

September 26, 2023

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

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 19, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Berlin, New Hampshire are described in Note 1 to the basic financial statements. During the year ended June 30, 2022, the City adopted and implemented GASB Statement No. 87 – *Leases* (see Note 2 to the basic financial statements). There is no effect on beginning of the year net position or fund balances as a result of adoption of the new standard. We noted no transactions entered into by the City of Berlin, New Hampshire during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information's financial statements were:

Management's estimate of the allowance for uncollectible taxes is based on taxpayer bankruptcies, abatements subsequently issued, historical collection levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole. Management's estimate of the allowance for notes receivable is based upon the likelihood of future collection. We evaluated the key factors and assumptions used to develop the allowance for notes receivable in determining that it is reasonable in relation to the financial statements taken as a whole. Management's estimates of the useful lives of capital assets are based upon historical records of utilization, necessary improvements and replacements. We evaluated the key factors and assumptions used to develop the depreciable useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant estimates also include actuarial assumptions used in determining cost-sharing pension and other post-employment benefits costs and single employer other post-employment benefits costs which are based on plan audited financial statements and a plan actuarial valuation report, respectively. We evaluated the assumptions used in the plan audited financial statements and the plan actuarial valuation report to determine that they are reasonable in relation to the financial statements as a whole. In addition, the estimates of future annual postclosure care costs for the City's landfills are based upon assessments of anticipated future monitoring and maintenance costs performed by the City's landfills engineering firm. We evaluated the assessments of the City's landfills engineering firm to determine that future annual postclosure care costs are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The audit of the City's financial statements was delayed due to numerous significant balances not being fully reconciled and other information requested not being available at the commencement of audit fieldwork. The lack of timeliness regarding the availability of such reconciled balances and requested information resulted in a delay in the availability of the final audited financial statements.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Please see the attached schedule of material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Berlin, New Hampshire's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Berlin, New Hampshire's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we noted deficiencies in the City of Berlin, New Hampshire's internal control which we considered to be material weaknesses, and another which we considered to be a significant deficiency. See the Schedule of Findings and Questioned Costs findings number 2022-001, 2022-002, and 2022-003 for further information regarding these deficiencies.

Other Matters

We applied certain limited procedures to 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, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards and Combining Nonmajor Governmental and Proprietary Fund Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council, and management of the City of Berlin, New Hampshire and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Vachon Clukay & Company PC

City of Berlin, New Hampshire
Material Audit Adjustments
For the year ended June 30, 2022

The following is a listing of material audit adjustments made for the year ended June 30, 2022, and have been corrected by management.

General Fund

- To restore prior year audited fund balance in the amount of \$916,453.
- To adjust cash balance for interfund activity with Sewer Fund for payments on refunded debt in the amount of \$354,602.
- To adjust prepaid items for FY 2023 debt payments made in advance in the amount of \$385,406.
- To adjust property and other tax activity to actual in the amount of \$860,729.
- To adjust advances from grantors for unspent ARPA funds in the amount of \$529,834.
- To remove revenue and related receivable for FY 2023 renewable energy credits recorded in FY 2022 in the amount of \$602,047.
- To adjust for unreconciled school payable and payroll cash accounts in the amounts of \$160,632 and \$359,818, respectively.
- To adjust for prior year accrued payroll liability not reversed in the amount of \$363,541.
- To adjust for unposted bond refunding activity in the amount of \$4,402,280.

Sewer Fund

- To restore prior year audited net position in the amount of \$809,094.
- To adjust for unposted bond refunding activity in the amount of \$9,489,344.
- To adjust current year capital asset activity in the amount of \$1,311,729 and depreciation expense of \$1,507,824.

Aggregate Remaining Fund Information:

- To restore prior year audited fund balance/net position for aggregate remaining fund information collectively in the amount of \$1,120,931.

Nonmajor Governmental Funds – Federal Projects Fund

- To adjust for encumbrances recorded as accounts payable in the amount of \$113,790.
- To adjust for a duplicate deposit posted in the amount of \$58,710.

Nonmajor Governmental Funds – Airport Authority Fund

- To adjust year end receivables and related grant activity to actual in the amount of \$103,799.