

City Of Berlin, NH Annual Report

Fiscal Year July 1, 2013 to June 30, 2014



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Berlin City Council

Fiscal Year July 1, 2013 to June 30, 2014

Mayor

Paul Grenier

Councilors:

Russell Otis

Lucie Remillard

Paula Benski

Denise Morgan-Allain

Michael Rozek

Peter Higbee

Diana Nelson

Roland Théberge



Pictured are members of the Berlin City Council: left to right, Councilors Lucie Remillard, Denise Morgan Allain, Paula Benski, Roland Theberge, Diana Nelson, Russell Otis, Peter Higbee, and Michael Rozek; Mayor Grenier is seated.

CITY MANAGER

This year marks my first full year as City Manager of the City of Berlin. The year has gone by quickly as I have worked to familiarize myself with the City's major issues.

The State of New Hampshire is continuing the development of 7,200 acres in this quadrant of the City for its multi-use trail, Jericho Mountain State Park. Included in this development is 300 acres Jericho Lake that the City donated to the State. The park is turning out to be a New England-wide, and beyond, attraction. The park has a campground with 20 primitive campsites, including 5 cabins, 6 tent sites and 9 RV sites, and offers only water and portable toilets this season. The campground connects to the 75 miles of OHRV trails at the park, as well as connecting with the 1000 mile of trails in Coos County. The park also has a day-use area with a beach for swimming, pavilion and boat launch. This development is having a very significant impact on the City's image and economic base. In addition, the City developed a first of its kind in the State OHRV connection between this Park and the many trails in Success on the east side of the City. Subsequently, the City passed an ordinance which allows OHRV traffic on all City streets. The first season with this ordinance in place was very successful and the City has decided to continue this into the future. It is known that the OHRV friendly atmosphere has also led to the sale of some residential properties in the City as second homes. The City participates in the annual ATV/OHRV Festival. This past year the festival was the most attended yet and it now includes a downtown Berlin block party that is organized for OHRV'ers

Burgess Biopower is up and running. The power plant routinely generate a significant amount of power which is transmitted on the grid and sold to PSNH under a power purchase agreement. There have been start-up issues to work through before they reach optimal production but their team is working them.

As evidenced by the most recent Department of Revenue housing sales study the City's overall housing stock and related values have not yet rebounded to an acceptable level. At the center of these depressed values are the City's multi-unit rental properties. The City has demolished approximately 260 units to date. There remains another approximately 240 units to be removed. The City is funding demolition work as best it can through General Fund appropriations and is considering additional grant and borrowing for this high priority work. A bright spot in the DRA Housing market study is that there is a trend developing where single family homes assessed at \$100,000 or more are selling for market prices greater than their assessed value. This suggest that there is an increase in demand in this market segment that is likely attributable to the influx of Bureau of Prison employees.

Construction continues on the former Notre Dame High School project where AHEAD is converting the building to senior living apartments. The renovated building will go a long way to revitalizing the neighborhood.

The Waste Water Treatment plant is in the final stages of a \$22 million renovation. The original treatment plant was built in the 70's and was in need of upgrading as well as needing additional capacity to handle the federal prison. We now have an energy

efficient plant with the latest technology that will meet the City's needs for years to come.

We continue to work on roads in the City trying to get the most from the money available for each project. The northern most part of Hutchins Street was done this year in conjunction with an Inflow and Infiltration project. The result is a reconstructed street in one of the busiest sections of the City.

Phase II of the Rte. 110 improvement project, is now largely constructed. The last segment will be constructed during the summer of 2015. The construction to date has had a dramatic effect on this transportation corridor. While improving general traffic and truck traffic flow through the City it also improves the adjacent quality of the neighborhoods by removing traffic. It also improves access to several businesses recreational opportunities.

Berlin lost another icon to fire on December 13, 2013 when the former Princess Theatre caught fire. The blaze was fought by firefighters in subzero temperatures and fortunately there was no loss of life. A private entity has bought the property and hopefully they can bring it back to life.

The City sold a portion of land at Community Field to PSNH for the expansion of their substation on Community Street. A storage building on the property had to be demolished. Proceeds from the sale will be used in part to build a new recreation storage facility on Gilbert Street. This will then allow the Police Department the use of the basement floor of the Greet Street building for their significant storage and operational needs. The land sale revenue will also be used to construct a new public restroom at Community Field

The Federal Corrections Institution has been coming on line over the past year. It is now near capacity with the inmate population. Staffing has come up to approximately 300 employees over this past year with approximately another 45 that remain to be hired. These added jobs to the local economy have added a significant amount of economic value to the area.

Jericho Wind Power began construction of its 5 tower wind farm in 2014. The 2.85 megawatt towers are schedule to be installed in 2015. This project will add approximately 3 to 4 permanent jobs once constructed and further increase the City's utility tax base.

Like the granite that surrounds it, Berlin has weathered everything that has been thrown at it. In spite of this, Berlin is in the process of redefining itself in a way that is leading to economic growth and opportunity. In addition to the long established hydroelectric industry, we now make electricity from biomass at the Burgess Bipower facility and will soon generate wind power. The ATV Park and the new Coos Coalition ATV trail effort bode well for significant recreation industry development. There has been significant interest from the private sector in developing another campground on Route 110 to service the ATV/OHRV population. While the City's economy has been stabilized by several larger employers including the Federal Prison, it is as encouraging to consider the City's successful foray into the tourism industry by way ATV/OHRV recreation.

James A. Wheeler
City Manager



ASSESSING

The Board of Assessors is comprised of three members. Each serves for a three year term and is appointed by the Mayor with City Council approval. This year Kem Rozek was reappointed by the Mayor and approved by Council at their March 17, 2014 meeting. This will be her second term. Mrs. Rozek has attended several mini courses sponsored by the Department of Revenue Administration in an effort to familiarize herself with the State Statutes and procedures that are used by both the State and the local government. Her term will expire on March 31, 2017.

As a rule, the Board of Assessors holds meetings every third Tuesday of the month or as needed. All meetings are posted and the public is welcome to attend the open sessions. Some of the Board of Assessors' duties include maintaining property records; assuring that all taxable property are being accurately reported and properly assessed; issue warrants for the collection of taxes and abatements for adjustment to value that the Board determines needs to be made; reviewing applications for current use, yield tax, elderly and blind exemptions and veteran tax credit; reviewing and approving the annual sales study. The Board makes every attempt to stay informed of changes to the RSA laws that govern this office. We, the Berlin Board of Assessors, will continue to maintain our open door policy for taxpayers with questions or problems regarding assessments and assessment procedures.

Avitar has been contracted by the City to perform the Assessing functions. Avitar continues to conduct the data verification process. They reviewed approximately 800 to 900 parcels this year. All corrections that Avitar employees noted on the cards are done in-house.

Every year all sales from October of one year to September of the following year are reviewed.

The equalized ratio study is completed and all qualified sales are included. This study compares the assessed valuation and sale price as a means to establish that all properties are fairly assessed. The ratio that is established from this study affects the basis for distribution of County Taxes, School Foundation Aid and other forms of state financial assistance to towns and cities in New Hampshire. The 2013 equalized ratio is 115.2%.

Every five years municipalities undergo an assessment review by the State of New Hampshire, Department of Revenue Administration. A State representative examines the City procedures, property record cards, exemption forms and veteran tax credits that have been granted as well as yield tax and excavation tax. The City of Berlin is scheduled for their next review in 2015.

All deeds received from the Registry of Deeds in Lancaster; any subdivisions and lot mergers approved by the Planning Board; as well as notice of demolitions and new construction; were sent to CGIS Mapping of Marion, MA, for updating of the City tax maps for changes that occurred prior to April 1, 2014. This is the sixth year CGIS has served the City in this capacity. Final maps have been printed and sent to us. These maps are used by this office, with copies given to various Departments. The maps are also available for public use and for all City Departments. These maps and assessment information can be found on the City web site at www.berlinnh.gov, (click on Online/GIS Mapping found on the home page) and are, at this time, updated on an annual basis.

The Board of Assessors is committed to quality and excellence in government and will continue to respond to all requests for changes that occur due to budgetary constraints, public need, and new legislation.

Sincerely,
BOARD OF ASSESSORS
ROBERT GODDARD, CHAIRPERSON
KEM ROZEK, MEMBER
ROBERT PELCHAT, MEMBER



SUMMARY INVENTORY OF TAXABLE PROPERTY - APRIL 1, 2013 & APRIL 1, 2014

	APRIL 1, 2013	APRIL 1, 2014
Land	50,196,459	50,128,006
Building	278,753,003	278,462,103
Public Utilities	125,373,000	132,801,600
GROSS VALUATION	454,322,462	461,391,709
Blind Exemptions	60,000	60,000
Elderly Exemptions	2,637,900	2,441,900
Imp. To Assist Persons w/Disabilities	43,470	43,470
Water/Air Poll. Cont. Exem.	5,584,700	5,584,700
TOTAL EXEMPTIONS	8,326,070	8,130,070
NET VALUATION W/UTILITIES	445,996,392	453,261,639

EXEMPTIONS GRANTED

	APRIL 1, 2013		APRIL 1, 2014	
TYPE	#	Tax Amount	#	Tax Amount
Elderly	80	87,051.	77	81,447.
Blind	4	1,980.	4	2,001.
Physically Handicap	4	1,435.	4	1,450.
Water/Air Poll. Cont.	2	184,295.	2	186,272.
Veterans	538	89,975.	511	88,125.

OTHER ACTIVITIES

TYPE	4-1-2012 to 3-31-2013		4-1-2013 to 3-31-2014	
Yield Tax	1	65.02	6	5,147.94
Excavation Tax	2	155.78	3	158.12
Property Transfers Processed	290		319	

*The State Education Tax rate for tax year 2014 per thousand is \$2.194; the City rate is \$16.346; the School rate is \$11.087; and the County rate is \$3.727_for a total tax rate of \$33.354_per thousand. Utilities valuations are **not** taxed locally for the State Education portion.

CITY CLERK'S OFFICE

ELECTIONS

The City Clerk is responsible for the general conduct of elections. The following election statistics were recorded this year:

Municipal Election:

November 5, 2013 – 25% Total City Votes

Special State Primary Election:

January 21, 2014 – 3% * Total City Votes

* Due to such a low voter turnout, the Mayor and Council voted to conduct the March 11, 2014 Special Election in one voting location. The location chosen was the Recreation Center where all Berlin voters at large were able to cast their votes in that one location.

Special General Election:

March 11, 2014 - 11% Total City Votes

ORDINANCES

The following Ordinances and Resolutions which govern city policy were passed:

2013

- 2013.08: Ch. 15 Traffic Glen Ave. – NO ACTION
- 2013.09R1: Ch.17 Zoning Special Exception Crematorium

2014

- 2014.01: Ch. 15 Traffic - Parades No Materials Thrown
- 2014.02: Ch. 13 Streets OHRV City Street Use 1 yr Trial
- 2014.03: Ch. 9 Business License Alcoholic Beverage
- 2014.04: Ch. 17 Zoning Amend Downtown Zoning

RESOLUTIONS

2013

- 2013.14: \$490 Recreation Department Donations
- 2013.15: BJHS Window Replace \$5M CIP Bond Reinst.
- 2013.16: Railroad Coos/Oxford Cty. Corridor Coalition
- 2013.17: BAA Pet. Storage Tank Replace. Grant \$329K
- 2013.18: School Appropriate UF \$183K for FY14
- 2013.19: Carry Over Grants \$47K to FY2014

- 2013.20: PSNH purchase of Community Field \$400K
- 2013.21: Carry Over \$579K not yet expended from FY13
- 2013.22: 629 Western Ave. sold to Billy Gagnon
- 2013.23: CDBG \$12K Feasibility Study Food Co-op
- 2013.24: NH DES Refinance BWW Loans for lower rate
- 2013.25: CDFA app. CDBG \$500k Neighborhood Rev. Prog.
- 2013.26: FD Grant app Vehicle Exhaust Sys./FD Station
- 2013.27: Bartlett Sch. sold \$1 NE Fam Housng/TKB Prop.

2014

- 2014.01: Gen. Assistance (Welfare) Guidelines Amended
- 2014.02: USEPA \$400k Brownfield Grant/Contamin. Prop
- 2014.03: 2B/CF New Nat. Gas Capacity Support NE Reg.
- 2014.04: Afterschool Program Support
- 2014.05: PD Highway Safety Grant Funds
- 2014.06: PD NH Dept of Safety Grant Portable Radios
- 2014.07: SB366 Revenue Sharing Support
- 2014.08: PD Highway Safety Grant Telecomm. Training
- 2014.09: USDA Grant Recreation. Dept 2 Picnic Shelters
- 2014.10: CIP \$400K FY'14 (Community Field)
- 2014.11: Coos Cty \$15K Legal Service Hydro Tax Dispute
- 2014.12: FY'2015 Budget
- 2014.13: Library Computers \$4K NH Charity Foundation

The following Licenses were issued by the City Clerk's Department from 7/1/2013-6/30/2014:

Dog Licenses: 950

VITAL RECORDS

The following vital statistics were recorded:

YEARS	2011/12	2012/13	2013/14
Marriage	62	47	49
Birth	76	81	68
Death	124	124	135

Respectfully submitted,
Debra A. Patrick, CMC
Berlin City Clerk

Housing Coordinator

“If you want something new, you have to stop doing something old”

– Peter F. Drucker

The City of Berlin has made some tremendous strides on the Housing front and sometimes it’s good to take a step back and reflect on where we’ve been to remind us of how far we’ve come, and to keep us focused on where we’re going. Following are some of the key highlights and accomplishments of the past 10 years.

2005 - The position of Housing Coordinator came into being ten years ago on September 20, 2004 with few models to follow and many challenges facing the city. The groundwork was laid to begin inventorying and cataloguing burned and dilapidated buildings, assessing the backlog of tax deeded properties, studying the underlying causes and developing a plan of action. The beginning of the housing initiative was underway to remove/demolish blighted buildings.

2006 - A revamping of both the Housing and Code Enforcement ordinances got underway, providing additional tools for enforcement; and two full-time inspectors were hired to inspect commercial rental properties. Key state legislation was crafted to expedite the tax deeding process and allow the City to lien a portion of insurance proceeds to insure that owners, not the city, are responsible for burned properties. Although passed in the State Senate, the city would continue to push for approval through the House. Assessment of our current housing stock became a key focus and Berlin partnered with AHEAD (Affordable Housing Education & Development) to initiate an assessment of 820 properties.

2007 – Now able to effectively provide statistics that reflected the housing needs in Berlin, we became the recipient of our first CDBG (Community Development Block Grant) to implement the Berlin Revitalization Project, an initiative that provided assistance to qualified homeowners for badly needed repairs. With a surge of fires in 2007, demolition activity was

redirected from blighted buildings to burned properties. Aggressive tax-deeding for non-payment of taxes continued with 18 properties taken by the City.

2008 – The amendment of the NH RSA 155B (Hazardous and Dilapidated Buildings) gave the City and Fire Department additional “teeth” to recoup costs for fire damaged buildings and implement a more aggressive timeline for clean-up. A dramatic reduction of properties taken by tax deed (only 5 in 2008), appeared to reflect the aggressive stance by Berlin to follow through on delinquent tax payers.

2009 – Having exhibited their commitment to addressing blighted properties, Berlin finally received recognition from several state and federal agencies and received \$5,300,000 in grants to continue the removal of blighted and burned properties and address the rehabilitation of target neighborhoods in partnership with a private developer.

2010 - The influx of additional funding allowed great strides in 2010 for the Housing Initiative. Neighborhood Stabilization Funds provided for the demolition of 11 buildings and a partnership with TKB Properties, LLC for the acquisition and rehabilitation of 14 other properties in key neighborhoods. With the successful revitalization of 25 homes under the Berlin Neighborhood Revitalization project, the City competed for and obtained an additional \$500,000 in CDBG funds with the goal of assisting 35 additional homeowners. Brownfields Assessment Grant Funds of \$200,000 allowed the City to begin the environmental assessment of key properties such as the former Notre Dame High School and Norge Village building (former McCready Dairy).

2011 – The dramatic transformation of lower Champlain Street and upper School Street was a testament to the partnerships established in 2010 and brought further attention from Senator Shaheen, Governor Lynch and others throughout the state. Strategies implemented in Berlin were becoming a model throughout the region and state. These projects also provided badly needed work for local craftsmen and

introduced newer methods of energy conservation to Berlin and throughout the region. On the environmental front, with work well underway at the former Notre Dame High School, the City competed for and obtained \$400,000 in funding from NHDES/USEPA AARA for the continued clean-up of asbestos, lead, and PCB's at Notre Dame.

2012 - Both challenges and successes marked 2012. The City obtained 38 properties through Tax Deed: the largest number in its' history. Meanwhile progress continued with both demolitions and rehabilitation under NSP, with now 23 properties (53 units) rehabilitated and 14 blighted properties demolished.

2013 - On the Tax Deed front, the city continues to see high numbers with 31 additional properties taken in 2013. The upside has been the ability to transform some key locations in the city. The south entrance to the city was dramatically improved with the completion of a landscaped patio area and additional municipal parking at 3 Glen Avenue. The present pocket park at the corner of Mason and Granite Street was expanded to include a children's playground and community gardens for the neighborhood.

2014 - Some encouraging highlights and statistics:

- Significant reduction in properties taken through tax deed - **only 13 in 2014**
- Demolitions to date : **254 units plus 40 additional units projected for 2015**
- De-densification: **26 lots** (former demolished properties) sold to abutters
- Rehabilitation: **159 units** (with potential for a total of 207+ units by the end of FY15)
 - 63 homeowner units –CDBG grants (+ 35 units for FY15)
 - 53 units - Neighborhood Stabilization Funds
 - 43 units - City property sales (+13 units for FY15 – Bartlett School)
 -

The shining star of 2014 is the final completion of the former Notre Dame High School scheduled for this December. Eleven

applications have already been processed for the 33 living units. The combined efforts of the City of Berlin, Project Rescue Notre Dame, EPA, NH Dept. of Environmental Services, Tri-County Community Action, NH Housing Finance Authority, Community Development Finance Authority,



Northern Forest and AHEAD, have been a testament to what great partnerships can accomplish. I am reminded though, that the impetus behind every great project is a great leader. The City of Berlin and I will always be indebted to the vision of Andre Caron whose love for the City and this project in particular, helped motivate and guide all those involved!

Respectfully submitted,
Linda White
Housing Coordinator

PLANNING DEPARTMENT

The work continues to focus around our downtown and gateway into the City. This marked the third year of the annual Downtown Day of Caring which was another huge success with dozens of volunteers coming to spruce downtown up for summer. The new park adjacent to the Holiday Center was completed and tables and chairs were purchased for residents to use. The Notre Dame Apartment project is underway, where 33 units of housing will be completed by late 2014. The Berlin Industrial Development and Park Authority is in the process of selling a building in the industrial park to one of the current tenants, Presby Steel. Mr. Presby plans to hire more employees and expand his operation over the next year.



Construction is well underway for the Route 110 Phase II Realignment Project and taking shape. This roadway will provide a more direct route to the Notre Dame Arena, a gateway to Jericho Mountain State Park, and move the traffic out of the neighborhood it currently cuts through. This is a great project for our community and it is rewarding to see it finally being constructed.

Any citizen wishing to participate can come forward to volunteer for one of the many boards in the community. The Planning Department is home to the Planning Board,

Zoning Board of Adjustment, and the Berlin Industrial Development and Park Authority. All three boards encourage citizen involvement and welcome the community to participate or observe during their meetings. Visit the City's website and Facebook page regularly for information about our meetings; view the Moving Downtown Forward Strategy for Design and Economic Development, the City's Master Plan, Zoning Ordinance or other Planning & Zoning documents.

Respectfully submitted,
Pamela E Laffamme
Community Development Director

www.berlinnh.gov/BerlinNH_Planning

<http://www.facebook.com/BerlinNewHampshire>

Zoning/Code Enforcement Officer:
Joseph Martin

Planning Board Chair:
Ernest Allain

Zoning Board of Adjustment Chair:
Dana Hoyt

Berlin Industrial Development and Park Authority Chair: Michael Caron

Berlin Health Department

The City of Berlin Health Department works to make our community a safer, healthier place to live. The department is made up of several Public Health functions. One function is that of the Health Officer who is responsible for inspecting restaurants for licensing purposes as well as for any complaints that may arise about health and safety, schools as required by the NH Department of Education and other properties as needed and as a participating member of the emergency management team for the city. Another function is the Public Health Clinic which offers low cost and free services to the community. The Public Health Nurse provides educational material and teaching to those who request it, head checks for lice, cholesterol screenings, blood sugar screening, B-12 shots, TB tests, flu shots and much, much more. The third function of the department is Home Health Nursing. We are the recipient of a Fazzi Associates Patient Satisfaction Award of Distinction for 2013.



This Award is presented to home health organizations that have demonstrated superior performance in patient satisfaction during the stated year. The patient satisfaction reports are sent and collected by Fazzi Associates, a leading national vendor for HHCAHPS. Patients receive the surveys from the vendor and send it back to the vendor who compiles the information for the government and the individual home health offices.



We provide in-home skilled nursing (under physician direction) occupational therapy, speech therapy, physical therapy and home health-aide services through our own nurses and contract services with local vendors. We serve Berlin, Gorham, Milan, Dummer, Shelburne and Randolph and have done so continuously for over 75 years. We provide toe nail clinics, flu shot clinics, blood pressure checks throughout the community as

well as in our office located in the basement of City Hall.

Our price list for services during this fiscal year were (gift certificates are available for services as well):

Service	Fee
Foot Clinic:	
In office	\$15.00
In home (for home patients with mobility issues)	\$20.00
Cholesterol Screening	\$20.00
TB Testing	\$15.00
B12 Injection (in office)	\$8.00 (fee is \$25 if in home)
Diabetic Screening	\$3.00
Blood Pressure	\$1.00
Hepatitis Series	\$35.00

We served 150 unduplicated clients for a total of 7,274 visits. Our nurses traveled over 16,000 miles of North Country roads delivering quality services. Services provided to the community (our entire service area) during the 2014 Fiscal Year are as follows:

Service	Quantity
B12 Injections	90
Cholesterol (includes Blood Pressure and Blood sugar test)	175
Health Aid (Private Pay)	107
Medicare Health Aid	1740
Medicare Occupational Therapy	175
Medicare Physical Therapy	610
Medicare RN	2199
Medicare Speech Therapy	20
Office Blood Sugar	1
Occupational Therapy	16
Private Pay Insurance RN Visit	96
Physical Therapy	65
RN other	383
RN private Pay	108
RN visit	701
TB test	72
Toe Nails (Clinics and homebound clinic)	298
VA Home Health Aid Visits	6
VA Physical Therapy	4
VA RN visit	418
Blood Pressure Check	691

We look forward to serving our community for many years to come!

Angela Martin-Giroux, M.S.
Director of Health & Welfare

**NEED HELP WITH FOOD?
Food Stamps Can Help!**

TO APPLY FOR FOODSTAMPS ONLINE: www.nheasy.nh.gov
FOR HELP APPLYING FOR FOOD STAMPS: Call Haeley at the NH Food Bank at 669-9725 ext. 164
FOR QUESTIONS ABOUT YOUR CURRENT FOOD STAMP CASE: Call Client Services at 271-9700

RECREATION & PARKS DEPARTMENT

Berlin Recreation’s goal to continually offer new activities certainly was met in fiscal year 2014. Thanks to dedicated volunteers, organizations, and committed Recreation and other city employees, Berlin Recreation saw an increase to its already busy schedule. Some noteworthy events included:

Clay Sculpting – Nine children, ages 6 – 10 were introduced to the art of flat service terra cotta sculpting from renowned local artist and retired college instructor Jean Bartoli. We hope to continue this new exploration into the art of 3-D sculpting.



Artist Jean Bartoli teaching students 3-D sculpting

Spring Opening of Friendship Park
Playground equipment was installed and a “Name the Park” contest held for the newly developed park at the corner of Mason and Granite Streets. The prize of a bicycle and helmet (helmet - a donation from Kiwanis Club) was awarded to contest winner 3rd grader Isaiah Waninger.

This park was developed through a collaborative effort of the HEAL (Healthy Eating, Active Living) Grant committee members and Berlin City departments. With raised garden beds being developed in the park, we hope this will be a new park enjoyed by residents of all ages.



Isaiah Waninger receiving bike & helmet for naming Friendship Park. With Isaiah, Heal Committee members Cimbria Badenhausen, Health & Welfare Director Angela Martin-Giroux, and Recreation Program Director Terry Letarte. Photo courtesy of Barbara Tetreault, *Berlin Daily Sun*

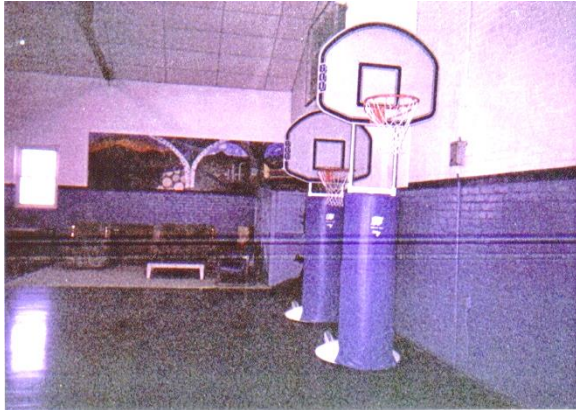
Young Athletes Program – Thanks to the volunteer efforts of Leader Jennifer Buteau as well as parent coaches, 13 children ages 4 – 7 had their first adventure into sports. This free, five-week program, as part of NH Special Olympics, offered children, (some with, some without developmental disabilities) an opportunity to play alongside each other promoting physical, cognitive, and social development.



Sensory game with parent coach Roland Arsenault

Portable Basketball Systems – A slight dilemma developed for Berlin Recreation

when Berlin Public Schools decided to offer basketball programs for their third grade students. With Recreation now concentrating on the 2nd grade and younger set, we knew the difficulty of reaching 10' high baskets would be too frustrating for the children.



Hearing of this predicament, Mr. Mike Morin & Mr. Brian Boucher donated a child's size basketball hoop system for the very young while the Fraternal Order of Eagles quickly came through with a donation to offset the cost of two portable basketball systems that easily adjust to just over six feet. Now children of all ages are excited about being able to hit "nothing but net."

These new events compliment the 30 plus activities Berlin Recreation offers to area residents yearly. While standbys such as soccer, baseball, ski and snowboard continue to provide residents recreational opportunities, we always strive to find new and exciting activities for the community.

Respectfully Submitted,
Theresa (Terry) Letarte
Recreation Program Director

**NOTICE REGARDING INVOLUNTARILY MERGED
LOTS IN THE CITY OF BERLIN, NH**

To any property owner in the City of Berlin who feels their property has been merged as the result of an involuntary merger which mean lots being merged by municipal action for zoning, assessing, or taxation purposes without the consent of the owner.

If your lots or parcels were involuntarily merged prior to September 18, 2010 by the City of Berlin, the City shall at the request of the owner, restore your lots to their premerger status and all zoning and tax maps shall be updated to identify the premerger boundaries of said lots or parcels as recorded at the Coos County Registry of Deeds, provided that your request is submitted to the governing body prior to December 31, 2016. Also no owner in the chain of title can have voluntarily merged his or her lots. If any owner in the chain of title voluntarily merged his or her lots, then all subsequent owners shall be prevented from requesting restoration. The municipality shall have the burden of proof to show that any previous owner voluntarily merged his or her lots. All decisions of the governing body may be appealed in accordance with the provisions of NH RSA 676. The restoration of the lots to their premerger status shall not be deemed to cure any non-conformity with existing local land use ordinances.

If you have questions about the status of your property and whether it has been merged involuntarily please call Susan Warren, Assessing Supervisor at 752-5245 or Pamela Laflamme, City Planner at 752-8587. [RSA 674:39 aa Regulation of Subdivision of Land](#)

Welfare Department



Towns and Cities in the State of New Hampshire are charged with the responsibility “to assist those who are poor and unable to support themselves” under RSA 165. This requires the City to keep detailed Guidelines and to make determinations of eligibility based on these guidelines and the need to be responsible with tax payer funds. The humanitarian mission of helping those who need help with basic needs is always balanced with fiscal responsibility. In order to determine who is “poor and unable to support themselves” we use an eligibility worksheet to determine basic needs minus income and assets. Basic needs are defined as rent (or housing cost) based on local market factors and family size, groceries based on household size, personal/household needs based on household size, medication costs (or health costs in general), electric cost, \$25 per person a month for clothing, \$30 per month per child still in diapers, and then items such as heat if not included in rent, water if not included, child care if employed, gas for work based on where you travel to; etc. The office does not take into account things such as credit cards, fines, loans, cable, etc. The basic need is totaled, subtracted from the income and assets and a determination of assistance is made. If basic needs are more than income and assets, the applicant would qualify for assistance with only the difference. If basic

needs are less than income and assets, they do not qualify for assistance.

Assistance is issued in the form of a voucher given to the client but made out to the vendor. The City then pays the vendor directly. Assistance is generally issued on a weekly bases and the client, if physically able to work, is responsible for completing a work search and employment security form and working hours as scheduled on the work program. If they do not follow through with this or other requirements that we may issue such as applying for HUD, Food Stamps, etc. they would be sanctioned (prohibited from receiving further assistance) until such time as they come into compliance. There were 2,162.02 hours worked on the Work Program which translates into \$15,674.65 in reimbursement through the Work Program. Clients are scheduled to work at city offices, social service offices and other non-profit venues to “pay back” the tax payers for the assistance they were given for the basic needs for which they qualified. \$32.16 in cash reimbursements were received.

There were 2,114 office contacts during FY 2014 which were comprised of 92 families interviewed but not assisted and 91 assisted families and numerous phone calls and office visits inquiring about assistance offered.

The Welfare Office works closely with other agencies in the community to help meet the long term need of clients through referrals. People are referred for food stamps, WIC, Commodity Foods, Fuel Assistance, TANF, Social Security, HUD and any other program that could help them meet needs. 2-1-1 is a resource that anyone in the community can contact to ask about what services are available here or anywhere in the state.

Angela Martin-Giroux, M.S.
Director of Health & Welfare

Assistance issued is as follows:

Assistance	# of Families Assisted (may have received assistance in more than one category)	# of People per family	Vouchers Issued	Total Issued
Back rent	1	1	1	\$ 267.00
Diapers	10	25	20	\$ 147.00
Electric Disconnect	8	24	9	\$ 768.05
Electricity	26	48	109	\$ 4,655.88
Electric Reconnect	2	3	3	\$ 884.93
Food	23	55	37	\$ 1,804.74
Fuel	7	16	7	\$ 2,174.56
Assistance	# of Families Assisted (unduplicated)	# of People per family	Vouchers Issued	Total Issued
Funeral/Cremation	5	13	5	\$ 3,750.00
Medical/Dental	4	4	7	\$ 810.51
Personal/Household	46	87	228	\$ 1,746.39
Prescriptions	12	12	15	\$ 717.63
Taxes to prevent tax deed	1	1	2	\$ 988.37
Room/Board	4	4	7	\$ 445.00
Rent	45	86	210	\$24,346.14
Rent with no Heat	7	16	12	\$ 1,674.82
Shelter	2	2	2	\$ 269.00
Totals		293	674	\$45,450.02

FOOD RESOURCES:

People can go to the following places for help with food:

***Community Bible Church - Sullivan St. - Dinner on Thursday evening**

***Salvation Army, 15 Cole St - Food Pantry can be used every 90 days -Tuesday and Thursday 9-12. Friendly Dinner last two Monday evenings of the month**

***Harvest Christian Fellowship Church, 219 Willow St. - Food Pantry can be used 1 time a month, Monday-Friday 9-3 - Dinner Wednesday evening**

***Marie Rivier Food Pantry, 153 Grafton St - Tuesday, Friday one time a month from 2:30-3:30**

BERLIN PUBLIC LIBRARY

The Berlin Public Library maintains an organized collection of books and related materials for both educational and recreational use by the community. Computers with internet access, WiFi, local newspapers on microfilm, audio books, and a movie collection, are all available to the community. We provide access to downloadable audio books through the New Hampshire State Library and Overdrive. Each department has a computer dedicated for patrons to access the library catalog. This can also be accessed remotely at: <http://berlinlibrary.dyndns.org:81/opac/bpl/>. Patrons, with a library card in good standing, have access to interlibrary materials from participating NH libraries. Fax and copier services are available. The library offers a Children's Summer Reading Program, weekly Story Hour and Book discussion and/or Lecture Series, in conjunction with the White Mountains Community College, Fortier Library.

The Children's 2013 Summer Reading Program theme was "Dig Into Reading". The program was made possible by Kids, Books and Arts grant from the U.S. Institute of Museum and Library Services and the Saul O. Sidore Memorial Foundation in memory



of Rebecca Lee Spitz. The June 30, 2013 kick-off program was Readers of the Lost Book Magic Show by Mike Bent, held at the Berlin Public Library, attracted 80 children, 40 adults. In addition, a Summer

Recreation/Library Kickoff presented on June 27, 2013 attracted 55 children and 35 adults with entertainment by Bob Pelletier. The Summer Reading Program consisted of 10 programs, with 292 children and 206 adults in attendance. Weekly programs included a special outing to the Fire Dept., children's questions were answered by Firemen attending two of the programs as well as playing games with children. Two other programs presented by the National Forest Service Rangers, and book readings by Paul "Poof" Tardiff. Two Outdoor Adventures closing parties were presented on July 31 and August 1, for different age groups. In total, 177 fiction and 23 non-fiction books were read. Also helping with the success of the Summer Reading Program was a donation of tickets from Storyland. The library thanks Storyland for their continued generosity.

Kathy Godin, Children's Librarian, conducted a total of 36 weekly Story Hours for young children from September to June, serving 205 children and 141 adults. In addition, there was a School Visit, 12 Kiwanis Kids visits, a Halloween program, as well as a place for safe visits. The total attendance of all Kathy's programs was 1084 children and 648 adults for a grand total of 1732 patrons.

Three grants from the New Hampshire Humanities Council made it possible for the Berlin Public Library in conjunction with the White Mountains Community College, Fortier Library to hold a lecture and book discussion series at the Fortier Library. The Fall 2013 Series entitled "Rediscovering Sherlock". The series included a film viewing and discussion of The Blue Carbuncle with scholar Ingrid Graff, two Humanities To Go Talks, "(Not So) Elementary My Dear Watson" by scholar Ann McClellan and "The Case of the

Detective Who Refused To Die” by scholar Ingrid Graff. The final session was a book discussion of “Hound of the Baskervilles” by Sir Arthur Conan Doyle, also presented by Ingrid Graff.

In August 2013, the Berlin Historical Society paid for and donated nine microfilms of “The Mountaineer” newspaper dated 1891 to 1914 to the Berlin Public Library for patrons to use for research. This very generous gift is very much appreciated.

In March 2014, two new computers donated by Howard and Patty Chase In Memory of Pauline Beatrice Gagnon, Patty’s mother, to the library for patron use. This generous donation shows the great commitment Howard and Patty have for the support of our library and community. All 10 of the patron computers at the library are very old and need to be replaced and this is a beginning to that goal. In May, the library received word that Pamela Laflamme applied for and received a \$4000 grant from the NH Charitable Foundation for new computers for the library, with the Berlin City Council passing a resolution to accept the funds on June 17, 2014. We are looking forward to the replacement of the remaining patron computers. The library also received an anonymous IMO donation to fund the purchase and installation of WIFI for the library, which was installed 3/24/14.

We are grateful to the Public Works Dept. for helping the library with maintenance during the year, including repair to tables and shelves in the Children’s Dept., help with bathroom repairs and water pump repair to name a few. Glass tops were purchased for the circulation desk and card catalog to avoid splinters from the beautiful old wood furniture. The library had boiler repair in February. A telephone was also replaced in the Children’s Dept.

Changes in staff included the resignation of Maria Neal on May 30, 2014, as Part-time Desk Clerk. Maria had been with us since Feb. 2010 and we thank her for her service to the library. Hired as replacement for Maria, we welcomed Ann Brungot, who began working on June 9, 2014.

The Staff at the Berlin Public Library appreciate and thank the community for their continued support and invite all to come in and make use of the valuable resources available at the library.

Respectfully Submitted,
Denise Jensen
Library Director

LIBRARY STATISTICS July 1, 2013 to June 30, 2014

TOPICS	ADULT	JUVENILE	TOTAL
000 - Generalities	60	22	82
100 - Philosophy	195	12	207
200 - Religion	69	14	83
300 - Social Science	245	95	340
400 - Language	29	18	47
500 - Pure Science	61	279	340
600 - Technology	395	168	563
700 - The Arts	196	184	380
800 - Literature	146	65	211
900 - Geography & History	329	80	409
910 - Travel	24	16	40
BIO - Biography	209	78	287
FIC - Fiction	8,337	4,648	12,985
MAG - Periodical	172	103	275
DVD - Movies	4,080	0	4,080
VHS - Movies	162	0	162
AC - Audio Books	3,687	10	3,697
CD - Compact Disk Music	45	0	45
TOTALS	18,441	5,792	24,233
PKB - Paperbacks	29	0	29
Walk in Patrons	17061	9273	26,334
Phone Inquiries	1850	159	2,009
Computer Users	4807	350	5,157
Copier Patrons	2078	0	2,078
Fax Patrons	314	0	314
Microfilm Patrons	249	0	249
Interlibrary Loaned	712	0	712
Interlibrary Borrowed	251	0	251



POLICE DEPARTMENT

The mission of the Berlin Police Department is to protect the lives and property of the citizens of the community, consistent with the Constitution of the United States. We continue to serve the citizens in a way that reflects the morality, beliefs, and customs of the community.

The officers at the Police Department render their services to the citizens with professionalism and dedication. Through hard work, perseverance, and dedication, in conjunction with the support of the public, the department continues its effort to reduce the crime rate. Only through this partnership can we collectively continue to make this community safer.

Retirements/Promotions/Appointments:

This year brought the resignation of Dispatcher Heather Pizzuto; she had been with the Department for nearly ten years and decided to explore opportunities in the private sector. Heather was a trained Tactical Dispatcher for the Emergency Response Team, and she agreed to remain with the Department in that capacity. Thankfully, Part-Time Dispatcher Michelle Randall was able to fill the full-time vacancy.

The Department also acquired Officer Adam Marsh, an eight-year veteran officer with the City of Laconia. Adam enjoys the North Country and relocated to the Berlin/Gorham area to be closer to family members. He immediately integrated with the officers and is an excellent fit; it is a pleasure to have him working at the Department.

Court & Trials: It took a great deal of time to bring the Hufstetler case to trial, due to multiple motions filed with the courts. Once

he was found competent to stand trial, prosecutors presented their case. After one week, Hufstetler was found guilty of robbing the Angel Guardian Credit Union and was sent to prison. The case of the Princess Theater arson, however, was resolved much faster. Berlin Police, Fire, and State agencies investigated the arson and were able to quickly apprehend two juveniles responsible for the damages. Unfortunately, due to the Juvenile Justice System, both were released back into the Berlin community.

The Berlin Courthouse saw severe water damage this year, causing it to close for repairs for many months. This resulted in Prosecutor Buteau traveling to Lancaster to prosecute cases at the District Court level. This was costly and difficult to endure, as officers were frequently subpoenaed for cases and were forced to spend valuable time traveling to Lancaster.

ATV's: The Berlin and Gorham Police Departments worked diligently in addressing ATV issues in both communities. Realizing that the North Country benefits from ATV riders, both agencies supported opening the roadways to ATV use. They presented their suggestions to their respective City and Town leaders and addressed the need for consistency in enforcing the laws so that operators would not be confused by two sets of rules.

Grant Funding continues to play a major role in supporting Police Department functions. The Gorham WalMart generously awarded funds to the Department which provided for the purchase of cameras to be used during investigations. Enforcing Underage Drinking Laws and Highway Safety grants were also obtained to address special areas of concern.

* * *

STATISTICS **July 2013-June 2014**

Total Calls for Service	19,125
Accidents	226
Accidents Within an Intersection	76
Animal Complaints (bear, cat etc...)	172
Assaults	124
Assist to Berlin Ambulance	939
Assists from Gorham PD	51
Assists to Gorham PD	74
Assists to other Berlin Departments	530
Burglaries	45
Criminal Threatening	155
Dog Complaints	387
Domestic Violence Incidents	280
DWI Violations	32
Felonies	231
Juvenile Arrests	63
Juvenile Incidents	176
Milan Calls for Service	637
Misdemeanors	567
Motor Vehicle Stops	2,897
Motor Vehicle Violations	307
Motor Vehicle Warnings	2,219
Parking Tickets	486
Protective Custody Arrests	78
Restraining/Stalking Orders	130
Sexual Assaults	39
Thefts	344
Total Arrests	827
Vandalism/Criminal Mischief	240
Verbal Arguments	59

Respectfully submitted,
Peter Morency
Chief of Police

BERLIN FIRE DEPARTMENT

Mission

The members of the Berlin Fire Department are dedicated and highly skilled in providing professional services in areas of fire suppression, rescue, hazardous materials, and weather related incidents with an emphasis in fire prevention, code enforcement, and public safety education.

The members of the Berlin Fire Department are proud to provide the best quality of services to the residents, people who visit or travel through, and businesses that make Berlin a special, unique place. The fire department greatly appreciates the support provided to us from the residents, businesses and that of our City Manager and elected officials to carry out our mission to enhance the quality and depth of service we provide.

Retirements

The fire department would like to recognize the dedicated service, with a grand total of fifty years of combined service provided by retiring Captain Robert Jewett and Captain Steve Vien in their retirement in fiscal year 2014. Congratulations to Captain Jewett and Captain Vien on your retirements and thank you for your dedicated professional services to the City of Berlin.

Promotions

The Berlin Fire Department would like to recognize the individuals that have moved up in rank through promotion. In fiscal year 2014 we would like to recognize Captain William Maddalena who was promoted from Lieutenant to Captain, Captain John Lacasse who was promoted from Lieutenant to Captain, Lieutenant Peter Donovan who was promoted from Firefighter to Lieutenant and Lieutenant Roland Berthiaume who was

promoted from Firefighter to Lieutenant. Congratulations and good luck.



Response Information

During the fiscal year 2014 from July 1, 2013 to June 30, 2014, the City of Berlin Fire Department responded to 517 calls for service from our citizens.

Fire Prevention / Training

As always, the Fire Prevention Bureau continues to go above the call of duty to improve the quality of life for the citizens of Berlin. The Prevention Bureau, year after year, has been the focal point of the Berlin Fire Department in the Department's efforts to minimize fire loss in the community.



Princess Theatre Fire – December 14, 2013

Calls for Service Fiscal Year 2014		
Building Fires	15	3%
Cooking Fires	4	1%
Chimney	10	2%
Trash Fires	8	2%
Vehicle Fires	6	1%
Outside Fires	28	5%
Hazardous Conditions	57	11%
Rescue / Emergency Medical Service Incident	65	13%
Vehicle Accident	38	7%
Leak Spill / Hazardous Materials	24	5%
Carbon Monoxide Emergencies	18	3%
Building Collapse emergencies	0	0%
Service Call	54	10%
Good Intent	15	3%
False Alarm System Malfunction	88	17%
False Alarm Malicious	10	2%
Electrical Issues	13	3%
Water Problem	16	3%
DHART	32	6%
Sprinkler	10	2%
Police assist	0	0%
Bomb	0	0%
Severe Weather	3	1%
Reported as Other	3	1%
Total Calls to March 2014	517	

This is achieved by means of the excellent programs that are offered to local businesses, schools, and health care institutions.

With inception of Multiple Family inspections, we are now inspecting these residences making the property owners and tenants aware of fire safety issues in these buildings. This program will increase Life Safety Code compliance and awareness and make for safer living in these types of buildings in our community for years to come.



In fiscal year 2014 through State funded training and local monies from the training budget the members of the fire department went above and beyond spending a large amount of time and effort through their dedication to the community of Berlin and completed over 1100 hours in State of New Hampshire and Federal Emergency Management Agency (FEMA) certification training. It is important to recognize the following courses attended were: Firefighter II, Firefighter III- Rescue Systems Technician, Fire Inspector I, Fire Service Instructor I, Hazardous Materials Technician Recertification, Incident Command System/ National Incident Management System (ICS) (NIMS).

We have also participated in the following Public Relations events (Touch a Truck,

Parade of Lights, Berlin High School Homecoming, Fire Extinguisher Training to Local Businesses and Schools, Fire Safety Talks to Community, Participant in the NH

Division of Fire Safety Second Annual Third Grade Fire and Life Safety Calendar Contest during the year as well.

Inspections for Fiscal Year 2014

	Inspections
Places of Assembly	48
Oil Burner	18
L.P. Gas	58
New Construction	1
Wood Burner/Pellet/ Chimney	9
Health Care	5
Complaints Investigated	16
Foster Care	6
Day Care	3
Fire Alarm / Sprinkler Inspections	6
Miscellaneous	28
Public Education	13 Visits/337 Students
Multi Family	109
Plan Reviews	13
Certificate of Occupancy	8
Blasting Permits	2
Total:	330

Respectfully Submitted,

Chief Randall Trull

Fire Chief



Berlin Housing Authority

Berlin Housing's prime directive this year has been to put private apartment subsidies on the street in the form of Housing Vouchers. Over 200 invitations were sent to local residents. We continue to review our processes to see how we can make our program more accessible. We are focused on bringing more subsidy to Berlin through private rentals.

Our biggest advance this year was creating the specification for, bidding and awarding the contract for the installation of 3 emergency generators. The contract was signed with Ray's Electric to install generators on all the sites. FEMA funds will be used for the project along with federal Capital Grant funds. The City's Public Works Department was instrumental in assisting BHA in applying for the FEMA grant.

Thanks to the hard work of the maintenance staff at Public Housing and St Regis, all sites have earned physical inspection scores in the high 90s for our infrastructure. This is an honor many Housing Authorities strive for through ongoing renovation, pride of place and attention to detail. Excellent results for over 40 year old buildings and one that is over 100 years old.



Indian Artifacts

A wonderful event occurred at St Regis this year. One of our tenants Michael Eastman, gave a talk to over 20 interested residents on the history of American Indians. Many people

in the audience spoke about their heritage and one resident brought pictures to share. Mr.



Grace Chevarie pictured with her grandmother

Eastman has owned a business in Berlin in the past, and has actively supported various projects in the City most recently creating colorful and informative signage for Mt Jasper. We are fortunate to have many active seniors and folks with disabilities contributing to the social and economic network of the City.

BHA continues to be a site for the ABLE program where people who are 55 and over can gain work related skills while receiving a paycheck. BHA is also a site for participants working through the Workplace Success Center where parents on welfare assistance can also gain office or maintenance skills in an on the job environment.

The organization continues to look for ways to innovate and assist the City. Our goal of “decent, safe and sanitary housing” is a primary motivator especially in times of hectic change and funding shortfalls.

Respectfully Submitted,
Mary Jo Landry
 Executive Director
 Berlin Housing Authority

UTILIZATION OF ASSISTED HOUSING PROGRAMS AT JUNE 30, 2014		
	units allocated	units under lease
Public Housing	55	55
St. Regis House	42	42
Vouchers	285	221
TOTALS	382	318
Public Housing Utilization on 6/30 was 100%		
Voucher Utilization on 6/30 was 77%		
Public Housing and St Regis Turnover in 2014		
Public Housing	(12 units in 2013 14 units in 2012)	
St. Regis House	(9 units in 2013, 5 units in 2012)	

Berlin Housing Authority Combined Balance Sheet			
	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014
ASSETS			
Cash	\$ 503,081	\$ 393,414	\$ 511,697
Security Deposits	15,326	16,825	17,596
Accounts Receivable	2,093	47,237	11,099
Investments	28,633	-	-
Prepaid Insurance	8,000	8,387	13,890
Accrued Interest Receivable	-	-	-
Capital Assets (Net)	1,003,653	1,385,438	1,273,800
Other Assets	108,620	110,658	112,780
TOTAL ASSETS	\$ 1,669,406	\$ 1,961,959	\$ 1,940,862
LIABILITIES			
Accounts Payable	4,267	9,608	11,139
Other Liabilities	106,994	357,850	355,597
TOTAL LIABILITIES	111,261	367,458	366,736
EQUITY/NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,003,653	1,130,958	1,019,320
Restricted Net Assets	161,498	18,561	115,942
Unrestricted Net Assets	392,994	444,982	438,864
TOTAL EQUITY/NET ASSETS	1,558,145	1,594,501	1,574,126
TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 1,669,406	\$ 1,961,959	\$ 1,940,862
COMPONENTS OF TOTAL EQUITY/NET ASSETS			
Liquid Equity:			
Cash	\$ 503,081	\$ 393,414	\$ 511,697
Investments	28,633	-	-
Other working capital components	22,778	(184,351)	43,109
Net Liquid Equity	554,492	209,063	554,806
Non Liquid Equity:			
Land, Structures, and Equipment	1,003,653	1,385,438	1,273,800
Less: Long-Term Liability	-	-	254,480
Total Non Liquid Equity	1,003,653	1,385,438	1,019,320
Total Equity/Net Assets	\$ 1,558,145	\$ 1,594,501	\$ 1,574,126
Changes in Equity-Year ended 6/30/14			
Equity, 6/30/13	\$ 1,594,501		-
Prior year audit adjustments	-		
Net Income (Loss) from Operations:			
Public Housing and Capital Fund Programs	(120,347)		
All other programs	99,972		
Equity, 6/30/14	\$ 1,574,126		
Public Housing Portion of Equity			
Public Housing	\$ 1,263,132		
All other programs	310,994		
Total Equity	\$ 1,574,126		
NOTE -Public Housing funds can only be used for Public Housing related improvements or expenditures. Public Housing capital expenditures must have HUD approval.			

WASTE WATER TREATMENT FACILITY

Berlin's Pollution Control Facility processed 686.78 million gallons of sanitary sewer flows and another 65.21 million gallons of leachate from the Mt Carberry Landfill last fiscal year. We also accepted and treated almost 310,000 gallons of septage waste from outlying communities not on their own sewer systems (ie, septic tanks) last fiscal year.

Average monthly power usage at the main plant (Shelby Street) increased 157% to 80,452.5 kWh and at our main pump station at Watson Street it increased 103.2% to 33,316.7 kWh. average monthly energy usage at the Main Plant (Shelby Street) increased 111.7% to 170.5 KW and at our main pump station at Watson Street it also increased 111.7% to 106.3 KW.

The energy usage (KW) follows the peak flows and is a measure of the success of the City's program to reduce Inflow and Infiltration into the Sewer System. More work on Inflow and Infiltration (I&I) has taken place again this year, aiming to reduce the surge flows we experience when a heavy or sudden rain descends into the Valley, or snow melts in the Spring, or when the river runs high. As a simple way to think about it, the amount of water Berlin Water Works (BWW) supplies to the City each day should be the amount of water Berlin Pollution Control Facility (BPCF) treats after traveling through the Sewer Collection System. Last year (FY2014) BWW produced 435.67 million gallons of water for City use; BPCF on the other hand had to treat 686.78 million gallons of City Sewerage, or 158% more than BWW produced!

Phase II Upgrade of the Pollution Plant

The arrival of the Bureau of Prison's medium security Federal Correctional Institute

prompted a design review of the Pollution Control Facility's capability to treat this additional flow. The problems of Inflow and Infiltration, the age of the extant facility (34 years), and AVRRDD's desire to redirect the Mt Carberry Landfill discharge to this Facility revealed that the existing design is undersized to treat these new flows adequately. So a plan to upgrade the facility was commissioned of Wright-Pierce Engineers out of Topsham Maine; their design looks out 20 years.

To address the anticipated increase in flow, their design increased the wall height and volume of all of our process tanks; this did not address the 30-year peak flow design requirement, so they recommended a third "secondary" clarifier be built.

To address the anticipated increase in loadings into the facility, they looked at modifications to our "Activated" sludge system. Specifically, their design recommends more aeration capacity in the form of bigger blowers (Hoffmann), a modern diffuser system (Sanitaire), and automation controls to maintain a "Dissolved Oxygen" setpoint under all foreseeable operating conditions; their design also recommends increasing our capacity to store and thicken "Sludge"; improving our capacity to "reseed" the "Activated Sludge" under all foreseeable flow conditions; and giving us the ability to settle out nutrients (ie, Phosphorus and Nitrogen) within our existing tankage so they don't impact the Androscoggin River.

The State of New Hampshire would not authorize the continued use of Chlorine for disinfection so a Hypochlorite disinfection system was developed.

All of the underwater concrete of our existing tanks have been refurbished and resurfaced with a cementitious sealant (SIKA product).

New covers (Aluminum Domes) for our clarifiers are required by current building codes and have been provided.



Secondary1 Dome Cover coming into place

New pumps (FlowServe) matched to the new flow requirements have been installed with variable frequency drives (Altivar 61's and 71's) powering and controlling them.

New rake mechanisms (ClearStream) for each of 7 clarifiers have been installed and adjusted. New instrumentation with automation controls to maintain set points under varying conditions have been installed for all critical processes. Eleven (11) new PLC's (Programmable Logic Controllers) have been set up for local control of individual processes. A new SCADA (Supervisory Control and Data Acquisition) system has been designed and is being implemented for remote control operations and more thorough data acquisition and handling at three new operator stations in the plant.

Three of our existing aeration blowers have been rebuilt and were supplied with new upsized motors; one new one was purchased outright. We have replaced the existing fiberglass pipe to the aeration tanks with new larger Stainless Steel pipe.

A modular design HVAC system has been provided for climate control, especially in the laboratory, that will affect the whole building. A new transformer with a higher amperage rating to power all the new equipment has been installed and hooked up, along with new primary leads into the facility from PSNH.

Eight (8) new motor control centers (Square D) have been strategically located in the facility for better distribution and control of electrical energy.

Apex Construction has functioned as prime contractor and performed well. Their subcontractors are: Ray's Electric who did the Electrical work; Electrical Installations Inc who supplied the instrumentation, provided the PLC's and programmed our SCADA system; VR Concrete who supplied all the concrete in place; Riverside Mechanical who supplied the HVAC systems and plumbing services under whom Pro-Controls programmed the HVAC Controllers; Glen Builders who did all the earthwork and in-ground pipe installations; GS Bolton who did all the tank resurfacing and specialty coatings. There were numerous other subs who provided specialty services, such as roofing, pumps, valves, ductwork, and insulation. It was a complex project and took much coordination and management effort on Apex's part to bring all these suppliers together in a timely and productive way.

As of the end of this fiscal year we are months away from substantial completion of the whole project. Our operators are gradually learning to operate the new equipment, learning the new processes and acquiring the materials and parts needed to maintain this new equipment.

Respectfully Submitted,
Henry Noel
Waste Water Superintendent

Public Works Department



The Public Works Department provides a number of services to the citizens of Berlin. They include: the maintenance of over 60 miles of streets and many more miles of sidewalks that need to be swept, patched and overlaid with pavement. We also provide snow removal, street marking, and the fabrication and installation of street and traffic signs. We construct retaining walls, install guard rails and guard fence. We maintain sewer and storm water collection systems. We provide equipment maintenance for all of the Public Works, Fire, Recreation, Health, Police and Engineering Departments as well as the Berlin Municipal Airport. We maintain gas and fuel distribution system for all City Departments. We also provide and maintain 151 sand and salt barrels for winter use. Concrete sidewalks, retaining walls and bridge abutments are periodically sealed. Our personnel also provided utility information and project inspection for water and sewer capital improvement projects.

Transportation - Street Markings

Center lines, edge lines, railroad crossings and crosswalks were painted as they are every year excluding three exempt railroad crossings. The cost of this work is approximately \$11,000. The work includes approximately 220,000 linear feet of striping and 5 railroad crossings. PWD crew paints

over 130 crosswalks throughout the City, all the Stop Bars, and Yellow No Parking Zones and the Handicap Parking areas.

Projects in Progress/Completed the 2013-2014 Season

- Replaced retaining walls and railings on Sweden Street and Prospect Streets. - Hutchins Street Re-Construction started in April 2014, with reconstruction of the street and an upgrade to the drainage system between Wood & Bridge Streets.
- The Phase 2 Route 110 Project began and is to be completed in FY16.

Solid Waste - The East Milan Road Landfill closure was substantially completed in October of 1996. Closure of the landfill launched the 39 year post-closure monitoring program. Groundwater quality and methane gas production is being monitored in accordance with the program.

The Cates Hill Landfill Closure project was completed in August of 2006. Groundwater quality and methane gas production are being monitored in accordance with the program. The Cost for Engineering Services, Lab Testing Services, Gas Monitoring, Administrative Services and Grounds Maintenance is almost \$18,000.

The Public Works Department does curbside pickup of household garbage. We pick up approximately 4,000 tons per year and take it to the landfill at a cost of \$67/ton = \$268,000. The Public Works Department collects paper, glass, plastics, tin, aluminum and cardboard for recycling.

There has been an increased effort to reduce the household garbage tonnage to the landfill. We worked with the local media to inform and educate the public of the need to improve our recycling efforts to reduce curbside bulky

waste pick-up and to have residents use the AVRDD transfer station.

Students at local schools have been informed of the solid waste collection process and the importance of reducing household waste through recycling efforts.

Recreation and Parks Maintenance



The maintenance crew for Recreation and Parks are now being directed by Public Works Director. The past few years have been challenging for us with project completion and field issues. The new field at the Community College was put into service just in time to accommodate the addition of high school women's' varsity soccer program. This field was put in service this season. We are over the hurdle with the major issues with bug infestation and fertilization on our major fields (Memorial, High School and Community College). We will continue to work closely with Northeast Agriculture to guide us past these obstacles. In working with Northeast we have gained the valuable knowledge that will help us avoid these issues in the future. The fields are currently in good shape. The demands have also increased with the addition of high school aged (Gladiators) football and high school women's soccer and youth football (Lumberjacks) being added next season.

Following is a summary of the tasks and services provided by the crew listed by the different seasons.

Winter :(Dec., Jan, & Feb.)

- Put up downtown x-mass decorations, repairs, replacements, etc.
- All snow, ice, and rain events are attended to as they occur. This involves plowing, shoveling, sanding and salting parking lots, walkways, stairs and entrances. The places we maintain are; 1) Police station-Rec. center, and First Ave. parking lots. 2) City Hall 3) Court House.4) Heritage Park 2 lots. 5) Bickford Place. 6) Memorial and Community Fields storage. 7) 5 skating rinks.
- We maintain 5 skating rinks as long as weather permits. These rinks are located at Green St., River St., Ramsey Park, Horne Field, and Hutchins Park.
- Everyday custodial duties are performed at the Rec. Center, and the building is maintained for all winter programs. Equipment maintenance is usually performed during springtime.

Spring :(March, April, & May)

- All equipment is inspected and repaired, painted, or replaced. As snow melts the crew gets outside and starts to "spring clean" (litter pick up, leaves, sweeping, and sod repairs) all areas that we take care of. High School baseball and softball games, Boys and Girls Tennis are first on the schedule. They play and practice on the two Little League Fields at Community and at Memorial and at the Glen Ave. and Horne Field tennis courts. JV and Varsity play about 20 home ball games not counting playoffs. We started a new field maintenance program with Northeast Agricultural to restore all our fields to excellent condition.
- Grass mowing starts and the cemetery crew from Northern Human Services starts in May. We equip them and service their mowers and they do a great job. The

Community Gardens are tilled, staked out and made ready for planting.

Summer :(June, July, & Aug.)

-High School and Jr. High athletic seasons wind down with playoffs. Grass mowing and trimming are everyday tasks. All places we maintain are: Track field, Memorial and Memorial Annex, Green St., Veterans Park, all downtown (Vodoukis, PSNH, Gill, Library, St. Anne, Dead River, all Pleasant St., Green St., and Cole St. islands, Tondreau,) parks, Cleveland Bridge road and Botanical gardens, Central Playground, Community Fields, Hutchins Park, the ball field at Horne field and playground, Rotary Park, Brown School Playground, Ramsey Park Playground.

- Full schedule of girls' softball (Bobcats) games at Horne Field, Cal Ripken at Community, and their respective tournaments.

- Summer Soccer league games at Community Field

- Summer playgrounds program and free lunches as well as ongoing field maintenance at all fields that include, aerating, seeding, topdressing, fertilizing and weed-killing. - Cemetery work

- Trash removal, tree pruning, fence repairs, and playground safety, etc., are attended to weekly.

Fall :(Sept., Oct., and Nov.)

-Very busy fall schedule of High School field hockey and soccer games and practices that start in August. Every day practices at Community Field and Community College field for JV and Varsity teams, with 10 home games for each team at the Track field.

-7th and 8th grade soccer and field hockey games and practices at Horne field and Memorial Annex field

-5th and 6th grade soccer and field hockey games and practices at Memorial and Community fields. New addition this fall

was the addition of high school level football which had daily practices at Memorial Annex Field and four home games at Memorial Field. The Berlin Gladiators had a successful season making into the play-offs for the second year. This play-off game was held at the High School Track Field.

- Rec. Dept. Soccer program at Green St. Field

- Crews repair worn areas of all fields and continue field maintenance program

- All bleachers, nets, benches, picnic tables, summer equipment, etc. are put away for the winter. Crew does the downtown x-mass decorating and assists Main St. Program with their decorations.

Respectfully Submitted by,

Michael P. Perreault

Public Works Director



BERLIN PUBLIC SCHOOLS

Demographics

Berlin Public Schools opened the 2013-2014 school year with an enrollment of 1279 students K-12 and closed the school year with an enrollment of 1233. Kindergarten was offered in six half-day sessions.

The district employed 252 employees. The district has 56% low socio-economically deprived; 25% of the students are identified as students with disabilities, state average is 16%.

Instruction & Assessment

All students in grades 3-8 and grade 11 were administered the NECAP (New England Common Assessment Program), the statewide testing, in October, in Reading and Math. Grade 5, Grade 8, and Grade 11 were also assessed in Writing. In May, grades 4, 8 and 11 were tested in Science.

The following grade levels showed the most gain either near, at or above state average.

Grade 3	66%	Proficiency in Reading
	46%	Proficiency in Math
Grade 5	71%	Proficiency in Reading
	72%	Proficiency in Math
Grade 7	67%	Proficiency in Reading
Grade 11	6.6	Grade Equiv. in Writing

Under the guidelines of a state Waiver to No Child Left Behind (NCLB) schools are given a designation of “priority school” and “focus school”. Based on N.H. assessment results, schools who do not have a testing grade are

designated as “priority schools”. Schools who do not make adequate yearly progress in each student subgroup: race, disabilities, low socio-economic and gender, are designated “focus schools”. Brown School is identified as a “priority” school and Hillside is identified as a “focus” school. These designations apply to Title I schools. Both schools were required to complete a restructuring plan for improvement.

The regional Career and Technical Education Center (CTE) offered the following programs: Accounting, Automotive, Technology, Building Trades, Drafting/CAD, Early Childhood Education, Family and Consumer Sciences, Graphic Arts, Health Science Technology, Pre-engineering and Welding.

Industry certifications were earned by students in Automotive Technology, Health Science Technology and Welding. The Pre-engineering program was certified by Project Lead –The- Way for a period of 5 years. National Automotive Technology Education Foundation (NATEF) renewed the Automotive program’s certification for 5 years. The N.H. Board of Nursing renewed the 2-year certification of the Health Science Technology program.

Staff Accomplishments

The Berlin District Leadership Team worked with specific K-12 goals.

- The use of best practices in instruction will improve student achievement and narrow the achievement gap
- Advance the effectiveness of student/building/district data teams with the use of common assessments
- Improved communication with parents and the community will have a positive impact on student achievement

District-wide committees met to address: Professional Development, Wellness, District and School goals, Math curriculum review K-12 and Technology integration.

As a district, all buildings have revised emergency management plans. Additional surveillance systems have been installed both in and out of school buildings. All school busses are also equipped with video and audio surveillance systems.



Valentine's Day Surprise visit from Governor Maggie Hassan

The district technology committee works monthly to assess the needs of the staff and students, ensures 21st century learning, increases access to technology, provides trainings for more efficient paperless tasks, supports for student use and preparation for on-line electronic state testing with Smarter Balanced Assessment. The district has been proactive in increasing the use of technology for staff and students. Our inventory is currently 715 PCs, 350 Ipads, 105 Chrome notebooks and 40 KUNO tablets. We have increased our district-wide bandwidth from 13 Megabytes to 200 Megabytes for all

schools in preparation for our transition to a digital platform of one-to-one computing and state testing. In the upcoming 2014-15 school year all of our students in grades 5-8 will be assigned a school owned tablet. In preparation for this transition we have added an additional subcommittee to prepare for our new initiative, train students, educate parents and support staff.

Facilities Report

Our buildings had a full assessment of roof conditions and developed a multi-year plan for maintenance and repair. Window replacements continue at the Hillside/Berlin Middle School complex.

Heating management has proven to be successful with our decrease of fuel consumption. Prior to the district actively applying a heating management program the lowest recorded year for oil consumption was 1997 with 120,258 gallons of heating oil consumed. The district has used less oil than our previous record set in 1997 for three consecutive years saving a total of 32,760 gallons, equal to a combined cost savings of \$101,208. Working with our plumber and a boiler maintenance company the custodians are managing their own boilers.

Parent/Community/Board Involvement

A parent/teacher/student conference day was scheduled for Dec. 6, 2013 for all grades K-12. In grades K-6, teachers reviewed student progress with parents, in grades 6-8 students reviewed their portfolios with parents. In Grades 9-12 parents met individually with teachers. Parent participation rates were: Brown School 96%, Hillside School 95%, Berlin Middle School 94%. A student-led conference was scheduled at Berlin High School May 24, 2014, participation was 95%.

Family nights were held at Brown and Hillside schools based on a literacy theme.

Brown School participated in literacy events centered on a theme, “A Trip Down the Nile” and Hillside School with a theme “Reading Olympics”. These events were sponsored by the local Title I Program.

Berlin Middle School students participated in a financial literacy fair assisted by Woodlands Credit Union and Guardian Angel Credit Union. Middle School students also participated in a Health-O-Rama sponsored by Androscoggin Valley Hospital.

Students at all grade levels visited local establishments for community service, learning about safety on the job, science education, fine arts performances, job shadows and internships.

The Drama Club had two performances; “The Uninvited” and “Honk, Jr.”.

Brown School continued a “Walking Wednesday School Bus”.

STEM (Science, Technology, Engineering, Math) programming is evolving with a program for all students in grade 6, 7, and 8 at Berlin Middle School, then it transitions to Project-Lead-The-Way in grades 9-12. Project Lead The Way classes are pre-engineering courses offered at Berlin High School such as: Intro to Engineering Design, Civil Engineering, Bio-Technical Engineering, Digital Electronics, Technology and Robotics.

Students also have the opportunity to earn college credits by taking designated “Running Start” courses with White Mt. Community College while completing high school credits. APEX learning is an on-line program for students who need credit recovery.

Several high school student groups qualified and attended national conferences and

competitions: Destination Imagination, HOSA (Health Occupations Students of America), USA SKILLS for Welding, and FCCLA (Family Career and Community Leaders of America). The girls field hockey team won the N.H. state title, boys ice hockey, basketball and baseball teams all advanced to the semi-final round of state tournaments. Richard Dragon was the state champion for shot put in track and field events.

Berlin Board of Education members are: Nicole Plourde, Chair, Donald Labrecque, Vice-Chair, Secretary, Lynn Moore, Louise Valliere and Denise Valerino. The Berlin Board of Education was awarded the N.H. Excellence in Education Award for being the 2014 Best School Board of the State.

The Berlin Board members were successfully engaged in contract negotiations with the Berlin Education Support Staff to develop a new collective bargaining agreement for one year.

The city funded the school budget at \$17,685,049. The School Board members and district administrators carefully examined all its programs and operational expenses in the year-long process of developing the FY15 school department budget. The goal was to maintain N.H. Approved Schools, to maintain High School Accreditation, to pursue state and federal funding as supplements to the city’s school budget appropriation and to increase technology in all aspects of teaching and learning

Respectfully Submitted,

Corinne E. Cascadden
Superintendent of Schools

Berlin Water Works



Water Commissioners for this report period were Paul W. Poulin, Lucien F. Langlois, Michael Caron, David Bertrand and Paul Ingersoll; Ex-officio member was Mayor Paul R. Grenier. David Bertrand's term ended May 2014, Paul Ingersoll was appointed by Mayor Grenier to replace David Bertrand on the Board.

The BWW has not increased water rates in seventeen years. The NHDES 2012 Water Rate Survey was published and Berlin Water Works ranks 10th highest in the State for an average of \$595/per year per four person household. BWW has been able to maintain water rates because of cross-training employees and elimination of work through planned improvements and the implementation of BWW "force account" construction to offset operating cost by performing capital improvement projects with BWW resources. The 55 Willow Street Office solar system has produced a 37% savings on electric bills. BWW also received a rebate of \$18,000 from the PUC for the solar system and we will be earning energy credits.

The 1994 and 1995 Bonds continue to be a major financial burden on the BWW's resources. The 1993 Bond was paid off in July of 2013. The 1994 Bond will be paid off in August 2014 and the 1995 bond will close in FY 2016. The availability of new low interest system improvement loans and grants has enabled the BWW to perform "Force account" construction work to improve our systems and balance the operation and debt budgets. In 2013, Berlin Water Works refinanced seven (7) NH State Revolving loans for a total savings of \$590,771.

BWW continues to offer on line bill paying for customers. Customers can pay their bills by going to the City of Berlin Website berlin.nh.gov. Invoice Cloud and Northern Data Systems are providing electronic bill presentment and online payment service. The system allows the office clerks to enter credit card payments for customers here at the office or over the phone. The system also allows customers to choose paperless billing. Approximately 521 or 12.8% of our customers are registered to use the online billing service. Also, the BWW has an auto-pay option for which 176 customers currently participate.

The Federal Prison Facility has been slowly increasing staff and inmate population. The water sales and revenue from the Federal Prison Facility has been lower than forecast and will not achieve forecast usage and revenue at operation.

There are 3400 BWW accounts requiring metering and protective devices. BWW has installed 1785 backflow devices to-date at customer's homes. BWW has installed 1101 radio read units to-date. BWW is currently upgrading old brass meters by replacing them with Sensus Iperl meters. FY 2014 BWW replaced 86 meters of the total replaced 83 were Sensus Iperl meters.

BWW celebrated Drinking Water Week from May 5, 2014 to May 9, 2014 with open house at the Ammonoosuc Treatment Plant. Mayor Grenier signed a proclamation for Drinking Water Week. Superintendent Viens and Andy Sharpe of Provan and Lorber made presentations regarding the Berlin Water Works improvements at the New Hampshire Water Works Association (NHWWA) Exeter meeting in October 2013, and again at the New England Water Works Association (NEWWA) conference in Worcester, MA on

April 2, 2104. At the New Hampshire Water Works Association (NHWWA) meeting in Wolfeboro on April 17, 2014, the BWW superintendent was presented with a “Meritorious Achievement Award”.

During the severely cold and long winter of 2013/2014, we had 124 people running water to prevent service line freeze-up. Some of these customers started running water on January 2, 2014 until shut-off on May 6, 2014.

	FISCAL 2013	FISCAL 2014
Total Flow	314,754,178	409,947,806
Difference from previous year	26% increase	30% increase
Gallons per Day	.862 million gallons	1.123 million gallons
Running Water Customers	17	124
Running Water Start - early	11-Jan-13	2-Jan-14
Running Water Start - regular	-	-
Running Water Finish	8-Apr-13	6-May-14
Frozen Water Calls - outside	6	70
Frozen Water Calls - inside	1	1
Hydrant Flushing	8/1/12 to 8/10/12	8/26/13 to 9/13/13
Number of main line breaks	5	3
Number of service line breaks	1	3

The balance of the 311 running water customers did not have to run the water in winter 2013/2014. BWW had one water main

freeze on Jericho Road on April 7, 2014. We had 70 freeze-ups that required thawing. Of the 70 thaws, 46 froze curb to main, and 24 froze curb to house. We recorded 1 freeze-up inside thawed by property owner. Efforts continue to reduce the number of running water customers, of which there were 1003 of 3500 customers in the winter of 2000-2001.

Our lead and copper water sampling program passed the last five rounds of testing in June of 2006, December of 2006, September 2007, September 2008, September 2009 and September 2012. The testing results from September 2012 showed all passed for copper and three failed for lead. The State of NH Department of Environmental Services dropped our tests required from 60 samples to thirty sample sites. The overall average lead and copper sample levels have dropped to new low levels. Please note that the water leaving the Water Treatment Plant is free of lead and copper and that the resulting lead and copper are attributed old portions of the distribution system, customer pipe systems, and/or dead end lines. Water sampling will continue to monitor lead and copper levels. The next round of testing is scheduled for 2015. Water Quality Report for calendar year 2013 was distributed to all water customers as a bill stuffer in the May 2014 Billing. Paperless customers received an internet address to view the Water Quality Report.

The Ammonoosuc Treatment Facility developed a problem of too frequent backwashing and low finished water production. Blue Earth Labs was hired to review the process and test the beads and media. It was determined that the clarifier beads were not being cleaned adequately. The bead and media replacement or their cleaning by Blue Earth was costly. The BWW staff revised the cleaning process via researching the options

available. Staff has completed the clarifiers and filters cleaning at the Ammonoosuc Treatment Plant and improved the system operation significantly. The plant operated at full design capacity of 1400 gallons/minute on February 18, 2014. BWW started the upgrade of SCADA PLC's to improve the distribution system control reliability.

The new Maintenance Garage compressed air distribution system was completed by BWW staff. All planned work inside the garage is now complete. BWW staff has also completed the installation of outside drain structures for the garage facility. Proposals are being reviewed for the proposed free standing and retaining wall near the new garage. Phase I roof repair at the Androscoggin Water Treatment Facility was completed. The work will be completed with Phase II which is planned for fall of 2014.

Melanson, Heath & Co PC was accepted by the Board to perform the Water Works financial report for period ending June 30, 2015 (FY2015). The FY 2013 was completed and FY 2014 is currently in progress. Our FY 2015 budget of \$3,580,639 was presented by the Board on May 28, 2014 at the budget hearing providing \$2,392,660 for operations and \$1,187,979 for water bond and loan debt payments. The proposed budget was approved June 25, 2014. This budget represents the seventeenth consecutive year with no water rate increase for its customers.



The Board of Water Commissioners signed a working agreement with AFSCME Local #1444 to cover the period of August 1, 2013 to July 31, 2016. Four of the BWW employees were trained in the removal of

asbestos pipe recently. Donny Labrecque is also qualified to teach the proper way to remove asbestos pipe.

IMPROVEMENT PROJECTS:

The BWW installed 6,519 feet of water main with 353 feet of Godfrey Transmission Line during the calendar year of 2013. At years end there was approximately 250 feet of Galvanized line, approximately 6.0 miles of Cast Iron Water line, as well as less than 1 mile of transmission line to be replaced. The years efforts completed the Upper Main Street and Riverside Drive long term water main improvement project.

BWW 12-1 NHSRL #10 –In FY 2014 the water main line work was completed on Riverside Drive from Twelfth Street to Noury Street, the River crossing was tied into Riverside Drive and Hutchins Street in September of 2013.

BWW 11-3 NHSRL #9 –Work is ongoing for a solar system at Godfrey Dam and a Hydro project at the Ammonoosuc Treatment Plant facility. The Hydro Bid has been awarded to Soar Technologies.

BWW 11-2 NHSRL #8 The total project includes the carryover streets from BWW 09-2 NHSRL #7 as well as Summer Street from Elm Street to Spruce Street, and NHDOT project on Route 110. – In FY 2014 BWW connected the new high pressure line to Jericho Road and installed a new hydrant across from the Railroad Tracks on Lessard Farm Road. Also the Hillside Avenue and railroad crossing water main to Hinchey Street was slip-lined with a new 12-inch HDPE water main.

BWW 11-1 EPA #10 –The grant scope of projects includes the carry over streets from BWW 10-1 as well as completion of Brown Farm Well Improvements Phase II. The

Brown Farm Well project Phase II is completed and is operational at an increased capacity of 1.4 MGD. A used Hyster 30 fork truck was purchased to facilitate material handling at the Brown Farm Well Facility. The final Pay Request was submitted in April 2014 and the grant has been closed.

BWW 09-1 Rural Development #3 –The majority of work addressed with this Loan & Grant during FY2014 was the completion of work on East Mason Street, Sunset Street and Sullivan Street. Also Hinchey Street and Third Avenue between Hinchey Street and Madigan Street were completed by July 2014.

BWW 12-2 Rural Development Loan #5 – Godfrey Transmission Line Project-BWW completed work in the amount of \$450,000 on the Godfrey Transmission Line Project. An extensive effort was made by engineering consultants, the US Forest Service, NHDES, special consultant George Pozzuto, and BWW staffs to acquire consensus and permitting on a planned path forward. Echologics was hired to non-destructively test the condition of a 10,500 lineal foot section of the 20-inch transite pipeline. Some sections of the transmission line were also videoed to check the internal condition of the pipe. BWW rebuilt the road base and ditches from the Loop Road to the State Park about 2 miles in length. The road was in disrepair and almost impassible passable. Road work remaining is to gravel the road and to slip line the pipe section below the river crossing 600 feet below the Dam. George Pozzuto was invaluable in working with the Forest Service for the entire transmission line project. BWW is scheduled to close the Rural Development Loan at \$450,000 in July 2014. The remaining work to be completed was also listed on the scope for a State Revolving Loan, and will be

completed through a different funding source.

NHDOT Route 110 Phase II Project – BWW and NHDOT negotiated a contract to perform all water main and water service work on the Route Phase II Road Improvement Project. The contract is a time and material contract with fixed scope. A large portion of the work is due to existing water main and proposed drain system location conflicts. BWW started work in the summer of 2013 and work is on-going. At this writing water work was nearly completed from Green Street RR Bridge to 3rd Avenue. BWW work on NHDOT project should be completed in FY 2016.

	Total FY2014	FY 2013	FY 2014
Curb-to-curb street paving (includes overlay)	10.8	0	0
Number of New Meters	3584 total in system	30	92
Number of New hydrants	419 total in system	10	10
Number of Replaced services	3500 total in system	60	65
New water main installed – since 1990	27.53	2.35	1.6

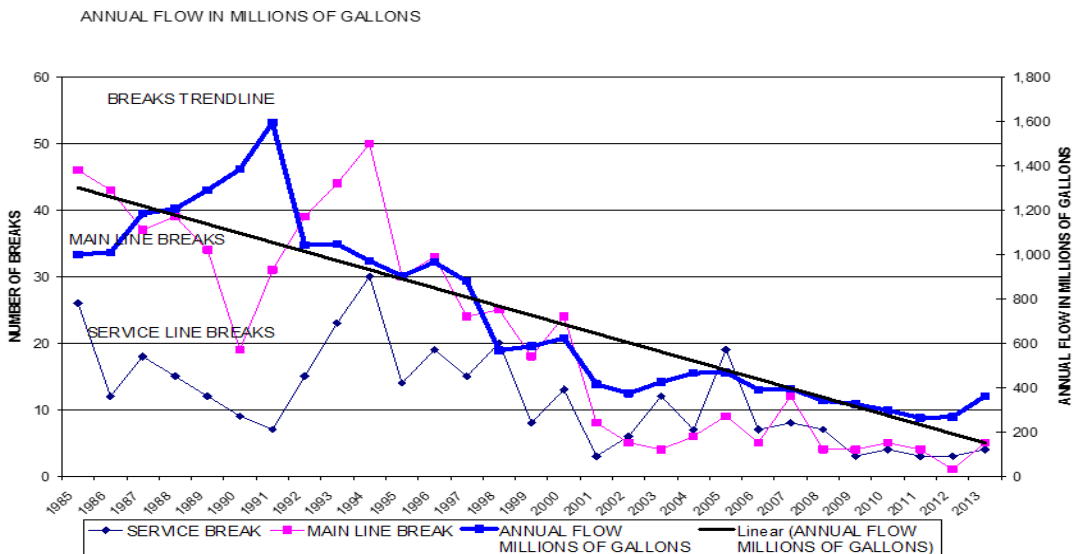
Improvements to the water distribution in the City of Berlin continue with planned replacement of small diameter galvanized mains (250 feet remaining as of June 2014) and 1890 thru 1990’s vintage unlined cast iron mains (31,684 feet remaining as of June 2014) with the highest frequency problems corrected first. As the streets for replacement of water mains are selected for design, improved fire protection flow capabilities are

considered. The results of these increased efforts will be a much improved distribution system.

Superintendent Viens is planning to retire in October of 2014 after 14 plus years with the Water Works. A transition plan was developed and Craig Carrigan will be his replacement.

Thanks to all BWW employees, Water Works Commissioners, the Honorable Mayor Paul Grenier, the City of Berlin and the NHDES Drinking Water staff for their continued support for the past year and the last 14 years. The BWW has completed and is continuing work on significant improvements that will improve our water system and reduce our operating cost for many years into the future.

WATER LINE BREAK HISTORY



Also special thanks goes to David Bertrand for his valuable service to BWW serving on the Board of Water Commissioners for three separate terms. He served from 1992 thru 1996 (4 yrs), + 2000 thru 2003 (3 yrs), + 2012 thru 2014 (9 yrs), for a total of 10 years. His business and engineering experience was most help during the initial compliance capital improvement planning and financing in his 1st term.

This same experience was very helpful during the early 2000 term to address the critical financial issues. It was at that time that BWW organizational efficiency improvements were made. Also during that time, BWW continue the established capital improvement plans and established “force account” construction work to balance the budget. Many thanks for Dave’s contributions.

Roland Viens
Water Works Superintendent

BERLIN REGIONAL AIRPORT



Annual report time means one more year has flown by. As usual we had a busy year at the Berlin Regional airport. Work continues on our Capital Improvement Project to replace our Jet-A Fuel storage tank system with a new one. The ground work and cement work was done in the fall with the tank being delivered and put into place in May.



Jet-A Fuel storage tank being put in place

No sooner will we complete this project then we will we seek funding for the next round of projects. These new projects will include replacement of our 100 Low Lead fuel storage and dispensing system, new heating system for the terminal building, clear all the brush and trees from the 6 hazard beacon lines rights-of-way and rehabilitation of the rotation beacon. All the projects on our "wish list" will be subject to funding through the State of New Hampshire and the F.A.A.

Executive Councilor Ray Burton paid the Berlin Airport a visit on August 23rd during his annual Airports Tour, where he takes the time to visit every airport in his District. As

always Ray was here to find out what's going on, listen to any concerns and offer help in any way he could. I would add that Ray was a driving force on seeing that our tank project made it on the next Governor and Council's agenda. He was a tireless advocate for aviation in the North Country and will be sorely missed.

New Hampshire Airport Tour

Raymond S. Burton
Executive Councilor

Friday, August 23, 2013
District One
Airport Informational and Awareness Tour

Airport Tour Schedule

- 8:00 am - Laconia Municipal Airport, Gifford
- 9:30 am - Plymouth Municipal Airport, Plymouth
- 11:00 am - Parlin Field, Newport
- 12:00 pm - Claremont Municipal Airport, Claremont
- 12:45 pm - Lebanon Municipal Airport, Lebanon
- 1:30 pm - Dean Memorial Airport, North Haverhill
- 3:00 pm - Mount Washington Regional Airport, Whitefield
- 4:00 pm - Gifford Field, Colebrook (weather permitting)
- 5:00 pm - Berlin Regional Airport, Milan
- 6:00 pm - Eastern Slope Regional Airport, Fryeburg, Maine

The map shows District 1 highlighted in dark red, covering the northern and central parts of New Hampshire.

With the fall nip in the air our attentions turn to preparing for winter, making sure the plowing equipment is inspected and ready to go.

The Berlin Regional Airport continues to serve the Citizens of Berlin and the whole aviation community on a 24/7 basis. Many thanks go to the Airport Authority, staff and everyone else involved with the airport for all that you do.

Eric Kaminsky
Airport Manager

FINANCE/COLLECTIONS

The Tax Collection Department continues to offer property taxpayers the ability to have tax and sewer payments withdrawn from their checking or savings accounts. Payments are withdrawn on the bill due date. For taxpayers who prefer to budget their tax and sewer payments, the City will withdraw funds on the second Wednesday of every month.

Vachon, Clukay & Co., P. C., of Manchester, New Hampshire, conducted the annual fiscal year end audit again this year.

During fiscal year 2014, the Finance Department issued 4,252 semi-annual real estate tax bills totaling \$14,754,338.50. The Department also issued 3,197 sewer bills which totaled \$1,695,246.13. The number of motor vehicle registrations issued by the City increased this year by 10 registrations to 9,708 registrations. The City collected \$1,125,454.50 which is \$43,824.50 more than the amount collected last fiscal year.

There was a total of 1,089 dump passes issued during fiscal year 2014.

The Finance Department also provides Human Resource Benefits for the City's 150 regular full and part time employees. The City is fortunate to employ a group of dedicated and conscientious employees. I want to thank each one of them for their commitment and hard work.

Assistant Comptroller: Jan Gagnon
 Senior Collections Clerk: Elaine Tremblay
 Collections Clerk: Kris Davis
 Payroll/Benefits: Elaine Gamache
 Accounts Payable Clerk: Natalie Croteau

Respectfully submitted,

Patricia A. Chase
 Finance Director/Tax Collector

TAX COLLECTOR'S REPORT

Debits:	2012	2013	2014
Uncollected Taxes - Beginning of Year:	\$ 1,210.00	\$ 1,580,390.46	
Property Taxes		\$ 9,717.14	
Land Use Change Tax			
Yield Taxes		\$ 65.02	
Utility Charges	\$ 282,670.84		
Uncommitted Taxes			
Taxes Committed:			
Property Taxes		\$ 7,581,663.50	\$ 7,172,450.50
Special Taxes		\$ 17,466.00	
Land Use Change Penalties		\$ 2,990.00	
Yield Taxes		\$ 1,810.47	\$ 2,509.66
Excavation Activity Tax		\$ 7.92	\$ 150.20
Utility Charges		\$ 1,653,791.13	
Uncommitted Utility Charges			
Overpayment:			
Property Taxes		\$ 566.00	
Interest - Late Tax		\$ 25,822.90	
Interest - Late Sewer	\$ 21,783.85		
Total Debits	\$ 305,664.69	\$ 10,874,290.54	\$ 7,175,110.36

Credits:				
Remitted to the Treasurer:				
Property Taxes			\$ 8,498,240.45	\$ 5,316,000.20
Land Use Change Penalties			\$ 2,990.00	
Yield Taxes			\$ 1,875.49	\$ 2,509.66
Excavation Activity Tax			\$ 7.92	\$ 150.20
Interest	\$ 21,783.85		\$ 25,822.90	
Utility Charges	\$ 192,674.08		\$ 1,386,900.78	
Conversion to Liens	\$ 84,791.76		\$ 652,375.30	
Uncommitted Taxes				
Uncommitted Utility Charges				
Abatements made:				
Property Taxes			\$ 26,187.39	
RSA Liens (Deferrals)			\$ 12,999.96	
Yield Taxes				
Utility Charges	\$ 6,415.00		\$ 5,356.46	
Uncommitted Taxes				
Current Levy Deeded				
Uncollected Taxes - End of Year:				
Property Taxes				\$ 1,879,844.02
Sewer				
Utility Charges			\$ 265,166.12	
Property Tax Credits			\$ (3,632.23)	\$ (23,393.72)
Land Use Change Tax				
Total Credits		\$ 305,664.69	\$ 10,874,290.54	\$ 7,175,110.36

Debits:		Levy	Levy
Unredeemed Liens Balance at Beg. of Fiscal Year:	\$ 586,268.24	\$ -	
Liens Executed during Fiscal Year	\$ 1,494.83	\$ 795,496.96	
Interest & costs Collected after Lien	\$ 35,125.45	\$ 9,468.15	
Total Debits	\$ 622,888.52	\$ 804,965.11	
		2012	2013
Credits:		Levy	Levy
Remitted to Treasurer:			
Redemptions	\$ 189,273.86	\$ 134,290.76	
Interest & Costs Collected after Lien	\$ 35,125.45	\$ 9,468.15	
RSA Liens/Deferrals			
Abatement of Unredeemed Taxes	\$ 12,794.80	\$ 2,621.67	
Liens Deeded to Municipality	\$ 54,148.71	\$ 49,272.12	
Unredeemed Liens Balance End of Year	\$ 331,545.70	\$ 609,312.41	
Total Credits	\$ 622,888.52	\$ 804,965.11	

CITY OF BERLIN, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2014
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**

Schedule of Findings and Questioned Costs

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, 2014, 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 did not audit the financial statements of the Berlin Water Works, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Berlin Water Works, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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, 2014, 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, and the schedule of funding progress for other post-employment benefits on pages i-xii and 34-37 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.

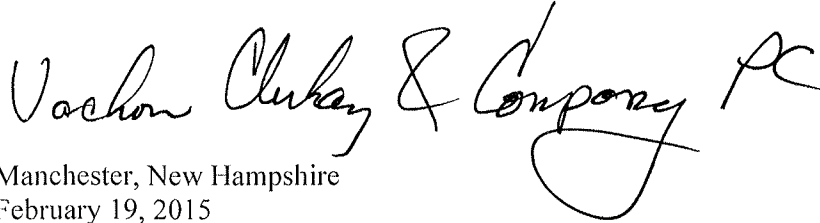
Supplementary Information

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 February 19, 2015 on our consideration of the City of Berlin, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Berlin, New Hampshire's internal control over financial reporting and compliance.



Vachon Clukey & Company PC

Manchester, New Hampshire
February 19, 2015

**City of Berlin, New Hampshire
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014**

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 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, 2014. 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

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, 2014 by \$51.5 million, an increase of \$3.2 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). Total unrestricted net position increased from the prior year with an ending balance of \$10 million. Restricted net position of \$400 thousand was restricted for permanent funds principal and income, food service operations and various unexpended grants and donations. The net investment in capital assets increased from the prior year with an ending balance of \$41.1 million.
- **Changes in Net Position:** The City's total net position increased from last fiscal year's \$48.3 million to \$51.5 million in fiscal year 2014. Net position of governmental activities increased by \$2.0 million or 9.2%, and net position of the business-type activities increased by \$1.2 million or 4.6%. 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 2014, the City's governmental funds reported an increase of \$1.6 million in the combined ending fund balance of \$6.8 million, compared to last fiscal year. Included in the combined governmental fund balance is the activity of the City's General Fund and the Nonmajor Governmental Funds. The General Fund ended the fiscal year with an unassigned fund balance of \$2,242,700, which is an increase of \$355 thousand from the previous fiscal year.
- **Proprietary Funds – Net Position:** As of the close of fiscal year 2014, the City's proprietary funds reported an increase of \$1.2 million in the combined ending net position of \$27.6 million, compared to last fiscal year. Included in the combined proprietary funds net position is the activity of the City's Sewer Fund and the Nonmajor Proprietary Funds. The Sewer Fund ended the fiscal year with an unrestricted net position of \$7.9 million, which is an increase of \$1.4 million from the prior fiscal year.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

- **Governmental Funds:** Most of the basic services provided by the City are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The basic governmental fund financial statements can be found on pages 3-4.

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 also be found on pages 3-4.

The City's only major governmental fund is 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 51-54. The nonmajor governmental funds are:

- Federal Projects Fund
- Food Service Fund
- Airport Authority Fund
- Health Department Fund
- Recreation and Parks Programs Fund
- Grants Fund
- Neighborhood Stabilization Grants Fund
- CDBG Fund
- Capital Projects Fund
- Permanent Funds

- Proprietary Funds: The City’s proprietary funds provide goods and services to the general public and charge a user fee. These activities are reported in one major fund -
 - 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 propriety funds financial statements can be found on pages 5-7, with individual fund data for each of the City’s nonmajor proprietary funds provided as supplementary information in the combining statements found on pages 55-57.

- 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 8-9 include the:

- Berlin Trust Fund
- Home Nursing Trust Fund
- Miles Scholarship Trust Fund
- Library Trust Fund
- Student Activities Agency Fund

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 10-33.

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 and includes a reconciliation between the reported activity of the revenues, expenditures and other financing sources and uses for budgetary purposes (Schedule 1, page 34) and the activity as presented in the governmental fund financial statements (Exhibit D, page 4). The City’s only major governmental fund for fiscal year 2014 is the General Fund. Also, included in the required supplementary information is the funding progress for other post-employment benefits (Schedule 2, page 35). The notes to the required supplementary information can be found on pages 36-37.

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 \$51.5 million at the end of fiscal year 2014, an increase of \$3.2 million compared to the end of the previous fiscal year.

Net position of the City as of June 30, 2014 and 2013 is as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Capital assets, net	\$ 24.4	\$ 23.0	\$ 38.2	\$ 32.6	\$ 62.6	\$ 55.6
Other assets	13.5	11.6	10.2	9.5	23.7	21.1
Total Assets	<u>37.9</u>	<u>34.6</u>	<u>48.4</u>	<u>42.1</u>	<u>86.3</u>	<u>76.7</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term liabilities	7.7	6.7	19.4	14.2	27.1	20.9
Other liabilities	1.0	0.7	1.4	1.5	2.4	2.2
Total Liabilities	<u>8.7</u>	<u>7.4</u>	<u>20.8</u>	<u>15.7</u>	<u>29.5</u>	<u>23.1</u>
Total Deferred Inflows of Resources	<u>5.3</u>	<u>5.3</u>	<u>-</u>	<u>-</u>	<u>5.3</u>	<u>5.3</u>
Net position:						
Net investment in capital assets	21.9	18.9	19.2	19.4	41.1	38.3
Restricted	0.4	2.2			0.4	2.2
Unrestricted	1.6	0.8	8.4	7.0	10.0	7.8
Total Net Position	<u>\$ 23.9</u>	<u>\$ 21.9</u>	<u>\$ 27.6</u>	<u>\$ 26.4</u>	<u>\$ 51.5</u>	<u>\$ 48.3</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 an increase in unrestricted net position of \$2.2 million from the prior fiscal year. The City carries a liability for compensated absences. While this currently seems like a relatively small liability for most municipalities, at some point in the future funds should begin to be reserved for it.

Statement of Activities

The City's total net position increased \$3.2 million during this fiscal year. Property and other taxes brought in \$15.1 million in revenues. Other revenues consisted of charges for services, operating grants and contributions, capital grants and contributions, interest and investment earnings, and miscellaneous revenues. Changes in net position for the years ending June 30, 2014 and 2013 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 2.8	\$ 2.7	\$ 1.8	\$ 1.6	\$ 4.6	\$ 4.3
Operating grants and contributions	14.8	15.1			14.8	15.1
Capital grants and contributions	1.8	1.3	1.9	1.3	3.7	2.6
General revenues:						
Property and other taxes	15.1	14.2			15.1	14.2
Licenses and permits	1.3	1.2			1.3	1.2
Intergovernmental	0.4	0.4			0.4	0.4
Interest and investment earnings	-	-			-	-
Miscellaneous	1.1	0.9	0.1	(0.1)	1.2	0.8
Total revenues	<u>37.3</u>	<u>35.8</u>	<u>3.8</u>	<u>2.8</u>	<u>41.1</u>	<u>38.6</u>
Expenses						
General government	2.8	2.2			2.8	2.2
Public safety	5.6	5.4			5.6	5.4
Airport/Aviation center	0.4	0.4			0.4	0.4
Highways and streets	2.5	2.8			2.5	2.8
Health and welfare	0.7	0.6			0.7	0.6
Sanitation	0.8	0.8			0.8	0.8
Culture and recreation	0.7	0.7			0.7	0.7
Economic development	0.3	0.6			0.3	0.6
Education	18.5	18.5			18.5	18.5
Food service	0.6	0.6			0.6	0.6
Debt service	0.8	0.9			0.8	0.9
Intergovernmental	1.6	1.7			1.6	1.7
Sewer	-	-	2.5	2.5	2.5	2.5
Nonmajor enterprise funds	-	-	0.1	0.1	0.1	0.1
Total expenses	<u>35.3</u>	<u>35.2</u>	<u>2.6</u>	<u>2.6</u>	<u>37.9</u>	<u>37.8</u>
Excess (Deficiency) before contributions to permanent fund principal and transfers	2.0	0.6	1.2	0.2	3.2	0.8
Contributions to permanent fund principal	-	-			-	-
Transfers		0.5		(0.5)	-	-
Change in net position	2.0	1.1	1.2	(0.3)	3.2	0.8
Net position, beginning of year	21.9	20.8	26.4	26.7	48.3	47.5
Net position, end of year	<u>\$ 23.9</u>	<u>\$ 21.9</u>	<u>\$ 27.6</u>	<u>\$ 26.4</u>	<u>\$ 51.5</u>	<u>\$ 48.3</u>

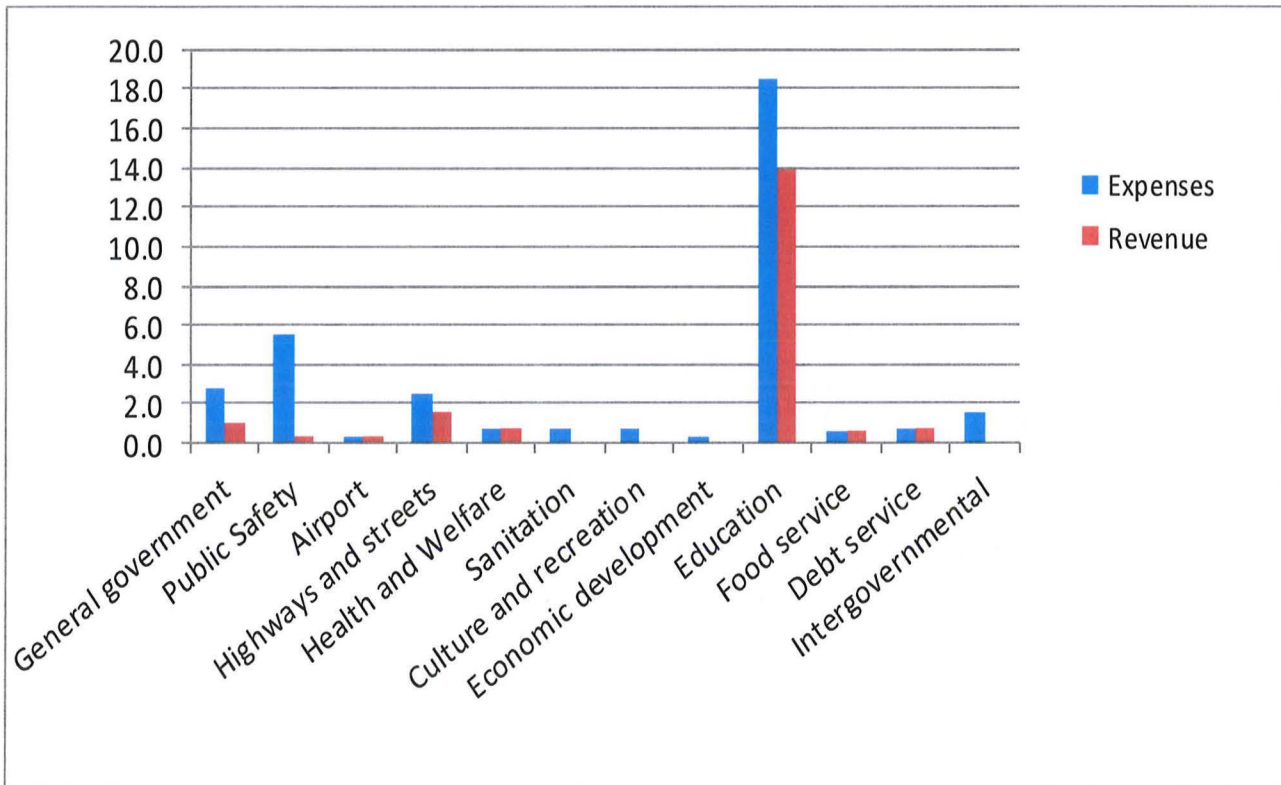
The City's expenses cover a range of services. The largest governmental expenses were for education (52%), public safety (16%), general government (8%), and highways and streets (7%), which accounted for roughly 83% of total governmental expenditures.

Governmental Activities

Governmental activities revenue and contributions to permanent fund principal totaling \$37.3 million exceeded expenses of \$35.3 million in fiscal year 2014, thereby increasing the City's governmental net position by \$2.0 million.

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

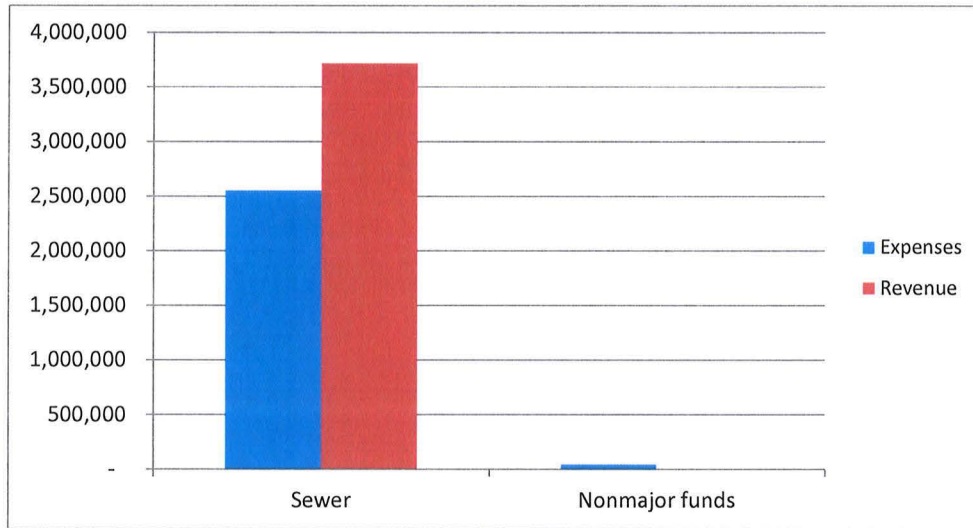
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ending June 30, 2014



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 inflow of capital from State-Aid Grants provided to offset Sewer Debt, Federal Grant Programs and State Revolving Loan Fund Program proceeds used toward the significant sewer improvements currently being undertaken.

**Expenses and Program Revenues – Business Type Activities
Fiscal Year Ending June 30, 2014**

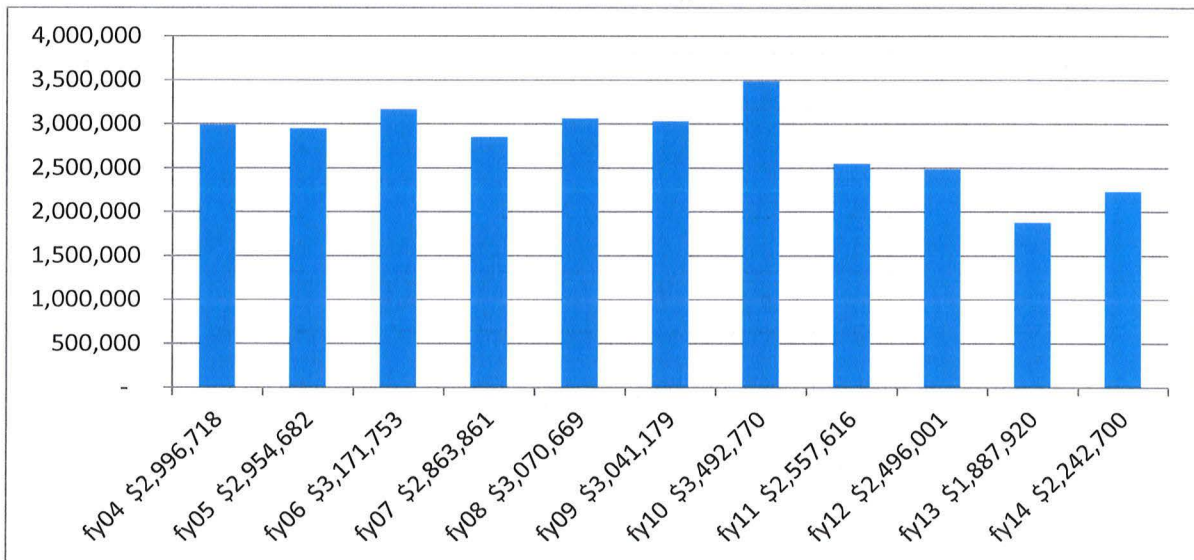


FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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 FY 2004 through FY 2014 are as follows:

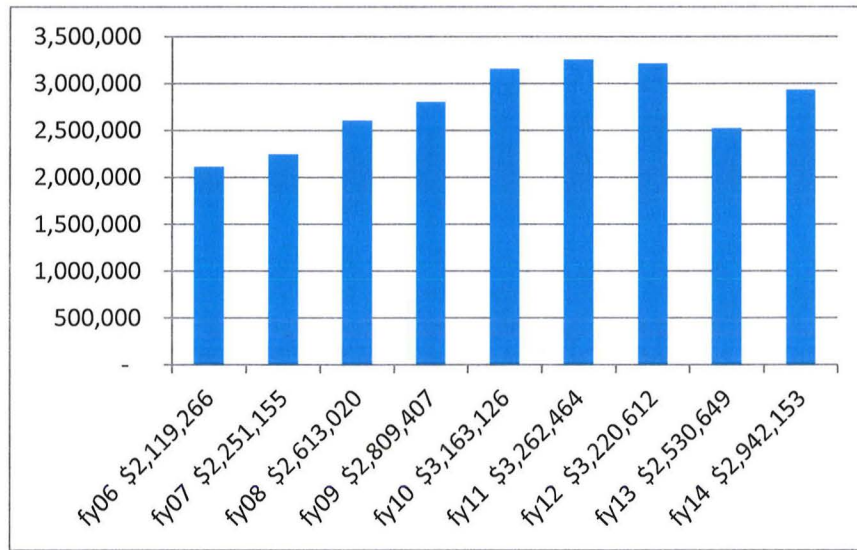


General Fund

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 \$2,242,700, while total fund balance was \$4,096,782. The total fund balance includes nonspendable balances for prepaid expenses and tax deeded property, as well as assignments for encumbrances and continuing appropriations at fiscal year-end. The total General Fund unassigned fund balance increased by \$354,780 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 nine 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 to increase its Unassigned Fund Balance has been generally successful, although the difficulty in doing so becomes greater every year. In FY14, the General Fund Unassigned Fund Balance has increased to \$2,942,153.

Other Governmental Funds

The combined fund balances of the nonmajor governmental funds increased during the year by \$589,450 to a fiscal year end balance of \$2,670,466. The increase was primarily due to unspent bond proceeds in the Capital Projects Fund.

Proprietary Funds

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

Total net position of the proprietary funds increased by \$1,207,513 from the prior year. The amount collected from sewer user fees was insufficient to offset operating expenses. This is primarily because depreciation does not show up in the City Sewer Fund budget as an expense when figuring sewer rates. The Sewer Fund itself had an increase of net position of \$1,184,576. The increase in net position is due to capital contributions of \$1.9 million during fiscal year 2014. The Nonmajor Proprietary Funds had a combined net position increase of \$22,937 in fiscal year 2014.

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) can be found in the Required Supplementary Information section on page 34.

Actual budgetary revenues were more than the budgeted estimated revenues by \$1,523,916. There was a favorable variance of \$168,816 in actual property taxes received from the amount budgeted. Miscellaneous revenues were significantly more than budgeted due to an unanticipated land sale, an insurance refund, and unanticipated payment received for the Berlin Station Agreement. Actual budgetary expenditures at fiscal year-end were \$26,226 less than the final budgeted appropriations. Several City Departments were over budget, while several were under budgeted amounts. The City made a concerted effort to control costs resulting in savings on certain budgeted items. The Schools spent \$94,015 less than budgeted. Public Safety spent \$244,588 less than budgeted and Sanitation spent \$74,642 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, 2014, amounted to \$107.8 million. Accumulated depreciation was \$45.2 million leaving a net book value of \$62.6 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 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 6 on pages 20-22 of the Notes to the Basic Financial Statements.

Other Post-Employment Benefits

With the implementation of GASB Statement 45, the City is required to account for other post-employment benefits (OPEB) on an accrual basis rather than a pay-as-you-go basis. The City provides healthcare benefits to its retirees, their spouses and dependents. It also provides life insurance benefits to its retirees. Although, the City is not required to fund this contribution, it is recognized as a liability in these financial statements. The net OPEB obligation as of June 30, 2014 is \$604,426. Additional information regarding the City's OPEB can be found in Note 8 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 \$8.8 million. This amount does not include bonded debt outstanding by the Berlin Water Works, its component unit, of \$7.5 million. The City is required to 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 reimburses the City for direct payments made on its behalf for annual principal and interest on such debt. Other long-term obligations of the City consist solely of borrowings on State Revolving Loan Funds totaling \$14.9 million at year end. The City issued general obligation bonds subsequent to year end to current refund a significant portion of these borrowings. Additional information regarding the City's long-term debt obligations can be found in Note 9 on pages 25-29 of the Notes to the Basic Financial Statements.

ECONOMIC CONDITIONS

The Burgess BioPower biomass plant, completed in late 2013 is now in operation. The owners continue to work on maximizing output from the facility. The demand for whole tree chips created by the biomass plant consumption has caused an increase in chip prices. The increase in demand is expected to be met by a response by chip producers to increase supply capacity. This should result in secondary jobs created in the forest products industry.

The Gorham Paper Mill continues to operate and produce paper despite challenges posed by high fuel prices and the general competitive market for paper.

The Federal Corrections Institution has been coming on line over the past year. It is now near capacity with the inmate population. Staffing has come up to approximately 300 employees over this past year with approximately another 45 that remain to be hired. These added jobs to the local economy have added a significant amount of economic value to the area.

Jericho Wind Power began construction of its 5 tower wind farm in 2014. The 2.85 mega-watt towers are schedule to be installed in 2015. This project will add approximately 3 to 4 permanent jobs once constructed and further increase the City's utility tax base.

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. Over the past year BIDPA has worked with Presby Steel who is cited at the Berlin Industrial Park. The City has sold Presby additional land that is adjacent to their operations which will be used for improvements and expansion the company is making in its operations. To date, BIPPA has sold all of its active properties to the business owners in the Industrial Park. This strategy has left BIDPA with some significant cash reserves that it will now focus on additional business growth projects.

As evidenced by the most recent Department of Revenue housing sales study the City's overall housing stock and related values have not yet rebounded to an acceptable level. At the center of these depressed values are the City's multi-unit rental properties. The City has demolished approximately 260 units to date. There remains another approximately 240 units to be removed. The City is funding demolition work as best it can through General Fund appropriations and is

considering additional grant and borrowing for this high priority work. A bright spot in the DRA Housing market study is that there is a trend developing where single family homes assessed at \$100,000 or more are selling for market prices greater than their assessed value. This suggests that there is an increase in demand in this market segment that is likely attributable to the influx of Bureau of Prison employees.

Phase II of the Rte. 110 improvement project, is now largely constructed. The last segment will be constructed during the summer of 2015. The construction to date has had a dramatic effect on this transportation corridor. While improving general traffic and truck traffic flow through the City it also improves the adjacent quality of the neighborhoods by removing traffic. It also improves access to several businesses recreational opportunities.

The City previously zoned the extended portion of Route 110 as a recreation zone. The State of New Hampshire is continuing the development of 7,200 acres in this quadrant of the City for its multi-use trail, Jericho Mountain State Park. Included in this development is 300 acres Jericho Lake that the City donated to the State. The park is turning out to be a New England-wide, and beyond, attraction. The park has a campground with 20 primitive campsites, including 5 cabins, 6 tent sites and 9 RV sites, and offers only water and portable toilets this season. The campground connects to the 75 miles of OHRV trails at the park, as well as connecting with the 1,000 miles of trails in Coos County. The park also has a day-use area with a beach for swimming, pavilion and boat launch. This development is having a very significant impact on the City's image and economic base. In addition, the City developed a first of its kind in the State OHRV connection between this Park and the many trails in Success on the east side of the City. Subsequently, the City passed an ordinance which allows OHRV traffic on all City streets. The first season with this ordinance in place was very successful and the City has decided to continue this into the future. It is known that the OHRV friendly atmosphere has also led to the sale of some residential properties in the City as second homes. The City participates in the annual ATV/OHRV Festival. This past year the festival was the most attended yet and it now includes a downtown Berlin block party that is organized for OHRV'ers

Like the granite that surrounds it, Berlin has weathered everything that has been thrown at it. In spite of this, Berlin is in the process of redefining itself in a way that is leading to economic growth and opportunity. In addition to the long established hydroelectric industry, we now make electricity from biomass at the Burgess BioPower facility and will soon generate wind power. The ATV Park and the new Coos Coalition ATV trail effort bode well for significant recreation industry development. There has been significant interest from the private sector in developing another campground on Route 110 to service the ATV/OHRV population. While the City's economy has been stabilized by several larger employers including the Federal Prison, it is as encouraging to consider the City's successful foray into the tourism industry by way ATV/OHRV recreation.

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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 17,080,053		\$ 17,080,053	\$ 289,033
Investments	372,358		372,358	33,039
Taxes receivable, net	758,133		758,133	
Accounts receivable, net	78,920	\$ 388,332	467,252	197,179
Due from other governments	1,688,152	1,232,344	2,920,496	392,893
Internal balances	(7,103,303)	7,103,303	-	
Prepaid expenses	204,636	9,032	213,668	
Inventory	10,423	82,131	92,554	370,989
Tax deceded property	409,641		409,641	
Total Current Assets	<u>13,499,013</u>	<u>8,815,142</u>	<u>22,314,155</u>	<u>1,283,133</u>
Noncurrent Assets:				
Due from other governments		1,404,002	1,404,002	
Capital assets:				
Non-depreciable capital assets	9,794,072	17,875,349	27,669,421	4,239,763
Depreciable capital assets, net	14,635,108	20,339,546	34,974,654	36,926,325
Total Noncurrent Assets	<u>24,429,180</u>	<u>39,618,897</u>	<u>64,048,077</u>	<u>41,166,088</u>
Total Assets	<u>37,928,193</u>	<u>48,434,039</u>	<u>86,362,232</u>	<u>42,449,221</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	343,318	656,744	1,000,062	87,600
Accrued expenses	585,643	87,386	673,029	71,217
Retainage payable		573,371	573,371	
Advances from grantors	71,977		71,977	
Unearned revenue	11,100	37,236	48,336	
Current portion of bonds payable	371,617	151,615	523,232	1,232,875
Current portion of notes payable		38,978	38,978	4,216,725
Current portion of capital leases payable	81,160		81,160	63,428
Current portion of compensated absences payable	80,636		80,636	89,379
Current portion of estimated liability for landfill postclosure care costs	11,300	12,450	23,750	
Total Current Liabilities	<u>1,556,751</u>	<u>1,557,780</u>	<u>3,114,531</u>	<u>5,761,224</u>
Noncurrent Liabilities:				
Bonds payable	4,254,952	4,003,079	8,258,031	6,226,113
Other long-term obligations		14,852,859	14,852,859	
Capital leases payable	571,379		571,379	21,448
Compensated absences payable	1,655,926	111,617	1,767,543	111,229
Estimated liability for landfill postclosure care costs	135,600	249,000	384,600	
Other post-employment benefits payable	587,329	17,097	604,426	34,692
Total Noncurrent Liabilities	<u>7,205,186</u>	<u>19,233,652</u>	<u>26,438,838</u>	<u>6,393,482</u>
Total Liabilities	<u>8,761,937</u>	<u>20,791,432</u>	<u>29,553,369</u>	<u>12,154,706</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	5,316,000		5,316,000	
Total Deferred Inflows of Resources	<u>5,316,000</u>	<u>-</u>	<u>5,316,000</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	21,900,076	19,207,342	41,107,418	29,405,501
Restricted	401,887		401,887	
Unrestricted	1,548,293	8,435,265	9,983,558	889,014
Total Net Position	<u>\$ 23,850,256</u>	<u>\$ 27,642,607</u>	<u>\$ 51,492,863</u>	<u>\$ 30,294,515</u>

EXHIBIT B
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2014

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	Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 2,782,964	\$ 373,049	\$ 568,577		\$ (1,841,338)		\$ (1,841,338)	
Public safety	5,604,150	260,048	161,812		(5,182,290)		(5,182,290)	
Airport/Aviation center	414,031	148,198		\$ 240,480	(25,353)		(25,353)	
Highways and streets	2,533,772	19,049	196,726	1,437,480	(880,517)		(880,517)	
Health and welfare	711,716	142,932	535,769		(33,015)		(33,015)	
Sanitation	804,098				(804,098)		(804,098)	
Culture and recreation	674,311	37,573			(636,738)		(636,738)	
Economic development	270,750		110,770		(159,980)		(159,980)	
Education	18,481,386	1,623,765	12,139,498	165,970	(4,552,153)		(4,552,153)	
Food service	641,410	220,862	414,039		(6,509)		(6,509)	
Debt service	826,377		676,031		(150,346)		(150,346)	
Intergovernmental	1,555,772				(1,555,772)		(1,555,772)	
Total governmental activities	<u>35,300,737</u>	<u>2,825,476</u>	<u>14,803,222</u>	<u>1,843,930</u>	<u>(15,828,109)</u>	\$ -	<u>(15,828,109)</u>	
Business-type activities:								
Sewer	2,556,481	1,806,921		1,909,053		1,159,493	1,159,493	
Nonmajor enterprise funds	48,779					(48,779)	(48,779)	
Total business-type activities	<u>2,605,260</u>	<u>1,806,921</u>	<u>-</u>	<u>1,909,053</u>	<u>-</u>	<u>1,110,714</u>	<u>1,110,714</u>	
Total primary government	<u>\$ 37,905,997</u>	<u>\$ 4,632,397</u>	<u>\$ 14,803,222</u>	<u>\$ 3,752,983</u>	<u>(15,828,109)</u>	<u>1,110,714</u>	<u>(14,717,395)</u>	
Component unit:								
Water	<u>\$ 3,088,262</u>	<u>\$ 2,259,014</u>	<u>-</u>	<u>\$ 1,158,173</u>				\$ 328,925
Total component unit	<u>\$ 3,088,262</u>	<u>\$ 2,259,014</u>	<u>\$ -</u>	<u>\$ 1,158,173</u>				<u>328,925</u>
General revenues:								
Property and other taxes					15,073,458		15,073,458	
Licenses and permits					1,252,401		1,252,401	
Grants and contributions:								
Rooms and meals tax distribution					435,602		435,602	
Interest and investment earnings					12,869	3,396	16,265	135
Miscellaneous					1,056,238	96,246	1,152,484	57,862
Contributions to permanent fund principal					350		350	
Loss on disposal of capital assets						(2,843)	(2,843)	
Total general revenues, contributions to permanent fund principal and loss on disposal of capital assets					<u>17,830,918</u>	<u>96,799</u>	<u>17,927,717</u>	<u>57,997</u>
Change in net position					2,002,809	1,207,513	3,210,322	386,922
Net position - beginning					<u>21,847,447</u>	<u>26,435,094</u>	<u>48,282,541</u>	<u>29,907,593</u>
Net position - ending					<u>\$ 23,850,256</u>	<u>\$ 27,642,607</u>	<u>\$ 51,492,863</u>	<u>\$ 30,294,515</u>

See accompanying notes to the basic financial statements

EXHIBIT C
CITY OF BERLIN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 17,070,655	\$ 9,398	\$ 17,080,053
Investments	2,274	370,084	372,358
Taxes receivable, net	758,133		758,133
Accounts receivable	75,680	2,740	78,420
Due from other governments	797,055	891,097	1,688,152
Due from other funds	991,630	2,425,539	3,417,169
Prepaid expenses	370,222	44,927	415,149
Inventory		10,423	10,423
Tax dedeed property	409,641		409,641
Total Assets	<u>20,475,290</u>	<u>3,754,208</u>	<u>24,229,498</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 20,475,290</u>	<u>\$ 3,754,208</u>	<u>\$ 24,229,498</u>
LIABILITIES			
Accounts payable	\$ 335,682	\$ 7,636	\$ 343,318
Accrued expenses	490,580	9,850	500,430
Advances from grantors		71,977	71,977
Unearned revenue	7,951	3,149	11,100
Due to other funds	9,528,842	991,130	10,519,972
Total Liabilities	<u>10,363,055</u>	<u>1,083,742</u>	<u>11,446,797</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	5,316,000		5,316,000
Unearned property tax revenue	699,453		699,453
Total Deferred Inflows of Resources	<u>6,015,453</u>	<u>-</u>	<u>6,015,453</u>
FUND BALANCES			
Nonspendable	779,863	205,703	985,566
Restricted		2,653,760	2,653,760
Committed		23,251	23,251
Assigned	1,074,219		1,074,219
Unassigned (Deficit)	2,242,700	(212,248)	2,030,452
Total Fund Balances	<u>4,096,782</u>	<u>2,670,466</u>	<u>6,767,248</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,475,290</u>	<u>\$ 3,754,208</u>	
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			24,429,180
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis			699,453
Prepaid expenses for debt service requirements reduce long-term liabilities on the accrual basis in the statement of net position, not the modified accrual basis in the funds			(210,513)
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			(4,626,569)
Capital leases payable			(652,539)
Accrued interest on long-term obligations			(85,213)
Compensated absences payable			(1,736,562)
Estimated liability for landfill postclosure care costs			(146,900)
Other post-employment benefits payable			(587,329)
Net Position of Governmental Activities			<u>\$ 23,850,256</u>

EXHIBIT D
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 15,016,734		\$ 15,016,734
Licenses and permits	1,252,401		1,252,401
Intergovernmental	12,860,709	\$ 2,784,565	15,645,274
Charges for services	2,403,661	401,268	2,804,929
Interest income	9,690	3,179	12,869
Miscellaneous	972,472	104,663	1,077,135
Total Revenues	<u>32,515,667</u>	<u>3,293,675</u>	<u>35,809,342</u>
Expenditures:			
Current operations:			
General government	2,137,577	568,577	2,706,154
Public safety	5,234,200	159,105	5,393,305
Airport/Aviation center		204,890	204,890
Highways and streets	2,093,472	500	2,093,972
Health and welfare	702,723	3,571	706,294
Sanitation	792,202		792,202
Culture and recreation	573,291	31,369	604,660
Economic development		166,698	166,698
Education	17,015,452	1,318,655	18,334,107
Food service		637,292	637,292
Capital outlay	624,275	639,320	1,263,595
Debt service:			
Principal retirement	661,703	3,484,793	4,146,496
Interest and fiscal charges	187,240	5,285	192,525
Intergovernmental	1,555,772		1,555,772
Total Expenditures	<u>31,577,907</u>	<u>7,220,055</u>	<u>38,797,962</u>
Excess of revenues over (under) expenditures	<u>937,760</u>	<u>(3,926,380)</u>	<u>(2,988,620)</u>
Other Financing Sources (Uses):			
Proceeds from bond issuance		3,971,500	3,971,500
Bond premium		528,500	528,500
Proceeds from capital lease obligations	79,978		79,978
Transfers in	4,711	20,541	25,252
Transfers out	(20,541)	(4,711)	(25,252)
Total Other Financing Sources (Uses)	<u>64,148</u>	<u>4,515,830</u>	<u>4,579,978</u>
Net change in fund balances	1,001,908	589,450	1,591,358
Fund balances at beginning of year	<u>3,094,874</u>	<u>2,081,016</u>	<u>5,175,890</u>
Fund balances at end of year	<u>\$ 4,096,782</u>	<u>\$ 2,670,466</u>	<u>\$ 6,767,248</u>

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, 2014

Change in Fund Balances - Total Governmental Funds	\$ 1,591,358
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	4,670
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,494,204
Repayment of bond and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,541,496
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	226,244
Proceeds from bond issuance are other financing sources in the funds, but bond issuance increases long-term liabilities in the statement of net position.	(4,500,000)
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.	43,540
Proceeds from capital lease obligations are other financing sources in the funds, but capital lease obligations increase long-term liabilities in the statement of net position.	(79,978)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(72,392)
Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits 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.	(246,333)
Change in Net Position of Governmental Activities	<u>\$ 2,002,809</u>

EXHIBIT E
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
ASSETS			
Current Assets:			
Accounts receivable	\$ 387,725	\$ 607	\$ 388,332
Due from other governments	1,131,366	100,978	1,232,344
Due from other funds	6,312,103	791,200	7,103,303
Prepaid expenses	9,032		9,032
Inventory	82,131		82,131
Total Current Assets	<u>7,922,357</u>	<u>892,785</u>	<u>8,815,142</u>
Noncurrent Assets:			
Due from other governments	1,404,002		1,404,002
Capital assets:			
Non-depreciable capital assets	17,838,111	37,238	17,875,349
Depreciable capital assets, net	20,287,095	52,451	20,339,546
Total Noncurrent Assets	<u>39,529,208</u>	<u>89,689</u>	<u>39,618,897</u>
Total Assets	<u>47,451,565</u>	<u>982,474</u>	<u>48,434,039</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	654,074	2,670	656,744
Accrued expenses	87,386		87,386
Retainage payable	573,371		573,371
Unearned revenue		37,236	37,236
Current portion of bonds payable	151,615		151,615
Current portion of note payable		38,978	38,978
Current portion of estimated liability for landfill postclosure care costs		12,450	12,450
Total Current Liabilities	<u>1,466,446</u>	<u>91,334</u>	<u>1,557,780</u>
Noncurrent Liabilities:			
Bonds payable	4,003,079		4,003,079
Other long-term obligations	14,852,859		14,852,859
Compensated absences payable	111,617		111,617
Estimated liability for landfill postclosure care costs		249,000	249,000
Other post-employment benefits payable	17,097		17,097
Total Noncurrent Liabilities	<u>18,984,652</u>	<u>249,000</u>	<u>19,233,652</u>
Total Liabilities	<u>20,451,098</u>	<u>340,334</u>	<u>20,791,432</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	19,117,653	89,689	19,207,342
Unrestricted	7,882,814	552,451	8,435,265
Total Net Position	<u>\$ 27,000,467</u>	<u>\$ 642,140</u>	<u>\$ 27,642,607</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, 2014

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Operating revenues:			
Charges for services	\$ 1,806,921		\$ 1,806,921
Miscellaneous	24,770	\$ 71,476	96,246
Total Operating Revenues	<u>1,831,691</u>	<u>71,476</u>	<u>1,903,167</u>
Operating expenses:			
Personnel services	794,028		794,028
Contractual services	6,009	167	6,176
Repairs and maintenance	20,584	18,381	38,965
Administrative	100,426	2,855	103,281
Materials and supplies	236,958		236,958
Utilities	214,339	3,259	217,598
Depreciation	1,004,608	24,117	1,028,725
Total Operating Expenses	<u>2,376,952</u>	<u>48,779</u>	<u>2,425,731</u>
Operating income (loss)	<u>(545,261)</u>	<u>22,697</u>	<u>(522,564)</u>
Non-operating revenues (expenses):			
Loss on disposal of capital assets	(2,843)		(2,843)
Interest revenue	3,156	240	3,396
Interest expense	(179,529)		(179,529)
Net non-operating revenues (expenses)	<u>(179,216)</u>	<u>240</u>	<u>(178,976)</u>
Income (Loss) before capital contributions	(724,477)	22,937	(701,540)
Capital contributions	<u>1,909,053</u>		<u>1,909,053</u>
Change in net position	1,184,576	22,937	1,207,513
Total net position at beginning of year	<u>25,815,891</u>	<u>619,203</u>	<u>26,435,094</u>
Total net position at end of year	<u>\$ 27,000,467</u>	<u>\$ 642,140</u>	<u>\$ 27,642,607</u>

EXHIBIT G
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,728,979	\$ 69,981	\$ 1,798,960
Cash paid to suppliers	(795,176)	(30,746)	(825,922)
Cash paid to employees	(568,352)		(568,352)
Other operating cash receipts		11,803	11,803
Net cash provided by operating activities	<u>365,451</u>	<u>51,038</u>	<u>416,489</u>
Cash flows from capital and related financing activities:			
Proceeds from other long-term obligations	6,064,586		6,064,586
Principal paid on bonds payable	(145,369)		(145,369)
Principal paid on note payable		(86,178)	(86,178)
Interest paid on long-term debt	(181,331)		(181,331)
Capital contributions	1,763,511		1,763,511
Proceeds from deposits on land sales agreements		37,000	37,000
Purchases of capital assets	(6,760,819)		(6,760,819)
Net cash provided (used) for capital and related financing activities	<u>740,578</u>	<u>(49,178)</u>	<u>691,400</u>
Cash flows from investing activities:			
Interest on investments	3,156	240	3,396
Net cash provided by investing activities	<u>3,156</u>	<u>240</u>	<u>3,396</u>
Net increase in cash and cash equivalents	1,109,185	2,100	1,111,285
Cash and cash equivalents at beginning of year	5,202,918	789,100	5,992,018
Cash and cash equivalents at end of year	<u>\$ 6,312,103</u>	<u>\$ 791,200</u>	<u>\$ 7,103,303</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (545,261)	\$ 22,697	\$ (522,564)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,004,608	24,117	1,028,725
Changes in assets and liabilities:			
Accounts receivable	(102,712)	2,211	(100,501)
Due from other governments		15,632	15,632
Prepaid expenses	(7,177)		(7,177)
Inventory	(9,672)		(9,672)
Accounts payable	20,415	(1,169)	19,246
Accrued expenses	3,579		3,579
Compensated absences payable	(5,047)		(5,047)
Other post-employment benefits payable	6,718		6,718
Estimated liability for landfill postclosure care costs		(12,450)	(12,450)
Net cash provided by operating activities	<u>\$ 365,451</u>	<u>\$ 51,038</u>	<u>\$ 416,489</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	\$ 1,187,084		\$ 1,187,084
Net book value of disposed capital assets	2,843		2,843
	<u>\$ 1,189,927</u>	<u>\$ -</u>	<u>\$ 1,189,927</u>

EXHIBIT H
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private- Purpose Trusts	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 879	\$ 240,158
Investments	<u>113,415</u>	
Total Assets	<u>114,294</u>	<u>\$ 240,158</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to other funds	500	
Due to student groups		<u>\$ 240,158</u>
Total Liabilities	<u>500</u>	<u>\$ 240,158</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>113,794</u>	
Total Net Position	<u>\$ 113,794</u>	

EXHIBIT I
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Private- Purpose <u>Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 70
Total Contributions	<u>70</u>
Investment earnings:	
Investment income	<u>603</u>
Total Investment Earnings	<u>603</u>
Total Additions	<u>673</u>
DEDUCTIONS:	
Benefits	<u>5,042</u>
Total Deductions	<u>5,042</u>
Change in Net Position	(4,369)
Net Position - beginning of year	<u>118,163</u>
Net Position - end of year	<u>\$ 113,794</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

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

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

Basis of Presentation

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

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, 2014

2. Proprietary Funds:

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

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

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

3. Fiduciary Funds:

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

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, 2014

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned property tax 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 2). 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.

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as unearned revenue.

3. 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, 2014

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, 2014, the City applied \$615,000 of its unappropriated 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	\$ 6,312,103
Nonmajor Enterprise Funds	<u>791,200</u>
Total cash and cash equivalents	<u>\$ 7,103,303</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, 2014 are recorded as receivables net of reserves for estimated uncollectible taxes of \$478,237.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items. Prepaid expenses reported on the modified accrual basis of accounting in the General Fund at June 30, 2014 in the amount of \$210,513, represent a prepayment on capital lease obligations.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

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, 2014, the City does not intend to collect on this balance and believes that payment in the event of default by the sub-recipient is unlikely. Accordingly, the City has recorded an allowance for uncollectible accounts in the governmental activities for the entire \$480,000 balance.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements.

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 fair values as of the date received. The City maintains a capitalization threshold of \$10,000. The City's infrastructure consists of roads, bridges, sidewalks, sewer collection and treatment systems, and similar items. The City does not possess any intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is also capitalized.

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

	<u>Description</u>	<u>Years</u>
	Infrastructure	15-50
	Land improvements	10-30
	Buildings and improvements	5-60
	Vehicles and equipment	3-30

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

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. The balance of the unamortized bond premium included in bonds payable of the governmental activities as of June 30, 2014 is \$484,960.

Compensated Absences

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.

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

Net Position

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

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

Fund Balance Policy

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

- *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 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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

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.

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. Significant estimates include depreciation expense, the allowances for uncollectible taxes and notes receivable, the liability for other post-employment benefits and the liabilities for landfill postclosure care costs.

NOTE 2—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$445,996,392 as of April 1, 2013) and are due in two installments on July 2, 2013 and December 27, 2013. Taxes paid after the due dates accrue interest at 12% per annum. On the modified accrual basis of accounting, property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property may be tax dedeed 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, 2014 were \$1,555,772. The City bears responsibility for uncollected taxes.

NOTE 3—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At June 30, 2014, the Airport Authority Fund, a Nonmajor Governmental Fund, had a deficit 'Unassigned' fund balance of (\$212,248) and total deficit fund balance of (\$167,321).

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

NOTE 4—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, 2014, 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, 2014.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the City shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

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

NOTE 5—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 17,080,053
Investments	372,358
Statement of fiduciary net position:	
Cash and cash equivalents	241,037
Investments	113,415
Total deposits and investments	<u>\$ 17,806,863</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

Deposits and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 3,260
Deposits with financial institutions	17,800,901
Investments	<u>2,702</u>
Total deposits and investments	<u>\$ 17,806,863</u>

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

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

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, \$19,245,357 was collateralized by securities held by the bank in the bank's name and \$5,744 was uninsured and uncollateralized.

Investment in NHPDIP

The City is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). 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.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. 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.

NOTE 6—CAPITAL ASSETS

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

	<u>Balance</u> <u>07/01/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 711,156			\$ 711,156
Construction in progress	<u>6,873,095</u>	<u>\$ 2,209,821</u>		<u>9,082,916</u>
Total capital assets not being depreciated	<u>7,584,251</u>	<u>2,209,821</u>	<u>\$ -</u>	<u>9,794,072</u>
Other capital assets:				
Infrastructure	8,785,651			8,785,651
Land improvements	5,270,699	14,790		5,285,489
Buildings and improvements	11,376,333	31,052		11,407,385
Vehicles and equipment	<u>8,745,886</u>	<u>290,130</u>	<u>(30,161)</u>	<u>9,005,855</u>
Total other capital assets at historical cost	<u>34,178,569</u>	<u>335,972</u>	<u>(30,161)</u>	<u>34,484,380</u>
Less accumulated depreciation for:				
Infrastructure	(4,933,436)	(269,909)		(5,203,345)
Land improvements	(2,950,072)	(183,977)		(3,134,049)
Buildings and improvements	(5,127,916)	(209,643)		(5,337,559)
Vehicles and equipment	<u>(5,764,366)</u>	<u>(440,114)</u>	<u>30,161</u>	<u>(6,174,319)</u>
Total accumulated depreciation	<u>(18,775,790)</u>	<u>(1,103,643)</u>	<u>30,161</u>	<u>(19,849,272)</u>
Total other capital assets, net	<u>15,402,779</u>	<u>(767,671)</u>	<u>-</u>	<u>14,635,108</u>
Total capital assets, net	<u>\$ 22,987,030</u>	<u>\$ 1,442,150</u>	<u>\$ -</u>	<u>\$ 24,429,180</u>

The balance of capital assets acquired through capital leases as of June 30, 2014 is as follows:

Buildings and improvements	\$ 1,652,511
Vehicles and equipment	123,846
Less: Accumulated depreciation	<u>(240,382)</u>
	<u>\$ 1,535,975</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 19,885
Public safety	152,159
Airport/Aviation center	208,624
Highways and streets	371,789
Sanitation	15,961
Culture and recreation	60,903
Education	270,204
Food service	<u>4,118</u>
Total governmental activities depreciation expense	<u>\$ 1,103,643</u>

During the year ended June 30, 2014, the State of New Hampshire's Department of Transportation administered a road reconstruction project on a City highway. The City will be responsible for 20% of the project's total cost, with the remaining 80% funded by the State of New Hampshire through a federal grant. On the Statement of Net Position and the Statement of Activities, \$1,437,480 has been included as an addition to capital assets and a capital contribution, respectively.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

The following is a summary of changes in capital assets in the proprietary funds:

	<u>Balance</u> <u>07/01/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 95,187			\$ 95,187
Construction in progress	11,106,309	\$ 6,673,853		17,780,162
Total capital assets not being depreciated	<u>11,201,496</u>	<u>6,673,853</u>	<u>\$ -</u>	<u>17,875,349</u>
Other capital assets:				
Infrastructure	21,157,022	11,308		21,168,330
Buildings and improvements	23,810,168			23,810,168
Vehicles and equipment	859,933		(129,817)	730,116
Total other capital assets at historical cost	<u>45,827,123</u>	<u>11,308</u>	<u>(129,817)</u>	<u>45,708,614</u>
Less accumulated depreciation for:				
Infrastructure	(7,182,985)	(531,095)		(7,714,080)
Buildings and improvements	(16,485,952)	(486,573)		(16,972,525)
Vehicles and equipment	(798,380)	(11,057)	126,974	(682,463)
Total accumulated depreciation	<u>(24,467,317)</u>	<u>(1,028,725)</u>	<u>126,974</u>	<u>(25,369,068)</u>
Total other capital assets, net	<u>21,359,806</u>	<u>(1,017,417)</u>	<u>(2,843)</u>	<u>20,339,546</u>
Total capital assets, net	<u>\$ 32,561,302</u>	<u>\$ 5,656,436</u>	<u>\$ (2,843)</u>	<u>\$ 38,214,895</u>

Depreciation expense was charged to proprietary funds as follows:

Sewer Fund	\$ 1,004,608
Nonmajor Enterprise Funds:	
Industrial Development and Park Authority Fund	24,117
Total business-type activities depreciation expense	<u>\$ 1,028,725</u>

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. 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.

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas teachers and general employees are required to contribute 7.0% of their covered salary. The City is required to contribute at an actuarially determined rate. The City's contribution rates for the covered payroll of police officers, fire employees, teachers, and general employees were 25.30%, 27.74%, 14.16% and 10.77%, respectively. The City contributes 100% of the employer cost for police officers, fire employees, teachers, and general employees of the City.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

Under State law (RSA-100:16), plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contributions to the NHRS for the years ending June 30, 2014, 2013, and 2012 were \$2,213,433, \$1,738,558, and \$1,736,938, respectively, equal to the required contributions for each year.

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides healthcare and life insurance benefits to its eligible retirees and their spouses and dependents. 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. 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. As of July 1, 2012, the most recent actuarial valuation date, approximately 42 retirees, 16 spouses and 279 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The City's fiscal year ending June 30, 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC equals the Normal Cost plus a provision for amortizing the unfunded actuarial accrued liability. The City assumed increasing dollar amortization over the maximum acceptable amortization period of thirty years. The City's annual OPEB cost for the year ending June 30, 2014, including the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2012, is as follows:

Annual Required Contribution (ARC)	\$ 501,802
Interest on net OPEB obligation	15,535
Amortization of net OPEB obligation	<u>(12,945)</u>
Annual OPEB cost	504,392
Contributions made	<u>(288,310)</u>
Increase in net OPEB obligation	216,082
Net OPEB obligation - beginning of year	<u>388,344</u>
Net OPEB obligation - end of year	<u><u>\$ 604,426</u></u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2014, 2013 and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 504,392	57.2%	\$ 604,426
6/30/2013	\$ 484,457	59.0%	\$ 388,344
6/30/2012	\$ 417,206	97.3%	\$ 196,864

The City’s total net OPEB obligation as of June 30, 2014 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 5,702,638
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,702,638</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 13,739,039
UAAL as a percentage of covered payroll	42%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the July 1, 2012 actuarial valuation the Projected Unit Credit cost method was applied. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The City employs the Pay-as-you-go basis to fund the plan. The actuarial assumptions included a 4.0% investment rate of return (discount rate) and an initial annual healthcare cost trend rate of 9.0% which decreases to a 5.0% long-term rate for all medical benefits after four years. The amortization costs for the initial Unfunded

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

Actuarial Accrued Liability (UAAL) is an increasing dollar amortization for a period of thirty years on an open amortization period for pay-as-you-go. This has been calculated assuming the amortization payment increases at a rate of 4.0% per year.

NOTE 9—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the City’s long-term obligations for the year ended June 30, 2014 are as follows:

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Governmental activities:					
Bonds payable	\$ 226,812	\$ 3,971,500	\$ (56,703)	\$ 4,141,609	\$ 298,203
Unamortized bond premium	<u>-</u>	<u>528,500</u>	<u>(43,540)</u>	<u>484,960</u>	<u>73,414</u>
Total Bonds payable	226,812	4,500,000	(100,243)	4,626,569	371,617
Notes payable	3,484,793		(3,484,793)	-	
Capital leases payable	798,805	79,978	(226,244)	652,539	81,160
Compensated absences payable	<u>1,688,293</u>	<u>133,911</u>	<u>(85,642)</u>	<u>1,736,562</u>	<u>80,636</u>
Total governmental activities	<u>\$ 6,198,703</u>	<u>\$ 4,713,889</u>	<u>\$(3,896,922)</u>	<u>\$ 7,015,670</u>	<u>\$ 533,413</u>

Payments on the general obligation bonds and capital leases payable of the governmental activities are paid out of the General Fund. Amortization of the governmental activities bond premium is recognized as a component of interest expense on the Statement of Activities (Exhibit B). The compensated absences will be paid from the governmental fund where the employee’s salary is paid.

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Business-type activities:					
Bonds payable	\$ 4,300,063		\$ (145,369)	\$ 4,154,694	\$ 151,615
Note payable	125,156		(86,178)	38,978	38,978
Other long-term obligations	9,464,529	\$ 5,388,330		14,852,859	-
Compensated absences payable	<u>116,664</u>	<u>6,672</u>	<u>(11,719)</u>	<u>111,617</u>	<u>-</u>
Total business-type activities	<u>\$ 14,006,412</u>	<u>\$ 5,395,002</u>	<u>\$(243,266)</u>	<u>\$ 19,158,148</u>	<u>\$ 190,593</u>

Payments on the general obligation bonds and note payable of the business-type activities are paid out of the Sewer Fund and Industrial Development and Park Authority Fund, respectively. The compensated absences are solely attributable to and will be paid from the Sewer Fund.

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Component unit:					
Bonds payable	\$ 8,773,526		\$(1,314,538)	\$ 7,458,988	\$ 1,232,875
Total component unit	<u>\$ 8,773,526</u>	<u>\$ -</u>	<u>\$(1,314,538)</u>	<u>\$ 7,458,988</u>	<u>\$ 1,232,875</u>

Payments on the general obligation bonds of the component unit are paid by the Berlin Water Works.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

General Obligation Bonds

Governmental Activities:

Bonds payable at June 30, 2014 are comprised of the following individual issues:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2014</u>
1997 Landfill Closure Bonds	\$ 1,134,062	4.48%	November 2016	\$ 170,109
2013 Series C Bonds	<u>3,971,500</u>	4.1-5.6%	August 2025	<u>3,971,500</u>
	<u>\$ 5,105,562</u>			4,141,609
			Add: <i>Unamortized bond premium</i>	<u>484,960</u>
			Total Bonds Payable	<u>\$ 4,626,569</u>

Debt service requirements to retire outstanding general obligation bonds for governmental activities at June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 298,203	\$ 203,534	\$ 501,737
2016	311,703	188,333	500,036
2017	326,703	171,730	498,433
2018	285,000	153,650	438,650
2019	300,000	137,270	437,270
2020-2024	1,780,000	420,040	2,200,040
2025-2026	<u>840,000</u>	<u>34,850</u>	<u>874,850</u>
Sub-total Bonds Payable	\$ 4,141,609	1,309,407	5,451,016
Add: <i>Unamortized Bond Premium</i>	<u>484,960</u>	-	<u>484,960</u>
Total Bonds Payable	<u>\$ 4,626,569</u>	<u>\$ 1,309,407</u>	<u>\$ 5,935,976</u>

The State of New Hampshire annually reimburses the City for its share of landfill related debt service payments. For the year ended June 30, 2014, the landfill closure debt reimbursement was recorded in the General Fund in the amount of \$10,144.

As included on the Statement of Activities (Exhibit B) as 'Debt service' expense, interest expense for the year ended June 30, 2014 was \$161,648 on general obligation debt of the governmental activities.

Business-type Activities:

Bonds payable at June 30, 2014 is comprised of the following individual issue:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2014</u>
2007 Rural Utilities Bond	<u>\$ 5,000,000</u>	4.25%	September 2032	<u>\$ 4,154,694</u>

Debt service requirements to retire outstanding general obligation bonds for business-type activities at June 30, 2014 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 151,615	\$ 175,085	\$ 326,700
2016	158,129	168,571	326,700
2017	164,923	161,777	326,700
2018	172,009	154,691	326,700
2019	179,400	147,300	326,700
2020-2024	1,019,462	614,038	1,633,500
2025-2029	1,258,121	375,379	1,633,500
2030-2033	<u>1,051,035</u>	<u>91,340</u>	<u>1,142,375</u>
	<u>\$ 4,154,694</u>	<u>\$ 1,888,181</u>	<u>\$ 6,042,875</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, 2014, the sewer related debt reimbursement was \$50,546.

As included on the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds (Exhibit F), interest expense for the year ended June 30, 2014 was \$179,529 on general obligation debt of the business-type activities.

Component Unit:

Under state law, the City is required to issue 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. The Commissioners of the Berlin Water Works have agreed to reimburse the City for all direct payments made on its behalf for annual principal and interest on such debt. For the year ended June 30, 2014, the total reimbursement from Berlin Water Works was \$665,887, which consists of \$605,000 in principal and \$60,887 in interest.

Bonds payable for the Berlin Water Works at June 30, 2014 are comprised of the following individual issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2014</u>
Water Bond	6.13%	August 2014	\$ 150,000
Water Bond	5.50%	August 2015	610,000
State Revolving Loan	0.00%	November 2017	595,338
State Revolving Loan	0.00%	December 2017	460,645
State Revolving Loan	0.00%	December 2017	270,035
State Revolving Loan	0.00%	December 2018	689,475
State Revolving Loan	1.73%	May 2021	1,012,099
State Revolving Loan	0.04%	September 2024	1,034,248
Rural Utilities Service - Godfrey Dam	2.25%	December 2040	216,985
State Revolving Loan	1.10%	October 2031	1,444,295
Rural Utilities Service - Water Facility	2.25%	October 2041	975,868
			<u>\$ 7,458,988</u>

Debt service requirements to retire outstanding general obligation bonds for the component unit at June 30, 2014 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 1,232,875	\$ 76,707	\$ 1,309,582
2016	1,098,909	42,756	1,141,665
2017	803,425	34,439	837,864
2018	813,082	33,244	846,326
2019	484,305	32,019	516,324
2020-2024	1,350,050	140,656	1,490,706
2025-2029	744,161	105,277	849,438
2030-2034	519,726	66,098	585,824
2035-2039	255,679	35,151	290,830
2040-2043	156,776	6,867	163,643
	<u>\$ 7,458,988</u>	<u>\$ 573,214</u>	<u>\$ 8,032,202</u>

Interest expense for the year ended June 30, 2014 was \$191,199 for the Berlin Water Works.

Note Payable

Business-type Activities:

Note payable for business-type activities at June 30, 2014 is comprised of the following individual issue:

\$625,000 Note payable to Business Finance Authority, secured by real estate, due in monthly installments of \$6,629 through December 2014; interest at 0%	<u>\$ 38,978</u>
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Debt service requirements to retire the outstanding note payable for business-type activities at June 30, 2014 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>
2015	<u>\$ 38,978</u>

Capital Lease Obligations

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, 2014:

School Equipment, due in annual installments of \$210,513, including interest at 4.295%, through July 2016	\$ 394,892
School Equipment, due in annual installments of \$47,901, including interest at 3.090%, through August 2017	177,669
Police Equipment, due in annual installments of \$43,868, including interest at 6.40%, through December 2015	<u>79,978</u>
	<u>\$ 652,539</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

Debt service requirements to retire outstanding capital lease obligations for governmental activities at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	\$ 81,160	\$ 10,609	\$ 91,769
2016	278,164	24,117	302,281
2017	246,750	11,663	258,413
2018	46,465	1,436	47,901
	<u>\$ 652,539</u>	<u>\$ 47,825</u>	<u>\$ 700,364</u>

Other Long-Term Obligations

The City has drawn \$14,852,859 of approximately \$17,200,000 in funds under the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for an improvement project for the Wastewater Treatment Facility Upgrade, Phase 2. Payments 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 construction project within the following year. Total funding to date of \$14,852,859 has been reported as ‘Other long-term obligations’ in the business-type activities.

As authorized by the Water Pollution Control Revolving Fund Program, the City shall be provided federal financial assistance for the Wastewater Treatment Facility Upgrade, Phase 2 Project, whereby a portion of the principal sum, not to exceed \$2,000,000 or 30% of aggregate disbursements, whichever is less, will be forgiven. The principal forgiveness will be applied at the time of the initial loan repayment.

Authorized and Unissued Debt

The following debt was authorized and unissued as of June 30, 2014:

Sewer Wastewater Treatment Facility Phase II	\$ 2,347,141
Industrial Development Revenue Bonds - Greenova Project	<u>10,000,000</u>
	<u>\$ 12,347,141</u>

NOTE 10—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require 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. Estimated liabilities have been recorded based on the future post-closure care costs that will be incurred for the two landfills. The total estimated liability for landfill post-closure care costs for the two landfills has a combined balance of \$408,350 as of June 30, 2014. The estimated liability for the post-closure care costs of the East Milan landfill (\$146,900) and the Cates Hill landfill (\$261,450) have been reported as a liability of the Governmental Activities and the Cates Hill Landfill Proprietary Fund, respectively. The East Milan landfill was capped during fiscal year 1997, and the Cates Hill landfill was capped during fiscal year 2005. 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, 2014. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

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. The City has entered into an inter-municipal agreement with surrounding communities for the reimbursement of their share of the Cates Hill landfill 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, 2014:

	Governmental activities	Business-type activities	Totals
Balance - July 1, 2013	\$ 158,200	\$ 273,900	\$ 432,100
Current year expenditures	(3,138)	(4,915)	(8,053)
Net change in estimated liability for postclosure care costs	<u>(8,162)</u>	<u>(7,535)</u>	<u>(15,697)</u>
Balance - June 30, 2014	<u>\$ 146,900</u>	<u>\$ 261,450</u>	<u>\$ 408,350</u>

NOTE 11—INTERFUND BALANCES AND TRANSFERS

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, 2014 are as follows:

		Due from			
		Nonmajor			
		General	Governmental	Fiduciary	
		Fund	Funds	Funds	Totals
Due to	General Fund		\$ 991,130	\$ 500	\$ 991,630
	Nonmajor Governmental Funds	\$ 2,425,539			2,425,539
	Sewer Fund	6,312,103			6,312,103
	Nonmajor Enterprise Funds	791,200			791,200
		<u>\$ 9,528,842</u>	<u>\$ 991,130</u>	<u>\$ 500</u>	<u>\$ 10,520,472</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2014 are as follows:

		Transfers out		
		Nonmajor		
		General	Governmental	
		Fund	Funds	Totals
Transfers in	General Fund		\$ 4,711	\$ 4,711
	Nonmajor Governmental Funds	\$ 20,541		20,541
		<u>\$ 20,541</u>	<u>\$ 4,711</u>	<u>\$ 25,252</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

NOTE 12—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 150,353
Permanent Funds - Income	221,704
School Private Grants and Contributions	1,710
Food Service Operations	20,199
Health Department Donations	2,714
Police Forfeiture Funds	5,207
	<u>\$ 401,887</u>

NOTE 13—COMPONENTS OF FUND BALANCE

The components of the City’s fund balance for its governmental funds at June 30, 2014 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenses	\$ 370,222	\$ 44,927	\$ 415,149
Tax deeded property	409,641		409,641
Inventory		10,423	10,423
Permanent funds - Principal		150,353	150,353
Restricted for:			
Permanent funds - Income		221,704	221,704
Capital projects		2,402,226	2,402,226
School private grants and contributions		1,710	1,710
Food service operations		20,199	20,199
Health department donations		2,714	2,714
Police forfeiture funds		5,207	5,207
Committed for:			
Recreation and parks programs		23,251	23,251
Assigned for:			
Continuing appropriations	965,067		965,067
Encumbrances	109,152		109,152
Unassigned (Deficit):			
Unassigned - General operations	2,242,700		2,242,700
Airport Authority Fund (Deficit)		(212,248)	(212,248)
	<u>\$ 4,096,782</u>	<u>\$ 2,670,466</u>	<u>\$ 6,767,248</u>

NOTE 14—TOP TAXPAYERS

The following are the five major property owners as they relate to the City’s total assessed property valuation of \$445,996,392 (as of April 1, 2013):

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Public Service of New Hampshire	\$ 75,185,400	16.86%
Great Lakes Hydro America, LLC	33,600,000	7.53%
Portland Natural Gas	15,989,300	3.59%
Fisher, L GP	2,227,300	0.50%
TKB Properties, LLC	2,007,900	0.45%

NOTE 15—COMMITMENTS

Ambulance Services Contract

During 2007, the City entered into a long-term agreement with an independent company to provide emergency ambulance services. The original agreement was in effect from July 1, 2007 through June 30, 2010, with an automatic three year renewal expiring June 30, 2013. In June 2013, the City extended this contract for an additional three year period through June 30, 2016. The terms of the extended contract include minimum monthly payments of \$25,917. These monthly payments may be adjusted based on future Medicare or Medicaid reimbursement rates. For the year ended June 30, 2014, the City expended \$311,000 under the terms of the emergency ambulance service agreement.

Guaranteed Debt - Component Unit

Debt issued by Berlin Water Works (a component unit of the City) is backed by the full faith and credit of the City. Berlin Water Works has been experiencing decreasing operating revenues since the May 2006 shutdown of the Fraser Pulp Mill and will likely continue to experience cash flow pressures in the near-term. Management of Berlin Water Works plans to rectify liquidity issues through additional revenues from the Federal prison and the newly constructed Bio-mass Facility, as well as the recent refinancing of seven outstanding loans with total approximate debt service savings of \$600,000.

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 legal counsel and 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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

NOTE 17—SUBSEQUENT EVENTS

During September 2014, the City issued general obligation bonds in the amount of \$6,000,000 and \$6,508,000 for the purpose of current refunding State of New Hampshire Water Pollution Control Revolving Loan Funds which were issued to finance the cost of design and construction for improvements to the City's Wastewater Treatment Facility. The general obligation bonds have an annual interest rate of 2.375% and a maturity date of September 12, 2037.

NOTE 18—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the City is required to implement in the fiscal year ending June 30, 2015. Management believes that this pronouncement will have a potentially significant impact on the City's government-wide financial statements. Under GASB Statement 68, the City will be required to report its estimated proportional share of the New Hampshire Retirement System's unfunded pension liability in the financial statements for fiscal years beginning after June 15, 2014.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 14,904,642	\$ 14,904,642	\$ 15,073,458	\$ 168,816
Licenses and permits	1,132,900	1,132,900	1,252,401	119,501
Intergovernmental	12,371,892	12,526,298	12,860,709	334,411
Charges for services	2,299,117	2,240,135	2,403,661	163,526
Interest income	10,000	10,000	9,690	(310)
Miscellaneous	234,500	234,500	972,472	737,972
Total Revenues	<u>30,953,051</u>	<u>31,048,475</u>	<u>32,572,391</u>	<u>1,523,916</u>
Expenditures:				
Current operations:				
General government	2,081,963	2,037,981	2,149,105	(111,124)
Public safety	5,475,668	5,475,668	5,231,080	244,588
Highways and streets	1,909,825	1,909,825	2,074,796	(164,971)
Health and welfare	608,243	608,243	702,723	(94,480)
Sanitation	858,990	858,990	784,348	74,642
Culture and recreation	582,219	582,219	573,291	8,928
Education	17,186,447	17,186,447	17,092,432	94,015
Capital outlay	1,110,046	544,979	544,297	682
Debt service:				
Principal retirement	511,703	661,703	661,703	-
Interest and fiscal charges	156,780	161,186	187,240	(26,054)
Intergovernmental	1,555,772	1,555,772	1,555,772	-
Total Expenditures	<u>32,037,656</u>	<u>31,583,013</u>	<u>31,556,787</u>	<u>26,226</u>
Excess of revenues over (under) expenditures	<u>(1,084,605)</u>	<u>(534,538)</u>	<u>1,015,604</u>	<u>1,550,142</u>
Other Financing Sources (Uses):				
Transfers in	5,000	5,000	4,711	(289)
Transfers out	(20,541)	(20,541)	(20,541)	-
Total Other Financing Sources (Uses)	<u>(15,541)</u>	<u>(15,541)</u>	<u>(15,830)</u>	<u>(289)</u>
Net change in fund balance	(1,100,146)	(550,079)	999,774	1,549,853
Fund balance at beginning of year				
- Budgetary Basis	<u>3,687,309</u>	<u>3,687,309</u>	<u>3,687,309</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 2,587,163</u>	<u>\$ 3,137,230</u>	<u>\$ 4,687,083</u>	<u>\$ 1,549,853</u>

SCHEDULE 2
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$ -	\$ 5,686,000	\$ 5,686,000	0.0%	\$ 13,652,000	42%
7/1/2010	\$ -	\$ 5,335,764	\$ 5,335,764	0.0%	\$ 16,757,081	32%
7/1/2012	\$ -	\$ 5,702,638	\$ 5,702,638	0.0%	\$ 13,739,039	42%

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 32,600,356	\$ 31,598,448
Difference in property taxes meeting susceptible to accrual criteria	56,724	
Encumbrances, June 30, 2014		109,152
Encumbrances, June 30, 2013		(50,294)
Capital lease obligation proceeds	(79,978)	(79,978)
Per Schedule 1	<u>\$ 32,577,102</u>	<u>\$ 31,577,328</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at June 30, 2014 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 370,222
Tax deeded property	409,641
<i>Assigned for:</i>	
Continuing appropriations	965,067
<i>Unassigned:</i>	
Unassigned - General operations	<u>2,942,153</u>
	<u>\$ 4,687,083</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2014

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the City is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The City implemented the provisions of GASB Statement #45 during the year ended June 30, 2009. Accordingly, the funding progress has been presented for the three most recent actuarial valuation reports.

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
Pass Through Payments from the New Hampshire Department of Education		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	\$ <u>77,080</u>
National School Lunch Program	10.555	<u>340,068</u>
Special Milk Program for Children	10.556	<u>2,004</u>
<i>Total Child Nutrition Cluster</i>		<u>419,152</u>
Fresh Fruit and Vegetable Program	10.582	<u>28,980</u>
Received directly from U.S. Treasury Department Water and Waste Disposal Systems for Rural Communities	10.760	<u>625,555</u>
Total Department of Agriculture		<u>1,073,687</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass Through Payments from the New Hampshire Community Development Finance Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		
#09-053-NSPH	14.228	56,488
#11-053-NSP3		11,852
#013-053-CDHS		490,000
#014-053-CDHS		1,620
#B-09-SP-NH-0089		<u>40,810</u>
		<u>600,770</u>
Total Department of Housing and Urban Development		<u>600,770</u>
DEPARTMENT OF JUSTICE		
Received directly from U.S. Treasury Department Public Safety Partnership and Community Policing Grants #2010-UM-WX-0212	16.710	<u>79,425</u>
Pass Through Payments from the New Hampshire Department of Justice Edward Byrne Memorial Justice Assistance Grant Program #2014-03-01	16.738	<u>30,000</u>
Total Department of Justice		<u>109,425</u>

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	<u>Expenditures</u>
DEPARTMENT OF TRANSPORTATION		
Pass Through Payments from the New Hampshire Department of Transportation Airport Improvement Program #SBG-01-04-2013	20.106	<u>226,433</u>
Pass Through Payments from the New Hampshire Highway Safety Agency <i>Highway Safety Cluster:</i> State and Community Highway Safety #304-14B-026 #314-13B-007 #315-13B-056 #315-13B-146 #315-13B-147 #315-13B-148 #315-14B-063	20.600	1,681 4,023 702 4,686 2,214 4,070 <u>1,877</u> <u>19,253</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I #308-13B-058 #308-13B-059	20.601	7,179 4,847 <u>12,026</u>
<i>Total Highway Safety Cluster</i>		<u>31,279</u>
Total Department of Transportation		<u>257,712</u>
ENVIRONMENTAL PROTECTION AGENCY		
Pass Through Payments from the New Hampshire Department of Environmental Services Capitalization Grants for Clean Water State Revolving Funds #CS-330111-05	66.458	<u>4,490,275</u>
Total Environmental Protection Agency		<u>4,490,275</u>
DEPARTMENT OF ENERGY		
Pass Through Payments from the New Hampshire Office of Energy and Planning Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Program #DE-EE0003576	81.128	<u>78,577</u>
Total Department of Energy		<u>78,577</u>

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	<u>Expenditures</u>
DEPARTMENT OF EDUCATION		
Pass Through Payments from the New Hampshire Department of Education		
Title I Grants to Local Educational Agencies	84.010	
#30012		431
#30175		1,542
#31512		5,957
#31513		6,808
#40012		471,224
#40174		30,062
#40175		26,629
#40217		11,565
		<u>554,218</u>
 <i>Special Education Cluster (IDEA):</i>		
Special Education - Grants to States	84.027	
#42573		313,903
Special Education - Preschool Grants	84.173	
#42573		12,198
<i>Total Special Education Cluster (IDEA)</i>		<u>326,101</u>
Career and Technical Education - Basic Grants to States	84.048	
#35011		52,917
#45011		31,693
		<u>84,610</u>
Twenty-First Century Community Learning Centers	84.287	
#46282		184,546
Rural Education	84.358	
#26242		1,962
#36470		26,051
#46470		21,997
		<u>50,010</u>
Improving Teacher Quality State Grants	84.367	
#34798		11,424
#44798		49,486
#45371		4,500
		<u>65,410</u>
Total Department of Education		<u>1,264,895</u>

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOMELAND SECURITY		
Pass Through Payments from the New Hampshire Department of Safety Homeland Security Grant Program	97.067	<u>1,600</u>
Pass Through Payments from the New Hampshire Department of Homeland Security and Emergency Management Homeland Security Grant Program	97.067	<u>12,861</u>
Total Department of Homeland Security		<u>14,461</u>
Total Expenditures of Federal Awards		<u>\$ 7,889,802</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Berlin, New Hampshire (the City) under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented 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.

NOTE 3—NON-CASH TRANSACTIONS

The City participates in the USDA Food Distribution Program which is a non-cash program. On the Schedule of Expenditures of Federal Awards, \$42,700 has been reported as part of the National School Lunch Program which represents the value of commodities received by the City.

NOTE 4—SUBRECIPIENT AWARDS

Certain federal awards were passed through to a subrecipient entity by the City. Expenditures incurred by the subrecipient and paid for directly by the City are included on the Schedule of Expenditures of Federal Awards. For the year ended June 30, 2014, the City recognized federal expenditures totaling \$480,000 incurred by a subrecipient of the Community Development Block Grants/State's Program (CDBA #14.228).

NOTE 5—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

Nonmajor Governmental Funds	\$ 2,731,272
Major Proprietary Fund:	
Sewer Fund	<u>625,555</u>
	<u>\$ 3,356,827</u>

Additionally, the recognition of expenditures of federal awards in the amount of \$4,490,275 represents 83.33% of the drawdowns from the Clean Water State Revolving Loan Fund Program. Federal financial assistance with the principal sum not to exceed \$7,738,433 or 83.33% of aggregate disbursements, whichever is less, is provided in the form of a federal loan through the program.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire, as of and for the year ended June 30, 2014, 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 February 19, 2015. Our report includes a reference to other auditors who audited the financial statements of Berlin Water Works, the discretely presented component unit, as described in our report on the City of Berlin, New Hampshire's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

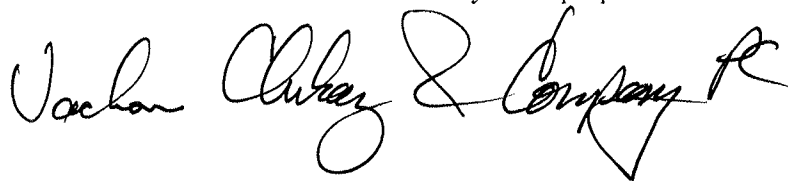
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Jackson Aubrey & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire
February 19, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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 Circular A-133 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, 2014. 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 component unit of the City, which received federal awards which are not included in the schedule during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Berlin Water Works because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

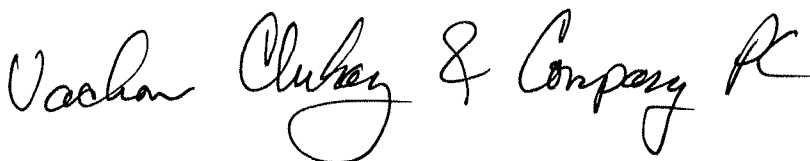
Report on Internal Control Over Compliance

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Berlin, New Hampshire's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Manchester, New Hampshire
February 19, 2015

**City of Berlin, New Hampshire
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

Finding #2013-01 Cash Management:

**Department of Housing and Urban Development
CFDA #14.228 Community Development Block Grants/State's Program
Federal Award Number: 09-053-NSPH
Passed Through Payments from the New Hampshire Community Development Finance Authority**

Condition: During our testing of the federal program we noted two costs requested under the federal award with an inappropriate amount of time lapse between receipt of funds and disbursement.

Context: In reviewing the final claim report for the federal award paid in March 2013, it was noted that two of the costs requested in this claim were not disbursed by the City as of the fiscal year ended June 30, 2013. Additionally, the funds were still not fully disbursed as of the commencement of audit fieldwork in September 2013. No other significant time lapses between receipt and disbursement of funds were noted in our review of the claims for the federal program.

Effect: The City did not fulfill its cash requirement of timely disbursement of funds, as amounts were drawn down in excess of immediate cash needs. Actual expenditures may differ from the anticipated/claimed costs resulting in excess funding received by the City.

Recommendation: We recommend that future grant funding request claims only include costs which have already been incurred or are scheduled in the immediate future. Grant funding requests should be based upon actual immediate cash needs in accordance with Federal regulations.

Status of finding: The finding has been resolved. The federal award pass-through agency, New Hampshire Community Development Finance Authority, has issued a letter stating they are satisfied with corrective actions taken by the City which includes the return of unused funds under the program in the amount of \$9,172 and training courses for department heads which include topics relevant to this finding.

City of Berlin, New Hampshire
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2014

Finding #2013-02 Period of Availability:

Department of Housing and Urban Development
CFDA #14.228 Community Development Block Grants/State's Program
Federal Award Number: 09-053-NSPH
Passed Through Payments from the New Hampshire Community Development Finance Authority

Condition: During our testing of the federal program we noted two costs requested under the federal award where the liabilities/obligations were not incurred during the specified period of availability. The claimed funds remained unobligated and unspent as of the fiscal year ended June 30, 2013.

Context: In reviewing the final claim report for the federal award paid in March 2013, it was noted that two of the costs requested were for anticipated expenditures that were not incurred prior to the expiration of the period of availability. The questioned claimed costs were still not fully incurred as of the commencement of audit fieldwork in September 2013. A sample of 40 expenditures encompassing all the federal awards of the major federal program was selected for testing requirements of allowable costs and period of availability and no other deviations were noted.

Effect: Costs that were not incurred within the allowed period of availability were inappropriately charged to the grant.

Recommendation: We recommend that future grant funding request claims be carefully reviewed to only include costs which have been incurred within the stated period of availability. Grant funds not spent within the allowed period of availability should be communicated directly to the granting agency in order to determine the appropriate treatment.

Status of finding: The finding has been resolved. The federal award pass-through agency, New Hampshire Community Development Finance Authority, has issued a letter stating they are satisfied with corrective actions taken by the City which includes the return of unused funds under the program in the amount of \$9,172 and training courses for department heads which include topics relevant to this finding.

**City of Berlin, New Hampshire
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified – all reporting units</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___ none reported
Noncompliance material to financial statements noted?	_____yes	___X___ no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___ none reported

Type of auditor’s report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? _____yes ___X___ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B program: \$ 300,000.

Auditee qualified as low-risk auditee? _____yes ___X___ 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 OMB Circular A-133 .510(a).

SCHEDULE A
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2014

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,714	\$ 6,684		\$ 9,398
Investments		370,084		370,084
Accounts receivable	2,740			2,740
Due from other governments	891,097			891,097
Due from other funds	23,313		\$ 2,402,226	2,425,539
Prepaid expenses	44,927			44,927
Inventory	10,423			10,423
Total Assets	<u>975,214</u>	<u>376,768</u>	<u>2,402,226</u>	<u>3,754,208</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>\$ 975,214</u>	<u>\$ 376,768</u>	<u>\$ 2,402,226</u>	<u>\$ 3,754,208</u>
LIABILITIES				
Accounts payable	\$ 7,636			\$ 7,636
Accrued expenses	9,850			9,850
Advances from grantors	71,977			71,977
Unearned revenue	3,149			3,149
Due to other funds	986,419	\$ 4,711		991,130
Total Liabilities	<u>1,079,031</u>	<u>4,711</u>	<u>\$ -</u>	<u>1,083,742</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	55,350	150,353		205,703
Restricted	29,830	221,704	2,402,226	2,653,760
Committed	23,251			23,251
Unassigned (Deficit)	(212,248)			(212,248)
Total Fund Balances (Deficit)	<u>(103,817)</u>	<u>372,057</u>	<u>2,402,226</u>	<u>2,670,466</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 975,214</u>	<u>\$ 376,768</u>	<u>\$ 2,402,226</u>	<u>\$ 3,754,208</u>

SCHEDULE A-1
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2014

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Health Department Fund	Grants Fund	CDBG Fund	Neighborhood Stabilization Grant Fund	Recreation and Parks Programs Fund	Combining Totals
ASSETS									
Cash and cash equivalents				\$ 2,714					\$ 2,714
Accounts receivable			\$ 2,740						2,740
Due from other governments	\$ 248,789	\$ 35,846	240,502		\$ 336,226	\$ 1,620	\$ 28,114		891,097
Due from other funds								\$ 23,313	23,313
Prepaid expenses			44,927						44,927
Inventory		10,423							10,423
Total Assets	<u>248,789</u>	<u>46,269</u>	<u>288,169</u>	<u>2,714</u>	<u>336,226</u>	<u>1,620</u>	<u>28,114</u>	<u>23,313</u>	<u>975,214</u>
DEFERRED OUTFLOWS OF RESOURCES									
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 248,789</u>	<u>\$ 46,269</u>	<u>\$ 288,169</u>	<u>\$ 2,714</u>	<u>\$ 336,226</u>	<u>\$ 1,620</u>	<u>\$ 28,114</u>	<u>\$ 23,313</u>	<u>\$ 975,214</u>
LIABILITIES									
Accounts payable	\$ 1,196		\$ 6,192		\$ 168	\$ 80			\$ 7,636
Accrued expenses		\$ 109	7,800		1,661	218		\$ 62	9,850
Advances from grantors	45,994				25,983				71,977
Unearned revenue		3,149							3,149
Due to other funds	199,889	12,389	441,498		303,207	1,322	\$ 28,114		986,419
Total Liabilities	<u>247,079</u>	<u>15,647</u>	<u>455,490</u>	<u>\$ -</u>	<u>331,019</u>	<u>1,620</u>	<u>28,114</u>	<u>62</u>	<u>1,079,031</u>
DEFERRED INFLOWS OF RESOURCES									
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES									
Nonspendable		10,423	44,927						55,350
Restricted	1,710	20,199		2,714	5,207				29,830
Committed								23,251	23,251
Unassigned (Deficit)			(212,248)						(212,248)
Total Fund Balances (Deficit)	<u>1,710</u>	<u>30,622</u>	<u>(167,321)</u>	<u>2,714</u>	<u>5,207</u>	<u>-</u>	<u>-</u>	<u>23,251</u>	<u>(103,817)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 248,789</u>	<u>\$ 46,269</u>	<u>\$ 288,169</u>	<u>\$ 2,714</u>	<u>\$ 336,226</u>	<u>\$ 1,620</u>	<u>\$ 28,114</u>	<u>\$ 23,313</u>	<u>\$ 975,214</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, 2014

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:				
Intergovernmental	\$ 2,784,565			\$ 2,784,565
Charges for services	401,268			401,268
Interest income		\$ 3,179		3,179
Miscellaneous	<u>104,313</u>	<u>350</u>		<u>104,663</u>
Total Revenues	<u>3,290,146</u>	<u>3,529</u>	<u>\$ -</u>	<u>3,293,675</u>
Expenditures:				
Current operations:				
General government	568,577			568,577
Public safety	159,105			159,105
Airport/Aviation center	204,890			204,890
Highways and streets	500			500
Health and welfare	3,571			3,571
Culture and recreation	31,369			31,369
Economic development	166,698			166,698
Education	1,318,655			1,318,655
Food service	637,292			637,292
Capital outlay	251,592		387,728	639,320
Debt service:				
Principal retirement			3,484,793	3,484,793
Interest and fiscal charges			5,285	5,285
Total Expenditures	<u>3,342,249</u>	<u>-</u>	<u>3,877,806</u>	<u>7,220,055</u>
Excess of revenues over (under) expenditures	<u>(52,103)</u>	<u>3,529</u>	<u>(3,877,806)</u>	<u>(3,926,380)</u>
Other Financing Sources (Uses):				
Proceeds from bond issuance			3,971,500	3,971,500
Bond premium			528,500	528,500
Transfers in	20,541			20,541
Transfers out		(4,711)		(4,711)
Total Other Financing Sources (Uses)	<u>20,541</u>	<u>(4,711)</u>	<u>4,500,000</u>	<u>4,515,830</u>
Net change in fund balances	(31,562)	(1,182)	622,194	589,450
Fund balances (deficit) at beginning of year	<u>(72,255)</u>	<u>373,239</u>	<u>1,780,032</u>	<u>2,081,016</u>
Fund balances (deficit) at end of year	<u>\$ (103,817)</u>	<u>\$ 372,057</u>	<u>\$ 2,402,226</u>	<u>\$ 2,670,466</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, 2014

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Health Department Fund	Grants Fund	CDBG Fund	Neighborhood Stabilization Grant Fund	Recreation and Parks Programs Fund	Combining Totals
Revenues:									
Intergovernmental	\$ 1,288,887	\$ 414,039	\$ 240,480		\$ 730,389	\$ 1,620	\$ 109,150		\$ 2,784,565
Charges for services		220,862	148,198					\$ 32,208	401,268
Miscellaneous	29,768		7,800	\$ 1,167	9,650		55,928		104,313
Total Revenues	<u>1,318,655</u>	<u>634,901</u>	<u>396,478</u>	<u>1,167</u>	<u>740,039</u>	<u>1,620</u>	<u>165,078</u>	<u>32,208</u>	<u>3,290,146</u>
Expenditures:									
Current operations:									
General government					568,577				568,577
Public safety					159,105				159,105
Airport/Aviation center			204,890						204,890
Highways and streets					500				500
Health and welfare				513	3,058				3,571
Culture and recreation					3,592			27,777	31,369
Economic development						1,620	165,078		166,698
Education	1,318,655								1,318,655
Food service		637,292							637,292
Capital outlay			251,592						251,592
Total Expenditures	<u>1,318,655</u>	<u>637,292</u>	<u>456,482</u>	<u>513</u>	<u>734,832</u>	<u>1,620</u>	<u>165,078</u>	<u>27,777</u>	<u>3,342,249</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(2,391)</u>	<u>(60,004)</u>	<u>654</u>	<u>5,207</u>	<u>-</u>	<u>-</u>	<u>4,431</u>	<u>(52,103)</u>
Other financing sources (uses):									
Transfers in			20,541						20,541
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>20,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,541</u>
Net change in fund balances	-	(2,391)	(39,463)	654	5,207	-	-	4,431	(31,562)
Fund balances (deficit) at beginning of year	<u>1,710</u>	<u>33,013</u>	<u>(127,858)</u>	<u>2,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,820</u>	<u>(72,255)</u>
End balances (deficit) at end of year	<u>\$ 1,710</u>	<u>\$ 30,622</u>	<u>\$ (167,321)</u>	<u>\$ 2,714</u>	<u>\$ 5,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,251</u>	<u>\$ (103,811)</u>

SCHEDULE C
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Net Position
All Nonmajor Proprietary Funds
June 30, 2014

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
ASSETS			
Current Assets:			
Accounts receivable	\$ 607		\$ 607
Due from other governments		\$ 100,978	100,978
Due from other funds	486,996	304,204	791,200
Total Current Assets	<u>487,603</u>	<u>405,182</u>	<u>892,785</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	37,238		37,238
Depreciable capital assets, net	52,451		52,451
Total Noncurrent Assets	<u>89,689</u>	<u>-</u>	<u>89,689</u>
Total Assets	<u>577,292</u>	<u>405,182</u>	<u>982,474</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	2,670		2,670
Unearned revenue	37,236		37,236
Current portion of note payable	38,978		38,978
Current portion of estimated liability for landfill postclosure care costs		12,450	12,450
Total Current Liabilities	<u>78,884</u>	<u>12,450</u>	<u>91,334</u>
Noncurrent Liabilities:			
Estimated liability for landfill postclosure care costs		249,000	249,000
Total Noncurrent Liabilities	<u>-</u>	<u>249,000</u>	<u>249,000</u>
Total Liabilities	<u>78,884</u>	<u>261,450</u>	<u>340,334</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	89,689		89,689
Unrestricted	408,719	143,732	552,451
Total Net Position	<u>\$ 498,408</u>	<u>\$ 143,732</u>	<u>\$ 642,140</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, 2014

	Industrial Development and Park Authority <u>Fund</u>	Cates Hill Landfill <u>Fund</u>	Combining <u>Totals</u>
Operating revenues:			
Miscellaneous	\$ 67,770	\$ 3,706	\$ 71,476
Total Operating Revenues	<u>67,770</u>	<u>3,706</u>	<u>71,476</u>
Operating expenses:			
Contractual services	167		167
Repairs and maintenance	18,381		18,381
Administrative	2,855		2,855
Utilities	3,259		3,259
Depreciation	24,117		24,117
Total Operating Expenses	<u>48,779</u>	<u>-</u>	<u>48,779</u>
Operating income	<u>18,991</u>	<u>3,706</u>	<u>22,697</u>
Non-operating revenues (expenses):			
Interest revenue	240		240
Net non-operating revenues (expenses)	<u>240</u>	<u>-</u>	<u>240</u>
Change in net position	19,231	3,706	22,937
Total net position at beginning of year	<u>479,177</u>	<u>140,026</u>	<u>619,203</u>
Total net position at end of year	<u>\$ 498,408</u>	<u>\$ 143,732</u>	<u>\$ 642,140</u>

SCHEDULE E
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Cash Flows
All Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

	Industrial Development and Park Authority Fund	Cates Hill Landfill Fund	Combining Totals
Cash flows from operating activities:			
Cash received from customers	\$ 69,981		\$ 69,981
Cash paid to suppliers	(25,831)	\$ (4,915)	(30,746)
Other operating cash receipts		11,803	11,803
Net cash provided by operating activities	<u>44,150</u>	<u>6,888</u>	<u>51,038</u>
Cash flows from capital and related financing activities:			
Principal paid on note payable	(86,178)		(86,178)
Proceeds from deposits on land sales agreements	37,000		37,000
Net cash used for capital and related financing activities	<u>(49,178)</u>	<u>-</u>	<u>(49,178)</u>
Cash flows from investing activities:			
Interest on investments	240		240
Net cash provided by investing activities	<u>240</u>	<u>-</u>	<u>240</u>
Net increase (decrease) in cash and cash equivalents	(4,788)	6,888	2,100
Cash and cash equivalents at beginning of year	491,784	297,316	789,100
Cash and cash equivalents at end of year	<u>\$ 486,996</u>	<u>\$ 304,204</u>	<u>\$ 791,200</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 18,991	\$ 3,706	\$ 22,697
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	24,117		24,117
Changes in assets and liabilities:			
Accounts receivable	2,211		2,211
Due from other governments		15,632	15,632
Accounts payable	(1,169)		(1,169)
Estimated liability for landfill postclosure care costs		(12,450)	(12,450)
Net cash provided by operating activities	<u>\$ 44,150</u>	<u>\$ 6,888</u>	<u>\$ 51,038</u>

MAYORS OF THE CITY OF BERLIN

The Honorable...

Henry F. Marston	1897-1899	Aime Tondreau	1950-1957
John B. Noyes	1899-1900	Guy Fortier	1957-1958
Frank L. Wilson	1900-1901	Laurier A. Lamontagne	1958-1962
Fred M. Clement	1901-1902	Edward L. Schuette	1962-1965
John B. Gilbert	1902-1905	Dennis Kilbride	1965-1966
George E. Hutchins	1905-1908	Norman J. Tremaine	1966-1968
Fremont D. Bartlett	1908-1910	Earl F. Gage	1968-1970
Daniel J. Daley	1910-1915	Norman J. Tremaine	1970-1972
George F. Rich	1915-1919	Sylvio J. Croteau	1972-1976
Eli J. King	1919-1924	Laurier A. Lamontagne	1976-1978
J.A. Vaillancourt	1924-1926	Leo G. Ouellet	1978-1982
Eli J. King	1926-1928	Joseph J. Ottolini	1982-1986
Edward R. B. McGee	1928-1931	Roland W. Couture	1987-1990*
W.E. Corbin	1931-1932	Willard Dube	1990-1990
O.J. Coulombe	1932-1934	Leo G. Ouellet	1990-1994
Daniel J. Feindel	1934-1935	Yvonne Coulombe	1994-1996
Arthur J. Bergeron	1935-1938	Richard P. Bosa	1996-1998
Matthew J. Ryan	1938-1939	Robert DePlanche	1998-1998
Aime Tondreau	1939-1943	Richard D. Huot	1998-2000
Carl E. Morin	1943-1946	Robert Danderson	2000-2008
George E. Bell	1946-1947	David Bertrand	2008-2010
Paul A. Toussaint	1947-1950	Paul Grenier	2010-

* Change in election year and change in date oath of office is taken, as of October 5, 1987.

CITY MANAGERS OF THE CITY OF BERLIN

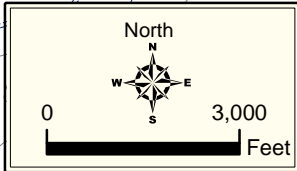
Stanley Judkins	1962-1966
Joseph Burke	1970-1973
James C. Smith	1973-1978
Michael L. Donovan	1978-1983
Mitchell A. Berkowitz	1983-1998
George E. McMahon	1998-1998
Robert L. Théberge	1999-2002
Patrick MacQueen	2002-2013
James A. Wheeler	2013-

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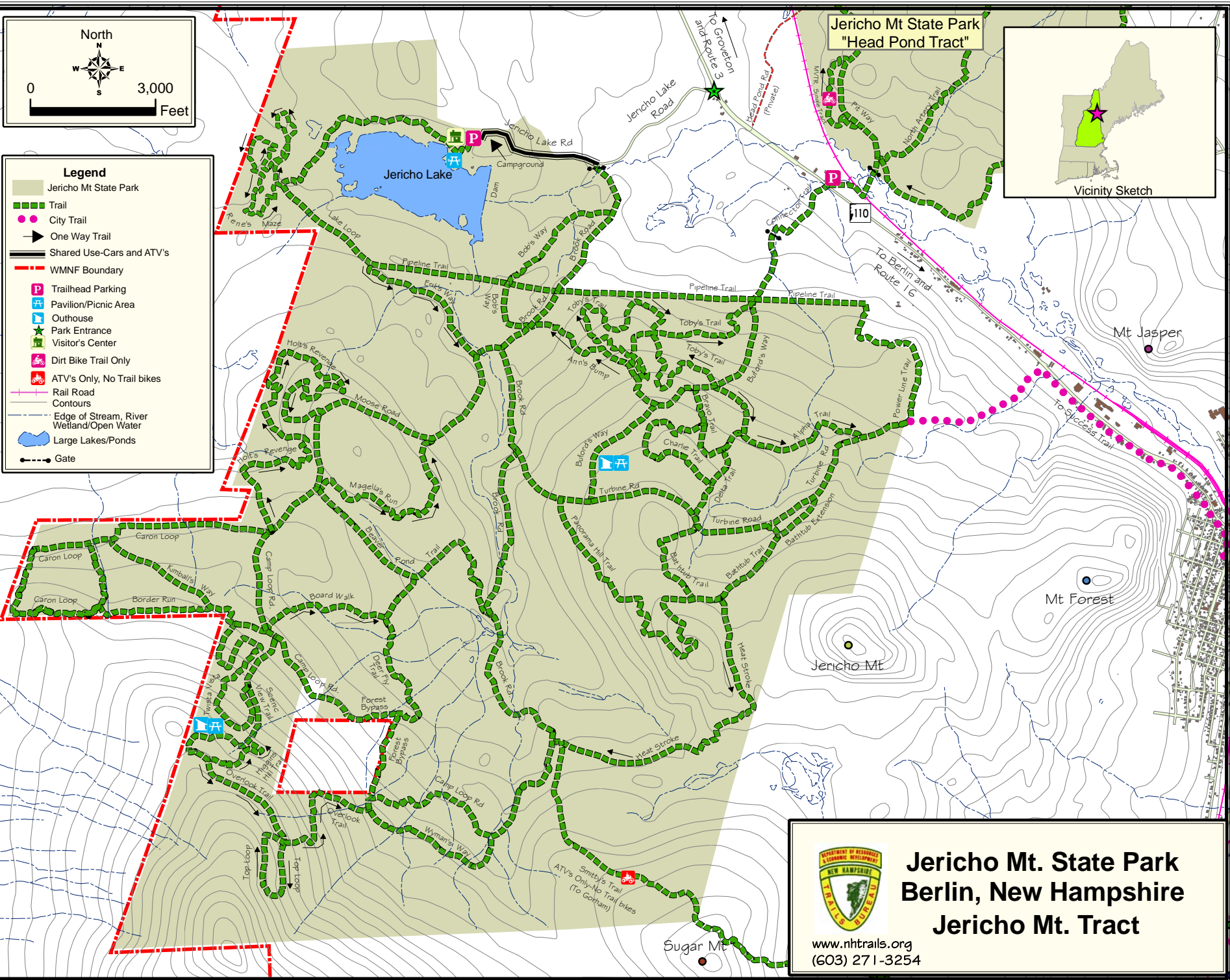
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The City of Berlin's Annual Report is available at www.berlinnh.gov

CITY OFFICES	TEL.NUMBER	CONTACT
AIRPORT 800 E. Side River Rd, Milan, NH 03588	603-449-2168	Eric Kaminsky, Airport Manager nhphotos@msn.com
ASSESSOR'S 168 Main Street, Berlin, NH 03570	603-752-5245	Susan Warren, Assessor Supervisor assessor@berlinnh.gov
CITY CLERK 168 Main Street, Berlin, NH 03570	603-752-2340	Debra Patrick, City Clerk cityclerk@berlinnh.gov
CITY MANAGER 168 Main Street, Berlin, NH 03570	603-752-7532	James Wheeler, City Manager city_manager@berlinnh.gov
HEALTH 168 Main Street, Berlin, NH 03570	603-752-1272	Yvette Leighton RN yleighton@berlinnh.gov
RECREATION 672 First Avenue, Berlin, NH 03570	603-752-2010	Terry Letarte, Rec. Programmer tletarte@berlinnh.gov
WELFARE 168 Main Street, Berlin, NH 03750	603-752-2120	Angela Martin Giroux, Health & Welfare Director amartin_giroux@berlinnh.gov
LIBRARY 270 Main Street, Berlin, NH 03570	603-752-5210	Denise Jensen, Head Librarian librarian@berlinnh.gov
PUBLIC WORKS OFFICE 168 Main Street, Berlin, NH 03570	603-752-4450	Michael Perreault, PW Director mperreault@berlinnh.gov
PUBLIC WORKS GARAGE 10 Jericho Road, Berlin, NH 03570	603-752-1460	Mark Lapointe, PW Supervisor mlapointe@berlinnh.gov
FINANCE/COLLECTIONS 168 Main Street, Berlin, NH 03570	603-752-1610	Patricia Chase, Finance Director pchase@berlinnh.gov
FIRE DEPARTMENT 263 Main Street, Berlin, NH 03570	603-752-3135 EMERGENCY 911	Randall Trull, Fire Chief fire_chief@berlinnh.gov
BERLIN HOUSING AUTHORITY Serenity Circle, Berlin, NH 03570	603-752-4240	Mary Jo Landry, Ex. Director executivedirector@berlinha.org
HOUSING COORDINATOR 168 Main Street, Berlin, NH 03570	603-752-1630	Linda White, Housing Coordinator lwhite@berlinnh.gov
INSPECTION DIVISION 168 Main Street, Berlin, NH 03570	603-752-1630	Joseph Martin, Code Enforcement Officer jmartin@berlinnh.gov
PLANNING 168 Main Street, Berlin, NH 03570	603-752-8587	Pamela Laflamme, Community Development Director plaflamme@berlinnh.gov
POLICE DEPT 135 Green Street, Berlin, NH 03570	603-752-3131 EMERGENCY 911	Peter Morency, Police Chief bpdchief@berlinpolice.com
SCHOOL DEPT 183 Hillside Ave., Berlin, NH 03570	603-752-6500	Corinne Cascadden, Superintendent ccascadden@sau3.org
WASTE WATER TREATMENT 10 Shelby Street, Berlin, NH 03570	603-752-8563	Henry Noel, Superintendent bpcf_supervisor@berlinnh.gov
WATER WORKS 55 Willow Street, Berlin, NH 03570	603-752-1677	Craig Carrigan, Superintendent supt@bwwberlinnh.org



- Legend**
- Jericho Mt State Park
 - Trail
 - City Trail
 - One Way Trail
 - Shared Use-Cars and ATV's
 - WMNF Boundary
 - Trailhead Parking
 - Pavilion/Picnic Area
 - Outhouse
 - Park Entrance
 - Visitor's Center
 - Dirt Bike Trail Only
 - ATV's Only, No Trail bikes
 - Rail Road
 - Contours
 - Edge of Stream, River, Wetland/Open Water
 - Large Lakes/Ponds
 - Gate





Jericho Mt. State Park
Berlin, New Hampshire
Jericho Mt. Tract

www.nhtrails.org
 (603) 271-3254