:

Capital outlays	1,112,432
Depreciation expense	(1,859,380)
Amortization expense	(56,340)

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	44,195
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Repayment of principal on long-term obligations 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	5,000,000
Principal paid on notes payable	98,160
Principal paid on financed purchase obligations payable	82,498
Principal paid on lease liability	60,940

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.

The activity recognized in the current year is as follows:

Bond issuance premium	(493,680)
Amortization of bond issuance premiums	31,901

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.

Refunding bond issuance	(3,908,600)
-------------------------	-------------

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.

	(20,000)
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In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.

	38,151
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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	74,190
Accrued longevity payout	(7,750)
Landfill postclosure care costs	6,950

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	(85,390)
Net changes in pension	1,700,156

Change in Net Position of Governmental Activities (Exhibit B) \$ 1,487,349

See accompanying notes to the basic financial statements

EXHIBIT E
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
ASSETS			
Current Assets:			
Accounts receivable	\$ 753,465		\$ 753,465
Due from other governments	197,012	\$ 67,103	264,115
Due from other funds	1,571,894	1,533,199	3,105,093
Prepaid items	5,182		5,182
Inventory	101,831		101,831
Total Current Assets	<u>2,629,384</u>	<u>1,600,302</u>	<u>4,229,686</u>
Noncurrent Assets:			
Due from other governments	3,126,756		3,126,756
Capital assets:			
Non-depreciable capital assets	95,106		95,106
Depreciable capital assets, net	31,877,390		31,877,390
Total Noncurrent Assets	<u>35,099,252</u>	<u>-</u>	<u>35,099,252</u>
Total Assets	<u>37,728,636</u>	<u>1,600,302</u>	<u>39,328,938</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refunding	22,924		22,924
Deferred outflows related to OPEB	86,442		86,442
Deferred outflows related to pension	170,800		170,800
Total Deferred Outflows of Resources	<u>280,166</u>	<u>-</u>	<u>280,166</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	168,003		168,003
Accrued liabilities	37,991		37,991
Unearned revenue	10,786		10,786
Current portion of bonds payable	389,072		389,072
Current portion of financed purchase obligations payable	29,783		29,783
Current portion of compensated absences payable	4,686		4,686
Current portion of estimated liability for landfill postclosure care costs		14,500	14,500
Total Current Liabilities	<u>640,321</u>	<u>14,500</u>	<u>654,821</u>
Noncurrent Liabilities:			
Bonds payable	11,524,938		11,524,938
State of New Hampshire revolving loans	1,176,269		1,176,269
Financed purchase obligations payable	30,820		30,820
Compensated absences payable	123,936		123,936
Other post-employment benefits (OPEB) liability	476,888		476,888
Net pension liability	651,088		651,088
Estimated liability for landfill postclosure care costs		174,000	174,000
Total Noncurrent Liabilities	<u>13,983,939</u>	<u>174,000</u>	<u>14,157,939</u>
Total Liabilities	<u>14,624,260</u>	<u>188,500</u>	<u>14,812,760</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	137,127		137,127
Deferred inflows related to pension	231,558		231,558
Total Deferred Inflows of Resources	<u>368,685</u>	<u>-</u>	<u>368,685</u>
NET POSITION			
Net investment in capital assets	18,844,538		18,844,538
Restricted for:			
Short-lived asset replacement reserve	3,248,000		3,248,000
Unrestricted	923,319	1,411,802	2,335,121
Total Net Position	<u>\$ 23,015,857</u>	<u>\$ 1,411,802</u>	<u>\$ 24,427,659</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, 2022

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Operating revenues:			
Charges for services	\$ 2,186,275		\$ 2,186,275
Miscellaneous	17,136		17,136
Total Operating revenues	<u>2,203,411</u>	<u>\$ -</u>	<u>2,203,411</u>
Operating expenses:			
Personnel services	1,014,913		1,014,913
Contractual services	446	21,034	21,480
Repairs and maintenance	48,772	6,696	55,468
Administrative	176,928	1,334	178,262
Materials and supplies	321,747		321,747
Utilities	233,245		233,245
Depreciation	1,507,824		1,507,824
Total Operating expenses	<u>3,303,875</u>	<u>29,064</u>	<u>3,332,939</u>
Operating income (loss)	<u>(1,100,464)</u>	<u>(29,064)</u>	<u>(1,129,528)</u>
Non-operating revenues (expenses):			
Interest income	7,436	122	7,558
Interest expense	<u>(379,179)</u>		<u>(379,179)</u>
Net Non-operating revenues (expenses)	<u>(371,743)</u>	<u>122</u>	<u>(371,621)</u>
Income (Loss) before capital contributions	(1,472,207)	(28,942)	(1,501,149)
Capital contributions	<u>75,271</u>		<u>75,271</u>
Change in net position	(1,396,936)	(28,942)	(1,425,878)
Net Position at beginning of year	<u>24,412,793</u>	<u>1,440,744</u>	<u>25,853,537</u>
Net Position at end of year	<u>\$ 23,015,857</u>	<u>\$ 1,411,802</u>	<u>\$ 24,427,659</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, 2022

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 2,190,349		\$ 2,190,349
Cash paid to suppliers	(782,771)	\$ (39,299)	(822,070)
Cash paid to employees	(1,147,844)		(1,147,844)
Other operating cash receipts	17,136	8,334	25,470
Net cash provided (used) by operating activities	<u>276,870</u>	<u>(30,965)</u>	<u>245,905</u>
Cash flows from capital and related financing activities:			
Proceeds from debt refunding	9,134,742		9,134,742
Payments on refunded debt	(9,134,742)		(9,134,742)
Proceeds from State of New Hampshire revolving loan	848,480		848,480
Principal paid on long-term debt	(725,870)		(725,870)
Principal paid on financed purchase obligations	(28,780)		(28,780)
Interest paid on long-term debt	(459,392)		(459,392)
Capital contributions	299,741		299,741
Purchases of capital assets	(1,807,648)		(1,807,648)
Net cash used for capital and related financing activities	<u>(1,873,469)</u>	<u>-</u>	<u>(1,873,469)</u>
Cash flows from investing activities:			
Interest on investments	7,436	122	7,558
Net cash provided by investing activities	<u>7,436</u>	<u>122</u>	<u>7,558</u>
Net decrease in cash and cash equivalents	(1,589,163)	(30,843)	(1,620,006)
Cash and cash equivalents at beginning of year	3,161,057	1,564,042	4,725,099
Cash and cash equivalents at end of year	<u>\$ 1,571,894</u>	<u>\$ 1,533,199</u>	<u>\$ 3,105,093</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,100,464)	\$ (29,064)	\$ (1,129,528)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	1,507,824		1,507,824
Change in deferred outflows related to OPEB	19,845		19,845
Change in deferred outflows related to pension	54,225		54,225
Change in deferred inflows related to OPEB	29,963		29,963
Change in deferred inflows related to pension	162,094		162,094
Changes in assets and liabilities:			
Accounts receivable	(6,712)		(6,712)
Due from other governments		(1)	(1)
Prepaid items	(4,356)		(4,356)
Inventory	(2,955)		(2,955)
Accounts payable	5,462		5,462
Accrued liabilities	(24,281)		(24,281)
Unearned revenue	10,786		10,786
Compensated absences payable	(26,502)		(26,502)
Other post-employment benefits (OPEB) liability	(131,666)		(131,666)
Net pension liability	(216,393)		(216,393)
Estimated liability for landfill postclosure care costs		(1,900)	(1,900)
Net cash provided (used) by operating activities	<u>\$ 276,870</u>	<u>\$ (30,965)</u>	<u>\$ 245,905</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	\$ 139,524		\$ 139,524
Amortization on bond premium	28,930		28,930
Amortization on loss on debt refunding	(5,257)		(5,257)
	<u>\$ 163,197</u>	<u>\$ -</u>	<u>\$ 163,197</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, 2022

	Private- Purpose <u>Trusts</u>	Custodial <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 81,827	
Investments	21,861	\$ 129,211
Accounts receivable		1,240
Total Assets	<u>103,688</u>	<u>130,451</u>
LIABILITIES		
Accounts payable	8,011	
Deposits		1,241
Total Liabilities	<u>8,011</u>	<u>1,241</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	<u>95,677</u>	<u>129,210</u>
Total Net Position	<u>\$ 95,677</u>	<u>\$ 129,210</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, 2022

	Private- Purpose <u>Trusts</u>	Custodial <u>Funds</u>
ADDITIONS:		
Contributions:		
Private donations	\$ 1,065	\$ 18,575
Total Contributions	<u>1,065</u>	<u>18,575</u>
Investment earnings:		
Interest income	16	1,331
Realized gains/(losses) on investments		7
Unrealized gains/(losses) on investments		<u>(20,882)</u>
Total Investment earnings (losses)	<u>16</u>	<u>(19,544)</u>
Motor vehicle fee collections for other governments		<u>452,634</u>
Total Additions	<u>1,081</u>	<u>451,665</u>
DEDUCTIONS:		
Beneficiary payments to individuals	4,500	
Payments of motor vehicle fees to other governments		<u>452,634</u>
Total Deductions	<u>4,500</u>	<u>452,634</u>
Change in net position	(3,419)	(969)
Net Position at beginning of year	<u>99,096</u>	<u>130,179</u>
Net Position at end of year	<u>\$ 95,677</u>	<u>\$ 129,210</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, 2022**

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 for 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, 2022

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, 2022

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, the 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, 2022

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 14). 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, 2022

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, 2022, the City applied \$3,000,000 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	\$ 1,571,894
Nonmajor Enterprise Funds	<u>1,533,199</u>
Total cash and cash equivalents	<u>\$ 3,105,093</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, 2022 are recorded as receivables net of reserves for estimated uncollectible taxes of \$707,549.

Due from Other Governments

Receivables due from other governments at June 30, 2022 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 \$197,012 and \$3,126,756, respectively.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022 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, 2022, 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, 2022

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

Lease Liabilities and Intangible Right-of-use Leased Assets

Lease liabilities are measured at the present value of payments expected to be made during the lease term. Intangible right-of-use leased assets are measured at the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs and are amortized on a straight-line basis over the life of the related lease.

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,

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

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.

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

- *Committed Fund Balance*: Amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority (City Council Resolutions). Commitments may be changed or lifted only upon the governing body taking the same formal action that imposed the constraint originally. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts the City intends to use for a specific purpose; intent can be expressed by the City Council or City School Board or by an official or body to which the City Council or City School Board delegates the authority. For all governmental funds other than the General Fund, any remaining positive balances are to be classified as 'Assigned'.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another governmental fund is also classified as 'Unassigned'.

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

Spending Prioritizations

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

Deficit Fund Balance

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

Minimum Fund Balance

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

Interfund Activity

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

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses

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

Estimates

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

NOTE 2—CHANGE IN ACCOUNTING PRINCIPLE

During the year, the City implemented GASB Statement No. 87, *Leases*. Under Statement No. 87, the City is required to record a lease liability and an intangible right-of-use asset for its leasing arrangement as a lessee. The City recognized \$281,701 in lease obligations as of July 1, 2021, due to implementation of GASB Statement No. 87, however, this entire amount was offset by an intangible right-of-use asset for the lease. In addition, the City has entered into a rental agreement as a lessee for garage space for school buses. Management has determined that the effect of implementing GASB Statement No. 87 related to this lease is immaterial to its financial statements.

NOTE 3—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At June 30, 2022, the Airport Authority Fund, a Nonmajor Governmental Fund, had a deficit 'Unassigned' fund balance of (\$323,199) and total net deficit fund balance of (\$306,467).

NOTE 4—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 5,800,454
Investments	5,097,557
Statement of Fiduciary Net Position:	
Cash and cash equivalents	81,827
Investments	151,072
Total deposits and investments	<u>\$ 11,130,910</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Deposits and investments as of June 30, 2022 consist of the following:

Cash on hand	\$ 2,959
Deposits with financial institutions	10,260,463
Investments	<u>867,488</u>
Total deposits and investments	<u>\$ 11,130,910</u>

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

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

Credit Risk

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

As of June 30, 2022, the City's investment in the NHPDIP, a state investment pool, had a fair value balance of \$738,277 and was rated *AAA-m*. Additionally, City investments in fixed income and money market mutual funds had fair value balances of \$25,282 and \$5,226, respectively, at June 30, 2022, and were *unrated*.

Custodial Credit Risk

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

Of the City's deposits with financial institutions at year end, \$6,267,402 was collateralized by securities held by the bank in the bank's name.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

As of June 30, 2022, 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	\$ 98,703
Fixed income mutual funds	25,282
	<u>\$ 123,985</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.

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, 2022, 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</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	
Equity securities	\$ 98,703			\$ 98,703
Fixed income mutual funds	25,282			25,282
	<u>\$ 123,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,985</u>

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

NOTE 5—CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2022</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,186,879			\$ 1,186,879
Construction in progress	256,655	\$ 678,087	\$ (125,794)	808,948
Total capital assets not being depreciated	<u>1,443,534</u>	<u>678,087</u>	<u>(125,794)</u>	<u>1,995,827</u>
Other capital assets:				
Leased equipment	281,701			281,701
Infrastructure	30,723,270	32,336		30,755,606
Land improvements	6,342,375	320,591		6,662,966
Buildings and improvements	12,125,414			12,125,414
Vehicles and equipment	11,581,643	227,213	(288,909)	11,519,947
Total other capital assets at historical cost	<u>61,054,403</u>	<u>580,140</u>	<u>(288,909)</u>	<u>61,345,634</u>
Less accumulated depreciation and amortization for:				
Leased equipment		(56,340)		(56,340)
Infrastructure	(9,787,471)	(948,449)		(10,735,920)
Land improvements	(4,057,072)	(165,241)		(4,222,313)
Buildings and improvements	(6,961,599)	(246,189)		(7,207,788)
Vehicles and equipment	(8,098,331)	(499,501)	268,909	(8,328,923)
Total accumulated depreciation and amortization	<u>(28,904,473)</u>	<u>(1,915,720)</u>	<u>268,909</u>	<u>(30,551,284)</u>
Total other capital assets, net	<u>32,149,930</u>	<u>(1,335,580)</u>	<u>(20,000)</u>	<u>30,794,350</u>
Total capital assets, net	<u>\$ 33,593,464</u>	<u>\$ (657,493)</u>	<u>\$ (145,794)</u>	<u>\$ 32,790,177</u>

Depreciation and amortization expense was charged to governmental functions as follows:

General government	\$ 13,099
Public safety	142,866
Airport/Aviation center	225,244
Highways and streets	1,185,372
Health and welfare	812
Sanitation	18,464
Culture and recreation	34,741
Education	295,122
Total governmental activities depreciation and amortization expense	<u>\$ 1,915,720</u>

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

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2022</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 57,949			\$ 57,949
Construction in progress	557,638		\$ (520,481)	37,157
Total capital assets not being depreciated	<u>615,587</u>	<u>\$ -</u>	<u>(520,481)</u>	<u>95,106</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Other capital assets:			
Infrastructure	39,998,456	1,832,210	41,830,666
Buildings and improvements	23,174,300		23,174,300
Vehicles and equipment	1,368,510		1,368,510
Total other capital assets at historical cost	<u>64,541,266</u>	<u>1,832,210</u>	<u>66,373,476</u>
Less accumulated depreciation for:			
Infrastructure	(12,674,651)	(934,842)	(13,609,493)
Buildings and improvements	(19,594,316)	(463,785)	(20,058,101)
Vehicles and equipment	(719,295)	(109,197)	(828,492)
Total accumulated depreciation	<u>(32,988,262)</u>	<u>(1,507,824)</u>	<u>(34,496,086)</u>
Total other capital assets, net	<u>31,553,004</u>	<u>324,386</u>	<u>31,877,390</u>
Total capital assets, net	<u>\$ 32,168,591</u>	<u>\$ 324,386</u>	<u>\$ (520,481)</u>

Depreciation expense was charged to proprietary funds as follows:

Sewer Fund	<u>\$ 1,507,824</u>
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The following is a summary of changes in capital assets of the discretely presented component unit:

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022
Component unit:				
Capital assets not being depreciated:				
Land	\$ 353,649			\$ 353,649
Construction in progress	<u>139,774</u>	<u>\$ 80,289</u>	<u>\$ (126,501)</u>	<u>93,562</u>
Total capital assets not being depreciated	<u>493,423</u>	<u>80,289</u>	<u>(126,501)</u>	<u>447,211</u>
Other capital assets:				
Infrastructure	41,618,653	244,397		41,863,050
Land improvements	15,040			15,040
Buildings and improvements	14,652,272			14,652,272
Machinery and equipment	1,819,287		(58,427)	1,760,860
Vehicles	<u>303,956</u>		<u>(49,050)</u>	<u>254,906</u>
Total other capital assets at historical cost	<u>58,409,208</u>	<u>244,397</u>	<u>(107,477)</u>	<u>58,546,128</u>
Less accumulated depreciation for:				
Infrastructure	(13,036,087)	(830,349)		(13,866,436)
Land improvements	(1,253)	(1,504)		(2,757)
Buildings and improvements	(7,087,554)	(311,699)		(7,399,253)
Machinery and equipment	(1,144,915)	(27,891)	58,426	(1,114,380)
Vehicles	<u>(264,747)</u>	<u>(13,845)</u>	<u>45,272</u>	<u>(233,320)</u>
Total accumulated depreciation	<u>(21,534,556)</u>	<u>(1,185,288)</u>	<u>103,698</u>	<u>(22,616,146)</u>
Total other capital assets, net	<u>36,874,652</u>	<u>(940,891)</u>	<u>(3,779)</u>	<u>35,929,982</u>
Total capital assets, net	<u>\$ 37,368,075</u>	<u>\$ (860,602)</u>	<u>\$ (130,280)</u>	<u>\$ 36,377,193</u>

Depreciation expense recognized by Berlin Water Works, the component unit, was \$1,185,288.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

NOTE 6—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the City’s long-term obligations for the year ended June 30, 2022 are as follows:

	(As restated)				
	Balance			Balance	Due Within
	<u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2022</u>	<u>One Year</u>
Governmental activities:					
Bonds payable - direct placements	\$ 6,235,000	\$ 3,908,600	\$ (5,000,000)	\$ 5,143,600	\$ 187,600
Unamortized bond premiums	<u>86,409</u>	<u>493,680</u>	<u>(31,901)</u>	<u>548,188</u>	
Total Bonds payable	6,321,409	4,402,280	(5,031,901)	5,691,788	187,600
Notes payable - direct placement	1,100,000		(98,160)	1,001,840	101,257
Financed purchase obligations	256,590		(82,498)	174,092	85,494
Lease liability	281,701		(60,940)	220,761	61,210
Compensated absences payable	1,957,211	237,647	(311,837)	1,883,021	103,722
Accrued longevity payout	<u>33,750</u>	<u>7,750</u>		<u>41,500</u>	
Total governmental activities	<u>\$ 9,950,661</u>	<u>\$ 4,647,677</u>	<u>\$ (5,585,336)</u>	<u>\$ 9,013,002</u>	<u>\$ 539,283</u>

Payments on the general obligation bonds and notes, financed purchase obligations payable, and lease liability of the governmental activities are paid out of the General Fund. Amortization of the governmental activities bond premiums are 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			Balance	Due Within
	<u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2022</u>	<u>One Year</u>
Business-type activities:					
Bonds payable - direct placements	\$ 12,513,728	\$ 8,131,200	\$ (9,860,612)	\$ 10,784,316	\$ 389,072
Unamortized bond premiums	<u>155,082</u>	<u>1,003,542</u>	<u>(28,930)</u>	<u>1,129,694</u>	
Total Bonds payable	12,668,810	9,134,742	(9,889,542)	11,914,010	389,072
State of New Hampshire revolving loans	327,789	848,480		1,176,269	
Financed purchase obligations	89,383		(28,780)	60,603	29,783
Compensated absences payable	<u>155,124</u>	<u>25,102</u>	<u>(51,604)</u>	<u>128,622</u>	<u>4,686</u>
Total business-type activities	<u>\$ 13,241,106</u>	<u>\$ 10,008,324</u>	<u>\$ (9,969,926)</u>	<u>\$ 13,279,504</u>	<u>\$ 423,541</u>

Payments on the general obligation bonds and financed purchase obligations payable of the business-type activities are paid out of the Sewer Fund. Amortization of the business-type activities bond premiums are 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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

	Balance <u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2022</u>	Due Within <u>One Year</u>
Component unit:					
Notes payable	\$ 6,106,585		\$ (654,632)	\$ 5,451,953	\$ 581,165
Compensated absences payable	155,117	\$ 9,205	(76,857)	87,465	8,615
Total component unit	<u>\$ 6,261,702</u>	<u>\$ 9,205</u>	<u>\$ (731,489)</u>	<u>\$ 5,539,418</u>	<u>\$ 589,780</u>

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

General Obligation Bonds

Governmental Activities:

Bonds payable are from direct placements at June 30, 2022 and are comprised of the following individual issues:

<u>Description</u>	Original <u>Issue</u>	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance at <u>6/30/2021</u>
2013 Series C Bonds	\$ 3,971,500	2.85%	August 2025	\$ 1,235,000
2022 Series B Bonds Refunding	<u>3,908,600</u>	2.85 - 5.10%	February 2037	<u>3,908,600</u>
	<u>\$ 7,880,100</u>			5,143,600
		Add: <i>Unamortized bond premiums</i>		<u>548,188</u>
		Total Bonds Payable		<u>\$ 5,691,788</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, 2022 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 187,600	\$ 108,767	\$ 296,367
2024	592,400	197,400	789,800
2025	615,600	168,361	783,961
2026	644,100	140,656	784,756
2027	227,700	120,922	348,622
2028-2032	1,301,300	431,074	1,732,374
2033-2037	<u>1,574,900</u>	<u>149,258</u>	<u>1,724,158</u>
Sub-total Bonds Payable	5,143,600	1,316,438	6,460,038
Add: <i>Unamortized bond premiums</i>	<u>548,188</u>	-	<u>548,188</u>
Total Bonds Payable	<u>\$ 5,691,788</u>	<u>\$ 1,316,438</u>	<u>\$ 7,008,226</u>

Business-type Activities:

Bonds payable are from direct placements at June 30, 2022 and are comprised of the following individual issues:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2022</u>
2016 State Revolving Loan	\$ 240,925	2.0%	December 2035	\$ 178,116
2016 Series C Refunding Bonds	3,670,000	1.85%	August 2032	2,475,000
2022 Series B Bonds Refunding	<u>8,131,200</u>	2.85 - 5.10%	February 2038	<u>8,131,200</u>
	<u>\$ 12,042,125</u>			10,784,316
			Add: <i>Unamortized bond premiums</i>	<u>1,129,694</u>
			Total Bonds Payable	<u>\$ 11,914,010</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 business-type activities at June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 389,072	\$ 204,879	\$ 593,951
2024	631,895	382,099	1,013,994
2025	661,623	352,556	1,014,179
2026	692,356	321,613	1,013,969
2027	719,093	289,321	1,008,414
2028-2032	4,037,490	1,004,063	5,041,553
2033-2037	3,327,787	352,944	3,680,731
2038	<u>325,000</u>	<u>10,075</u>	<u>335,075</u>
Sub-total Bonds Payable	10,784,316	2,917,550	13,701,866
Add: <i>Unamortized bond premiums</i>	<u>1,129,694</u>	-	<u>1,129,694</u>
Total Bonds Payable	<u>\$ 11,914,010</u>	<u>\$ 2,917,550</u>	<u>\$ 14,831,560</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, 2022, the sewer related debt reimbursement was \$299,741.

General Obligation Notes

Notes payable are from a direct placement at June 30, 2022 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 6/30/2022</u>
2020 GO Loan	<u>\$ 1,100,000</u>	2.35%	August 2030	<u>\$ 1,001,840</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, 2022 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 101,257	\$ 23,543	\$ 124,800
2024	103,636	21,164	124,800
2025	106,072	18,728	124,800
2026	108,564	16,236	124,800
2027	111,116	13,684	124,800
2028-2031	<u>471,195</u>	<u>28,004</u>	<u>499,199</u>
Total Notes Payable	<u>\$ 1,001,840</u>	<u>\$ 121,359</u>	<u>\$ 1,123,199</u>

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, 2022 are comprised of the following individual issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2022</u>
General Obligation Note	2.25%	January 2031	<u>\$ 5,451,953</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, 2022 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 581,165	\$ 118,113	\$ 699,278
2024	594,687	104,591	699,278
2025	608,181	91,097	699,278
2026	621,981	77,297	699,278
2027	636,094	63,184	699,278
2028-2031	<u>2,409,845</u>	<u>105,691</u>	<u>2,515,536</u>
Total Notes Payable	<u>\$ 5,451,953</u>	<u>\$ 559,973</u>	<u>\$ 6,011,926</u>

Interest expense for the year ended June 30, 2022 was \$129,410 for the Berlin Water Works.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

State of New Hampshire Revolving Loans

Business-type Activities:

The City has drawn \$848,620 and \$327,649 in funds under the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for the reduction of infiltration and inflow within the City's sewer system project and building demolition project, respectively. Payments on the State of New Hampshire revolving loan balances are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the project within the following year.

Financed Purchase Obligations

Governmental Activities:

Financed purchase 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 financed purchase obligations of the governmental activities at June 30, 2022:

<u>Description</u>	<u>Original Obligation</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2022</u>
Tractor Lease	\$ 127,920	3.97%	July 2024	\$ 52,887
Loader Lease	234,389	3.43%	December 2023	121,205
				<u>\$ 174,092</u>

Debt service requirements to retire the outstanding financed purchase obligations for governmental activities at June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 85,494	\$ 6,321	\$ 91,815
2024	88,598	3,217	91,815
	<u>\$ 174,092</u>	<u>\$ 9,538</u>	<u>\$ 183,630</u>

Business-type Activities:

Financed purchase 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 financed purchase obligation of the business-type activities at June 30, 2022:

<u>Description</u>	<u>Original Obligation</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2022</u>
Loader Lease	\$ 117,194	3.43%	December 2023	<u>\$ 60,603</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Debt service requirements to retire the outstanding financed purchase obligation for business-type activities at June 30, 2022 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 29,783	\$ 2,110	\$ 31,893
2024	30,820	1,073	31,893
	<u>\$ 60,603</u>	<u>\$ 3,183</u>	<u>\$ 63,786</u>

Lease Liabilities

Governmental Activities:

Lease liabilities represent contracts that convey control of the right to use another entities nonfinancial asset for a specified period of time. The following lease liability is outstanding at June 30, 2022:

<u>Description of Asset</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Balance at 6/30/2022</u>
Loader Leases	4/29/2021	Annual	\$ 66,045	2.19%	\$ 280,701	\$ 220,761

During 2021, the City entered into a lease agreement for use of two loaders. The lease agreement commenced on April 29, 2021, which includes annual lease payments for 5 years ending April 29, 2026. The lease is not renewable and the City will not acquire the equipment unless it options to purchase the equipment at fair market value.

Annual requirements to amortize lease obligations and related interest at June 30, 2022 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 61,210	\$ 4,835	\$ 66,045
2024	62,550	3,494	66,044
2025	63,920	2,124	66,044
2026	33,081	724	33,805
	<u>\$ 220,761</u>	<u>\$ 11,177</u>	<u>\$ 231,938</u>

NOTE 7—CURRENT DEBT REFUNDING

During the year ended June 30, 2022, the City issued \$12,039,800 of bonds to affect a current refunding for \$13,524,742 of the outstanding bonds (old debt). Net refunding proceeds of \$13,537,022 were used to retire old debt principal of \$13,524,742 and old debt interest of \$12,280.

The current refunding of debt resulted in the recognition of an economic gain of \$353,330. The City in effect, reduced its aggregate debt service payments by \$247,677 over the next sixteen years through the current refunding.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

NOTE 8—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	\$ 238,528	\$ 2,206,845	\$ 28,028	\$ 209,588
Single Employer Plan	<u>939,838</u>	<u>4,982,868</u>	<u>1,604,154</u>	<u>328,177</u>
Total	<u>\$ 1,178,366</u>	<u>\$ 7,189,713</u>	<u>\$ 1,632,182</u>	<u>\$ 537,765</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as a decrease to unrestricted net position in the amount of (\$453,816).

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.

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

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 3.21%, 0.31% and 1.54%, respectively, for the year ended June 30, 2022. Contributions to the OPEB plan for the City were \$237,565 for the year ended June 30, 2022. 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, 2022, the City reported a liability of \$2,206,845 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020. 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, 2021, the City's proportion was approximately 0.5511 percent, which was an increase of 0.0263 percentage points from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB expense of \$209,588. At June 30, 2022, 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		\$ 461
Net difference between projected and actual earnings on OPEB plan investments		27,567
Changes in proportion and differences between City contributions and proportionate share of contributions	\$ 963	
City contributions subsequent to the measurement date	<u>237,565</u>	
Totals	<u>\$ 238,528</u>	<u>\$ 28,028</u>

The City reported \$237,565 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, 2022. 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:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

<u>June 30,</u>	
2022	\$ (5,803)
2023	(5,792)
2024	(6,492)
2025	(8,978)
	<u>\$ (27,065)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, 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, 2020 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 long-term expected rate of return on OPEB Plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	1.14-6.46%
International equity	20%	2.37-5.53%
Fixed income	25%	3.60%
Alternative investments	15%	7.25-8.85%
Real estate	10%	6.60%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2021 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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

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:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net OPEB liability	\$ 2,399,014	\$ 2,206,845	\$ 2,039,645

SINGLE EMPLOYER PLAN

Plan Description

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

Benefits Provided

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

Employees Covered By Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Inactive employees or beneficiaries currently receiving benefit payments	185
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>273</u>
	<u>458</u>

Total OPEB Liability

The City's total OPEB liability of \$4,982,868 was measured as of June 30, 2022, 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	2.40%
Discount rate	3.54%
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, 2022.

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.

Changes in the Total OPEB Liability

	Total OPEB
	<u>Liability</u>
Balance at June 30, 2021	\$ 5,541,952
Changes for the year:	
Service cost	293,391
Interest	122,841
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(678,829)
Benefit payments	<u>(296,487)</u>
Net changes	<u>(559,084)</u>
Balance at June 30, 2022	<u>\$ 4,982,868</u>

Changes of assumptions and other inputs reflect a change in the discount rate of 2.16% at June 30, 2021 to 3.54% at June 30, 2022. Additionally, the inflation rate increased from 2.20% at June 30, 2021 to 2.40% at June 30, 2022.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

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 <u>(2.54%)</u>	Current Discount Rate <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Total OPEB liability	\$ 5,430,670	\$ 4,982,868	\$ 4,580,030

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 (5.2 percent decreasing to 3.0 percent) or 1-percentage-point higher (7.2 percent decreasing to 5.0 percent) than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 4,417,389	\$ 4,982,868	\$ 5,654,883

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$328,177. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 327,522	
Changes of assumptions	<u>612,316</u>	<u>\$ 1,604,154</u>
Totals	<u>\$ 939,838</u>	<u>\$ 1,604,154</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>	
2023	\$ (84,844)
2024	(80,753)
2025	(151,490)
2026	(245,311)
2027	<u>(101,918)</u>
	<u>\$ (664,316)</u>

**CITY OF BERLIN, NEW HAMPSHIRE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended June 30, 2022**

NOTE 9—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 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%

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 30.67%, 29.78%, 19.48%, and 13.75%, respectively. The City contributes 100% of the employer cost for police officers, fire employees, teachers, and general employees of the City.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

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, 2022 were \$3,194,010.

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

At June 30, 2022, the City reported a liability of \$24,560,802 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020. 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, 2021, the City's proportion was approximately 0.5542 percent, which was an increase of 0.0205 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,495,433. At June 30, 2022, 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	\$ 687,738	\$ 257,135
Change in assumptions	2,565,237	
Net difference between projected and actual earnings on pension plan investments		6,869,093
Changes in proportion and differences between City contributions and proportionate share of contributions	1,108,755	1,132,823
City contributions subsequent to the measurement date	<u>3,194,010</u>	
Totals	<u>\$ 7,555,740</u>	<u>\$ 8,259,051</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as a decrease to unrestricted net position in the amount of (\$703,311). The City reported \$3,194,010 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, 2022. 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:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

Year ended	
<u>June 30,</u>	
2022	\$ (755,024)
2023	(549,473)
2024	(550,944)
2025	<u>(2,041,880)</u>
	<u><u>\$(3,897,321)</u></u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, 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

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, 2020 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 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%	1.14-6.46%
International equity	20%	2.37-5.53%
Fixed income	25%	3.60%
Alternative investments	15%	7.25-8.85%
Real estate	<u>10%</u>	6.60%
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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

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.

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	\$ 35,124,756	\$ 24,560,802	\$ 15,748,739

NOTE 10—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 \$227,750 as of June 30, 2022. The estimated liability for the post-closure care costs of the East Milan landfill (\$39,250) and the Cates Hill landfill (\$188,500) 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, 2022. 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, 2022:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

	Governmental <u>activities</u>	Business-type <u>activities</u>	<u>Totals</u>
Balance - July 1, 2021	\$ 46,200	\$ 190,400	\$ 236,600
Reductions (actual current year payments)	(8,860)	(8,658)	(17,518)
Change in estimated liability	1,910	6,758	8,668
Balance - June 30, 2022	<u>\$ 39,250</u>	<u>\$ 188,500</u>	<u>\$ 227,750</u>

NOTE 11—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, 2022 are as follows:

	General <u>Fund</u>	Due from Nonmajor Governmental <u>Funds</u>	<u>Totals</u>
Due to General Fund		\$ 993,592	\$ 993,592
Nonmajor Governmental Funds	\$ 770,049	22,402	792,451
Sewer Fund	1,571,894		1,571,894
Nonmajor Enterprise Funds	1,533,199		1,533,199
	<u>\$ 3,875,142</u>	<u>\$ 1,015,994</u>	<u>\$ 4,891,136</u>

Interfund Transfers

During the year, the Permanent Funds, a Nonmajor Governmental Fund, transferred \$5,501 to the General Fund, in accordance with the purpose of the cemetery trusts. The transfer was made in accordance with budgetary authorization.

NOTE 12—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes as follows at June 30, 2022:

Permanent Funds - Principal	\$ 163,903
Permanent Funds - Income	213,489
Food Service Operations	357,222
Police Forfeiture Funds	12,027
	<u>\$ 746,641</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

NOTE 13—COMPONENTS OF FUND BALANCE

The components of the City’s fund balance for its governmental funds at June 30, 2022 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid items	\$ 475,165	\$ 16,732	\$ 491,897
Tax deeded property	346,535		346,535
Inventory		24,306	24,306
Permanent funds - Principal		163,903	163,903
Restricted for:			
Capital projects		519,598	519,598
Permanent funds - Income		213,489	213,489
Food service operations		357,222	357,222
Police forfeiture funds		12,027	12,027
Committed for:			
Recreation and parks programs		15,159	15,159
Assigned for:			
Continuing appropriations	1,901,327		1,901,327
Student activity fund		248,350	248,350
Unassigned (Deficit):			
Unassigned - General operations	2,663,767		2,663,767
Airport Authority Fund (Deficit)		(323,199)	(323,199)
	<u>\$ 5,386,794</u>	<u>\$ 1,247,587</u>	<u>\$ 6,634,381</u>

NOTE 14—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$479,677,675 as of April 1, 2021) and are due in two installments on July 9, 2021 and December 22, 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 City, an independent governmental unit, which are remitted to the City as required by law. Total taxes appropriated to Coos City for the year ended June 30, 2022 were \$2,288,686. The City bears responsibility for uncollected taxes.

NOTE 15—RELATED PARTIES

The City contracts with a company that employs a member of City Council as a project manager for construction projects. Transactions for such construction projects between the City and company totaled \$156,734 for the year ended June 30, 2022.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

NOTE 16—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 \$479,677,675 (as of April 1, 2021):

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Eversource	\$ 51,945,300	10.83%
HSE Hydro NH Smith, LLC	46,391,000	9.67%
Great Lakes Hydro America, LLC	31,735,600	6.62%
Portland Natural Gas	19,671,400	4.10%
HKN Brookside LLC	3,400,000	0.71%

NOTE 17—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, 2022, 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, 2022.

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2022

NOTE 18—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.

NOTE 19—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 20—SUBSEQUENT EVENTS

Financed Purchase Obligation

During February 2023, the City entered into a lease agreement in the amount of \$1,513,278 for the purpose of purchasing a Pierce Enforcer Aerial Ladder and Pierce Pumper. Terms of the agreement call for an initial interest only payment of \$137,805 followed by annual payments of \$228,997 including interest at 4.454%, and maturing in February 2033.

State Revolving Loan Converted to 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.

During July and September 2022, the City received its final drawdowns in the amount of \$172,351 under the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for infiltration & inflow reduction building demolition. The final drawdowns brought the project total to \$500,000, 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 August 2023, including interest at 2.0%, and maturing in August 2042.

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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 19,894,130	\$ 19,894,130	\$ 19,438,929	\$ (455,201)
Licenses and permits	1,520,000	1,520,000	1,578,933	58,933
Intergovernmental	11,831,599	11,831,599	11,920,039	88,440
Charges for services	1,912,116	1,912,116	1,996,443	84,327
Interest income	40,000	40,000	30,640	(9,360)
Miscellaneous	185,275	185,275	161,571	(23,704)
Total Revenues	<u>35,383,120</u>	<u>35,383,120</u>	<u>35,126,555</u>	<u>(256,565)</u>
Expenditures:				
Current operations:				
General government	2,113,284	2,113,284	2,203,642	(90,358)
Public safety	6,651,497	6,651,497	6,270,605	380,892
Highways and streets	2,259,502	2,259,502	2,085,489	174,013
Health and welfare	116,898	116,898	66,886	50,012
Sanitation	850,205	850,205	890,514	(40,309)
Culture and recreation	708,327	708,327	670,880	37,447
Economic development	600	600	281	319
Education	20,025,115	20,009,115	18,562,933	1,446,182
Capital outlay	3,137,075	1,268,720	1,249,098	19,622
Debt service:				
Principal retirement	778,864	761,892	770,658	(8,766)
Interest and fiscal charges	233,583	233,583	318,264	(84,681)
Intergovernmental	2,288,686	2,288,686	2,288,686	-
Total Expenditures	<u>39,163,636</u>	<u>37,262,309</u>	<u>35,377,936</u>	<u>1,884,373</u>
Excess of revenues over (under) expenditures	<u>(3,780,516)</u>	<u>(1,879,189)</u>	<u>(251,381)</u>	<u>1,627,808</u>
Other financing sources (uses):				
Transfers in	6,000	6,000	5,501	(499)
Transfers out	(426,881)	(426,881)		426,881
Total Other financing sources (uses)	<u>(420,881)</u>	<u>(420,881)</u>	<u>5,501</u>	<u>426,382</u>
Net change in fund balance	(4,201,397)	(2,300,070)	(245,880)	2,054,190
Fund Balance at beginning of year				
- Budgetary Basis	<u>6,324,735</u>	<u>6,324,735</u>	<u>6,324,735</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 2,123,338</u>	<u>\$ 4,024,665</u>	<u>\$ 6,078,855</u>	<u>\$ 2,054,190</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, 2022

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, 2021	0.5511%	\$ 2,206,845	\$ 15,760,997	14.00%	11.06%
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%
June 30, 2015	*	*	*	*	*
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*
June 30, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

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, 2020-2021	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, 2022

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, 2022	\$ 237,565	\$ (237,565)	\$ -	\$ 16,247,721	1.46%
June 30, 2021	\$ 264,823	\$ (264,823)	\$ -	\$ 15,760,997	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%
June 30, 2015	*	*	*	*	*
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*

* 10 Year schedule, historical information not available

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, 2022

<u>Single Employer Plan Information Only</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total OPEB Liability:										
Service cost	\$ 293,391	\$ 288,923	\$ 215,923	\$ 212,902	\$ 218,384	*	*	*	*	*
Interest	122,841	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	(678,829)	(1,474,185)	681,238	598,651	(105,076)	*	*	*	*	*
Benefit payments	(296,487)	(247,860)	(235,169)	(176,226)	(211,943)	*	*	*	*	*
Net change in total OPEB liability	(559,084)	(824,291)	843,105	997,201	65,088	*	*	*	*	*
Total OPEB Liability at beginning of year	<u>5,541,952</u>	<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>\$ 4,982,868</u>	<u>\$ 5,541,952</u>	<u>\$ 6,366,243</u>	<u>\$ 5,523,138</u>	<u>\$ 4,525,937</u>	*	*	*	*	*
Covered employee payroll	\$16,406,686	\$14,173,766	\$17,401,207	\$14,695,170	\$14,581,811	*	*	*	*	*
Total OPEB liability as a percentage of covered employee payroll	30.37%	39.10%	36.59%	37.58%	31.04%	*	*	*	*	*
<u>Significant Actuarial Assumptions</u>										
Discount rate	3.54%	2.16%	2.21%	3.50%	3.87%	*	*	*	*	*
Health cost trend rates:										
Initial	7% - 2020	7% - 2020	8% - 2018	8% - 2018	8% - 2016	*	*	*	*	*
Ultimate	4.0% - 2075	4.0% - 2075	3.9% - 2075	3.9% - 2075	5% - 2019	*	*	*	*	*
Mortality improvement scale	MP-2019	MP-2019	MP-2015	MP-2015	MP-2014	*	*	*	*	*

Note to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 755

* 10 Year schedule, historical information not available

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, 2022

<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, 2021	0.5542%	\$ 24,560,802	\$ 15,760,997	155.83%	72.22%
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%
June 30, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

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, 2020-2021	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, 2022

<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, 2022	\$ 3,194,010	\$ (3,194,010)	\$ -	\$ 16,247,721	19.66%
June 30, 2021	\$ 2,546,048	\$ (2,546,048)	\$ -	\$ 15,760,997	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, 2022

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 39,490,141	\$ 39,780,216
Difference in property taxes meeting susceptible to accrual criteria	44,195	
Refunding bond issuance and payments	<u>(4,402,280)</u>	<u>(4,402,280)</u>
Per Schedule 1	<u>\$ 35,132,056</u>	<u>\$ 35,377,936</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at June 30, 2022 are as follows:

<i>Nonspendable:</i>	
Prepaid items	\$ 475,165
Tax deeded property	346,535
<i>Assigned for:</i>	
Continuing appropriations	1,901,327
<i>Unassigned:</i>	
Unassigned - General operations	<u>3,355,828</u>
	<u>\$ 6,078,855</u>

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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	\$ 210,137
National School Lunch Program			
- School Lunch (Cash)	10.555	N/A	592,322
- COVID 19 School Lunch (Cash)	10.555	N/A	16,098
- Commodities (Non-cash)	10.555	N/A	41,519
			<u>649,939</u>
Fresh Fruit and Vegetable Program	10.582	N/A	28,815
<i>Total Child Nutrition Cluster</i>			<u>888,891</u>
Child and Adult Care Food Program	10.558	N/A	36,571
Total Department of Agriculture			<u>925,462</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	2,183
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	#22-053-CDHS	214
			<u>2,397</u>
Total Department of Housing and Urban Development			<u>2,397</u>
DEPARTMENT OF JUSTICE			
Pass Through Payments from the New Hampshire Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	#2019-DJ-BX-0050	53,971
Direct Award Program			
Equitable Sharing Program	16.922		1,171
Total Department of Justice			<u>55,142</u>
DEPARTMENT OF TRANSPORTATION			
Pass Through Payments from the New Hampshire Department of Transportation			
Airport Improvement Program	20.106	#SBG-01-08-2020	219,328
Airport Improvement Program	20.106	#SBG-01-09-2021	43,245
COVID 19 Airport Improvement Program	20.106	#SBG-01-10-2021	9,000
			<u>271,573</u>
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction	20.205	#41367	107,327
<i>Total Highway Planning and Construction Cluster</i>			<u>107,327</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, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION (CONTINUED)			
Pass Through Payments from the New Hampshire Highway Safety Agency			
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety	20.600	#20-018	17,153
<i>Total Highway Safety Cluster</i>			<u>17,153</u>
Total Department of Transportation			<u>396,053</u>
DEPARTMENT OF THE TREASURY			
Pass Through Payments from the State of New Hampshire Governor's Office			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	#38130	42,591
Pass Through Payments from the New Hampshire Institute of Museum and Library Services			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	3,797
Pass Through Payments from the County of Coös, New Hampshire			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	22,975
			<u>69,363</u>
Total Department of the Treasury			<u>69,363</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-330001-19	434,026
<i>Total Clean Water State Revolving Fund Cluster</i>			<u>434,026</u>
Total Environmental Protection Agency			<u>434,026</u>
DEPARTMENT OF EDUCATION			
Pass Through Payments from the New Hampshire Department of Education			
Title I Grants to Local Educational Agencies	84.010	#20210851	23,775
Title I Grants to Local Educational Agencies	84.010	#20220156	698,831
			<u>722,606</u>
Pass Through Payments from the New Hampshire Department of Education			
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	#95606	1,444
Special Education - Grants to States	84.027	#202541	8,569
Special Education - Grants to States	84.027	#20205041	10,930
Special Education - Grants to States	84.027	#20211074	8,843
Special Education - Grants to States	84.027	#20220208	299,788
<i>Total Special Education Cluster (IDEA)</i>			<u>329,574</u>
Pass Through Payments from the New Hampshire Department of Education			
Career and Technical Education - Basic Grants to States	84.048	#20211084	4,525
Career and Technical Education - Basic Grants to States	84.048	#20220100	61,983
			<u>66,508</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, 2022

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 Twenty-First Century Community Learning Centers	84.287	#20220276	<u>217,222</u>
Pass Through Payments from the New Hampshire Department of Education Supporting Effective Instruction State Grants	84.367	#20190298	8,284
Supporting Effective Instruction State Grants	84.367	#20200298	12,114
Supporting Effective Instruction State Grants	84.367	#20220473	<u>104,825</u>
			<u>125,223</u>
Pass Through Payments from the New Hampshire Department of Education Student Support and Academic Enrichment Program	84.424	#20190406	<u>14,000</u>
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	68,884
- Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	#20211479	19,459
- American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	#20220354	<u>1,919,557</u>
			<u>2,007,900</u>
Total Department of Education			<u>3,483,033</u>
NORTHERN BORDER REGIONAL COMMISSION			
Direct Award Program Northern Border Regional Development	90.601		<u>127,515</u>
Total Northern Border Regional Commission			<u>127,515</u>
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments from the New Hampshire Department of Safety Emergency Management Performance Grants	97.042	#23EMPG2018	<u>5,010</u>
Pass Through Payments from the New Hampshire Department of Safety BRIC: Building Resilient Infrastructure and Communities	97.047	N/A	<u>5,400</u>
Pass Through Payments from the New Hampshire Department of Safety Homeland Security Grant Program			
- ILO Program	97.067	N/A	31,375
- CBRNE	97.067	N/A	24,624
- Night Vision	97.067	N/A	<u>19,277</u>
			<u>75,276</u>
Total Department of Homeland Security			<u>85,686</u>
Total Expenditures of Federal Awards			<u>\$ 5,578,677</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, 2022

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, 2022. 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire, as of and for the year ended June 30, 2022, 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 September 26, 2023. The financial statements of Berlin Water Works, a discretely presented component unit of the City of Berlin, New Hampshire, 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.

Report on 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies described in the accompanying schedule of findings and questioned costs as items #2022-001 and #2022-002 to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as item #2022-003 to be a significant deficiency.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Berlin, New Hampshire's response 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 response was not subjected to the other auditing procedures applied in the audit of the 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.

Vashon Clukay & Company PC

Manchester, New Hampshire
September 26, 2023

**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

Opinion on Each Major Federal Program

We have audited the City of Berlin, New Hampshire's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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, 2022, 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Berlin, New Hampshire and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Berlin, New Hampshire's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Berlin, New Hampshire's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Berlin, New Hampshire's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Berlin, New Hampshire's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Berlin, New Hampshire's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Berlin, New Hampshire's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Berlin, New Hampshire's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Vashon Clukay & Company PC

Manchester, New Hampshire
September 26, 2023

**City of Berlin, New Hampshire
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

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(s)	Name of Federal Program or Cluster
10.553, 10.555 and 10.582	Child Nutrition Cluster
84.425	COVID-19 Education Stabilization Fund

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

Auditee qualified as low-risk auditee? yes X no

Section II—Financial Statement Findings

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

Finding #2022-001 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 fiscal year 2022 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 and for others the process was never fully completed through the general ledger accounting system.

Cause: The cause of the condition is that cash reconciliations attributable to the City’s bank accounts are not being performed in a timely manner. Reconciliations for the entire fiscal year 2022 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. Also, there is an increased risk that fraud or abuse of cash accounts could occur and not be identified.

Identification as a repeat finding: This was reported as Finding #2021-001 in the June 30, 2021 financial statements.

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. The City has changed its accounting software and will be performing reconciliations on a routine basis in the new system.

Finding #2022-002 Tax Reconciliation Process

Criteria: Accurate financial reporting, including timely reconciliations of tax accounts is necessary for management and those charged with governance to make informed decisions about day-to-day operations. In addition, such reporting is required by State law.

Condition: During our audit of the City’s fiscal year 2022 financial records, it was noted that tax collector activity and related balances were not properly reconciled to the general ledger accounting system. The reconciliation process was not being performed on a monthly basis and the reconciliation process was not completed as of year end.

Cause: The City changed tax collection software prior to fiscal year end and finance personnel were unable to generate reports to reconcile tax balances to the general ledger. Additionally, the reconciliation process was not being completed on a monthly basis to the general ledger and City finance personnel did not obtain sufficient knowledge in regard to reporting capabilities and limitations of the new system.

Effect: Failure to reconcile the tax 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 tax balances being a critical step across multiple internal control systems. In addition, additional time and effort was necessary to determine proper reconciled balances to propose material audit adjusting entries to be posted to the City's accounts.

Recommendation: We recommend that the various tax collector balance sheet and revenue accounts be reconciled on a recurring basis to detect any errors or omissions in a timely manner. We recommend that the tax collection activity be remitted to the City finance personnel and recorded within the general ledger on a timely basis. Any differences should be investigated and adjusted as necessary. City finance personnel need to become more familiar with the new tax collection software and be able to generate useful reports that assist in completing the reconciliation process.

Views of responsible officials: In agreement with the finding and will comply with the recommendation as outlined above. The City has changed its accounting software and will be performing reconciliations on a routine basis in the new system.

Finding #2022-003 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 of total payroll amounts for the relevant period.

Condition: While it was noted that rates of pay and time records are approved by appropriate levels of management and governance in most instances, we noted that gross payroll registers and payroll payment manifests were not approved by an individual at the management or governance level. Additionally, it was noted that certain hourly employees are paid based on an approved standard schedule maintained by the Business Administrator per policy, but these standard schedules lack detailed time records or documented approval.

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.

Identification as a repeat finding: This was reported as Finding #2021-002 in the June 30, 2021 financial statements.

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. Additionally, we recommend that time records be maintained and approval documented for each employee and pay period.

Views of responsible officials: In agreement with the finding and will comply with the recommendation as outlined above. The City School Department has since implemented (October 2022) a process which requires formal documentation of approval of the electronic payroll process by the Superintendent or Business Administrator.

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).

**City of Berlin, New Hampshire
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022**

FINANCIAL STATEMENT FINDINGS:

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.

Status of Finding: Not corrected. This is deemed to be a material weakness again for the year ending June 30, 2022.

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.

City of Berlin, New Hampshire
Summary Schedule of Prior Audit Findings (CONTINUED)
For the Year Ended June 30, 2022

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.

Status of Finding: Not corrected. This is deemed to be a significant deficiency again for the year ending June 30, 2022.



The City of Berlin
Finance Department
168 Main Street, Berlin, NH
03570

Finding 2022-001

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: November 1, 2023

Finding 2022-002

Corrective Action Plan: Reconcile tax balances through the general ledger on a monthly basis.

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: November 1, 2023

Finding 2022-003

Corrective Action Plan: Have a document that outlines the electronic Payroll process with signature lines to have the person performing said review (Superintendent or Business Administrator) sign and date for every payroll period.

Name of Responsible Person: Business Administrator - Marion Moore

Anticipated Implementation Date of Corrective Action: October 6, 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, 2022

	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	\$ 248,350	\$ 6,050		\$ 254,400
Investments		376,843		376,843
Due from other governments	1,240,655			1,240,655
Due from other funds	244,006		\$ 548,445	792,451
Prepaid items	16,732			16,732
Inventory	24,306			24,306
Total Assets	<u>1,774,049</u>	<u>382,893</u>	<u>548,445</u>	<u>2,705,387</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>\$ 1,774,049</u>	<u>\$ 382,893</u>	<u>\$ 548,445</u>	<u>\$ 2,705,387</u>
LIABILITIES				
Accounts payable	\$ 219,855		\$ 28,847	\$ 248,702
Accrued liabilities	1,803			1,803
Advances from grantors	158,506			158,506
Unearned revenue	32,795			32,795
Due to other funds	1,010,493	\$ 5,501		1,015,994
Total Liabilities	<u>1,423,452</u>	<u>5,501</u>	<u>28,847</u>	<u>1,457,800</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	41,038	163,903		204,941
Restricted	369,249	213,489	519,598	1,102,336
Committed	15,159			15,159
Assigned	248,350			248,350
Unassigned (Deficit)	(323,199)			(323,199)
Total Fund Balances	<u>350,597</u>	<u>377,392</u>	<u>519,598</u>	<u>1,247,587</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,774,049</u>	<u>\$ 382,893</u>	<u>\$ 548,445</u>	<u>\$ 2,705,387</u>

**SCHEDULE A-1
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2022**

	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						\$ 248,350	\$ 248,350
Due from other governments	\$ 566,065	\$ 163,564	\$ 100,094	\$ 410,932			1,240,655
Due from other funds		227,326			\$ 16,680		244,006
Prepaid items			16,732				16,732
Inventory		24,306					24,306
Total Assets	<u>566,065</u>	<u>415,196</u>	<u>116,826</u>	<u>410,932</u>	<u>16,680</u>	<u>248,350</u>	<u>1,774,049</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>\$ 566,065</u>	<u>\$ 415,196</u>	<u>\$ 116,826</u>	<u>\$ 410,932</u>	<u>\$ 16,680</u>	<u>\$ 248,350</u>	<u>\$ 1,774,049</u>
LIABILITIES							
Accounts payable			\$ 2,137	\$ 216,197	\$ 1,521		\$ 219,855
Accrued liabilities	\$ 930	\$ 873					1,803
Advances from grantors	49,894			108,612			158,506
Unearned revenue		32,795					32,795
Due to other funds	515,241		421,156	74,096			1,010,493
Total Liabilities	<u>566,065</u>	<u>33,668</u>	<u>423,293</u>	<u>398,905</u>	<u>1,521</u>	<u>\$ -</u>	<u>1,423,452</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		24,306	16,732				41,038
Restricted		357,222		12,027			369,249
Committed					15,159		15,159
Assigned						248,350	248,350
Unassigned (Deficit)			(323,199)				(323,199)
Total Fund Balances (Deficit)	<u>-</u>	<u>381,528</u>	<u>(306,467)</u>	<u>12,027</u>	<u>15,159</u>	<u>248,350</u>	<u>350,597</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 566,065</u>	<u>\$ 415,196</u>	<u>\$ 116,826</u>	<u>\$ 410,932</u>	<u>\$ 16,680</u>	<u>\$ 248,350</u>	<u>\$ 1,774,049</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, 2022

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:				
Intergovernmental	\$ 5,363,109			\$ 5,363,109
Charges for services	233,475			233,475
Interest income		\$ 3,498		3,498
Miscellaneous	<u>104,882</u>	<u>2,450</u>		<u>107,332</u>
Total Revenues	<u>5,701,466</u>	<u>5,948</u>	<u>\$ -</u>	<u>5,707,414</u>
Expenditures:				
Current operations:				
General government	8,458	59		8,517
Public safety	225,981		201,312	427,293
Airport/Aviation center	193,328			193,328
Highways and streets	22,975		52,032	75,007
Sanitation			35,930	35,930
Culture and recreation	32,521			32,521
Economic development	234,842			234,842
Education	3,605,233			3,605,233
Food service	705,920			705,920
Other student	155,908			155,908
Capital outlay	<u>268,423</u>			<u>268,423</u>
Total Expenditures	<u>5,453,589</u>	<u>59</u>	<u>289,274</u>	<u>5,742,922</u>
Excess of revenues over (under) expenditures	<u>247,877</u>	<u>5,889</u>	<u>(289,274)</u>	<u>(35,508)</u>
Other financing sources (uses):				
Transfers out		<u>(5,501)</u>		<u>(5,501)</u>
Total Other financing sources (uses)	<u>-</u>	<u>(5,501)</u>	<u>-</u>	<u>(5,501)</u>
Net change in fund balances	247,877	388	(289,274)	(41,009)
Fund Balances at beginning of year	<u>102,720</u>	<u>377,004</u>	<u>808,872</u>	<u>1,288,596</u>
Fund Balances at end of year	<u>\$ 350,597</u>	<u>\$ 377,392</u>	<u>\$ 519,598</u>	<u>\$ 1,247,587</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, 2022

	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	\$ 3,502,467	\$ 898,372	\$ 274,498	\$ 490,138		197,634	\$ 5,363,109
Charges for services		46,954	160,132		\$ 26,389		233,475
Miscellaneous	95,560			9,322		\$ -	104,882
Total Revenues	<u>3,598,027</u>	<u>945,326</u>	<u>434,630</u>	<u>499,460</u>	<u>26,389</u>	<u>197,634</u>	<u>5,701,466</u>
Expenditures:							
Current operations:							
General government				8,458			8,458
Public safety				225,981			225,981
Airport/Aviation center			193,328				193,328
Highways and streets				22,975			22,975
Culture and recreation				7,259	25,262		32,521
Economic development				234,842			234,842
Education	3,605,233						3,605,233
Food service		705,920					705,920
Other student						155,908	155,908
Capital outlay			268,423				268,423
Total Expenditures	<u>3,605,233</u>	<u>705,920</u>	<u>461,751</u>	<u>499,515</u>	<u>25,262</u>	<u>155,908</u>	<u>5,453,589</u>
Net change in fund balances	(7,206)	239,406	(27,121)	(55)	1,127	41,726	247,877
Fund Balances (Deficit) at beginning 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>
Fund Balances (Deficit) at end of year	<u>\$ -</u>	<u>\$ 381,528</u>	<u>\$ (306,467)</u>	<u>\$ 12,027</u>	<u>\$ 15,159</u>	<u>\$ 248,350</u>	<u>\$ 350,597</u>

SCHEDULE C
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Net Position
All Nonmajor Proprietary Funds
June 30, 2022

	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		\$ 67,103	\$ 67,103
Due from other funds	\$ 1,255,054	278,145	1,533,199
Total Current Assets	<u>1,255,054</u>	<u>345,248</u>	<u>1,600,302</u>
Noncurrent Assets:			
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1,255,054</u>	<u>345,248</u>	<u>1,600,302</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		14,500	14,500
Total Current Liabilities	<u>-</u>	<u>14,500</u>	<u>14,500</u>
Noncurrent Liabilities:			
Estimated liability for landfill postclosure care costs		174,000	174,000
Total Noncurrent Liabilities	<u>-</u>	<u>174,000</u>	<u>174,000</u>
Total Liabilities	<u>-</u>	<u>188,500</u>	<u>188,500</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Unrestricted	1,255,054	156,748	1,411,802
Total Net Position	<u>\$ 1,255,054</u>	<u>\$ 156,748</u>	<u>\$ 1,411,802</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, 2022

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Operating revenues:			
Total Operating revenues	\$ -	\$ -	\$ -
Operating expenses:			
Contractual services	21,034		21,034
Repairs and maintenance		6,696	6,696
Administrative	1,334		1,334
Total Operating expenses	<u>22,368</u>	<u>6,696</u>	<u>29,064</u>
Operating income (loss)	<u>(22,368)</u>	<u>(6,696)</u>	<u>(29,064)</u>
Non-operating revenues (expenses):			
Interest income	<u>122</u>		<u>122</u>
Net non-operating revenues (expenses)	<u>122</u>	<u>-</u>	<u>122</u>
Change in net position	(22,246)	(6,696)	(28,942)
Net Position at beginning of year	<u>1,277,300</u>	<u>163,444</u>	<u>1,440,744</u>
Net Position at end of year	<u>\$ 1,255,054</u>	<u>\$ 156,748</u>	<u>\$ 1,411,802</u>

SCHEDULE E
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Cash Flows
All Nonmajor Proprietary Funds
For the Year Ended June 30, 2022

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Cash flows from operating activities:			
Cash paid to suppliers	\$ (22,368)	\$ (16,931)	\$ (39,299)
Other operating cash receipts		8,334	8,334
Net cash used by operating activities	<u>(22,368)</u>	<u>(8,597)</u>	<u>(30,965)</u>
Cash flows from investing activities:			
Interest on investments	122		122
Net cash provided by investing activities	<u>122</u>	<u>-</u>	<u>122</u>
Net decrease in cash and cash equivalents	(22,246)	(8,597)	(30,843)
Cash and cash equivalents at beginning of year	1,277,300	286,742	1,564,042
Cash and cash equivalents at end of year	<u>\$ 1,255,054</u>	<u>\$ 278,145</u>	<u>\$ 1,533,199</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (22,368)	\$ (6,696)	\$ (29,064)
Changes in assets and liabilities:			
Due from other governments		(1)	(1)
Estimated liability for landfill postclosure care costs		(1,900)	(1,900)
Net cash used by operating activities	<u>\$ (22,368)</u>	<u>\$ (8,597)</u>	<u>\$ (30,965)</u>