

**CITY OF BERLIN, NEW HAMPSHIRE**  
**Financial Statements**  
**With Schedule of Expenditures of Federal Awards**  
**June 30, 2020**  
**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, 2020**

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**FINANCIAL STATEMENTS**  
**June 30, 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's proportionate share of the net OPEB liability, schedule of City OPEB contributions, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in the City's proportionate share of the net pension liability, and schedule of City pension contributions on pages i-xiii and 45-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the City of Berlin, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Berlin, New Hampshire's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Berlin, New Hampshire's internal control over financial reporting and compliance.

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
September 30, 2021

**City of Berlin, New Hampshire  
Management’s Discussion and Analysis  
Fiscal Year Ended June 30, 2020**

This section of the City of Berlin, New Hampshire’s (the City) financial statements is prepared to comply with the requirements of GASB Statement 34 which requires management of the City to provide a discussion and analysis of the City’s financial performance. It also provides an overview of the City’s financial activities for the fiscal year ended June 30, 2020. As in past years, this narrative should be read in conjunction with the City’s basic financial statements, which begin on page 1.

Financial Highlights – Primary Government

New Standards Implemented:

- GASB Statement #84, Fiduciary Activities, was implemented by the City during the year ended June 30, 2020. Under GASB Statement 84 the City reclassified certain funds previously reported as Fiduciary Funds as Governmental Funds and others as Custodial Funds. Additionally, the City was required to report pass-through financial activity collected on-behalf of other governments in the Custodial Funds.

Government-wide Highlights:

- Net Position: The total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources at fiscal year ending June 30, 2020 by \$24.1 million, a decrease of (\$2) million from the prior year. This amount is presented as “Net Position” on the Statement of Net Position for the Total Primary Government (a condensed statement can be seen in the MD&A section of this report on page v).
- Changes in Net Position: The City’s total net position decreased from last fiscal year’s \$26.1 million to \$24.1 million in fiscal year 2020. Net position of governmental activities decreased by (\$600) thousand, and net position of the business-type activities decreased by (\$1.4) million. This is further discussed under the Government-Wide Statement Analysis section of this report.

Fund Highlights:

- Governmental Funds – Fund Balances: As of the close of fiscal year 2020, the City’s governmental funds reported an increase of \$300 thousand compared to last fiscal year, with a combined ending fund balance of \$3 million at fiscal year end. Included in the combined governmental fund balance is the activity of the City’s General Fund and the Nonmajor Governmental Funds. The General Fund ended the fiscal year with an unassigned fund balance of \$1.3 million, which is an increase of \$300 thousand from the previous fiscal year.
- Proprietary Funds – Net position: As of the close of fiscal year 2020, the City’s proprietary funds reported a decrease of (\$1.4) million when compared to last fiscal year, with a combined ending net position of \$26.9 million. Included in the combined proprietary funds net position is the activity of the City’s Sewer Fund and the Nonmajor Enterprise Funds. The Sewer Fund ended the fiscal year with an unrestricted net position of \$4.9 million, which is a decrease of (\$1.3) million from the prior fiscal year.

## Overview of the Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

- **Governmental Activities:** The activities in this section represent most of the City's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the City include general government, public safety, airport/aviation center, highways and streets, health and welfare, sanitation, culture and recreation, education, food service, economic development, and debt service.
- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the operations of the:
  - Sewer Fund
  - BIDPA (Berlin Industrial Development and Park Authority Fund)
  - Cates Hill Landfill Fund



- Component Unit: A component unit is an entity that is legally separate from the City, but for which the City is financially accountable. The financial data for the Berlin Water Works, the City's only component unit, has been included in the City's government-wide financial statements, as required. Complete financial statements for the Berlin Water Works can be obtained by writing to the Board of Commissioners, 55 Willow Street, Berlin, NH 03570.

### Fund Financial Statements

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

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

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

The City has one major governmental fund; the General Fund. Individual fund data for each of the City's nonmajor governmental funds is provided as supplementary information in the combining statements found on pages 64-67. The nonmajor governmental funds are:

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

Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. Therefore, reconciliation is not necessary between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 7-9, with individual fund data for each of the City's nonmajor proprietary funds provided as supplementary information in the combining statements found on pages 68-70.

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

#### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12-44.

#### Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the City's major governmental funds with a legally adopted budget (General Fund only) and includes a reconciliation between the reported activity of the revenues, expenditures and other financing sources and uses for budgetary purposes (Schedule 1, page 45) and the activity as presented in the governmental fund financial statements (Exhibit D, page 5). Also, included in the required supplementary information is the schedule of changes in the City's proportionate share of the net OPEB liability, schedule of City OPEB contributions, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in the City's proportionate share of the net pension liability, and schedule of City pension contributions (Schedules 2-6, pages 46-50). The notes to the required supplementary information can be found on pages 51-52.

#### Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The City’s Primary Government combined net position (governmental and business-type activities) totaled \$24.1 million at the end of fiscal year 2020, a decrease of (\$2) million compared to the end of the previous fiscal year.

Net position of the City as of June 30, 2020 and 2019 is as follows (amounts reported in millions):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Capital assets, net	\$ 34.4	\$ 35.0	\$ 32.6	\$ 33.8	\$ 67.0	\$ 68.8
Other assets	7.7	5.1	9.9	10.6	17.6	15.7
Total Assets	<u>42.1</u>	<u>40.1</u>	<u>42.5</u>	<u>44.4</u>	<u>84.6</u>	<u>84.5</u>
Total Deferred Outflows of Resources	<u>5.3</u>	<u>6.4</u>	<u>0.2</u>	<u>0.2</u>	<u>5.5</u>	<u>6.6</u>
Long-term liabilities	43.6	44.3	15.4	15.9	59.0	60.2
Other liabilities	<u>1.2</u>	<u>1.2</u>	<u>0.3</u>	<u>0.3</u>	<u>1.5</u>	<u>1.5</u>
Total Liabilities	<u>44.8</u>	<u>45.5</u>	<u>15.7</u>	<u>16.2</u>	<u>60.5</u>	<u>61.7</u>
Total Deferred Inflows of Resources	<u>5.4</u>	<u>3.4</u>	<u>0.1</u>	<u>0.1</u>	<u>5.5</u>	<u>3.5</u>
Net position:						
Net investment in capital assets	26.8	27.0	18.9	19.5	45.7	46.5
Restricted	0.4	0.5	2.3	1.9	2.7	2.4
Unrestricted (Deficit)	<u>(30.0)</u>	<u>(29.9)</u>	<u>5.7</u>	<u>6.9</u>	<u>(24.3)</u>	<u>(23.0)</u>
Total Net Position	<u>\$ (2.8)</u>	<u>\$ (2.4)</u>	<u>\$ 26.9</u>	<u>\$ 28.3</u>	<u>\$ 24.1</u>	<u>\$ 25.9</u>

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

This year the City had a decrease in unrestricted net position of (\$1.3) million from the prior fiscal year. The most significant components affecting the deficit unrestricted net position of the governmental activities at year end is due to the recognition of the City’s proportionate share of the New Hampshire Retirement System’s net other post-employment benefits (OPEB) and pension liabilities and related deferred outflows and inflows of resources in accordance with GASB Statements No. 68 and 75. A deficit unrestricted net position balance is expected to continue into subsequent years as a result of Statements 68 and 75.

## Statement of Activities

Changes in net position for the years ending June 30, 2020 and 2019 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 2.0	\$ 2.2	\$ 2.1	\$ 2.2	\$ 4.1	\$ 4.4
Operating grants and contributions	13.9	13.7	-	-	13.9	13.7
Capital grants and contributions	1.1	1.2	0.2	0.9	1.3	2.1
General revenues:						
Property and other taxes	17.5	17.4	-	-	17.5	17.4
Licenses and permits	1.5	1.5	-	-	1.5	1.5
Intergovernmental	0.8	0.5	-	-	0.8	0.5
Interest and investment earnings	0.1	-	0.1	-	0.2	-
Miscellaneous	0.3	0.4	-	0.1	0.3	0.5
Total revenues	<u>37.2</u>	<u>36.9</u>	<u>2.4</u>	<u>3.2</u>	<u>39.6</u>	<u>40.1</u>
Expenses						
General government	1.9	1.9	-	-	1.9	1.9
Public safety	6.2	6.5	-	-	6.2	6.5
Airport/Aviation center	0.4	0.3	-	-	0.4	0.3
Highways and streets	3.3	3.4	-	-	3.3	3.4
Health and welfare	0.1	0.1	-	-	0.1	0.1
Sanitation	0.8	0.8	-	-	0.8	0.8
Culture and recreation	0.7	0.7	-	-	0.7	0.7
Economic development	0.5	-	-	-	0.5	-
Education	20.9	21.0	-	-	20.9	21.0
Food service	0.6	0.6	-	-	0.6	0.6
Other student	0.2	-	-	-	0.2	-
Debt service	0.2	0.2	-	-	0.2	0.2
Intergovernmental	2.0	1.8	-	-	2.0	1.8
Sewer	-	-	3.8	3.6	3.8	3.6
Total expenses	<u>37.8</u>	<u>37.3</u>	<u>3.8</u>	<u>3.6</u>	<u>41.6</u>	<u>40.9</u>
Change in net position	(0.6)	(0.4)	(1.4)	(0.4)	(2.0)	(0.8)
Net position, beginning of year, as restated	<u>(2.2)</u>	<u>(2.0)</u>	<u>28.3</u>	<u>28.7</u>	<u>26.1</u>	<u>26.7</u>
Net position, end of year	<u>\$ (2.8)</u>	<u>\$ (2.4)</u>	<u>\$ 26.9</u>	<u>\$ 28.3</u>	<u>\$ 24.1</u>	<u>\$ 25.9</u>

Property and other taxes brought in \$17.5 million in revenue. Other major revenues consisted of licenses and permits, charges for services, operating grants and contributions, and capital grants and contributions.

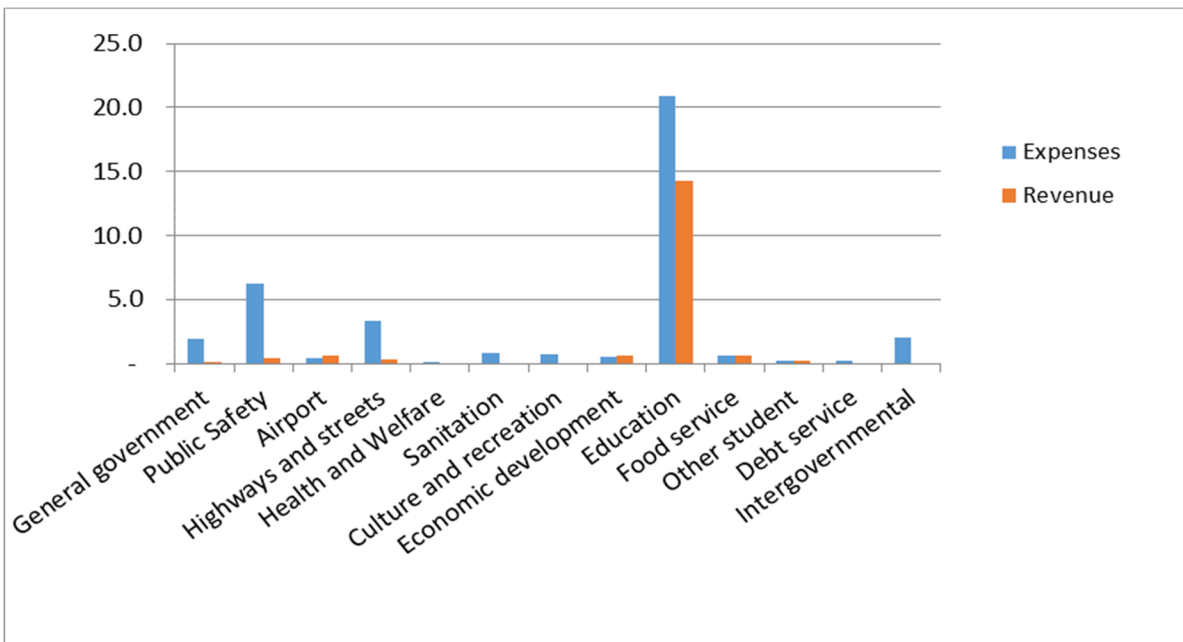
The City's expenses cover a range of services. The largest governmental expenses (excluding business-type activities) were for education (55%), public safety (16%), highways and streets (9%) and general government (5%), which accounted for roughly 85% of total governmental expenditures.

Governmental Activities

Governmental activities revenues of \$37.2 million were exceeded by expenses of \$37.8 million in fiscal year 2020, thereby decreasing the City’s governmental activities net position by (\$600) thousand.

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

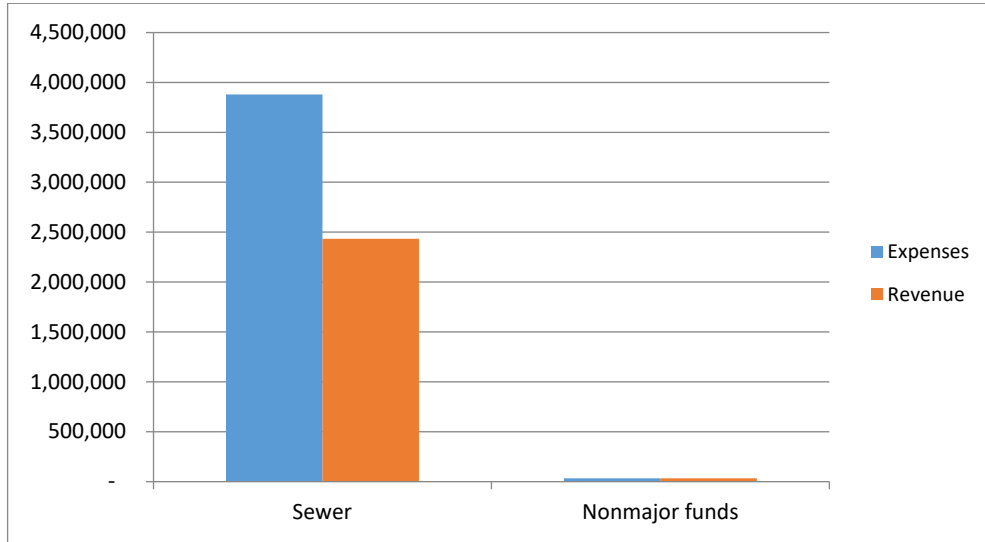
Expenses and Program Revenues – Governmental Activities  
Fiscal Year Ending June 30, 2020



Business-type Activities

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

Expenses and Program Revenues – Business Type Activities  
Fiscal Year Ending June 30, 2020

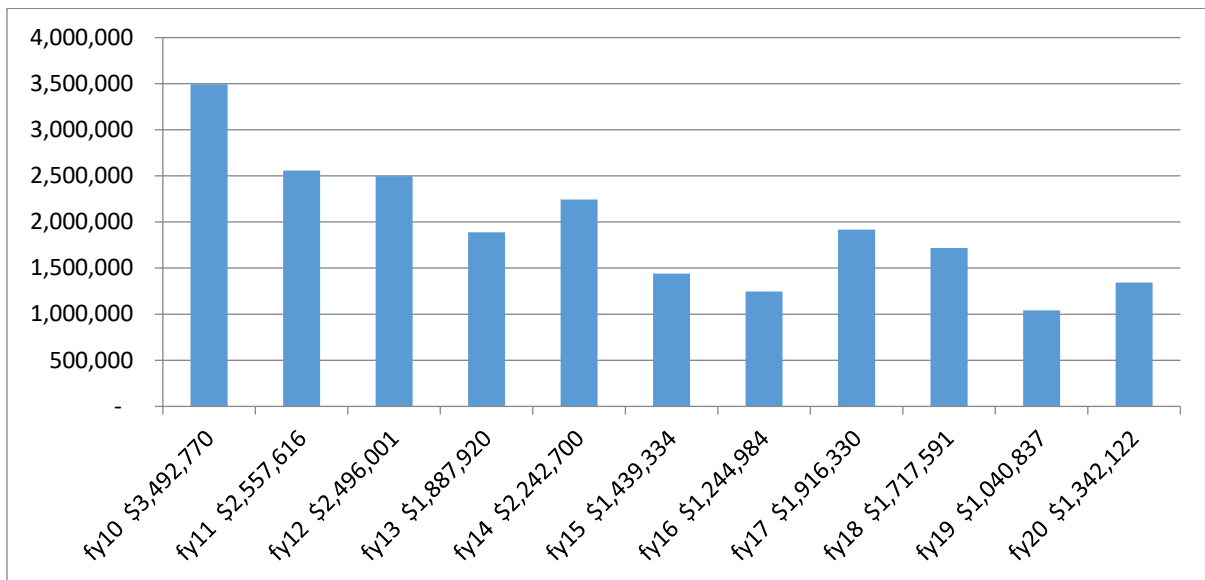


FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s near-term financing requirements. In particular, the General Fund unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. Unassigned General Fund Balances from fiscal years 2010 through 2020 are as follows:

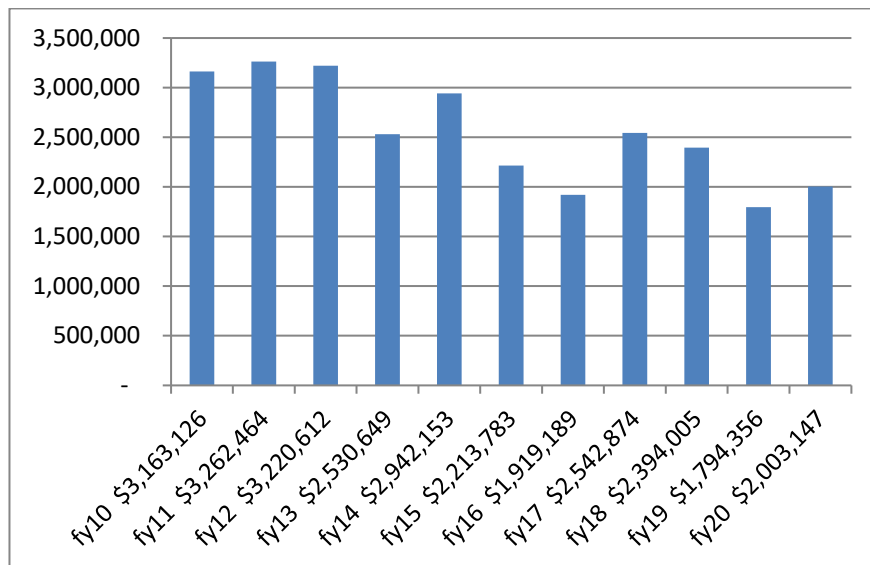


## General Fund

As indicated above, the General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$1,342,122, while total fund balance was \$2,584,451. The total fund balance includes nonspendable balances for prepaid items and tax deeded property, as well as commitments for encumbrances and continuing appropriations at fiscal year-end. The total General Fund unassigned fund balance increased by \$301,285 from the previous year.

## Budgetary Basis

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



As indicated in the above chart, the City's effort in past years to increase its Unassigned Fund Balance was generally successful until the past few years. The difficulty in maintaining unassigned fund balance becomes greater every year, as the City has applied a significant amount of the balance to reduce the tax rate in each of the past five years. For the fiscal year 2020, the General Fund Unassigned Fund Balance has increased to \$2,003,147, with \$1,073,542 being applied to reduce the 2019 tax rate.

## Other Governmental Funds

The combined fund balances of the nonmajor governmental funds decreased during the year by (\$116) thousand to a fiscal year end balance of \$391,448. The decrease was primarily a result of a deficit from operations of the Airport Authority Fund and decreased Student Activities at the schools due to COVID.

### Proprietary Funds

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

Total net position of the proprietary funds decreased by (\$1.4) million from the prior year. This decrease was primarily caused by monies collected from sewer user fees being insufficient to offset operating expenses. This is primarily because depreciation does not show up in the City Sewer Fund budget as an expense when determining sewer rates. The Sewer Fund itself had a loss before capital contributions of (\$1,684,255). The Nonmajor Proprietary Funds had a modest combined net position decrease of (\$484) in fiscal year 2020.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and authorized transfers. A Budget to Actual Schedule for the major governmental fund (the General Fund) required to report budgetary activity can be found in the Required Supplementary Information section on page 45.

Actual budgetary revenues were greater than the budgeted estimated revenues by \$121,233. There were favorable variances of \$83,331, \$174,047, and \$49,892 in actual licenses and permits, intergovernmental revenue, and charges for services from the amounts budgeted, respectively, which was somewhat offset by an unfavorable variance in property taxes of (\$194,865). Additionally, there was a favorable variance of \$27,344 in interest income, while actual miscellaneous revenue was lower than amounts budgeted by (\$18,516). Actual budgetary expenditures at fiscal year-end were \$1,284,476 less than the final budgeted appropriations. There were no City Departments that were well over budget, while several were significantly under budgeted amounts. The City made a concerted effort to control costs resulting in savings on certain budgeted items. The Schools actual expenditures were \$440,590 less than budgeted. General government was \$99,437 less than budgeted and Public safety spent \$439,848 less than budgeted.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounted to \$126 million. Accumulated depreciation was \$59 million leaving a net book value of \$67 million. This investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure assets are items that are normally immovable, of value only to the City, which include roads and bridges. GASB Statement 34 requires assets, including infrastructure, for the City's governmental funds to be reported in the Government-Wide Statements. Additional information on the City's capital assets can be found in Note 4 on pages 23-25 of the Notes to the Basic Financial Statements.

#### Debt Administration

The City may issue general obligation bonds and notes in anticipation of such bonds authorized by the City Council. At the end of the current fiscal year, the City had total bonded debt outstanding of \$20.6 million. This amount does not include unamortized bond premiums or bonded debt



outstanding by the Berlin Water Works, its component unit. The City may issue general obligation debt for the Berlin Water Works (a component unit of the City) and these general obligation bonds are backed by the full faith and credit of the City. Accordingly, this general obligation debt is recognized as a liability of the Berlin Water Works and is not recorded as a long-term obligation of the City. The Berlin Water Works will reimburse the City for direct payments made on its behalf for annual principal and interest on such debt. The City did not make any direct debt service payments on-behalf of the Berlin Water Works in the current year. Outstanding capital leases payable of the governmental activities and business-type activities totaled \$336 thousand and \$117 thousand, respectively, at year end. Additional information regarding the City's long-term debt obligations can be found in Note 5 on pages 25-29 of the Notes to the Basic Financial Statements.

#### Net Pension Liability and Other Post-Employment Benefits

During fiscal year 2015, the City implemented GASB Statement 68 which requires the City to recognize a liability for its proportionate share of the New Hampshire Retirement System's net pension liability. Under GASB Statement 68, the City recognizes pension expense and reports deferred outflows and inflows of resources related to pension for its proportionate share of collective pension expense and collective deferred outflows and inflows of resources related to pension. At current year end, the City had a net pension liability of \$26.6 million, with deferred outflows and inflows of resources related to pension in the amounts of \$4.1 million and \$2.5 million, respectively. Additional information regarding the City's net pension liability can be found in Note 7 on pages 36-39 of the Notes to the Basic Financial Statements.

During fiscal year 2018 the City implemented GASB Statement 75 which requires the City to recognize a liability for its proportionate share of the New Hampshire Retirement System's net OPEB liability in addition to modifying the accounting and measurement methods used to value the City's single employer OPEB plan. Under GASB Statement 75, the City recognizes OPEB expense and reports deferred outflows and inflows of resources related to OPEB for its single employer OPEB plan and for its proportionate share of collective OPEB expense and collective deferred outflows and inflows of resources related to the New Hampshire Retirement System's cost-sharing multi-employer OPEB plan. At year end, the City had a total OPEB liability of \$8.7 million, with total deferred outflows and inflows of resources related to OPEB in the amounts of \$1.4 million and \$73 thousand, respectively. Additional information regarding the City's OPEB liability can be found in Note 6 on pages 30-36 of the Notes to the Basic Financial Statements.

### ECONOMIC CONDITIONS

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

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

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

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

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

The Gorham Paper Mill continues to operate and improve product lines and actively seek employees. They continue to operate with approximately 115 employees.

The Federal Corrections Institutions current staffing is approximately 246 employees. They continue to actively recruit additional staff.

Androscoggin Valley Hospital continues to develop its association with the other 3 North Country hospitals in order to improve the quality of services while decreasing costs. AVH currently employs 386 individuals.

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

Recorded residential property sales in FY20 continued to show an increase in sale prices, particularly in multi-unit properties. This has been welcome news and the City attributes this growth to efforts focused on reducing over supply and increasing demand through growth activities like ATV recreation.

The City continued planning and design work on a Riverwalk project to be constructed along the Androscoggin on Upper Main St. The City has obtained grant funding for the Riverwalk and will begin construction in late 2020 or early 2021. The features of the project are designed to support the operations of the festivals and activities that occur in this area, such as the Riverfire event which attracts several thousand visitors each year.

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

Further significant developments, which are occurring on Route 110, include a proposed 170 RV site campground, the marketing of a large old manufacturing plant site which has been cleared for re-use. Renovation of older buildings for commercial development and other land sale activity continue on Route 110. The attraction of a hotel development project. Work also began in FY19 on a site plan for a new 10 cabin campground expected to be constructed in FY22.

With the marked multi-year upswing in property sale prices and robust overall sale activity continuing over last year, it is evident that the investments in housing stock, ATV recreation and more traditional employment are now having a significant impact on the economy. The City needs to stay the course in its transformation. The biggest threat continues to be reduced state education aid and a variety of legislative proposals which will hurt the current economic status. Being vigilant in addressing these threats will be important for future economic health.

Finally, the City, like the Country and the world, was introduced to COVID-19 and the impact of responding to the pandemic. Remedial actions were implemented in February and March of 2020. The City's and region's agencies came together to share information and organize response measures in a way that had never been done before. The use of remote meeting through use of technology was widely used throughout all sectors including to conduct public meetings. The City was able to adopt new ways of operating in very little time. We would like to thank ALL City Staff for their commitment and work ethic through a difficult and unsettling time.

### REQUESTS FOR INFORMATION

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

**EXHIBIT A**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 5,284,421		\$ 5,284,421	\$ 607,077
Investments	5,054,276		5,054,276	1,970,509
Taxes receivable, net	842,977		842,977	
Accounts receivable, net	681,397	\$ 308,401	989,798	209,947
Due from other governments	1,034,275	293,361	1,327,636	
Unbilled user charges			-	468,193
Internal balances	(5,618,670)	5,618,670	-	
Prepaid items	17,042	413	17,455	
Inventory	45,158	94,031	139,189	253,626
Tax deeded property	418,887		418,887	
Total Current Assets	<u>7,759,763</u>	<u>6,314,876</u>	<u>14,074,639</u>	<u>3,509,352</u>
Noncurrent Assets:				
Due from other governments		3,548,238	3,548,238	
Capital assets:				
Non-depreciable capital assets	1,610,659	247,991	1,858,650	364,962
Depreciable capital assets, net	<u>32,768,207</u>	<u>32,365,182</u>	<u>65,133,389</u>	<u>37,924,407</u>
Total Noncurrent Assets	<u>34,378,866</u>	<u>36,161,411</u>	<u>70,540,277</u>	<u>38,289,369</u>
Total Assets	<u>42,138,629</u>	<u>42,476,287</u>	<u>84,614,916</u>	<u>41,798,721</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on debt refunding		33,969	33,969	
Deferred outflows related to OPEB	1,251,531	102,300	1,353,831	66,505
Deferred outflows related to pension	4,047,388	99,828	4,147,216	121,015
Total Deferred Outflows of Resources	<u>5,298,919</u>	<u>236,097</u>	<u>5,535,016</u>	<u>187,520</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	248,411	52,116	300,527	17,570
Accrued expenses	764,537	167,146	931,683	136,159
Advances from grantors	174,949		174,949	
Unearned revenue	11,480	80,000	91,480	
Due to other governments	2,861		2,861	
Refundable deposits	1,623		1,623	
Current portion of bonds payable	565,000	687,812	1,252,812	
Current portion of notes payable			-	391,223
Current portion of capital leases payable	79,609	27,812	107,421	
Current portion of compensated absences payable	138,101		138,101	79,738
Current portion of estimated liability for landfill postclosure care costs	7,700	13,600	21,300	
Total Current Liabilities	<u>1,994,271</u>	<u>1,028,486</u>	<u>3,022,757</u>	<u>624,690</u>
Noncurrent Liabilities:				
Bonds payable	6,715,227	12,910,665	19,625,892	
Notes payable			-	7,342,167
State of New Hampshire revolving loans			-	1,403,489
Capital leases payable	256,591	89,382	345,973	
Compensated absences payable	1,690,749	153,599	1,844,348	80,840
Accrued longevity payout	29,000		29,000	
Other post-employment benefits (OPEB) liability	8,123,645	613,504	8,737,149	373,812
Net pension liability	25,919,514	724,679	26,644,193	795,040
Estimated liability for landfill postclosure care costs	46,200	190,400	236,600	
Total Noncurrent Liabilities	<u>42,780,926</u>	<u>14,682,229</u>	<u>57,463,155</u>	<u>9,995,348</u>
Total Liabilities	<u>44,775,197</u>	<u>15,710,715</u>	<u>60,485,912</u>	<u>10,620,038</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes collected in advance	3,027,967		3,027,967	
Deferred inflows related to OPEB	67,811	5,353	73,164	3,418
Deferred inflows related to pension	2,376,019	84,803	2,460,822	188,112
Total Deferred Inflows of Resources	<u>5,471,797</u>	<u>90,156</u>	<u>5,561,953</u>	<u>191,530</u>
<b>NET POSITION</b>				
Net investment in capital assets	26,762,439	18,897,502	45,659,941	29,152,490
Restricted	456,948	2,328,000	2,784,948	
Unrestricted (Deficit)	<u>(30,028,833)</u>	<u>5,686,011</u>	<u>(24,342,822)</u>	<u>2,022,183</u>
Total Net Position	<u>\$ (2,809,446)</u>	<u>\$ 26,911,513</u>	<u>\$ 24,102,067</u>	<u>\$ 31,174,673</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, 2020**

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	
<b>Governmental Activities:</b>								
General government	\$ 1,933,198	\$ 66,147			\$ (1,867,051)		\$ (1,867,051)	
Public safety	6,224,285	158,560	\$ 285,800		(5,779,925)		(5,779,925)	
Airport/Aviation center	416,473	92,808	30,000	\$ 456,935	163,270		163,270	
Highways and streets	3,247,466	5,974	245,608		(2,995,884)		(2,995,884)	
Health and welfare	81,066	2,045	872	7,000	(71,149)		(71,149)	
Sanitation	824,521	27,930			(796,591)		(796,591)	
Culture and recreation	679,512	33,292	360		(645,860)		(645,860)	
Economic development	498,341			555,166	56,825		56,825	
Education	20,905,797	1,523,541	12,631,370	124,412	(6,626,474)		(6,626,474)	
Food service	612,175	122,829	522,164		32,818		32,818	
Other student	207,262		156,049		(51,213)		(51,213)	
Interest and fiscal charges	208,510				(208,510)		(208,510)	
Intergovernmental	1,960,607				(1,960,607)		(1,960,607)	
Total governmental activities	<u>37,799,213</u>	<u>2,033,126</u>	<u>13,872,223</u>	<u>1,143,513</u>	<u>(20,750,351)</u>	<u>\$ -</u>	<u>(20,750,351)</u>	
<b>Business-type activities:</b>								
Sewer	3,878,538	2,117,613		238,041		(1,522,884)	(1,522,884)	
Nonmajor enterprise funds	33,441					(33,441)	(33,441)	
Total business-type activities	<u>3,911,979</u>	<u>2,117,613</u>	<u>-</u>	<u>238,041</u>	<u>-</u>	<u>(1,556,325)</u>	<u>(1,556,325)</u>	
Total primary government	<u>\$ 41,711,192</u>	<u>\$ 4,150,739</u>	<u>\$ 13,872,223</u>	<u>\$ 1,381,554</u>	<u>(20,750,351)</u>	<u>(1,556,325)</u>	<u>(22,306,676)</u>	
<b>Component unit:</b>								
Water	\$ 3,016,441	\$ 2,585,069		\$ 117,744				\$ (313,628)
Total component unit	<u>\$ 3,016,441</u>	<u>\$ 2,585,069</u>	<u>\$ -</u>	<u>\$ 117,744</u>				<u>(313,628)</u>
<b>General revenues:</b>								
Property and other taxes					17,448,715		17,448,715	
Licenses and permits					1,525,681		1,525,681	
<b>Grants and contributions:</b>								
Rooms and meals tax distribution					530,574		530,574	
Municipal aid					231,888		231,888	
Interest and investment earnings					71,148	63,289	134,437	26,998
Miscellaneous					302,291	46,338	348,629	228,221
Contributions to permanent fund principal					875		875	
Total general revenues and contributions to permanent fund principal					<u>20,111,172</u>	<u>109,627</u>	<u>20,220,799</u>	<u>255,219</u>
Change in net position					(639,179)	(1,446,698)	(2,085,877)	(58,409)
Net Position at beginning of year, as restated					<u>(2,170,267)</u>	<u>28,358,211</u>	<u>26,187,944</u>	<u>31,233,082</u>
Net Position at end of year					<u>\$ (2,809,446)</u>	<u>\$ 26,911,513</u>	<u>\$ 24,102,067</u>	<u>\$ 31,174,673</u>

See accompanying notes to the basic financial statements

**EXHIBIT C**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,082,555	\$ 201,866	\$ 5,284,421
Investments	4,681,023	373,253	5,054,276
Taxes receivable, net	842,977		842,977
Accounts receivable	666,381	15,016	681,397
Due from other governments	148,441	885,834	1,034,275
Due from other funds	989,546	91,060	1,080,606
Prepaid items	16,928	114	17,042
Inventory		45,158	45,158
Tax deeded property	418,887		418,887
Total Assets	<u>12,846,738</u>	<u>1,612,301</u>	<u>14,459,039</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,846,738</u>	<u>\$ 1,612,301</u>	<u>\$ 14,459,039</u>
LIABILITIES			
Accounts payable	\$ 216,316	\$ 32,095	\$ 248,411
Accrued expenses	644,595	10,953	655,548
Advances from grantors		174,949	174,949
Unearned revenue		11,480	11,480
Due to other governments	2,861		2,861
Refundable deposits	1,623		1,623
Due to other funds	5,707,900	991,376	6,699,276
Total Liabilities	<u>6,573,295</u>	<u>1,220,853</u>	<u>7,794,148</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	3,027,967		3,027,967
Uncollected property tax revenue	661,025		661,025
Total Deferred Inflows of Resources	<u>3,688,992</u>	<u>-</u>	<u>3,688,992</u>
FUND BALANCES			
Nonspendable	435,815	202,225	638,040
Restricted		299,995	299,995
Committed	806,514	7,382	813,896
Assigned		199,904	199,904
Unassigned (Deficit)	1,342,122	(318,058)	1,024,064
Total Fund Balances	<u>2,584,451</u>	<u>391,448</u>	<u>2,975,899</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,846,738</u>	<u>\$ 1,612,301</u>	<u>\$ 14,459,039</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, 2020**

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 2,975,899
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,378,866
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	661,025
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	1,251,531
Deferred outflows of resources related to pension	4,047,388
Deferred inflows of resources related to OPEB	(67,811)
Deferred inflows of resources related to pension	(2,376,019)
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	(7,280,227)
Capital leases payable	(336,200)
Accrued interest on long-term obligations	(108,989)
Compensated absences payable	(1,828,850)
Accrued longevity payout	(29,000)
Other post-employment benefits (OPEB) liability	(8,123,645)
Net pension liability	(25,919,514)
Estimated liability for landfill postclosure care costs	<u>(53,900)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ (2,809,446)</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, 2020**

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 17,541,209		\$ 17,541,209
Licenses and permits	1,525,681		1,525,681
Intergovernmental	11,742,443	\$ 3,879,706	15,622,149
Charges for services	1,789,315	243,811	2,033,126
Interest income	67,344	3,804	71,148
Miscellaneous	177,284	281,931	459,215
Total Revenues	<u>32,843,276</u>	<u>4,409,252</u>	<u>37,252,528</u>
Expenditures:			
Current operations:			
General government	1,735,553	174	1,735,727
Public safety	5,789,787	123,391	5,913,178
Airport/Aviation center		184,409	184,409
Highways and streets	2,024,186	33,398	2,057,584
Health and welfare	90,419	7,872	98,291
Sanitation	846,002		846,002
Culture and recreation	615,117	44,660	659,777
Economic development	247	555,165	555,412
Education	17,826,300	2,294,862	20,121,162
Food service		612,175	612,175
Other student		207,262	207,262
Capital outlay	934,640	497,419	1,432,059
Debt service:			
Principal retirement	571,109		571,109
Interest and fiscal charges	254,218		254,218
Intergovernmental	1,960,607		1,960,607
Total Expenditures	<u>32,648,185</u>	<u>4,560,787</u>	<u>37,208,972</u>
Excess of revenues over (under) expenditures	<u>195,091</u>	<u>(151,535)</u>	<u>43,556</u>
Other financing sources (uses):			
Proceeds from capital lease obligation	234,389		234,389
Transfers in	4,483	39,754	44,237
Transfers out	(39,754)	(4,483)	(44,237)
Total Other financing sources (uses)	<u>199,118</u>	<u>35,271</u>	<u>234,389</u>
Net change in fund balances	394,209	(116,264)	277,945
Fund Balances at beginning of year, as restated	<u>2,190,242</u>	<u>507,712</u>	<u>2,697,954</u>
Fund Balances at end of year	<u>\$ 2,584,451</u>	<u>\$ 391,448</u>	<u>\$ 2,975,899</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, 2020**

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 277,945
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(581,527)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(92,494)
Repayment of principal on bonds and capital leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	571,109
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.	45,233
Proceeds from capital lease issuances are other financing sources in the funds, but capital lease issuances increase long-term liabilities in the statement of net position.	(234,389)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	475
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	(121,276)
Net changes in pension	(567,907)
Some expenses reported in the statement of activities, such as compensated absences, accrued longevity payout and the estimated liability for landfill postclosure care costs, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>63,652</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (639,179)</u>

*See accompanying notes to the basic financial statements*

**EXHIBIT E**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
<b>ASSETS</b>			
Current Assets:			
Accounts receivable	\$ 308,401		\$ 308,401
Due from other governments	220,764	\$ 72,597	293,361
Due from other funds	4,624,985	993,685	5,618,670
Prepaid items	413		413
Inventory	94,031		94,031
Total Current Assets	<u>5,248,594</u>	<u>1,066,282</u>	<u>6,314,876</u>
Noncurrent Assets:			
Due from other governments	3,548,238		3,548,238
Capital assets:			
Non-depreciable capital assets	151,788	96,203	247,991
Depreciable capital assets, net	32,365,182		32,365,182
Total Noncurrent Assets	<u>36,065,208</u>	<u>96,203</u>	<u>36,161,411</u>
Total Assets	<u>41,313,802</u>	<u>1,162,485</u>	<u>42,476,287</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on debt refunding	33,969		33,969
Deferred outflows related to OPEB	102,300		102,300
Deferred outflows related to pension	99,828		99,828
Total Deferred Outflows of Resources	<u>236,097</u>	<u>-</u>	<u>236,097</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	51,876	240	52,116
Accrued expenses	167,146		167,146
Unearned revenue		80,000	80,000
Current portion of bonds payable	687,812		687,812
Current portion of capital lease payable	27,812		27,812
Current portion of estimated liability for landfill postclosure care costs		13,600	13,600
Total Current Liabilities	<u>934,646</u>	<u>93,840</u>	<u>1,028,486</u>
Noncurrent Liabilities:			
Bonds payable	12,910,665		12,910,665
Capital lease payable	89,382		89,382
Compensated absences payable	153,599		153,599
Other post-employment benefits (OPEB) liability	613,504		613,504
Net pension liability	724,679		724,679
Estimated liability for landfill postclosure care costs		190,400	190,400
Total Noncurrent Liabilities	<u>14,491,829</u>	<u>190,400</u>	<u>14,682,229</u>
Total Liabilities	<u>15,426,475</u>	<u>284,240</u>	<u>15,710,715</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to OPEB	5,353		5,353
Deferred inflows related to pension	84,803		84,803
Total Deferred Inflows of Resources	<u>90,156</u>	<u>-</u>	<u>90,156</u>
<b>NET POSITION</b>			
Net investment in capital assets	18,801,299	96,203	18,897,502
Restricted for:			
Short-lived asset replacement reserve	2,328,000		2,328,000
Unrestricted	4,903,969	782,042	5,686,011
Total Net Position	<u>\$ 26,033,268</u>	<u>\$ 878,245</u>	<u>\$ 26,911,513</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, 2020**

	Business-type Activities		
	Sewer <u>Fund</u>	Nonmajor Enterprise <u>Funds</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 2,117,613		\$ 2,117,613
Miscellaneous	<u>20,415</u>	\$ 25,923	<u>46,338</u>
Total Operating revenues	<u>2,138,028</u>	<u>25,923</u>	<u>2,163,951</u>
Operating expenses:			
Personnel services	1,308,851		1,308,851
Contractual services	9,471	1,137	10,608
Repairs and maintenance	65,985	22,368	88,353
Administrative	174,652	9,936	184,588
Materials and supplies	314,122		314,122
Utilities	223,046		223,046
Depreciation	<u>1,464,175</u>		<u>1,464,175</u>
Total Operating expenses	<u>3,560,302</u>	<u>33,441</u>	<u>3,593,743</u>
Operating loss	<u>(1,422,274)</u>	<u>(7,518)</u>	<u>(1,429,792)</u>
Non-operating revenues (expenses):			
Interest income	56,255	7,034	63,289
Interest expense	<u>(318,236)</u>		<u>(318,236)</u>
Net non-operating revenues (expenses)	<u>(261,981)</u>	<u>7,034</u>	<u>(254,947)</u>
Loss before capital contributions	(1,684,255)	(484)	(1,684,739)
Capital contributions	<u>238,041</u>		<u>238,041</u>
Change in net position	(1,446,214)	(484)	(1,446,698)
Net Position at beginning of year	<u>27,479,482</u>	<u>878,729</u>	<u>28,358,211</u>
Net Position at end of year	<u>\$ 26,033,268</u>	<u>\$ 878,245</u>	<u>\$ 26,911,513</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, 2020**

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 2,148,895		\$ 2,148,895
Cash paid to suppliers	(825,440)	\$ (42,541)	(867,981)
Cash paid to employees	(1,174,683)		(1,174,683)
Other operating cash receipts	7,451	36,172	43,623
Net cash provided (used) by operating activities	<u>156,223</u>	<u>(6,369)</u>	<u>149,854</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(666,587)		(666,587)
Interest paid on long-term debt	(350,808)		(350,808)
Capital contributions	299,741		299,741
Purchases of capital assets	(128,289)		(128,289)
Net cash used for capital and related financing activities	<u>(845,943)</u>	<u>-</u>	<u>(845,943)</u>
Cash flows from investing activities:			
Interest on investments	56,255	7,034	63,289
Net cash provided by investing activities	<u>56,255</u>	<u>7,034</u>	<u>63,289</u>
Net increase (decrease) in cash and cash equivalents	(633,465)	665	(632,800)
Cash and cash equivalents at beginning of year	5,258,450	993,020	6,251,470
Cash and cash equivalents at end of year	<u>\$ 4,624,985</u>	<u>\$ 993,685</u>	<u>\$ 5,618,670</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (1,422,274)	\$ (7,518)	\$ (1,429,792)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	1,464,175		1,464,175
Change in deferred outflows related to OPEB	(37,600)		(37,600)
Change in deferred outflows related to pension	25,295		25,295
Change in deferred inflows related to OPEB	(930)		(930)
Change in deferred inflows related to pension	(4,566)		(4,566)
Changes in assets and liabilities:			
Accounts receivable	18,318		18,318
Due from other governments		6,173	6,173
Prepaid expenses	(28)		(28)
Inventory	(6,827)		(6,827)
Accounts payable	(31,309)	(3,824)	(35,133)
Accrued expenses	9,372		9,372
Unearned revenue		30,000	30,000
Compensated absences payable	(25,012)		(25,012)
Other post-employment benefits (OPEB) liability	123,694		123,694
Net pension liability	43,915		43,915
Estimated liability for landfill postclosure care costs		(31,200)	(31,200)
Net cash provided (used) by operating activities	<u>\$ 156,223</u>	<u>\$ (6,369)</u>	<u>\$ 149,854</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	\$ 32,981		\$ 32,981
Amortization on bond premium	34,671		34,671
Amortization on loss on debt refunding	(6,300)		(6,300)
Acquisition of capital assets through capital lease	117,194		117,194
	<u>\$ 178,546</u>	<u>\$ -</u>	<u>\$ 178,546</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, 2020**

	Private- Purpose <u>Trusts</u>	Custodial <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 85,795	
Investments	<u>22,312</u>	\$ 83,263
Total Assets	<u>108,107</u>	<u>83,263</u>
LIABILITIES		
Accounts payable	<u>5,500</u>	<u>          </u>
Total Liabilities	<u>5,500</u>	<u>-</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	<u>102,607</u>	<u>83,263</u>
Total Net Position	<u>\$ 102,607</u>	<u>\$ 83,263</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, 2020**

	Private- Purpose <u>Trusts</u>	Custodial <u>Funds</u>
ADDITIONS:		
Contributions:		
Private donations	\$ 40	
Total Contributions	<u>40</u>	<u>\$ -</u>
Investment earnings:		
Investment income	<u>242</u>	<u>23,319</u>
Total Investment earnings	<u>242</u>	<u>23,319</u>
Motor vehicle fee collections for other governments		<u>438,611</u>
Total Additions	<u>282</u>	<u>461,930</u>
DEDUCTIONS:		
Beneficiary payments to individuals	5,500	
Payments of motor vehicle fees to other governments		<u>438,611</u>
Total Deductions	<u>5,500</u>	<u>438,611</u>
Change in net position	(5,218)	23,319
Net Position at beginning of year, as restated	<u>107,825</u>	<u>59,944</u>
Net Position at end of year	<u>\$ 102,607</u>	<u>\$ 83,263</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, 2020**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Financial Reporting Entity***

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

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

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

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

**Discretely Presented Component Unit**

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

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

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

***Basis of Presentation***

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

**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, 2020**

**2. Proprietary Funds:**

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

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

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

**3. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City maintains various private-purpose trust funds which account for monies designated to benefit individuals within the City. The City's custodial funds are held and administered by the City for the benefit of others. Therefore, assets of the custodial funds are not available to support the City or its programs. The City's custodial funds account for deposits held for the future decommissioning of privately funded wind turbines located within the City and motor vehicle fees collected on behalf of the State of New Hampshire.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

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

**2. Fund Financial Statements:**

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

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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 12). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

**2. Expenses/Expenditures:**

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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, 2020, the City applied \$1,073,542 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	\$ 4,624,985
Nonmajor Enterprise Funds	993,685
Total cash and cash equivalents	<u>\$ 5,618,670</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, 2020 are recorded as receivables net of reserves for estimated uncollectible taxes of \$598,752.

***Due from Other Governments***

Receivables due from other governments at June 30, 2020 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 amount of \$220,764 and \$3,548,238, respectively.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items.

***Inventory***

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

***Note Receivable***

During December 2013, the City was awarded a Community Development Block Grant, the purpose of which was to sub-grant the funds to a sub-recipient for renovation costs associated with converting a City property into affordable elderly housing. As part of the grant agreement, the City transferred the converted property to the sub-recipient in exchange for a note receivable in the amount of \$480,000. Annual interest will be at 0% for the entire term of the note. The principal balance of the note shall become due and payable in full the earlier of transfer of property to an entity not controlled by the sub-recipient or 20 years from the date on which the project is placed in service for federal tax purposes, but in no event later than December 31, 2034. Additionally, the note is secured by certain covenants that require 100% of persons or households residing in the property to be low and moderate-income households. As of June 30, 2020, 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, 2020**

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

***Loss on Debt Refunding***

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

***Bond Premiums***

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

***Compensated Absences and Accrued Longevity Payout***

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

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

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

***Accrued Liabilities and Long-Term Obligations***

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

***Postemployment Benefits Other Than Pensions (OPEB)***

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

***Pensions***

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

***Net Position***

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

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

***Fund Balance Policy***

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

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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

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

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

Spending Prioritizations

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

Deficit Fund Balance

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

Minimum Fund Balance

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

*Interfund Activity*

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

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

***Operating Revenues and Expenses***

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

***Estimates***

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

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Deficit Fund Balance***

At June 30, 2020, the Airport Authority Fund, a Nonmajor Governmental Fund, had a deficit 'Unassigned' fund balance of (\$318,058) and total deficit fund balance of (\$317,944).

**NOTE 3—DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 5,284,421
Investments	5,054,276
Statement of Fiduciary Net Position:	
Cash and cash equivalents	85,795
Investments	<u>105,575</u>
Total deposits and investments	<u>\$ 10,530,067</u>

Deposits and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 3,225
Deposits with financial institutions	9,704,275
Investments	<u>822,567</u>
Total deposits and investments	<u>\$ 10,530,067</u>

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



**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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

***Credit Risk***

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

As of June 30, 2020, the City's investment in the NHPDIP, a state investment pool, had a fair value balance of \$739,304 and was rated *AAA-m*. Additionally, City investments in fixed income and money market mutual funds had fair value balances of \$17,752 and \$2,567, respectively, at June 30, 2020 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, \$9,204,037 was collateralized by securities held by the bank in the bank's name.

As of June 30, 2020, 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	\$ 62,944
Fixed income mutual funds	17,752
	<u>\$ 80,696</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](http://www.NHPDIP.com).

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

***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, 2020, the City's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Totals</u>
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	
Equity securities	\$ 62,944			\$ 62,944
Fixed income mutual funds	17,752			17,752
	<u>\$ 80,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,696</u>

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

**NOTE 4—CAPITAL ASSETS**

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

	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2020</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,268,025			\$ 1,268,025
Construction in progress	315,466	\$ 84,854	\$ (57,686)	342,634
Total capital assets not being depreciated	<u>1,583,491</u>	<u>84,854</u>	<u>(57,686)</u>	<u>1,610,659</u>
Other capital assets:				
Infrastructure	30,723,270			30,723,270
Land improvements	5,571,575	528,169		6,099,744
Buildings and improvements	12,446,199	55,890		12,502,089
Vehicles and equipment	10,253,573	651,826		10,905,399
Total other capital assets at historical cost	<u>58,994,617</u>	<u>1,235,885</u>	<u>-</u>	<u>60,230,502</u>
Less accumulated depreciation for:				
Infrastructure	(7,882,095)	(953,112)		(8,835,207)
Land improvements	(3,788,475)	(118,616)		(3,907,091)
Buildings and improvements	(6,808,703)	(239,254)		(7,047,957)
Vehicles and equipment	(7,138,442)	(533,598)		(7,672,040)
Total accumulated depreciation	<u>(25,617,715)</u>	<u>(1,844,580)</u>	<u>-</u>	<u>(27,462,295)</u>
Total other capital assets, net	<u>33,376,902</u>	<u>(608,695)</u>	<u>-</u>	<u>32,768,207</u>
Total capital assets, net	<u>\$ 34,960,393</u>	<u>\$ (523,841)</u>	<u>\$ (57,686)</u>	<u>\$ 34,378,866</u>

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 50,221
Public safety	172,478
Airport/Aviation center	205,129
Highways and streets	1,070,725
Health and welfare	812
Sanitation	21,690
Culture and recreation	34,915
Education	<u>288,610</u>
Total governmental activities depreciation expense	<u>\$ 1,844,580</u>

The balance of governmental activities assets acquired through capital leases as of June 30, 2020 is as follows:

Vehicles and equipment	\$ 479,574
Less: Accumulated depreciation	<u>(55,516)</u>
	<u>\$ 424,058</u>

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

	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2020</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 154,152			\$ 154,152
Construction in progress	<u>192,470</u>	\$ 56,682	\$ (155,313)	<u>93,839</u>
Total capital assets not being depreciated	<u>346,622</u>	<u>56,682</u>	<u>(155,313)</u>	<u>247,991</u>
Other capital assets:				
Infrastructure	39,392,963	49,581		39,442,544
Buildings and improvements	23,174,300			23,174,300
Vehicles and equipment	<u>961,726</u>	<u>304,400</u>		<u>1,266,126</u>
Total other capital assets at historical cost	<u>63,528,989</u>	<u>353,981</u>	<u>-</u>	<u>63,882,970</u>
Less accumulated depreciation for:				
Infrastructure	(10,919,348)	(912,694)		(11,832,042)
Buildings and improvements	(18,666,239)	(464,165)		(19,130,404)
Vehicles and equipment	<u>(468,026)</u>	<u>(87,316)</u>		<u>(555,342)</u>
Total accumulated depreciation	<u>(30,053,613)</u>	<u>(1,464,175)</u>	<u>-</u>	<u>(31,517,788)</u>
Total other capital assets, net	<u>33,475,376</u>	<u>(1,110,194)</u>	<u>-</u>	<u>32,365,182</u>
Total capital assets, net	<u>\$ 33,821,998</u>	<u>\$ (1,053,512)</u>	<u>\$ (155,313)</u>	<u>\$ 32,613,173</u>

Depreciation expense was charged to proprietary funds as follows:

Sewer Fund	<u>\$ 1,464,175</u>
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The balance of business-type activities assets acquired through capital leases as of June 30, 2020 is as follows:

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

Vehicles and equipment	\$ 149,088
Less: Accumulated depreciation	<u>(14,909)</u>
	<u>\$ 134,179</u>

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

	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2020</u>
Component unit:				
Capital assets not being depreciated:				
Land	\$ 353,649			\$ 353,649
Construction in progress	<u>404,399</u>	\$ 11,313	\$ (404,399)	<u>11,313</u>
Total capital assets not being depreciated	<u>758,048</u>	<u>11,313</u>	<u>(404,399)</u>	<u>364,962</u>
Other capital assets:				
Infrastructure	41,119,835	630,930		41,750,765
Buildings and improvements	15,095,363	47,725		15,143,088
Machinery and equipment	2,155,548	23,341		2,178,889
Vehicles	<u>303,956</u>			<u>303,956</u>
Total other capital assets at historical cost	<u>58,674,702</u>	<u>701,996</u>	<u>-</u>	<u>59,376,698</u>
Less accumulated depreciation for:				
Infrastructure	(11,505,808)	(818,053)		(12,323,861)
Buildings and improvements	(6,935,615)	(330,861)		(7,266,476)
Machinery and equipment	(1,569,804)	(41,303)		(1,611,107)
Vehicles	<u>(236,947)</u>	<u>(13,900)</u>		<u>(250,847)</u>
Total accumulated depreciation	<u>(20,248,174)</u>	<u>(1,204,117)</u>	<u>-</u>	<u>(21,452,291)</u>
Total other capital assets, net	<u>38,426,528</u>	<u>(502,121)</u>	<u>-</u>	<u>37,924,407</u>
Total capital assets, net	<u>\$ 39,184,576</u>	<u>\$ (490,808)</u>	<u>\$ (404,399)</u>	<u>\$ 38,289,369</u>

Depreciation expense recognized by Berlin Water Works, the component unit, was \$1,204,117.

**NOTE 5—LONG-TERM OBLIGATIONS**

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

The changes in the City's long-term obligations for the year ended June 30, 2020 are as follows:

	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 7,700,000		\$ (545,000)	\$ 7,155,000	\$ 565,000
Unamortized bond premium	<u>170,460</u>		<u>(45,233)</u>	<u>125,227</u>	
Total Bonds payable	7,870,460	\$ -	(590,233)	7,280,227	565,000
Capital leases payable	127,920	234,389	(26,109)	336,200	79,609
Compensated absences payable	1,833,602	149,525	(154,277)	1,828,850	138,101
Accrued longevity payout	<u>29,000</u>			<u>29,000</u>	
Total governmental activities	<u>\$ 9,860,982</u>	<u>\$ 383,914</u>	<u>\$ (770,619)</u>	<u>\$ 9,474,277</u>	<u>\$ 782,710</u>

Payments on the general obligation bonds and capital leases payable of the governmental activities are paid out of the General Fund. Amortization of the governmental activities bond premium is recognized as

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

a component of interest expense on the Statement of Activities (Exhibit B). The compensated absences and accrued longevity payouts will be paid from the governmental fund where the employee's salary is paid.

	Balance <u>7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2020</u>	Due Within <u>One Year</u>
Business-type activities:					
Bonds payable	\$ 14,078,127		\$ (666,587)	\$ 13,411,540	\$ 687,812
Unamortized bond premium	<u>221,608</u>		<u>(34,671)</u>	<u>186,937</u>	
Total Bonds payable	14,299,735	\$ -	(701,258)	13,598,477	687,812
Capital lease payable		117,194		117,194	27,812
Compensated absences payable	<u>178,611</u>	<u>13,971</u>	<u>(38,983)</u>	<u>153,599</u>	
Total business-type activities	<u>\$ 14,478,346</u>	<u>\$ 131,165</u>	<u>\$ (740,241)</u>	<u>\$ 13,869,270</u>	<u>\$ 715,624</u>

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

	Balance <u>7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2020</u>	Due Within <u>One Year</u>
Component unit:					
Notes payable	\$ 9,072,948		\$ (1,339,558)	\$ 7,733,390	\$ 391,223
State of New Hampshire revolving loans	<u>735,997</u>	<u>\$ 667,492</u>		<u>1,403,489</u>	
Total component unit	<u>\$ 9,808,945</u>	<u>\$ 667,492</u>	<u>\$ (1,339,558)</u>	<u>\$ 9,136,879</u>	<u>\$ 391,223</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 at June 30, 2020 are comprised of the following individual issues:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2020</u>
2013 Series C Bonds	\$ 3,971,500	2.85%	August 2025	\$ 2,300,000
2016 Series Bonds	<u>5,500,000</u>	2.65%	July 2036	<u>4,855,000</u>
	<u>\$ 9,471,500</u>			7,155,000
			Add: <i>Unamortized bond premium</i>	<u>125,227</u>
			Total Bonds Payable	<u>\$ 7,280,227</u>

Debt service requirements to retire outstanding general obligation bonds for governmental activities at June 30, 2020 are as follows:

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 565,000	\$ 229,066	\$ 794,066
2022	590,000	204,448	794,448
2023	615,000	178,626	793,626
2024	645,000	151,603	796,603
2025	665,000	126,006	791,006
2026-2030	1,810,000	402,340	2,212,340
2031-2035	1,575,000	197,889	1,772,889
2036-2037	690,000	18,417	708,417
Sub-total Bonds Payable	7,155,000	1,508,395	8,663,395
Add: <i>Unamortized Bond Premium</i>	125,227	-	125,227
Total Bonds Payable	<u>\$ 7,280,227</u>	<u>\$ 1,508,395</u>	<u>\$ 8,788,622</u>

Business-type Activities:

Bonds payable at June 30, 2020 is comprised of the following individual issues:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2020</u>
2014 Rural Utilities Bond #R-1	\$ 6,508,000	2.375%	September 2037	\$ 5,256,002
2014 Rural Utilities Bond #R-2	6,000,000	2.375%	September 2037	4,845,733
2016 State Revolving Loan	240,925	2.0%	December 2035	199,805
2016 Series C Refunding Bonds	3,670,000	1.85%	August 2032	3,110,000
	<u>\$ 16,418,925</u>			13,411,540
			Add: <i>Unamortized bond premium</i>	186,937
			Total Bonds Payable	<u>\$ 13,598,477</u>

Debt service requirements to retire outstanding general obligation bonds for business-type activities at June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 687,812	\$ 350,808	\$ 1,038,620
2022	704,305	331,582	1,035,887
2023	726,072	311,789	1,037,861
2024	748,119	291,422	1,039,541
2025	770,453	270,375	1,040,828
2026-2030	4,162,808	1,023,534	5,186,342
2031-2035	3,893,332	525,547	4,418,879
2036-2038	1,718,639	114,083	1,832,722
Sub-total Bonds Payable	13,411,540	3,219,140	16,630,680
Add: <i>Unamortized Bond Premium</i>	186,937	-	186,937
Total Bonds Payable	<u>\$ 13,598,477</u>	<u>\$ 3,219,140</u>	<u>\$ 16,817,617</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, 2020, the sewer related debt reimbursement was \$299,741.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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, 2020 are comprised of the following individual issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2020</u>
State of NH Revolving Loan #6	1.87%	September 2024	\$ 497,039
State of NH Revolving Loan #7	2.69%	October 2031	1,037,089
State of NH Revolving Loan #8	2.46%	December 2035	2,588,211
State of NH Revolving Loan #9	2.46%	December 2035	795,263
State of NH Revolving Loan #10	1.96%	October 2036	1,363,973
State of NH Revolving Loan #11	2.53%	May 2033	1,451,815
			<u>\$ 7,733,390</u>

Debt service requirements to retire outstanding general obligation debt for the component unit at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 391,223	\$ 184,057	\$ 575,280
2022	403,938	172,196	576,134
2023	416,930	160,034	576,964
2024	430,208	147,563	577,771
2025	443,778	134,776	578,554
2026-2030	2,002,908	490,543	2,493,451
2031-2035	1,753,962	183,881	1,937,843
2036-2037	354,355	9,628	363,983
Total	6,197,302	1,482,678	7,679,980
Add: <i>Principal forgiveness</i>	1,536,088	-	1,536,088
Total Notes Payable	<u>\$ 7,733,390</u>	<u>\$ 1,482,678</u>	<u>\$ 9,216,068</u>

Interest expense for the year ended June 30, 2020 was \$212,778 for the Berlin Water Works.

***State of New Hampshire Revolving Loans***

Component Unit:

The Berlin Water Works has drawn \$1,403,489 of \$1,500,000 in funds under the State of New Hampshire Drinking Water Revolving Loan Fund Program for various waterline projects. Payments on the State of New Hampshire revolving loan balance are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the project within the following year.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

***Capital Lease Obligations***

Governmental Activities:

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following are the individual capital lease obligations of the governmental activities at June 30, 2020:

<u>Description</u>	<u>Original Obligation</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2020</u>
Tractor Lease	\$ 127,920	3.97%	July 2024	\$ 101,811
Loader Lease	234,389	3.43%	December 2023	234,389
				<u>\$ 336,200</u>

Debt service requirements to retire the outstanding capital lease obligations for governmental activities at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 79,609	\$ 12,206	\$ 91,815
2022	82,499	9,316	91,815
2023	85,494	6,321	91,815
2024	88,598	3,217	91,815
	<u>\$ 336,200</u>	<u>\$ 31,060</u>	<u>\$ 367,260</u>

Business-type Activities:

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following is the individual capital lease obligation of the business-type activities at June 30, 2020:

<u>Description</u>	<u>Original Obligation</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2020</u>
Loader Lease	\$ 117,194	3.43%	December 2023	<u>\$ 117,194</u>

Debt service requirements to retire the outstanding capital lease obligation for business-type activities at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 27,812	\$ 4,081	\$ 31,893
2022	28,780	3,113	31,893
2023	29,782	2,111	31,893
2024	30,820	1,073	31,893
	<u>\$ 117,194</u>	<u>\$ 10,378</u>	<u>\$ 127,572</u>



**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

**NOTE 6—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	\$ 243,529	\$ 2,370,906	\$ 15,314	\$ 75,710
Single Employer Plan	<u>1,110,302</u>	<u>6,366,243</u>	<u>57,850</u>	<u>609,547</u>
Total	<u>\$ 1,353,831</u>	<u>\$ 8,737,149</u>	<u>\$ 73,164</u>	<u>\$ 685,257</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$1,280,667.

**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](http://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, 2020**

Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

***Funding Policy***

Per RSA-100-A:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contribution rates for the covered payroll of public safety employees, political subdivision employees and teachers were 3.66%, 0.29% and 1.81%, respectively, for the year ended June 30, 2020. Contributions to the OPEB plan for the City were \$243,529 for the year ended June 30, 2020. 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, 2020, the City reported a liability of \$2,370,906 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018. 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, 2019, the City's proportion was approximately 0.5408 percent, which was a decrease of 0.0175 percentage points from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized OPEB expense of \$75,710. At June 30, 2020, 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		\$ 4,125
Net difference between projected and actual earnings on OPEB plan investments		2,664
Changes in proportion and differences between City contributions and proportionate share of contributions		8,525
City contributions subsequent to the measurement date	<u>\$ 243,529</u>	<u>          </u>
Totals	<u>\$ 243,529</u>	<u>\$ 15,314</u>

The City reported \$243,529 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, 2020. 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, 2020**

	<u>June 30,</u>	
	2020	\$ (14,417)
	2021	(1,767)
	2022	183
	2023	687
		<u>\$ (15,314)</u>

***Actuarial Assumptions***

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Wage inflation	3.25% (3.00% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on OPEB Plan investments was 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%	4.25-4.50%
International equity	20%	4.50-6.00%
Fixed income	25%	1.12-2.46%
Alternative investments	15%	4.86-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2019 was 7.25%. 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, 2020**

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

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net OPEB liability	\$ 2,571,608	\$ 2,370,906	\$ 2,196,509

**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, 2020, 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, 2020**

Inactive employees or beneficiaries currently receiving benefit payments	174
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>267</u>
	<u>441</u>

***Total OPEB Liability***

The City's total OPEB liability of \$6,366,243 was measured as of June 30, 2020, and was determined by a roll forward of the actuarial valuation as of July 1, 2018.

***Actuarial Assumptions and Other Inputs for OPEB***

The total OPEB liability in the July 1, 2018 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	2.21%
Healthcare cost trend rates	8% for 2019, decreasing 0.5% per year to 5.5% then grading down to an ultimate trend rate of 3.9% in 2075

The discount rate was based on the Bond Buyer 20-Bond GO Index published on June 30, 2020.

Mortality rates for active employees were based on the RP-2014 Employees Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015. Mortality rates for retirees were based on the RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.

***Changes in the Total OPEB Liability***

	<b>Total OPEB</b>
	<b><u>Liability</u></b>
Balance at June 30, 2019	\$ 5,523,138
Changes for the year:	
Service cost	215,923
Interest	196,752
Changes of benefit terms	(15,639)
Differences between expected and actual experience	-
Changes in assumptions or other inputs	681,238
Benefit payments	<u>(235,169)</u>
Net changes	<u>843,105</u>
Balance at June 30, 2020	<u>\$ 6,366,243</u>

Changes of assumptions and other inputs reflect a change in the discount rate of 3.50% at June 30, 2019 to 2.21% at June 30, 2020.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

***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>(1.21%)</u>	Current Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total OPEB liability	\$ 6,917,167	\$ 6,366,243	\$ 5,862,021

***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 (6.5 percent decreasing to 2.9 percent) or 1-percentage-point higher (8.5 percent decreasing to 4.9 percent) than the current healthcare cost trend rate:

	1% Decrease (6.5% decreasing to 2.9%)	Healthcare Cost Trend Rates (7.5% decreasing to 3.9%)	1% Increase (8.5% decreasing to 4.9%)
Total OPEB liability	\$ 5,638,262	\$ 6,366,243	\$ 7,227,252

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$609,547. At June 30, 2020, 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	\$ 87,059	
Changes of assumptions	<u>1,023,243</u>	<u>\$ 57,850</u>
Totals	<u>\$ 1,110,302</u>	<u>\$ 57,850</u>

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

<u>June 30,</u>	
2021	\$ 215,344
2022	215,344
2023	215,344
2024	219,365
2025	149,859
Thereafter	37,196
	<u>\$ 1,052,452</u>

**NOTE 7—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

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

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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%

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

***Funding Policy***

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively of their covered salary, whereas teachers and general employees are required to contribute 7.0% of their covered salary. The City is required to contribute at an actuarially determined rate. The City's contribution rates for the covered payroll of police officers, fire employees, teachers, and general employees were 24.77%, 26.43%, 15.99%, and 10.88%, respectively. The City contributes 100% of the employer cost for police officers, fire employees, teachers, and general employees of the City.

Per RSA-100-A:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contributions to the NHRS for the year ending June 30, 2020 were \$2,366,178.

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

At June 30, 2020, the City reported a liability of \$26,644,193 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018. 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, 2019, the City's proportion was approximately 0.5537 percent, which was a decrease of 0.0154 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$3,000,817. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:



**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 147,320	\$ 572,926
Change in assumptions	955,983	
Net difference between projected and actual earnings on pension plan investments		217,644
Changes in proportion and differences between City contributions and proportionate share of contributions	677,735	1,670,252
City contributions subsequent to the measurement date	<u>2,366,178</u>	
Totals	<u>\$ 4,147,216</u>	<u>\$ 2,460,822</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$1,686,394. The City reported \$2,366,178 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense for the measurement periods as follows:

Year ended <u>June 30,</u>	
2020	\$ 487,619
2021	(845,380)
2022	(263,738)
2023	<u>(58,285)</u>
	<u>\$ (679,784)</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions:

Inflation	2.50%
Wage inflation	3.25% (3.00% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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%	4.25-4.50%
International equity	20%	4.50-6.00%
Fixed income	25%	1.12-2.46%
Alternative investments	15%	4.86-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments 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 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease (6.25%)	Current Discount rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 35,677,671	\$ 26,644,193	\$ 19,178,093

**NOTE 8—LANDFILL POSTCLOSURE CARE COSTS**

State and federal laws and regulations required that the City place final covers on its two landfills when closed and perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. The East Milan landfill was capped during fiscal year 1997, and the Cates Hill landfill was capped during fiscal year 2005. Estimated liabilities have been recorded based on the future post-closure care costs that will be incurred for the two landfills. The total estimated liability for landfill post-closure

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

care costs for the two landfills has a combined balance of \$257,900 as of June 30, 2020. The estimated liability for the post-closure care costs of the East Milan landfill (\$53,900) and the Cates Hill landfill (\$204,000) 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, 2020. 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, 2020:

	Governmental <u>activities</u>	Business-type <u>activities</u>	<u>Totals</u>
Balance - July 1, 2018	\$ 112,800	\$ 235,200	\$ 348,000
Reductions (actual current year payments)	(2,717)	(5,277)	(7,994)
Change in estimated liability	<u>(56,183)</u>	<u>(25,923)</u>	<u>(82,106)</u>
Balance - June 30, 2019	<u>\$ 53,900</u>	<u>\$ 204,000</u>	<u>\$ 257,900</u>

**NOTE 9—INTERFUND BALANCES AND TRANSFERS**

***Interfund Balances***

The City has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2020 are as follows:

		General <u>Fund</u>	<b>Due from</b> Nonmajor Governmental <u>Funds</u>	<u>Totals</u>
<b>Due to</b>	General Fund		\$ 989,546	\$ 989,546
	Nonmajor Governmental Funds	\$ 89,230	1,830	91,060
	Sewer Fund	4,624,985		4,624,985
	Nonmajor Enterprise Funds	993,685		993,685
		<u>\$ 5,707,900</u>	<u>\$ 991,376</u>	<u>\$ 6,699,276</u>

***Interfund Transfers***

During the year, the Permanent Funds, a Nonmajor Governmental Fund, transferred \$4,483 to the General Fund, in accordance with the purpose of the cemetery trusts. Additionally, the General Fund transferred

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

\$39,754 to the Airport Authority Fund, a Nonmajor Governmental Fund, in order to offset any current year deficit in operations. The transfers were made in accordance with budgetary authorization.

**NOTE 10—RESTRICTED NET POSITION**

Net position of the governmental activities is restricted for specific purposes as follows at June 30, 2020:

Permanent Funds - Principal	\$ 156,953
Permanent Funds - Income	213,779
Capital Projects	42,657
School Private Grants and Contributions	1,710
Food Service Operations	30,286
Police Forfeiture Funds	11,563
	<u>\$ 456,948</u>

**NOTE 11—COMPONENTS OF FUND BALANCE**

The components of the City’s fund balance for its governmental funds at June 30, 2020 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Prepaid items	\$ 16,928	\$ 114	\$ 17,042
Tax deeded property	418,887		418,887
Inventory		45,158	45,158
Permanent funds - Principal		156,953	156,953
<b>Restricted for:</b>			
Capital projects		42,657	42,657
Permanent funds - Income		213,779	213,779
School private grants and contributions		1,710	1,710
Food service operations		30,286	30,286
Police forfeiture funds		11,563	11,563
<b>Committed for:</b>			
Recreation and parks programs		7,382	7,382
<b>Assigned for:</b>			
Continuing appropriations	806,514		806,514
Student activity funds		199,904	199,904
<b>Unassigned (Deficit):</b>			
Unassigned - General operations	1,342,122		1,342,122
Airport Authority Fund (Deficit)		(318,058)	(318,058)
	<u>\$ 2,584,451</u>	<u>\$ 391,448</u>	<u>\$ 2,975,899</u>

**NOTE 12—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$410,198,128 as of April 1, 2019) and are due in two installments on July 24, 2019 and December 23, 2019. 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).

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

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

In accordance with State law, the City collects taxes for Coos County, an independent governmental unit, which are remitted to the County as required by law. Total taxes appropriated to Coos County for the year ended June 30, 2020 were \$1,960,607. The City bears responsibility for uncollected taxes.

**NOTE 13—SIGNIFICANT CONCENTRATION OF PROPERTY TAXES REVENUE**

The following are the five major property owners as they relate to the City’s total assessed property valuation of \$410,198,128 (as of April 1, 2019):

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Eversource	\$ 51,907,500	12.65%
HSE Hydro NH Smith, LLC	48,216,400	11.75%
Great Lakes Hydro America, LLC	27,999,700	6.83%
Portland Natural Gas	19,782,600	4.82%
HKN Brookside LLC	3,400,900	0.83%

**NOTE 14—RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, 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, 2020.

***Property and Liability Insurance***

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker's Compensation***

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

**NOTE 15—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 16—CONTINGENT LIABILITIES**

***Litigation***

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

***Federal Grants***

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

**NOTE 17—RESTATEMENT OF EQUITY**

During the year ended June 30, 2020, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*. The impact on net position of the Governmental Activities as of July 1, 2019 is as follows:

	Governmental <u>Activities</u>
Net Position, July 1, 2019 (as previously reported)	\$ (2,421,384)
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>251,117</u>
Net Position, July 1, 2019 - as restated	<u><u>\$ (2,170,267)</u></u>

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended June 30, 2020**

The impact on fund balance of the Nonmajor Governmental Funds as of July 1, 2019 from the above restatement is as follows:

	Nonmajor Governmental Funds
Fund Balance, July 1, 2019 (as previously reported)	\$ 256,595
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>251,117</u>
Fund Balance, July 1, 2019 - as restated	<u>\$ 507,712</u>

The impact on net position of the Fiduciary Funds as of July 1, 2019 from the above restatement is as follows:

	Custodial Funds
Net Position, July 1, 2019 (as previously reported)	\$ -
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>59,944</u>
Net Position, July 1, 2019 - as restated	<u>\$ 59,944</u>

**NOTE 18—SUBSEQUENT EVENTS**

***Debt Issuance***

During August 2020, the City issued general obligation debt in the amount of \$1,100,000 for the purpose of multiple repairs and improvements to the Fire Station and related buildings located at 263 Main Street, as well as for capital improvement work on the Mason Street Bridge and other street improvements in the City. The general obligation debt has an interest rate of 2.35%, and matures on August 31, 2030.

**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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 17,643,580	\$ 17,643,580	\$ 17,448,715	\$ (194,865)
Licenses and permits	1,442,350	1,442,350	1,525,681	83,331
Intergovernmental	11,567,537	11,567,537	11,742,443	174,906
Charges for services	1,929,454	1,929,454	1,789,315	(140,139)
Interest income	40,000	40,000	67,344	27,344
Miscellaneous	195,800	195,800	177,284	(18,516)
Total Revenues	<u>32,818,721</u>	<u>32,818,721</u>	<u>32,750,782</u>	<u>(67,939)</u>
Expenditures:				
Current operations:				
General government	1,834,990	1,834,990	1,735,553	99,437
Public safety	6,229,635	6,229,635	5,789,787	439,848
Highways and streets	2,122,820	2,122,820	2,024,186	98,634
Health and welfare	106,078	106,078	90,419	15,659
Sanitation	874,732	874,732	846,002	28,730
Culture and recreation	644,121	644,121	615,117	29,004
Economic development	200	200	247	(47)
Education	18,187,704	18,187,704	17,747,114	440,590
Capital outlay	1,667,364	860,850	700,251	160,599
Debt service:				
Principal retirement	545,000	545,000	571,109	(26,109)
Interest and fiscal charges	252,349	252,349	254,218	(1,869)
Intergovernmental	1,960,607	1,960,607	1,960,607	-
Total Expenditures	<u>34,425,600</u>	<u>33,619,086</u>	<u>32,334,610</u>	<u>1,284,476</u>
Excess of revenues over (under) expenditures	<u>(1,606,879)</u>	<u>(800,365)</u>	<u>416,172</u>	<u>1,216,537</u>
Other financing sources (uses):				
Transfers in	6,000	6,000	4,483	(1,517)
Transfers out	<u>(39,754)</u>	<u>(39,754)</u>	<u>(39,754)</u>	<u>-</u>
Total Other financing sources (uses)	<u>(33,754)</u>	<u>(33,754)</u>	<u>(35,271)</u>	<u>(1,517)</u>
Net change in fund balance	(1,640,633)	(834,119)	380,901	1,215,020
Fund Balance at beginning of year				
- Budgetary Basis	<u>2,864,575</u>	<u>2,864,575</u>	<u>2,864,575</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 1,223,942</u>	<u>\$ 2,030,456</u>	<u>\$ 3,245,476</u>	<u>\$ 1,215,020</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, 2020**

<u>Measurement Period Ended</u>	<b>Cost-Sharing Multiple Employer Plan Information Only</b>				
	<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, 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%

*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, 2020**

<b>Cost-Sharing Multiple Employer Plan Information Only</b>					
<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, 2020	\$ 243,529	\$ (243,529)	\$ -	\$ 14,725,385	1.65%
June 30, 2019	\$ 246,678	\$ (246,678)	\$ -	\$ 14,949,381	1.65%
June 30, 2018	\$ 246,958	\$ (246,958)	\$ -	\$ 14,901,826	1.66%
June 30, 2017	\$ 335,773	\$ (335,773)	\$ -	\$ 14,814,604	2.27%
June 30, 2016	\$ 340,316	\$ (340,316)	\$ -	\$ 14,905,786	2.28%

*See accompanying notes to the required supplementary information*

**SCHEDULE 4**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2020**

<u>Single Employer Plan Information Only</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 215,923	\$ 212,902	\$ 218,384
Interest	196,752	179,982	163,723
Changes of benefit terms	(15,639)	-	-
Differences between expected and actual experience	-	181,892	-
Changes of assumptions or other inputs	681,238	598,651	(105,076)
Benefit payments	<u>(235,169)</u>	<u>(176,226)</u>	<u>(211,943)</u>
Net change in total OPEB liability	843,105	997,201	65,088
Total OPEB Liability at beginning of year	<u>5,523,138</u>	<u>4,525,937</u>	<u>4,460,849</u>
Total OPEB Liability at end of year	<u>\$ 6,366,243</u>	<u>\$ 5,523,138</u>	<u>\$ 4,525,937</u>
Covered employee payroll	\$ 17,401,207	\$ 14,695,170	\$ 14,581,811
Total OPEB liability as a percentage of covered employee payroll	36.59%	37.58%	31.04%

<u>Significant Actuarial Assumptions</u>			
Discount rate	2.21%	3.50%	3.87%
Health cost trend rates:			
Initial	8% - 2018	8% - 2018	8% - 2016
Ultimate	3.9% - 2075	3.9% - 2075	5% - 2019
Mortality improvement scale	MP-2015	MP-2015	MP-2014

*See accompanying notes to the required supplementary information*

**SCHEDULE 5**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Schedule of Changes in the City's Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2020**

<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, 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%

*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, 2020**

<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, 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, 2020**

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 33,260,179	\$ 32,865,970
Difference in property taxes meeting susceptible to accrual criteria	(92,494)	
Encumbrances - June 30, 2019		(79,186)
Capital lease obligation proceeds	(234,389)	(234,389)
Per Schedule 1	<u>\$ 32,933,296</u>	<u>\$ 32,552,395</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at June 30, 2020 are as follows:

<i><b>Nonspendable:</b></i>	
Prepaid items	\$ 16,928
Tax deeded property	418,887
<i><b>Assigned for:</b></i>	
Continuing appropriations	806,514
<i><b>Unassigned:</b></i>	
Unassigned - General operations	<u>2,003,147</u>
	<u>\$ 3,245,476</u>

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

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

**CITY OF BERLIN, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**For the Year Ended June 30, 2020**

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

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

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

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

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

***Changes in Actuarial Assumptions***

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

**SCHEDULE I**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>			
Pass Through Payments from the New Hampshire Department of Education			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	\$ -	\$ 140,124
National School Lunch Program	10.555		332,988
- School Lunch (Cash)			44,710
- Commodities (Non-cash)		-	377,698
<b>Total Child Nutrition Cluster</b>		-	517,822
Child and Adult Care Food Program	10.558		23,242
Fresh Fruit and Vegetable Program	10.582		16,731
<b>Total Department of Agriculture</b>		-	557,795
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Pass Through Payments from the New Hampshire Community Development Finance Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
#18-053-CDHS	14.228	475,000	496,672
#19-053-CDPF			7,000
		475,000	503,672
<b>Total Department of Housing and Urban Development</b>		475,000	503,672
<b>DEPARTMENT OF JUSTICE</b>			
Pass Through Payments from the New Hampshire Department of Justice			
Edward Byrne Memorial Justice Assistance Grant #2020-DTF-01	16.738		42,448
<b>Total Department of Justice</b>		-	42,448

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, 2020**

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF TRANSPORTATION</b>			
Pass Through Payments from the New Hampshire Department of Transportation Airport Improvement Program	20.106		9,450
#SBG-01-06-2018			423,435
#SBG-01-06-2019		-	432,885
<b>Highway Planning and Construction Cluster:</b>			
Highway Planning and Construction #41367	20.205		39,392
<b>Total Highway Planning and Construction Cluster</b>		-	39,392
Pass Through Payments from the New Hampshire Highway Safety Agency			
<b>Highway Safety Cluster:</b>			
State and Community Highway Safety #19-018	20.600		4,134
#20-018			2,752
		-	6,886
National Priority Safety Programs #19-018	20.616		5,642
<b>Total Highway Safety Cluster</b>		-	12,528
<b>Total Department of Transportation</b>		-	484,805
<b>DEPARTMENT OF THE TREASURY</b>			
Pass Through Payments from the State of New Hampshire Governor's Office COVID-19 Coronavirus Relief Fund	21.019		148,442
<b>Total Department of the Treasury</b>		-	148,442
<b>DEPARTMENT OF EDUCATION</b>			
Pass Through Payments from the New Hampshire Department of Education Title I Grants to Local Educational Agencies	84.010		
#20190126			22,221
#20190666			7,703
#20200126			728,833
		-	758,757

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, 2020**

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF EDUCATION (continued)</b>			
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027		
#92580			52,397
#95606			5,411
#202541			286,155
		-	343,963
Special Education - Preschool Grants	84.173		
#92580			706
#202541			5,078
		-	5,784
		-	349,747
Career and Technical Education - Basic Grants to States	84.048		
#20193112			296
#20203112			57,385
		-	57,681
Twenty-First Century Community Learning Centers	84.287		
#20200011			243,524
Rural Education	84.358		
#20186470			6,909
#20190435			3,915
		-	10,824
Supporting Effective Instruction State Grants	84.367		
#84798			40,916
#20190298			64,172
#20200298			67,253
		-	172,341
Student Support and Academic Enrichment Program	84.424		
#20189101			10,143
#20190406			52,524
			62,667
<b>Total Department of Education</b>		-	1,655,541
<b>NORTHERN BORDER REGIONAL COMMISSION</b>			
Received directly from U.S. Treasury Department Northern Border Regional Development #NBRC16GNH10	90.601		19,149
<b>Total Northern Border Regional Commission</b>		-	19,149

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, 2020**

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Pass Through Payments from the New Hampshire			
Department of Education			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)			
#92541	93.104		51,322
#202563			74,665
		-	125,987
Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
#94656	93.243		200,459
		-	200,459
<b>Total Department of Health and Human Services</b>		-	326,446
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Pass Through Payments from the New Hampshire			
Department of Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
#4355-DR-NH	97.036		906
Homeland Security Grant Program	97.067		31,892
State Homeland Security Program (SHSP) #EMW20187SS00055S01	97.073		10,078
<b>Total Department of Homeland Security</b>		-	42,876
<b>Total Expenditures of Federal Awards</b>		<b>\$ 475,000</b>	<b>\$ 3,781,174</b>

*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, 2020**

**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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3—INDIRECT COST RATE**

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire, as of and for the year ended June 30, 2020, 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 30, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of Berlin Water Works, a discretely presented component unit of the City, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Berlin Water Works.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Berlin, New Hampshire's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

## **Purpose of this Report**

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

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
September 30, 2021

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

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Berlin, New Hampshire's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Berlin, New Hampshire's major federal programs for the year ended June 30, 2020. 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, 2020, and as such, no amounts have been included in the City of Berlin, New Hampshire's schedule of expenditures of federal awards. Our audit, described below, did not include the operations of the Berlin Water Works which is a separate legal entity and has separately issued audited financial statements.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Berlin, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

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

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

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
September 30, 2021



**City of Berlin, New Hampshire  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2020**

**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? \_\_\_\_\_ yes  X  no  
 Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

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

**Federal Awards**

Internal control over major 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:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

## **Section II—Financial Statement Findings**

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

## **Section III—Federal Award Findings and Questioned Costs**

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

**SCHEDULE A**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
**June 30, 2020**

	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	\$ 199,904	\$ 1,962		\$ 201,866
Investments		373,253		373,253
Accounts receivable	15,016			15,016
Due from other governments	885,834			885,834
Due from other funds	45,643		\$ 45,417	91,060
Prepaid items	114			114
Inventory	45,158			45,158
Total Assets	<u>1,191,669</u>	<u>375,215</u>	<u>45,417</u>	<u>1,612,301</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>\$ 1,191,669</u>	<u>\$ 375,215</u>	<u>\$ 45,417</u>	<u>\$ 1,612,301</u>
LIABILITIES				
Accounts payable	\$ 29,335		\$ 2,760	\$ 32,095
Accrued expenses	10,953			10,953
Advances from grantors	174,949			174,949
Unearned revenue	11,480			11,480
Due to other funds	986,893	\$ 4,483		991,376
Total Liabilities	<u>1,213,610</u>	<u>4,483</u>	<u>2,760</u>	<u>1,220,853</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	45,272	156,953		202,225
Restricted	43,559	213,779	42,657	299,995
Committed	7,382			7,382
Assigned	199,904			199,904
Unassigned (Deficit)	(318,058)			(318,058)
Total Fund Balances (Deficit)	<u>(21,941)</u>	<u>370,732</u>	<u>42,657</u>	<u>391,448</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,191,669</u>	<u>\$ 375,215</u>	<u>\$ 45,417</u>	<u>\$ 1,612,301</u>

**SCHEDULE A-1  
CITY OF BERLIN, NEW HAMPSHIRE  
Combining Balance Sheet  
Governmental Funds - All Nonmajor Special Revenue Funds  
June 30, 2020**

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Grants Fund	Recreation and Parks Programs Fund	Student Activity Fund	Combining Totals
<b>ASSETS</b>							
Cash and cash equivalents						\$ 199,904	\$ 199,904
Accounts receivable		\$ 15,016					15,016
Due from other governments	\$ 705,619	51,748	\$ 39,975	\$ 88,492			885,834
Due from other funds	1,830			36,431	\$ 7,382		45,643
Prepaid items			114				114
Inventory		45,158					45,158
Total Assets	<u>707,449</u>	<u>111,922</u>	<u>40,089</u>	<u>124,923</u>	<u>7,382</u>	<u>199,904</u>	<u>1,191,669</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 707,449</u>	<u>\$ 111,922</u>	<u>\$ 40,089</u>	<u>\$ 124,923</u>	<u>\$ 7,382</u>	<u>\$ 199,904</u>	<u>\$ 1,191,669</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 17,702		\$ 11,633				\$ 29,335
Accrued expenses		\$ 4,807	2,082	\$ 4,064			10,953
Advances from grantors	65,653			109,296			174,949
Unearned revenue		11,480					11,480
Due to other funds	622,384	20,191	344,318				986,893
Total Liabilities	<u>705,739</u>	<u>36,478</u>	<u>358,033</u>	<u>113,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,213,610</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable		45,158	114				45,272
Restricted	1,710	30,286		11,563			43,559
Committed					7,382		7,382
Assigned						199,904	199,904
Unassigned (Deficit)			(318,058)				(318,058)
Total Fund Balances (Deficit)	<u>1,710</u>	<u>75,444</u>	<u>(317,944)</u>	<u>11,563</u>	<u>7,382</u>	<u>199,904</u>	<u>(21,941)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 707,449</u>	<u>\$ 111,922</u>	<u>\$ 40,089</u>	<u>\$ 124,923</u>	<u>\$ 7,382</u>	<u>\$ 199,904</u>	<u>\$ 1,191,669</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, 2020**

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:				
Intergovernmental	\$ 3,879,706			\$ 3,879,706
Charges for services	243,811			243,811
Interest income		\$ 3,804		3,804
Miscellaneous	<u>281,056</u>	<u>875</u>		<u>281,931</u>
Total Revenues	<u>4,404,573</u>	<u>4,679</u>	<u>\$ -</u>	<u>4,409,252</u>
Expenditures:				
Current operations:				
General government	174			174
Public safety	123,391			123,391
Airport/Aviation center	184,409			184,409
Highways and streets			33,398	33,398
Health and welfare	7,872			7,872
Culture and recreation	44,660			44,660
Economic development	555,165			555,165
Education	2,294,862			2,294,862
Food service	612,175			612,175
Other student	207,262			207,262
Capital outlay	<u>497,419</u>			<u>497,419</u>
Total Expenditures	<u>4,527,389</u>	<u>-</u>	<u>33,398</u>	<u>4,560,787</u>
Excess of revenues over (under) expenditures	<u>(122,816)</u>	<u>4,679</u>	<u>(33,398)</u>	<u>(151,535)</u>
Other financing sources (uses):				
Transfers in	39,754			39,754
Transfers out	<u>(4,483)</u>	<u>(4,483)</u>		<u>(4,483)</u>
Total Other financing sources (uses)	<u>39,754</u>	<u>(4,483)</u>	<u>-</u>	<u>35,271</u>
Net change in fund balances	(83,062)	196	(33,398)	(116,264)
Fund Balances (deficit) at beginning of year, as restated	<u>61,121</u>	<u>370,536</u>	<u>76,055</u>	<u>507,712</u>
Fund Balances (deficit) at end of year	<u>\$ (21,941)</u>	<u>\$ 370,732</u>	<u>\$ 42,657</u>	<u>\$ 391,448</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, 2020**

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Grants Fund	Recreation and Parks Programs Fund	Student Activity Fund	Combining Totals
Revenues:							
Intergovernmental	\$ 2,185,795	\$ 522,164	\$ 486,935	\$ 684,812			\$ 3,879,706
Charges for services		122,829	92,808		\$ 28,174		243,811
Miscellaneous	109,067		157	15,783		\$ 156,049	281,056
Total Revenues	<u>2,294,862</u>	<u>644,993</u>	<u>579,900</u>	<u>700,595</u>	<u>28,174</u>	<u>156,049</u>	<u>4,404,573</u>
Expenditures:							
Current operations:							
General government				174			174
Public safety				123,391			123,391
Airport/Aviation center			184,409				184,409
Health and welfare				7,872			7,872
Culture and recreation				11,169	33,491		44,660
Economic development				555,165			555,165
Education	2,294,862						2,294,862
Food service		612,175					612,175
Other student						207,262	207,262
Capital outlay			497,419				497,419
Total Expenditures	<u>2,294,862</u>	<u>612,175</u>	<u>681,828</u>	<u>697,771</u>	<u>33,491</u>	<u>207,262</u>	<u>4,527,389</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>32,818</u>	<u>(101,928)</u>	<u>2,824</u>	<u>(5,317)</u>	<u>(51,213)</u>	<u>(122,816)</u>
Other financing sources (uses):							
Transfers in			39,754				39,754
Total Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>39,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,754</u>
Net change in fund balances	-	32,818	(62,174)	2,824	(5,317)	(51,213)	(83,062)
Fund Balances (deficit) at beginning of year, as restated	<u>1,710</u>	<u>42,626</u>	<u>(255,770)</u>	<u>8,739</u>	<u>12,699</u>	<u>251,117</u>	<u>61,121</u>
Fund Balances (deficit) at end of year	<u>\$ 1,710</u>	<u>\$ 75,444</u>	<u>\$ (317,944)</u>	<u>\$ 11,563</u>	<u>\$ 7,382</u>	<u>\$ 199,904</u>	<u>\$ (21,941)</u>

**SCHEDULE C**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Combining Statement of Net Position**  
**All Nonmajor Proprietary Funds**  
**June 30, 2020**

	Industrial Development and Park Authority <u>Fund</u>	Cates Hill Landfill <u>Fund</u>	Combining <u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Due from other governments		\$ 72,597	\$ 72,597
Due from other funds	\$ 697,440	296,245	993,685
Total Current Assets	<u>697,440</u>	<u>368,842</u>	<u>1,066,282</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	96,203		96,203
Total Noncurrent Assets	<u>96,203</u>	-	<u>96,203</u>
Total Assets	<u>793,643</u>	<u>368,842</u>	<u>1,162,485</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	240		240
Unearned revenue	80,000		80,000
Current portion of estimated liability for landfill postclosure care costs		13,600	13,600
Total Current Liabilities	<u>80,240</u>	<u>13,600</u>	<u>93,840</u>
Noncurrent Liabilities:			
Estimated liability for landfill postclosure care costs		190,400	190,400
Total Noncurrent Liabilities	<u>-</u>	<u>190,400</u>	<u>190,400</u>
Total Liabilities	<u>80,240</u>	<u>204,000</u>	<u>284,240</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	96,203		96,203
Unrestricted	617,200	164,842	782,042
Total Net Position	<u>\$ 713,403</u>	<u>\$ 164,842</u>	<u>\$ 878,245</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, 2020**

	Industrial Development and Park Authority <u>Fund</u>	Cates Hill Landfill <u>Fund</u>	Combining <u>Totals</u>
Operating revenues:			
Miscellaneous		\$ 25,923	\$ 25,923
Total Operating revenues	<u>\$ -</u>	<u>25,923</u>	<u>25,923</u>
Operating expenses:			
Contractual services	1,137		1,137
Repairs and maintenance	22,368		22,368
Administrative	9,936		9,936
Total Operating expenses	<u>33,441</u>	<u>-</u>	<u>33,441</u>
Operating income (loss)	<u>(33,441)</u>	<u>25,923</u>	<u>(7,518)</u>
Non-operating revenues (expenses):			
Interest income	7,034		7,034
Net non-operating revenues (expenses)	<u>7,034</u>	<u>-</u>	<u>7,034</u>
Change in net position	(26,407)	25,923	(484)
Net Position at beginning of year	<u>739,810</u>	<u>138,919</u>	<u>878,729</u>
Net Position at end of year	<u>\$ 713,403</u>	<u>\$ 164,842</u>	<u>\$ 878,245</u>



**SCHEDULE E**  
**CITY OF BERLIN, NEW HAMPSHIRE**  
**Combining Statement of Cash Flows**  
**All Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2020**

	Industrial Development and Park Authority <u>Fund</u>	Cates Hill Landfill <u>Fund</u>	Combining <u>Totals</u>
Cash flows from operating activities:			
Cash paid to suppliers	\$ (37,265)	\$ (5,276)	\$ (42,541)
Other operating cash receipts	<u>30,000</u>	<u>6,172</u>	<u>36,172</u>
Net provided (used) cash used by operating activities	<u>(7,265)</u>	<u>896</u>	<u>(6,369)</u>
Cash flows from investing activities:			
Interest on investments	<u>7,034</u>	<u>          </u>	<u>7,034</u>
Net cash provided by investing activities	<u>7,034</u>	<u>-</u>	<u>7,034</u>
Net increase (decrease) in cash and cash equivalents	(231)	896	665
Cash and cash equivalents at beginning of year	<u>697,671</u>	<u>295,349</u>	<u>993,020</u>
Cash and cash equivalents at end of year	<u>\$ 697,440</u>	<u>\$ 296,245</u>	<u>\$ 993,685</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (33,441)	\$ 25,923	\$ (7,518)
Changes in assets and liabilities:			
Due from other governments		6,173	6,173
Accounts payable	(3,824)		(3,824)
Unearned revenue	30,000		30,000
Estimated liability for landfill postclosure care costs		<u>(31,200)</u>	<u>(31,200)</u>
Net cash provided (used) by operating activities	<u>\$ (7,265)</u>	<u>\$ 896</u>	<u>\$ (6,369)</u>