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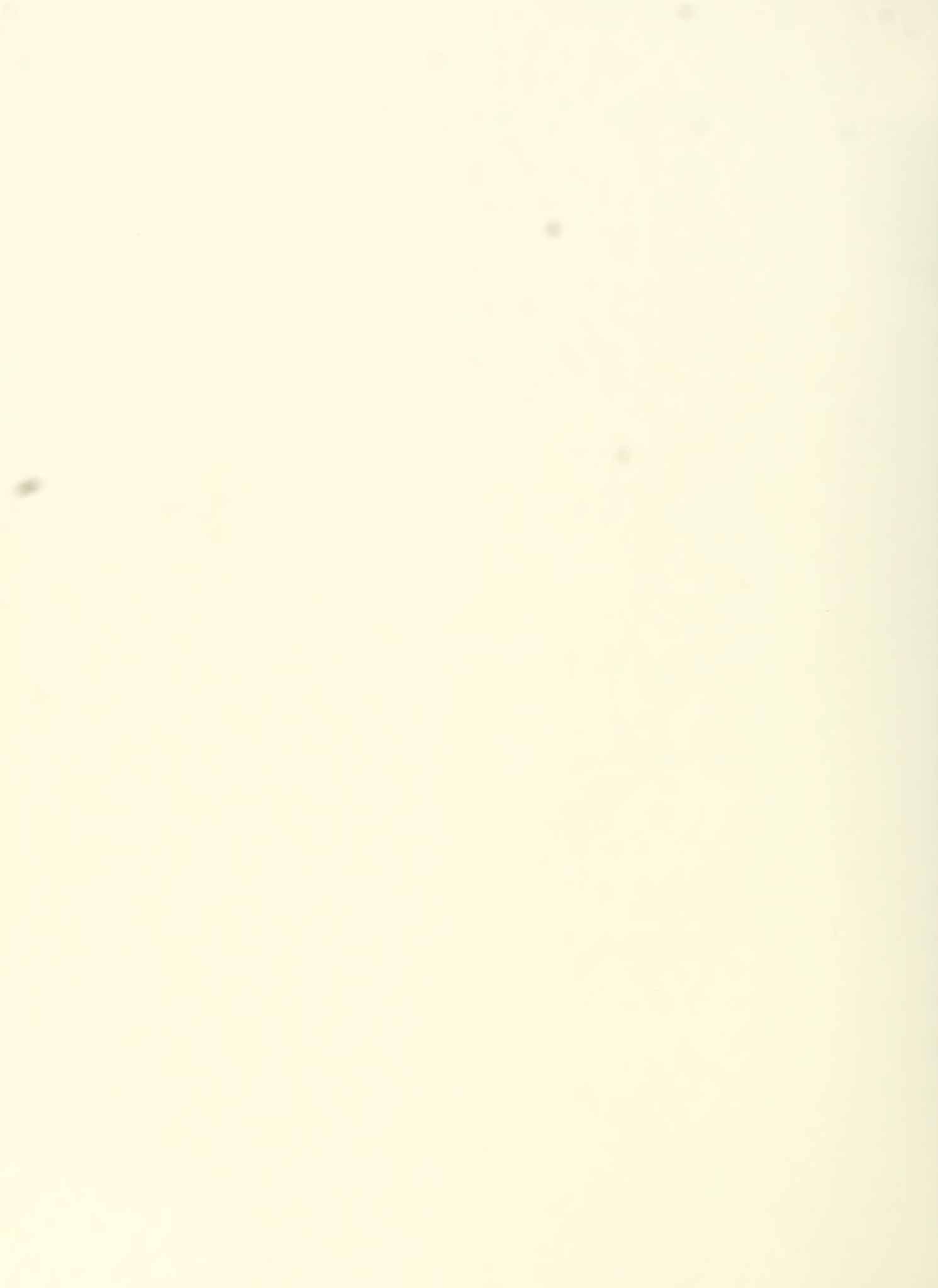
CITY OF BERLIN NEW HAMPSHIRE



Annual Report

July 1, 2002
to June 30, 2003





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Berlin, New Hampshire

July 1, 2002 to June 30, 2003



Mayor and City Council

Robert Danderson, Mayor

Ward I

Timothy P. Donovan, Sr.
Beverly Ingersoll

Ward II

Martha Danderson
Richard A. Lafleur

Ward III

David D. Morin
Raymond Chagnon

Ward IV

Paul R. Grenier
Richard E. Roy

Patrick MacQueen, City Manager

LOCAL GOVERNMENT OFFICES



City offices include:

AIRPORT	449-2168	<i>Eric Kaminsky, Airport Manager</i>
ASSESSOR'S	752-5245	<i>Susan Warren, Assessor Supervisor</i>
CITY CLERK	752-2340	<i>Debra Patrick, City Clerk</i>
CITY MANAGER	752-7532	<i>Patrick MacQueen, City Manager</i>
COMMUNITY SERVICES DIVISION		<i>Laura Lee Viger, Community Services Director</i>
▪ HEALTH	752-1272	
▪ RECREATION	752-2010	
▪ WELFARE	752-2120	<i>Angela Martin Giroux, Welfare Director</i>
▪ LIBRARY	752-5210	<i>Denise Jensen, Head Librarian</i>
ENGINEERING	752-8551	<i>James Wheeler, Public Works Director/City Engineer</i>
▪ PUBLIC WORKS	752-4450	
▪ GARAGE	752-1460	
FINANCE/COLLECTIONS	752-1610	<i>Blandine Shallow, Finance Director</i>
FIRE DEPARTMENT	752-3131	<i>Randall Trull, Fire Chief</i>
EMERGENCY	911	
▪ INSPECTION DIVISION	752-1630	<i>Maurice Lavertue, Building Inspector</i>
PLANNING	752-1630	<i>Pamela Laflamme, City Planner</i>
POLICE DEPT	752-3131	<i>Peter Morency, Police Chief</i>
EMERGENCY	911	
SCHOOL DEPT	752-6500	<i>John Moulis, Superintendent</i>
WASTE WATER TREATMENT	752-8563	<i>Mickey Therriault, Superintendent</i>
WATER WORKS	752-1677	<i>Roland Viens, Superintendent</i>

CITY MANAGER'S REPORT

Over the past year, I have gotten to know and respect the City's operating departments. There are many bright, skilled and dedicated people working for the City, sometimes under fairly difficult circumstances. The difficult circumstances are usually related to the fact that the City has a very large deficit in the area of capital infrastructure. We balance the budget every year, but the City has little to no capital program. This has been reality for some time. It is, in many cases, making life much more difficult for Berlin citizens and the City Departments who have to deal with this inadequacy. Whether it be City buildings such as the District Court, Police/Recreation building, Fire Station, or the City streets, sidewalks and bridges or its parks, a great deal of capital improvement is needed to put bring these up to an appropriate operating level.

It will be very difficult, if not impossible, for the City to change this mode of operation until property values begin to rise. When the overall tax base increases, it should be possible to start seriously attacking this capital deficit without increasing tax rates. Even then, it is going to take a great deal of planning and fiscal discipline to dig ourselves out of this capital deficit situation.

The past year has not been without its bumps in the road, but overall it has been one in which the City of Berlin has seen solid steps forward.

The pulp and paper mills have gotten back up and running putting close to 600 people back to work. The paper market is still cyclical and some have since been laid off, but Fraser Papers seems to be a forward looking company which is planning on making things work for the long term.

There is no doubt that the City needs to diversify its economic base so that it is better able to handle future mill downturns. This is a difficult job, but with the efforts of AVER, BIDPA, NCIC and supporting staff, progress has been made here too.

Significant additional economic development is needed, and the City has been moving forward with new business at the Maynesboro Industrial Park. Hexaport seems to have had quite a good and busy year. Mountain View Stitching was pulled from the ashes through the efforts of Economic Development Director Norm Charest and new

owner Paul Kimball who bought an industrial park building from BIDPA. Berlin Building Systems, as the successor to Cat-Lin Homes, is up and running on a smaller scale, but by all accounts, is doing very well. Also, another new local company, Moonlight Machine Company is now leasing in the Park, with prospects for a bright future.

Funding for the Cote Block (Comerstone) downtown rehabilitation project has begun to fall into place with the award of about a half-million in Community Development Finance Authority (CDFA) tax credits. Other funding for this project must still be obtained from other sources such as Community Development Block Grant (CDBG), New Hampshire Housing Finance Authority (NHHFA) and HUD 202 funds. Completion of this project will be a real shot in the arm for Downtown Berlin.

All of the City's collective bargaining agreements are now settled, which should allow a greater concentration of staff time to go toward what we all view as a major issue and the other side of the coin to economic development in Berlin. This is Berlin's dilapidated surplus housing issue. The City has some 500 units of dilapidated/surplus housing. This, probably more than anything else, accounts for the Berlin's lowest in the state property values, the difficulty Berlin has in attracting new business and the younger and professional families, which come with any new business.

Continuing to encourage economic development is the challenge for Berlin's future. Dealing with this major housing issue is the next big step in the process.

I would like to thank the City staff for putting up with me and educating me to Berlin's operations over the past year. I would like to thank the Mayor and Council for the job they do on behalf of the citizens of Berlin. It is a difficult and sometimes thankless job with a lot of tough decisions. They do it with dedication and altruism but also with great civility and humor. Finally, I would like to thank the citizens of Berlin who, in spite of difficult economic circumstances, make Berlin a warm and welcoming place to be.

Respectfully Submitted,
Patrick MacQueen, City Manager



CITY CLERK'S DEPARTMENT

There is a renewed optimism throughout the City of Berlin. Citizens are once again taking pride in our community. Dilapidated housing is being demolished to make way for new construction. The various City Departments are encouraged to consider capital improvements in their budgets. Fraser Papers purchased the local paper mill which is getting back up to par and running full swing. Those individuals who were laid off have been called back to work. Slowly Berlin is striving to be the City it once was.

VITAL RECORDS

Vital Records is perhaps the most integral function of the City Clerk's Office. Births, deaths and marriages are recorded here and certified copies are available for a fee. The City Clerk's Office is on-line with the State of NH on the VRV 2000 Program. This program allows our office to issue vital records that occurred in other participating VRV 2000 communities for the convenience of our customers.

YEARS	00/01	01/02	02/03
Marriages	75	59	50
Births	102	89	68
Deaths	155	162	143

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

ORDINANCES

- 2002.04: Procurement Procedures
- 2003.01: Dogs
- 2003.02: Obstructions on Public Ways(Snow)
- 2003.03: Parking Violations (Winter)
- 2003.04: Disabled Parking (Glen Ave)
- 2003.05: Prohibited Parking (East Mason St)
- 2003.06: Disabled Parking (Roderick St)
- 2003.07: Library Fees for Non-Residents
- 2003.08: Disabled Parking (Roderick St)deleted

RESOLUTIONS

- 2002.28: PD Law Enforcement Block Grant
- 2002.29: Legal Services (\$28,000)
- 2002.30: Segregated Funds (\$956,612)
- 2002.31: WWTF Revolving Loan Fund (\$8,342,200)
- 2002.32: MRI City Manager Contract Services \$2,500
- 2002.33: Economic Development CDBG \$1,000,000
- 2002.34: C1 Fire Air Compressor Account \$11,258
- 2002.35: Segregated Funds FY'02 Not Expended
- 2002.36: Transfer County Tax/Rec. Dept. Accounts
- 2002.37: PD COPS Technology Initiative Grant
- 2002.38: Library Gates Foundation Grant \$13,775
- 2002.39: FD Carl Morin Sick Pay Compensation
- 2002.40: NH Health Assist. Network \$3,000 Grant
- 2002.41: Dilapidated Housing Account \$10,000
- 2002.42: BWW DWSRF Infrastructure Improvement
- 2002.43: Smith Hydro Facility Legal Fees \$11,668
- 2003.01: Conway Route 16 Bypass Support
- 2003.02: BWW Rural Devel. Grant \$1,200,000
- 2003.03: Education Projects FY02/03 \$103,478
- 2003.04: NH OEM \$10,000 Health Dept. Grant
- 2003.05: CDBG Glen Avenue Rehabilitation
- 2003.06: State Aid Payments/Sewage Disposal Fac.
- 2003.07: PD OHRV Patrols
- 2003.08: Comprehensive Transportation Plan(TCSP)
- 2003.09: Finance Department Computer System
- 2003.10: PD Domestic Preparedness Equip. Grant
- 2003.11: LCHIP Grant
- 2003.12: FEMA PWD Emergency Generator Grant
- 2003.13: PD Seat Belt Grant
- 2003.14: PWD Sewer User Cost Replacement Funds
- 2003.15: FEMA Fire Fighting Safety Equip. Grant
- 2003.16: PD Highway Safety Project Grants
- 2003.17: PSNH \$2,500 Donation to BIDPA
- 2003.18: Federal Education Mandates Opposition
- 2003.19: BCB/LSB\$20,000 donation Planning Dept.
- 2003.20: AVH Psychiatric Unit Support
- 2003.21: Brown Co.Barns Sold to Historic Society
- 2003.22: Cemetery Fees
- 2003.23: FY'04Budget \$28,906,746
- 2003.24: Governor Benson Urged to Veto HB 415
- 2003.25: PD Underage Drinking Initiative Grant

Respectfully submitted,
Debra A. Patrick, CMC
City Clerk

ASSESSING OFFICE



The mills in both Berlin and Gorham are now considered in full operation. The organizations formed during the closings of these industries are still working hard to boost the local economy and diversify our employment base.

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. In order to address issues involving fair assessment and the revaluation, the Board of Assessors will meet regularly and make every attempt to stay apprised of all changes to the RSA laws that govern this office. Due to the enactment of the State Education Tax and the removal of the DRA appraisers from assessing work, the City has contracted with Avitar. According to new Assessment rules, all communities will be certified every five years. We are scheduled for certification in 2005. Towards that end, the Board is reviewing the requirements and implementing changes necessary in order to comply with the new regulations.

All deeds received from the Registry of Deeds in Lancaster, subdivisions and lot mergers approved by the Planning Board, notices of demolitions and new construction are sent to Cartographies for updating of the City tax maps and the data base maintained by them. Any map with a physical change is then printed and sent to us. These maps are used by this office, with copies given to the Engineering and Planning Departments. These maps are available for public use as well as for all City Departments.

Some of the duties of the Board include maintaining property records, assuring that all taxable property are being accurately reported and properly appraised, reviewing applications for current use, elderly and blind exemptions and veteran tax credit.

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

Respectfully Submitted,

Susan Warren

Assessor Supervisor for the

BOARD OF ASSESSORS:
PAUL CROTEAU, CHAIRMAN
ROBERT PELCHAT, MEMBER
STEVE LAROCHE, MEMBER





SUMMARY INVENTORY OF TAXABLE PROPERTY - APRIL 1, 2002 & 2003

	APRIL 1, 2002	APRIL 1, 2003
Land	\$ 26,984,282.	\$ 26,839,714.
Building	175,703,900.	175,839,411.
Public Utilities	69,542,000.*	69,542,000.*
GROSS VALUATION	\$ 272,230,182.	\$ 272,221,125.
Blind Exemptions	311,200.	296,200.
Elderly Exemptions	2,869,725.	2,796,400.
Physically Handicapped Ex	20,800.	20,800.
Water/Air Poll. Cont. Exem.	3,258,583.	3,258,583.
TOTAL EXEMPTIONS	\$ 6,460,308.	\$ 6,371,983.
NET VALUATION W/UTILITIES	\$ 265,769,874.*	\$ 265,849,142.*

EXEMPTIONS GRANTED

TYPE	APRIL 1, 2002		APRIL 1, 2003	
	Elderly	142	\$ 127,473.	141
Blind	21	13,824	20	13,157
Physically Handicap	5	924	5	924
Water/Air Poll. Cont.	5	144,746	5	144,746
Veterans	736	45,052.	708	43,652.

OTHER ACTIVITIES

TYPE	APRIL 1, 2002		APRIL 1, 2003	
	Yield Tax	10	13,313.24	13
Property Transfers Processed	346		421	

The total, prior to veteran tax credit, to be collected for tax year 2003 from City, Local School and County tax is \$ 10,099,726. and the amount to be collected from the new State Education Tax is \$ 1,262,138. The State Education Tax rate for tax year 2003 is \$ 6.43 per thousand and all other taxes total \$ 37.99 per thousand. Utilities valuations are **not** taxed locally for the State Education portion.

PUBLIC WORKS, ENGINEERING AND WASTEWATER TREATMENT

Wastewater Treatment Facility

- The Wastewater Treatment Facility treated 705 million gallons of sanitary sewer flow, and 216,100 gallons of septic waste during the fiscal year. 1566 tons of municipal sludge were generated at the Wastewater Treatment Facility and were deposited at the Mt. Carberry Landfill.

- A \$9 million dollar upgrade is currently in the design phase for the Wastewater Treatment Facility and six pumping stations. This upgrade will replace equipment that has reached its useful life. The upgrade will also make use of new technology that has been developed since the treatment facility was built 23 years ago. This upgrade will reposition the Wastewater Treatment Facility to serve the City of Berlin for the next twenty years.

Utility Infrastructure Upgrades

- There were significant water main replacements during the fiscal year. These projects are predominantly administered through the Berlin Water Works. Because the water main replacements impact sewers, drains, sidewalks and streets, there is a significant amount of coordinated effort between the Engineering/Public Works Departments, the Berlin Water Works and contractors. Much of this time is spent answering questions about existing utilities and reviewing repair work on damaged facilities. A significant amount of time is also spent on review and inspection of street restoration associated with the utility excavations.

In addition, pre- and post-construction video taping of sewer and drain lines identified problem areas in various pipe sections. These problem areas were repaired before final street restoration. This work included approximately 93 feet of 8 inch pvc drain line on Rouleau Road. This work was done at a cost of \$8404.96. Funding for this work came from Sewer User Revenues. Significantly less work was done this year than in past years. This was due to a mandate by the City Council to freeze spending. This mandate was the result of the paper mill closure.

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 was monitored in accordance with the program.

- The Cates Hill Landfill Closure project was put on hold due to the financial implications of the mill closure. The project is slated for bidding in 2003.

Transportation

Street Markings

- Center lines, edge lines, railroad crossings and crosswalks were painted as they are every year. The cost of this work was approximately \$6,260. The work included approximately 200,000 linear feet of striping and 17 railroad crossings.

City Hall Security Project

- Construction of security improvements at City Hall was substantially completed by Couture Construction Corporation of Berlin. The low bid price for the project was \$97,183.

Retaining Wall Replacements

- Hillside Ave. and School St. - The City put this project out to bid and received a low bid of \$178,625 from Couture Construction Corporation of Berlin. The project was awarded to the low bidder and the work was started in June of 2001 and was substantially completed in October of 2001.

- Jolbert St. - a retaining wall was replaced at the intersection of Jolbert St. and Second Ave. During April, May and June of 2002. The replacement was completed for \$13,300.

Public Works Department Sub-contracting Effort

- The closure of the pulp and paper mills brought on a significant financial crisis. In order to overcome lost revenue, the City Council implemented a cost cutting mandate to City departments. An accepted alternative to cost cutting was revenue generation. During the Fall of 2001, the Public Works Dept. subcontracted its personnel and equipment to general contractors who were doing major construction projects in the

City. The Department was able to generate \$112,053.84 worth of revenue. This enabled the department to avoid layoffs and keep routine and emergency services intact and operational.

Capital Equipment Purchases for PWD

- No capital equipment purchases for the fiscal period due to the financial crisis brought on by the paper mill closure

Public Works Services

The Public Works Department provides a number of services to the citizens of Berlin. They include: the maintenance of approximately 60 miles of streets and many more miles of sidewalks that need to be swept, patched and overlaid. We also provide snow removal, street stripping, street marking, the fabrication and installation of street and traffic signs. We construct retaining walls, install guard rails and guard fence. We provide citizens with weekly garbage removal and an annual clean-up week in the spring. We maintain sewerage 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. We also provide 146 sand and salt barrels for winter use.

The Public Works Department collects paper, glass, plastics, tin, aluminum and cardboard for recycling. We periodically seal concrete sidewalks, retaining walls and bridge abutments. Members of the Department also provided utility information and project inspection for water and sewer capital

improvement projects.

ITEMIZED LIST OF VARIOUS WORK AND MATERIAL ITEMS

Installed new curbing	2420'
Installed new sidewalk	320'
Repaired catch basins & manholes	10
Rebuilt manholes & catch basins	9
New catch basins & manholes	3
Adjusted Manhole Frames and Covers	36
Replaced drain lines & new drain lines	124'
Replaced sewer lines	180'
Replaced service lines	60'
Televised Sewer and Drain Lines	100'
Catch basins cleaned by machine	609
Salt for winter use	2,033 tons
Sand for winter use	2,849 tons
Responded to Main Line Sewer Calls	11
Responded to Private Sewer Calls	26

Respectfully Submitted,

James Wheeler

Director of Public Works/City Engineer



BERLIN WATER WORKS



Water Commissioners for this report period were Richard P. Fournier, Robert A. Delisle, Paul W. Poulin, David J. Bertrand and Lucien F.

Langlois; Ex-officio member was Mayor Robert A. Danderson. David J. Bertrand left the Board of Water Commissioners due to a new residence in a different Ward, Lucien F. Langlois was appointed June 16, 2003 to replace David J. Bertrand.

The winter cold weather started in November and sustain cold continued until late March. Additional staff had to be hired to help with thawing the customers and/or install temporary service lines. Since 1994, the last bad year for freeze-ups, approximately 17 miles of new water mains have been installed which helped significantly during this cold winter. There have been significant efforts made to continue to reduce the number of running water customers, of which there were 1003 in the winter of 2000-2001. Following the winter of 2002-2003, Berlin Water Works purchased a new welding machine for electric thawing and a new high-pressure hot water system for thawing water lines.

	FISCAL 2002	FISCAL 2003
Total Flow in Gallons	343,608,754	448,642,628
Difference from previous year	35% decrease	27% increase
Gallons per Day	.9 million	1.23 million
Running Water Customers	109	807
Running Water Start - early	02/12/ 2003	01/15/2003
Running Water Start - regular	Not Required	01/22/2003
Running Water Finish	04/01/2003	04/21/2003
Frozen Water Calls - outside	0	258
Frozen Water Calls - inside	4	30
Hydrant Flushing	5/13/2002 to 07/22/2003	05/12/2003 06/17/2003
Number of main line breaks	6	12
Number of service line breaks	6	6

Our lead and copper water sampling program has revealed that we must still modify our present corrosion control program to further reduce first draw lead levels in the water taken at faucets having no flow for a period of at least six hours. Please note that the water leaving the Water Treatment Plant is free of lead and copper and that the results are attributed to possibly old portions of the

distribution system or customer pipes and dead end lines. Water sampling will continue to monitor lead levels. All customers received a Lead Alert Notice with their October 2002 water bill. Water quality Report for calendar year 2002 was distributed to all water customers as a bill stuffer in the April 2003 billing. City of Berlin served papers on the Berlin Board of Water Commissioners in November of this year to establish line of authority. The court hearing was held in June 2003. A decision is expected by September of 2003. Berlin Water Works made final payment to the City of Berlin in the amount of \$251,649.18 for the retirement issue settlement with it's employees.

Robert L. Vachon, CPA of Vachon, Clukay & Co., PC was accepted by the Board to perform the Water Works financial report for period ending June 30, 2003. Our FY 2004 budget, as presented at the Commissioners May 28, 2003 budget hearing providing \$1,428,160 for operations and \$1,594,206 for water bond and loan debt, was approved June 10, 2003. A State surface water filtration grant payment in the amount of \$267,404 was applied for in June 2003 for the State's share of water bond debt required for the surface water treatment rule infrastructure improvements.

June 10, 2003 the Board voted to accept a new reading/billing cycle for the Berlin Water Works. Quarterly water bills will be sent out in February, May, August and November. The Pulp Mill and Municipal accounts will continue to be billed in January, April, July and October. There are many reasons for the change the foremost being to limit running water to only one quarter ideally the May Quarter, which would have readings beginning in January and ending in April of each year.

IMPROVEMENT PROJECTS: Berlin Water Works Project #00-4 Coulombe Pond Storage Tank and Hill Street Pump Station were both completed and operational on November 21, 2002. This new storage and pump system combined and replaced the Hill St. and the Russian St Hydrostatic tank pressure areas and provides improved fire protection capabilities to this area.

Paragon Construction, Inc. held a Rock Trencher trial in September 2002 on York Street and Hillside Avenue as part of their scheduled construction project area. The trial was to test the excavation equipment on the City of Berlin streets and rocky sub terrain.

Godfrey Dam Project - BWW # 01-2C was completed by Bancroft Contracting Corp. A Bridgestone bladder, and Scada control system was installed to monitor and remotely control the dam. The bladder was on line November 2002 and performed extremely well through its' first very cold winter. Berlin Water Works crews were not required to cut any ice during the winter of 2002-

2003. This project was a significant safety improvement and will result in operational cost savings for many years and improved safety.

Berlin Water Works was granted permission by New Hampshire Department of Environmental Services (NHDES) to act as General Contractor for the Hutchins Street Napert Village 16" line emergency repairs. 3700 feet of 16-inch and 12-inch HDPE water mains were installed. The project was completed December 20, 2002. This project was referred to as BWW 00-2A.

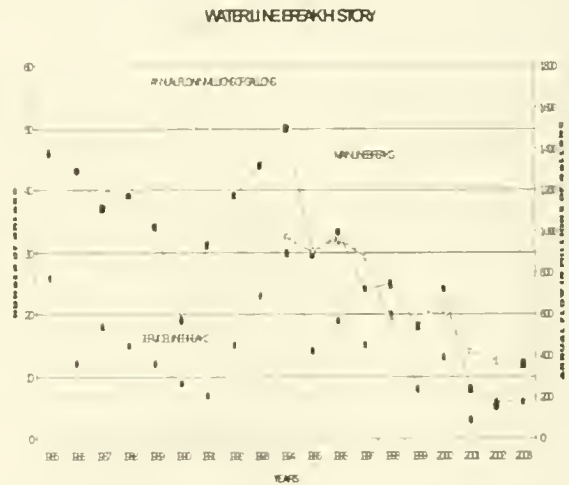
An engineering contract for Project BWW 00-2 - EPA FY 2000 Grant was signed with CLD Consulting Engineers, Inc. The construction project was bid in April of 2003 but the bids were rejected because the cost was too high. Then through negotiation a portion of the project was awarded to Paragon Construction, Inc. of Orford, NH under project BWW 01-2A(3). The remainder of this project is being performed by Berlin Water Works acting as General Contractor, with subcontractor JMI Trucking of Errol, NH and Public works crews and equipment for the Glen Avenue portion under BWW 00-2B. The Berlin Water Works with the support of Public Works is a first in a collaborative joint effort to perform a major project with predominantly City crews.

Water Main Project BWW #02-1 was signed with CLD Consulting Engineers, Inc. for replacement-improvement to water mains including hydrants and appurtenances. The total amount of funding is 3.6 million dollars funded through Rural Development Grant and a State Revolving Loan. The Rural Development Loan/Grant was presented to Berlin Water Works on Friday, August 30, 2002. Construction for this project is planned for 2003, 2004 and 2005.

Water Main Project BWW #02-2 was signed with SFC Engineering Partnership, Inc. for replacement-improvement to water mains including hydrants and appurtenances. Project funding 1.5 million dollars through an EPA Grant Fiscal Year 2002. The majority of this projects' scope is in the Northwestern part of the City. The actual construction of the project is planned for 2004 & 2005.

	FISCAL 2002	FISCAL 2003
Total asphalt paving	6132	5739 tons
Curb-to-curb street paving	4.15 miles	1.93 miles
Number of New Meters	138	41
Number of New hydrants	20	15
Number of Replaced services	262	128
New water main installed	4.74 miles	3.62 miles

Construction work continues in the City of Berlin to improve the water distribution system. Berlin Water Works has been proactive by performing the pre-video taping the sewers and drains prior to project start up to provide City Engineer more time to review the tapes before the construction begins. The Berlin Water Works purchased a new Caterpillar excavator, a used front end loader, a used 10 wheeler dump truck, and other smaller pieces of construction equipment to facilitate cost effective improvement to the water distribution system. The Berlin Water Works staff has been participating in the construction of Water Mains such as the intersection work on Route 110 at the intersections of Fifth Avenue and at Rocky Lane. The staff has also participated in the Resident Inspection of several of the water main projects as well as the Coulombe Pond Storage Tank and the Hill St Pump Station.



The Berlin Water Works staff has strived to improve appearance of Water Works areas by removing several facilities that were no longer required. A partial list includes the removal of Steward Dam, the Chlorination Station on Wood St., the Twelfth St Pump Station, Riverside Well, and the Storage shed on Willow St.

Thanks to all Berlin Water Works employees, Water Works Commissioners, the Honorable Mayor, Robert Danderson, and the City of Berlin for their continued support for the past year. The Berlin Water Works has completed and is working on significant improvements that will improve our water system and reduce our operating cost for many years into the future.

Roland L. Viens, P.E.
Superintendent

PLANNING DEPARTMENT

Fiscal year 2003 has continued an upswing in revitalization and redevelopment in Berlin. The Planning Department has been working with many different departments and agencies to take projects that have only been discussed in studies and move them to implementation. The Cote Block project on Main Street is an effort that involves many people and has a lot of momentum. While it takes time to put together a redevelopment project this large, the impact that it will bring to the downtown will be widespread throughout the region.



Berlin was the recipient of a Community Development Block Grant for housing rehabilitation on Upper Glen Avenue. The Berlin Housing Authority is partnering with the planning department on this undertaking and has brought a great deal of enthusiasm to the project. The City also received \$30,000 in Community Reinvestment Act money for Glen Avenue from Berlin City Bank, Citizen's Bank, and Laconia Savings Bank. This money will supplement costs not specifically covered by the Community Development Block Grant Program.

The Planning Department applied for a Transportation Enhancement Program grant for a riverwalk on Upper Main Street and Riverside Drive. This project, done in partnership with Northern Forest Heritage Park, is an exciting pedestrian multi-use pathway that will present many opportunities for the community and visitors to Berlin. This grant gives the City eighty percent of the project costs needed for riverwalk and has already made its way successfully through North Country Council.

The Berlin Industrial Development and Park Authority (BIDPA) has had a busy year. Hexaport North moved into the former Gamm building and a new business, Mountain View Manufacturing opened in the Industrial Park. Board members spent time this summer improving the appearance of the park as well. There is presently only one vacant building in the park and interest has been steady in adding business to the park. The board continues to work hard to attract new business to not only the park, but the City as well.

The Planning Board will be working on updating the City's Master Plan in the next year. It will be important to get community input for this important document to help direct Berlin's future. 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.

The dedication and commitment of the individuals who serve on these boards makes it easier to run this department. Many hard-working members of your community spend hours helping to make Berlin better. Berlin can be proud of its citizens that take time to volunteer. There is still much work to be done. We thank and recognize the members of these boards for their time and commitment. The planning department looks forward to another year of moving projects ahead and working toward making Berlin a destination for families to live, work, and be proud of.

Respectfully submitted,

Pamela E Laflamme

City Planner

Zoning Officer:	Ron Baillargeon
Planning Board Chair:	Richard Merrill
ZBA Chair:	Ronald Cote
BIDPA Chair:	Richard Huot

Berlin Housing Authority

In FY 2003 Berlin Housing Authority in partnership with the Tri County Weatherization Program completed the weatherization of the last 4 residential buildings. A second lighting efficiency upgrade took place at the same time.

The 2003 Payment in Lieu of Taxes (PILT) amounted to 10,590.29. Irene Gallant, Treasurer of the BHA Board, presented the check to Blandine Shallow.

BHA has completed its first demolition project with its current Executive Director. BHA served as the general contractor coordinating the bidding and procurement of the hazmat survey, hazmat removal and building demolition. Advice from the Building Inspector, City Engineer, Water Works Superintendent and Fire Department were critical to the success of this task.

BHA is undergoing roofing and painting improvements. St Regis and BHA will be upgrading their heating systems.

The City Planner submitted a Community Development Block Grant that was co written by BHA. Berlin received the triumphant news of the award in the spring. Since then, plans have been underway to implement the Glen Avenue Gateway Project. This project is an outgrowth of the Neighborhood Reinvestment Committee.

BHA retains its title as a High Performer as it relates to HUD reviews of the physical property and management indicators.

BHA was on the front end of having a consumer of



services appointed to the Board of Commissioners. This compliments the range of talent currently serving on the board who remain committed to serving the needs of the City and who have donated their own time to see that the projects undertaken by the Authority are successful

Assets		
Assets	2002	2003
Cash	\$138,895.00	\$605,286.00
Security deposits	\$11,688.00	\$11,186.00
Accounts Rec. St. Regis House	\$5,086.00	\$3,592.00
Accounts Rec Other	\$134.00	\$0.00
Investments	\$618,013.00	\$100,000.00
Prepaid insurance	\$5,120.00	\$6,460.00
Accrued Interest Receivable	\$7,922.00	\$0.00
Land structures & equipment	\$499,367.00	\$533,440.00
TOTAL ASSETS	\$1,286,295.00	\$1,280,505.00
Liabilities		
Liabilities	2001	2002
Accounts Payable HUD	\$42,073.00	\$62,032.00
Accrued Liabilities	\$33,161.00	\$35,981.00
Other Liabilities	\$6,077.00	\$0.00
Prepaid HUD contributions (net)	\$0.00	\$0.00
TOTAL LIABILITIES	\$81,311.00	\$98,013.00
Equity		
TOTAL EQUITY	\$1,204,984.00	\$1,182,492.00
Total		
TOTAL LIABILITIES AND EQUITY	\$1,286,295.00	\$1,280,505.00

Respectfully Submitted,

Mary Jo Landry
Director, Berlin Housing Authority

**COMMUNITY SERVICES DIVISION
BERLIN PUBLIC HEALTH SERVICES
HOME HEALTH VISITING NURSING
EMERGENCY MANAGEMENT & HOMELAND
SECURITY**

The Berlin Health Department spent fiscal year 2003 very actively involved in providing public health and nursing services to the community.

The Home Health Visiting Nurse Program continued to be busy providing health related care for area citizens. Home Health Nursing offers individuals the opportunity to receive nursing, therapy services, and home health aide assistance in their homes. Patients have benefitted from medication assistance, disease related care, all forms of therapy, hospice, and home health aide services and many more home health services.

Home Health Statistics

Home Nursing Visits	2281
Home Nursing Patients	141
PT Visits	230
OT Visits	94
ST Visits	2
Home Health Aide Visits	1809

The Public Health Clinic Services

- WalMart Blood Pressure Clinics
- Northern Lights On Site Clinics
- St. Regis On Site Clinics
- Holiday Center On Site Clinics
- Immunization Clinics
- Well Child Clinics
- T & T Blood Pressure Clinics
- Public Flu Vaccination Clinics
- City Employee Flu Vaccination Clinics
- Public Cholesterol Clinics



Sharon L'Heureux, LPN, Yvonne Wheeler, RN,
Polly Tourangeau, RN Review Charts



Yvette Leighton, RN and Rita Gagnon, LPN
Review Immunization Supplies

The Public Health Clinic offers these and other health preventative services on a free or low cost basis. Located in the street level of the City Hall, we have a long standing tradition of offering health support services to adults and children in the community. Inquiries about all our services can be obtained by calling 752-1272 for additional information about any of our clinic programs.

PUBLIC HEALTH CLINIC STATISTICS

OFFICE NURSE VISITS

Cholesterol Clinic	257	
Diabetic Screening	38	
Flu Vaccines	503	
Head Checks (lice)	113	
Hep B	13	
Immunization Clinic	96	
Mantoux TB Testing	460	
Blood Pressures	707	
Foot Clinic	57	
Paid Clinic Patients	327	Visits 413
Medicaid Patients	109	Visits 184
No Charge Out Patient	42	Visits 83
No Charge Pre School	20	Visits 22
No Charge School	48	Visits 48
No Charge Adults	24	Visits 24
No Charge TB, Rash	5	Visits 5

City of Berlin

HEALTH DEPARTMENT

City Hall, 168 Main Street, Berlin, NH

752-1272

FREE IMMUNIZATION CLINIC

Monthly immunization clinics are held on the 2nd Tuesday of each month at the Health Department, from 9-11:30 a.m. and 1:30-3:30 p.m. Pre-registration is not required. The clinic is for children two months of age and over.

THE FINANCIAL PICTURE

The department has been consistent in its ability to procure the most reimbursement for the Medicare, Medicaid, and private pay services we provide. Our department does billing for all the home health and some public health clinics we provide. In the Home Health area of service, a comprehensive billing program secures upwards of \$300,000.00 annually in reimbursement. With the ever changing regulations and rules of Federal and State government programs we are pleased to have been somewhat consistent in our ability to provide public health services, home health nursing, and other general health promotion tools to the community



Paulette Frechette & Cecile Fauteux review the books

EMERGENCY MANAGEMENT AND HOMELAND SECURITY

The goal of Emergency Management and Homeland Security is to plan, train, acquire funding, and respond to community emergencies. In this past year, a number of new members have worked with the city committee. These new members represent a more comprehensive group including EMS, AVH, the School Department and CAP.

The committee worked on writing a community Hazard Mitigation Plan that references the critical facilities in the City, the potential of hazardous impact to the City, and projecting activities to mitigate these hazards.

With the nation on guard and on alert, a number of times over that past year, the committee spent significant time providing public information about preparedness. In the effort towards public education about Emergency Management and planning for emergency response, the EMD has spoken to a number of civic groups about the importance of Emergency Management Services and Homeland Security. The committee has issued a number of press releases assisting the public in preparing for a major emergency.



Grants were obtained on behalf of emergency management services in the City. Grant funds were secured for the purchase of an emergency generator for the Public Works building and for computer upgrades for the Emergency Management Director and the Emergency Management Center.

The Berlin EMD and committee were instrumental in developing the Smallpox plan for the Great North Woods. Working in a team fashion, a comprehensive Smallpox plan has been developed.

While the nation, the State, and every small community continued to work to provide proper initiatives to respond to emergencies including terrorism and weapons of mass destruction, with good fortune no major community emergencies occurred during this past fiscal year.

PUBLIC HEALTH SERVICES

The Health Inspector completed a variety of inspections during this fiscal year. Being a self inspecting community, a number of restaurant inspections were executed. Additionally, the health officer executed foster care inspections, school inspections, and day care inspections. These inspections are required by local and state law and provide basic health standards and guidelines for a number of public services.

The Health Officer also responded to citizen complaints about potential health violations. Many of these cases involved animal complaints, household hazard complaints, and apartment and building violations. Most cases were resolved through working with tenant or property owners and seeking compliance with basic health standards and laws. Although West Nile Virus continued to be in the news during the summer months very few calls about problems birds were received by the Health Officer.

Respectfully Submitted,

Laura Lee Viger
Community Services Director

COMMUNITY SERVICES DIVISION WELFARE DEPARTMENT

This Fiscal Year was a busy one for the City of Berlin Welfare Office. We saw many individuals and families who were hit hard by the flailing economy. People were struggling to provide for basic needs with their income as prices rose for everything from fuel to rent and food. We worked closely with other agencies to find long range solutions to the problems people were experiencing. Everyone came together to ensure that families were enrolled in any program that they may qualify for that could help keep them afloat on the troubled financial sea they are traversing. Programs and agencies such as W.I.C., North Country Cares, North Country Relief Fund, Catholic Charities, Tri-County C.A.P., St. Vincent De Paul Society, Salvation Army, Department of Health and Human Services Division of Family Assistance, New Hampshire Employment Security Office and all their programs, plus the area doctors and clinics who provide sliding scale fees and enrolled people on the Medication Bridges and Indigent Person's Medication Programs, and many others all worked tirelessly beside us to help families and individuals here in Berlin to have basic necessities.

Local Welfare is known as "General Assistance" and is mandated by the State of New Hampshire. Each municipality in the State must have local welfare to assist with basic needs to include those things such as shelter, food, medication, heat, electricity and other necessary utilities. Each applicant is required to complete an application and show proof of income, assets, actual costs of basic needs, etc. Once the application process is complete the individual receives a Notice of Decision informing the recipient of the type and amount of assistance they qualify for and a First Notice, as required by the State, which tells them what is required of them in order to receive continued assistance. If the requirements are not met the recipient is suspended from receiving further assistance for seven days, fourteen days if suspended more than once in a six-month period, and until such time as they fulfill the requirements.

In the prior fiscal year, July 1, 2001 to June 30, 2002, \$27,879. had been expended in Direct Assistance. In this fiscal year, July 1, 2002 to June 30, 2003, the amount increased to \$52,896.

The Department recovered \$5,430.57 from Federal and State programs and individuals who reimbursed the department upon becoming more secure financially.

The following are statistics gathered for the July 1, 2002 to June 30, 2003-fiscal year.

Activities	Total 2002	Total 2003
Office Visits	1930	2258
Cases Interviewed	264	324
Number of Welfare orders issued	480	1090
Number of Single People Assisted	49	76
Number of Families Assisted	14	18
Number of assisted people having lived in Berlin over 1 year	32	38
Number of Assisted people having lived in Berlin less than 1 year	31	56

Work Program Statistics	Total 2002	Total 2003
Number of Cases who worked on the Work Program	30	38
Number of Hours worked on the Work Program	1681	3784

The number of hours worked on the work program again more than doubled in this fiscal year going from 671 in 2000-2001 to 1,681 in 2001-2002 up to 3,784 in this fiscal year. This is because we assisted more people who were physically capable of working and the cost of living increased so that the amounts they were being assisted with were also going up requiring that they work more hours on the Work Program in exchange. The City requires that each recipient who is physically able to work, who has no impediments to their working, participate in the Work Program and also complete weekly job

search forms and make weekly visits to Employment Security for job search or other counseling that they offer such as resume writing, interview skills workshops, etc. This has resulted in many recipients being on City Welfare for shorter periods as they have found jobs quicker. Of those individuals and families who applied for and received City Welfare this year over half had never applied for Welfare with the City ever before.

The breakdown of assistance is as follows:

Assistance	Single Persons	Families
Housing/Rent/Emergency Shelter	51	21
Food/Personal Needs	43	22
Medication/Medical	18	6
Fuel/Oil/Propane/Kerosene	1	4
Electric	11	7
Telephone (with Doctor's Note)	1	0
Water	0	0
Transportation to place or origin	0	0
Funeral/Cremation	1	0

The Welfare Department would like to offer thanks to all the individuals and agencies who worked with us over the last fiscal year to meet the needs of the populations we serve. Together we have worked hard to better help many in are community. Furthermore, we wish to extend our sincere appreciation and gratitude to those agencies and offices who accept workers on the City Work Program for their continued support and cooperation with this department. Without them we would not be able to have a Work Program that works as well as ours does. They have also been essential in helping recipients find work that supports their basic needs by recommending them to jobs, giving references based on the quality of work they have seen and by referring them to job openings they have heard about which they feel the recipient might qualify for and perform well.

Respectfully Submitted by:

Angela Martin-Garcia

Administrator of Welfare



Food Pantries	
Salvation Army 752-1644	Cole Street, Tuesday, Thursday 9:00 to Noon Friendly Kitchen Monday evenings
Tri-County CAP 752-7001	Maynesboro Street Monday - Friday 1:00 to 3:00
St. Kieran's Ecumenical Food Pantry	Monday, Wednesday, Friday - 2:30-4:30 p.m.
Food Programs	
Serve New England	Sign up 2 nd Saturday of month; sign up and distribution 4 th Saturday of each month at St. Barnabas Church
Women, Infants & Children (WIC)	Willow Street
Commodity Foods 752-4678	
Food Stamps 752-7800	Dept of Health & Human Services, Main Street 8:30- 11:00 Monday-Friday
Health Clinics	
Coos County Family Health 752-2040	Pleasant Street (by appointment)
Mountain Health Services 752-2900	Page Hill Road (by appointment)
AV Mental Health Services 752-7404	Twelfth Street (by appointment)
State Offices	
Health & Human Services 752-7800	Main Street 8:30 a.m.-4:30 p.m.
Employment Security 752-5500	Pleasant Street 8:30 a.m. - 4:30 p.m.

COMMUNITY SERVICES DIVISION LIBRARY DEPARTMENT



Much as the City of Berlin and the world, the Berlin Public Library has come through the last year with many changes. Positive changes such as Nexfor Fraser Papers reviving the paper mills in Berlin and Gorham was

welcomed by the mill workers and the community.

A new Head Librarian, Denise Jensen was hired in July to replace Yvonne Thomas who retired in March 2002. Ellen Lauziere resigned from the part time Children's Department position, while in August, Denise Goulet also left her Children's Department position to take the Desk Clerk position in the Adult Department. Rebecca Glover-Law was hired as the new Children's Librarian in September.

The 2002 CHILIS Summer Reading Program in the Children's Department brought in 79 registered readers who read a total of 1,067 books during the program. This six week summer program had a jungle theme entitled "Lions & Tigers & Books...Oh My!" The Kids, Books & the Arts Grant provided \$300 to fund "Wayne from Maine" to perform at the Berlin City Hall as part of the program. A large turnout of about 127 children and adults attended this delightful performance. Weekly reading and fun activities were enjoyed by the children of the community.

The Berlin Public Library received a grant for

the total of \$13,775 from the Bill and Melinda Gates Foundation. The purpose of the grant is to bridge the digital divide and provide information technology to low income areas and make technology available to everyone. The grant provided for four state of the art Gateway library computers, one black and white laser printer, wiring allowance, funds to set up wireless Internet service, training workshops for staff, technical service for one year, a scanner and various software. This was a wonderful addition to the library bringing the number of available computers for public use to seven in the adult department and three available in the Children's Department.

In February, while the library was closed for five business days over a two-week period, the library staff as well as volunteers, worked to prepare for the installation of mechanical shelving in the Adult Department. The staff recycled old shelves for use in our storage area and for use in the Children's Department. Staff and patrons alike are very pleased with the new shelves. The patrons appreciate the ease of movement when shifting the shelves to the section they are interested in. The space saving feature of the shelves allowed us to put many more books in the same amount of space, allowing all the non-fiction to be reorganized in one area.

The Berlin Public Library in conjunction with the NH Community Technical College Fortier Library again received a grant from the NH Humanities Council for a fall 2002 and spring 2003 lecture series. The fall series was a three part program on children's books, classic fairy tales, Charlotte's Web and Bridge to Terabithia. The spring series was also in three parts focusing on Keats: His Life and Poetry and Arthur Conan Doyle's Sherlock Holmes and Scandal in Bohemia. The NHHC continues to provide funding for the series with in-kind participation by the librarians.

The staff at the library is continuing the long process of working on inventory in anticipation of automation of the card catalog. The staff is continuing to adapt to changes in the library and the community to continue the tradition of service to meet the needs of the community in the best use of the resources available to us.



BERLIN
NEW HAMPSHIRE



is a thriving and desirable community where people work together, diversifying the economy, promoting spirit and cultural heritage, protecting resources, increasing educational opportunities, building a positive self-image, and improving the quality of life.



Respectfully Submitted,

Denise Jensen
Head Librarian

www.ci.berlin.nh.us

Library Statistics 2002- 2003

Topics	Adult	Juvenile	Total
Generalities	50	19	69
Philosophy	78	28	106
Religion	46	16	62
Social Sciences	305	133	438
Languages	22	21	43
Natural Sciences	52	393	445
Useful Arts	650	266	916
Fine Arts	399	234	633
Literature	93	58	151
History	28	98	126
Travels	325	9	334
Biography	135	125	260
Videos	12,570		12,570
Periodicals	1,623	91	1714
Fiction	11,581	4,237	15818
Cassettes	6498	92	6590
Compact Discs	64		64
Paperbacks	855	5820	6675
Totals	35374	11640	47014

**COMMUNITY SERVICES DIVISION
RECREATION & PARKS
DEPARTMENT**



**Leisure Services
for Your Family**

The Berlin Recreation and Parks Department continues to provide quality, safe, interesting, and fun leisure programs to the entire family.

During the past year a wide number of programs were offered by the department. Funded by a combination of municipal dollars and user fees, we offer a broad spectrum of programs with fun and health in mind.

We offered a four season, full time recreation program to the community.

Our programs are created and designed to meet the needs of families. Cost are reasonable and times are designed to meet the needs of working families. Some interesting hallmarks of our program year included:

**The USDA
Summer Food Program**

This USDA program provides funding to serve free breakfast and lunch on summer playgrounds. With the support of the USDA, Senior Meals and our summer playground staff, area children preschool through 18 years of age received nutritious free meals through the summer program season.



**ANDREA MARIER, SYLVIA RANSEY, AND
TERRY LETARTE REVIEW THE PROGRAM
SCHEDULE FOR SCHOOL VACATION**



**RYAN POULIN, JOSH PATRICK,
SAMANTHA PIVIN, PROGRAM WORKERS
AND OPEN GYM SUPERVISORS**

Playground Improvement Plan

With an eye on future infrastructure considerations the volunteer organization, Parents for Playgrounds and the Recreation Department began a collaborative effort to problem solve the growing needs of our vintage playgrounds. The City Council rose to the challenge and earmarked specific funding for playground infrastructure and the ball was rolling. Work continued through the year to expand funding options, review and plan development ideas, and attempt to solve some of the maintenance issues found in the public playgrounds.

FIELD IMPROVEMENT INITIATIVE

A major field improvement initiative was undertaken in the fall of last year. This work included securing a field specialist to assist in improving turf quality at the Municipal Running Track and the Memorial Field.

Additionally, this year saw vandalism strike at the Memorial Field Storage Building causing a major fire that burned the restrooms, Babe Ruth equipment and storage, and departmental storage areas.



SOCCER FANS BOB & BARB BARBIARI

RECREATION DEPARTMENT PROGRAM LIST

Children's Tumbling	Jericho Rentals
Craft of the Month	Gazebo Rentals
Vacation Special Events	Jericho Lake
Gym Rentals	Open Gym Program
Jogging Program	Field Trips
Community Special Events	Easter Egg Hunt
Halloween Dance	Cosmic Bowling
Friday Fun Nights	
Community Yard Sale	
Snowboard/Ski Program	
Recreation Hockey League	
Support Public Park Maintenance	
Senior Walking/Exercise Group	
Coca-Cola Basketball Tourney	
Athletic Field Maintenance	
Athletic Field Game Prep.	
Tennis Court Maintenance	



THE LITTLE TYKES PROGRAM, LIAM BENNETT, SYLVIA RAMSEY, JASON BINETTE AND JORDON LACASSE SHOWING OFF THEIR FALL LEAF NECKLACES



YOUTHFUL SOCCER FANS ON A COOL AUTUMN DAY

Approximately
6700 participants enjoyed departmental programs and
events during the past year.

Respectfully Submitted,

Laura Lee Viger
Community Services Director

BERLIN PUBLIC SCHOOLS – SAU 3

VISION STATEMENT

Graduates of the Berlin Public Schools will be active, life-long learners who participate constructively in the civic, economic, educational, and cultural growth of their continually changing, information based, local and global communities.

MISSION STATEMENT

The Berlin Public Schools are committed to the belief that **all** students must be given appropriate opportunities to achieve clearly defined, meaningful and rigorous standards which include, but are not limited to those outlined in the New Hampshire Curriculum Frameworks. We further believe that the learner is the focus of all of our efforts and that the evolution of our programs will be guided by data that reflect what each learner knows and is able to do.

Each of the programs in the Berlin Public Schools will emphasize depth of understanding and the active participation of students in the learning process. We will capitalize on the power of technology as a motivational information source and as a problem-solving tool by integrating appropriate technologies within each program area.

Our vision cannot be attained if the Berlin Public Schools must act alone. We and our students are part of a larger learning community. Parents and the community at large must share in the responsibility to educate our youth. The community must provide the resources necessary to support the schools and must also help students value learning in all its contexts – within school and outside the formal educational setting. Community members can best help students see that the process of becoming a competent member of the local and global communities is one of continuous progress that lasts a lifetime.

DISTRICT WIDE IMPROVEMENT GOALS

1. Implementation of academic standards and curriculum frameworks in all subject areas, including the New Hampshire Curriculum Frameworks and the development of best

practices for instruction and assessment of student performance.

2. Using technology as an educational tool to improve student learning.
3. Establishing high-quality learning environments, including improved facilities.
4. To assure the health and safety of Berlin children.
5. To revise and continue to improve our Professional Development Plan.

DISTRICT HIGHLIGHTS 2002-2003

The Berlin Public Schools Board of Education and all staff members provided our students and community with high quality instruction and services within a safe and healthy school environment. The 2002-2003 academic year opened with 1,680 students in grades K-12. Our teachers and their co-workers and assistants helped to meet the needs of our young people. Bus drivers, food service staff, custodians, assistants, para-professionals, and office management staff provided a variety of services to create a positive learning environment.

Effective management of our resources throughout the year helped to provide a savings of approximately \$250,000 for the 2002-2003 school year. All members of staff recognize that saving and cost reduction remain critical within our community. The staff members within our district offices and throughout the schools met the goals of high quality education and efficient budgeting procedures to support the planned renovations and improvements in our Career and Technical Center (formerly the Vocational Center). This surplus serves as a portion of the more than \$500,000 required local matching funds to acquire state revenue of more than \$1,500,000 to improve the Career and Technical Center.

Seven staff members of the Berlin Public Schools retired during the 2002-2003 academic year. Their total years of service exceeded 140 years. R. Bruce Mackay retired as Superintendent of Schools. During his 37 years within our school system, he taught social studies, coached teams, advised clubs and served as department chairman, assistant principal, and principal of the high school before beginning his tenure as Superintendent of Schools. Best Wishes to

all of our colleagues and Thank You.

Listed are some of the accomplishments of each school.

Berlin Senior High School

Six hundred thirteen students entered Berlin Senior High School on Tuesday September 2, 2002. Our teachers incorporated national and state standards and frameworks into their lessons. Students received recognition for their academic success within the school and in state and national assessments and competitions. Technology became an important part of direct instruction within many of our courses.

The English teachers at our school received a grant to integrate computers within their courses. Welding Technology students used specialized industrial equipment to acquire knowledge and experience. Automotive Technology received designation as a National Automotive Technicians Education Foundation program. This identifies our program for its excellence and students began to earn credit for Automotive Service Excellence Certification.

One hundred twenty-six young women and men comprised the class of 2003. They earned twenty-six or more credits to earn their diploma from Berlin Senior High School. The staff and our community congratulate each graduate.

Berlin Junior High School

Each department continued their ongoing review of their curriculum goals and the NH proficiencies to assure we are offering a curriculum that is rigorous, contemporary, and interdisciplinary. The department chairs participated in the item analysis of the Grade 6 NHEIAP tests to enhance their understanding of the knowledge-base the students have as they enter BJHS. Significant strides were made in collegial dialogue between the faculties of Hillside School and Berlin Junior High School.

Throughout the 2002-2003 school year, the BJHS faculty investigated the team concept. Research indicated that team organization has become the established organizational paradigm for middle level education. The teaming structure is a collaborative approach to the curriculum where teachers work

together in a collegial manner for the benefit of the students. The faculty attended workshops and visited schools in preparation for the change in our organizational structure. The administration presented the proposal to the Berlin Board of Education and the school community in the spring of 2003.

Our main computer lab was been upgraded during the 2002 -2003 school year with the purchase of nine new Dell Optiplex computers and a new HP laser printer. These purchases were made possible with funds secured through the Nellie Mae After School Program, the Roy Foundation, and the Federal Title II program. Additionally, each classroom has at least one network-integrated computer workstation with access to the Internet. All computers have been linked to the SAU #3 network allowing efficient transfer of information between individuals, classrooms, and schools.

Hillside School:

The faculty concentrated on improving reading comprehension across the curriculum and they embraced the Mosaic of Thought strategies. Weekly grade level meetings were in place to facilitate the teachers' collaborative efforts to develop curriculum planners to improve comprehension. Emphasis was also placed on the writing process and the Four Square Writing Program was investigated and implemented at all grade levels. The catalyst for curriculum revision was the NHEIAP grade six test results.

Several teams were implemented to manage the many aspects of the operation of Hillside School.

- Hillside Emergency Management Team to oversee the emergency drills, emergency preparedness, and safety.
- Hillside Literacy Team to drive the ELA (English/Language Arts) curriculum and keep the faculty abreast of the best practices to improve student learning outcomes in reading and writing.
- NHEIAP Review Team to do an item analysis of the Grade 6 testing results to identify strengths and weaknesses in our curriculum and make recommendations regarding the scope and sequence of our curriculum.

Administrative Team Council to conduct ongoing reviews of our four disciplines (Language Arts, Mathematics, Science, Social Studies) and to assess our needs for new textbooks and auxiliaries to support our curriculum goals as driven by the proficiencies from the NH Frameworks.

Technology Committee to conduct an ongoing assessment of our technology needs and make recommendations for hardware and software.

All classrooms have a minimum of three computer workstations that have access to the Internet. All classroom computers are fully network-integrated allowing efficient transfer of information between individuals, classrooms, and schools. Additionally, Hillside School and Berlin Junior High School have collaborated to increase Hillside student access to the BJHS computer lab. Grade 5 students now receive Computer Literacy as part of their Unified Arts Program.

Brown/Bartlett Schools

During the 2002-2003 school year, the elementary staff concentrated their efforts in effectively using running records to assess students' reading progress throughout the school year, developing a K-3 continuum of minimum requirements for instruction to support transition to grade 4 and provide consistency at each grade level. NHEIAP results were carefully reviewed with curricular adjustments made. Bartlett and Brown Elementary Schools earned Adequate Yearly Progress designation.

Team leaders met with their teams in reading, math, social studies, science and writing. Each team is working on an assessment graph to measure student outcomes in a scientifically based manner as required by No Child Left Behind Act. In celebration of Read Across America, Berlin High School students visited the elementary schools to read their favorite children's books. The Walker Foundation awarded a \$5,200 grant to purchase books for home support. Students sign out books they can read and practice at home with their parents. The students continued to participate in the grant funded dental program provided by the Coos County Family Health Services. A dental hygienist, conducted oral hygiene lessons, monitored weekly fluoride rinse and provided free cleaning and check-ups for qualifying students.

The entire staff was trained in character and citizenship curriculum – 'Don't Laugh At Me' This curriculum is primarily written to prevent bullying among students. Classroom lessons were provided by the guidance counselor. A pilot structured recess program has been developed at Brown School to lessen behavioral problems, establish conflict resolutions and learn acceptable social skills.

Marston School

The Marston School staff refined and improved instruction and programs for our students. The kindergarten teachers and principal revised and implemented a new Kindergarten Screening Program, which included collaboration with the various preschool and daycare programs in the city. This resulted in a more accurate count of incoming students. Coos County Extension Service staff presented a unit on nutrition throughout the final months of the school year.

Staff continues their active role upon the district's professional development committee. Activities focus upon child development and curriculum development. The kindergarten teachers participated with the mathematics teachers on a district-wide alignment of the math curriculum. They administered an end of kindergarten math test to all students. The school staff continues to have played an active role in the district's professional development planning.

Submitted By:

John Moulis

Superintendent of Schools





FIRE DEPARTMENT

The Berlin Fire Department is pleased to present our 2003 Annual Report. The past year has been a year that presented triumphs, sadness and challenges. The most significant event was the tragic loss of Lieutenant Carl Morin. This report is dedicated in the memory of Lieutenant Carl Morin. Information in this report demonstrates the great progress of the Berlin Fire Department in our pursuit of excellence. This distinction was possible through the dedicated efforts of the 33 members who accomplished great things for the community we serve. Through team work, the Berlin Fire Department continues to provide outstanding services to the citizens of our community. The Berlin Fire Department stands ready to confront today's challenges for a safer tomorrow.

In the year 2002, a major triumph was receiving a competitive grant from the Federal Emergency Management Agency known as the Assistance to Firefighters Grant program. The grant money provided the department with new portable radios to enhance emergency scene communications. A portion of the grant assisted us in completing our short-term goal, to have 100% of our firefighters meet NFPA 1001 Professional Fire Fighter Qualifications.

In the year 2002, joining our family at the fire station are two new full time members and three new call members. As always, the fire prevention bureau continues to provide year after year of excellent service to the community by providing public education programs throughout the City in local businesses, schools and health care facilities. The continued training of the staff as well as their dedication on duty insures a well prepared and professional fire department committed to customer service.

BFD Calls for FY03

Assist Police	5
Bomb Scare	0
Chimney Fire	3
Dangerous Situation	13
DHART	41
Electrical Fire	4
Electrical Problem	25
Explosion	0
False, Malicious	15
False, Unintentional	79
Furnace Problem	16
Leak/Spill	73
Lock Out	0
Medical Aid	9
Outside Fire	46
Rekindle	3
Rescue	17
Smoke Scare	35
Sprinkler Problem	0
Structure Fire	35
Vehicle Accident	42
Vehicle Fire	13
Water Problem	25
Service Calls	35
Total	534

Fire Prevention Bureau Inspections

Place of Assembly	24
Oil burners	67
L.P. Gas	13
New Construction	64
Wood Burner/Chimney	15
Health Care	11
Complaints Investigated	2
Industrial	19
Foster Homes	17
Daycare	9
Alarm Inspections	45
Misc Inspections	48
Public Education	21
Total	355

Respectfully Submitted,
Randall Trull
 Fire Chief

BERLIN 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 community in a way that reflects the morality, beliefs, and customs of the citizenry we serve.

The Berlin Police Department has seen dramatic changes in administration within the past year. Alan Tardif, Berlin's Chief of Police for the last fourteen years, retired last fall, and the Berlin Police Commission appointed Peter Morency to the position. One of the first tasks Chief Morency addressed was to restructure the Department's administration by eliminating the sergeants positions and assembling a new administration comprised of four lieutenants and one captain. This new concept provides for an administrator on duty at all times, while also rendering savings to the City.

Issues with City Ordinances in need of modification have also been addressed. Chief Morency, with the help and guidance of the City Council, was able to amend the dog ordinance, snow plowing ordinance, and the parking ordinance. The revisions provide much needed clarification, rendering officers the ability to manage issues with greater resolve, and in some instances, result in additional revenues for the City.

The Berlin Police Department continues to actively pursue all grant opportunities. A \$500,000 grant provided for renovations to the Department's dispatch center, and the Berlin Police Department now has the capability to dispatch for all emergency services in the greater Androscoggin Valley area. This new technology has prompted the emergence of a unique relationship between Berlin and its surrounding communities, providing the opportunity to take a regional approach to problem solving in the Androscoggin Valley. To provide the best possible

law enforcement to Berlin's citizens, it is essential to effectively communicate with other agencies.

The tragedies of September 11, 2001, have prompted the availability of funding resources for local law enforcement agencies. The Berlin Police Department applied for and received over \$11,000 towards the purchase of personal protection equipment for all officers of the Department. Officers are now trained and protected against biological/chemical attacks.

The Berlin Police Department relies on grants to effectively combat troubled areas without additional cost to the taxpayers. Within the confines of a stringent budget, the Department has found it necessary to search and apply for additional funding areas to bestow a safe, professional, and visible law enforcement presence in our community. Along with grants for equipment, the Department was able to acquire grants which provided for extra specialized patrols. Grants through the NH Department of Highway Safety included patrols for Driving While Intoxicated, Bicycle Patrol Enforcement, and also Seatbelt Enforcement. Specialized grants through the Fish & Game Department and the Attorney General's Office allowed the Department to place a much greater focus on off-highway recreational vehicle violators and to tackle the issues of underage drinking which have troubled the City for a great length of time. These specialized patrols have yielded great results and have provided for additional coverage on the streets during our busiest times of the year.

This year, due to dramatic cuts to the training budget, the Department has been forced to find new, innovative ways to train its newly hired officers. The Department has implemented satellite courses and brought in instructors from the Concord area to handle this task; however, although we have undertaken this measure of training, attendance at out-of-town training courses is still a prerequisite to an effectively trained police department.

The most visible change is to the Department's overall physical appearance. The Call to Duty monument was erected in the spring; the dispatch center was renovated; and the Department's the process of changing the uniform color from the traditional blue to black, and a significant change is being made to the design of the uniform patch. The

patch design signifies our City and what the area has to offer; the new design, created by Officer Kerry Theriault, illustrates the City's heritage through a display of the Androscoggin River with its historical boom piers, foliage in the foreground, a city scape, and the White Mountains in the background. This new design embraces the North Country's heritage.

STATISTICS

July 2002-June 2003

Total calls for service: 19,412. Total offenses committed: 1296; of those 123 were felonies, 283 involved weapons; 239 involved alcohol; 93 involved domestic violence, and 39 involved drugs. Total arrests: 753; of those, 79 involved domestic violence; 128 involved juveniles; and 40 were protective custodies.

AGGRAVATED ASSAULT	11
ARSON	2
BAD CHECKS	4
BURGLARY/BREAKING & ENTERING	29
COUNTERFEITING/FORGERY	5
CREDIT CARD/ATM	3
DISORDERLY CONDUCT	13
DRUG OFFENSES	21
DRUNK/DISORDERLY CUSTODY	14
DUI ARRESTS	34
EMBEZZLEMENT	1
FALSE PRETENSES/SWINDLE	40
FAMILY OFFENSES	9
SEXUAL OFFENSES	28
IMPERSONATION	1
INTIMIDATION	92
KIDNAPPING/ABDUCTION	4
LARCENY/THEFT	270
LIQUOR LAW VIOLATIONS	55
MV THEFT	13
POCKET PICKING	1
PORNOGRAPHY	0
ROBBERY	2
RUNAWAY	30
SHOPLIFTING	31
SIMPLE ASSAULT	245
STOLEN PROPERTY OFFENSES	8
TRAFFIC OFFENSES	120
TRESPASSING	21
WEAPONS LAW VIOLATIONS	2
WELFARE FRAUD	0
ALL OTHER CRIMES	184

Respectfully submitted,
Peter Morency
 Chief of Police

FINANCE/COLLECTIONS



The Finance Department is responsible for the City of Berlin's financial record keeping and reporting. A copy of the City's audited financial statements is included with this report. Vachon, Clukay & Co., P. C., of Manchester, NH, conducted the fiscal year ended June 30, 2003 audit.

In fiscal year 2003, the Finance Department issued 4,433 real estate tax bills (in May and again in October), 3,402 sewer bills, and 11,161 motor vehicle registrations. The Finance Department takes in revenues for these items, dog licenses, and all other City department revenues.

The Finance Department also serves as the Human Resource and Benefits Administrator for the City's 150 employees.

The Finance Department has five full-time employees: Anita Valliere, Assistant Comptroller/Tax Collector; Elaine Tremblay – Senior Collection Clerk; Lucille Lavoie – Accounts Payable Clerk; JoAnn Theriault – Payroll Clerk; and Sandra Fournier – Collections Clerk.

Respectfully submitted,
Blandine Shallow
 Comptroller/Tax Collector

TAX COLLECTOR'S REPORT

Fiscal Year Ended June 30, 2003

Debits:	2003 Levy	2002 Levy
Uncollected Taxes - Beginning of year:		
Property Taxes		\$1,569,315.00
Utility Charges		\$121,641.00
Jeopardy Tax		\$209.00
Taxes Committed:		
Property Taxes	\$5,587,077.00	\$5,012,492.00
Yield Taxes		\$28,015.00
Utility Charges		\$1,119,277.00
Jeopardy Tax		\$1,502.00
Overpayment:		
Property Taxes		\$179,411.00
Utility charges		\$522.00
Interest - Late Tax		\$86.00
Total Credits	\$5,587,077.00	\$8,032,470.00

Credits:	2003 Levy	2002 Levy
Remitted to the Treasurer:		
Property Taxes	\$1,217,871.00	\$6,379,105.00
Yield Taxes		\$26,097.00
Interest		\$86.00
Utility Charges		\$1,062,684.00
Jeopardy Tax		\$385.00
Conversion to Liens		\$367,139.00
Abatements made:		
Property Taxes		\$12,426.00
Utility Charges		\$339.00
RSA Lien		\$2,548.00
Uncollected Taxes - End of Year:		
Property Taxes	\$4,369,206.00	
Yield Taxes		\$1,918.00
Utility Charges		\$178,417.00
Jeopardy Tax		\$1,326.00
Total Credits	\$5,587,077.00	\$8,032,470.00

Debits:	2002 Levy	2001 Levy	2000 Levy	Prior to 2000 Levy
Unredeemed Liens Balance at Beginning of Fiscal Year		\$381,019.00	\$214,796.00	\$270,214.00
Liens Executed During Fiscal Year	\$464,223.00			
Interest & Costs Collected after Lien	\$124,262.00			
Overpayment	\$1,498.00			
Total Debits	\$589,983.00	\$381,019.00	\$214,796.00	\$270,214.00
Credits:				
Remitted to Treasurer				
Redemptions	\$104,283.00	\$183,187.00	\$93,901.00	\$118,589.00
Interest & Cost Collected after Lien	\$124,262.00			
RSA Lien	\$1,847.00			
Abatement of Unredeemed Taxes		\$3,627.00	\$5,570.00	\$15,810.00
Unredeemed Liens Balance End of Year	\$359,591.00	\$194,205.00	\$115,324.00	\$135,815.00
Total Credits	\$589,983.00	\$381,019.00	\$214,796.00	\$270,214.00



Berlin Municipal Airport

The Berlin Municipal Airport continues to provide vital aviation services to our North Country. With our runway at 5200 feet and the availability of aviation fuels 24 hours a day, car rentals and other important resources, one would have to travel to the Laconia Airport for comparable services.

The past year at the Berlin Airport has been as busy as ever. On September 28th, 2002, the Airport celebrated 60 years of continuous operation. On hand was an impressive display of present day military hardware, a private collection of military memorabilia, family members of Aviation Pioneer Carmeno Onofrio, Dignitaries, food and much more. Despite the uncooperative weather the day was a big success.

Ongoing Airport Improvement Projects (AIP) include the replacement of 6 hazard beacon lights. The "hazard" lights are located on the hills surrounding the airport. The original beacons and poles were installed in the 1950's. This project will be completed during 2003. As we look forward, the next big project is the runway (18&36) reconstruction. The engineering part of the project will be done during 2004 and the actual construction in 2005. This project will completely reconstruct the existing pavement surface and sub base of the runway.

Fuel sales continue to be strong and ahead of the 8 year historical average. The bulk of the fuel sales is Jet-A aviation fuel used by turbine powered aircraft. The other fuel that is sold is 100 Low Lead which is used by the piston powered aircraft. With the presidential race in 2004, we look forward to playing an active part in providing aviation services to our future political leaders.

Many thanks go to the Berlin Airport Authority employee Marcel Leveille and Russ Doucette and everyone associated with the airport for your continued support. We can all take pride in "OUR" airport.

Respectfully submitted,

Eric Kaminsky

Airport Manager



Runways: 18-36 5200 x 100. Left hand pattern for runway 36

Coordinates: N 44-34.5°, W 071-10.54°

Nav aids: BML-110.4 190° 3.5.

Approaches: VOR, VOR/DME, NDB 281, GPS RNAV

Unicom Radio: 122.7

ASOS: 135.175, (603-449-3328)

Bangor Flight: 122.35

Visual Aids: MIRLs, Reils on 18 & 36. PAPI on 18.

Lighted wind cone, rotating beacon.

Elevation: 1158 feet

Vachon, Clukay & Co., PC

Certified Public Accountants

45 Market Street
Manchester, New Hampshire 03101
(603) 622-7070
FAX: 622-1452

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the City of Berlin, New Hampshire (the City) as of and for the year ended June 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Berlin, New Hampshire as of June 30, 2003 and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statements Nos. 33, 34, 36, 37, 38 and GASB Interpretation 6 during the year ended June 30, 2003.

The Management's Discussion and Analysis and the Required Supplementary Information on pages 3-12 and 45-46, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining financial statements listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Berlin, New Hampshire. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Vachon, Cloutay & Co PC

August 15, 2003

EXHIBIT A
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Assets
June 30, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,211,294		\$ 4,211,294	\$ 816,462
Investments	2,203,833		2,203,833	920,749
Taxes receivable, net	4,926,246		4,926,246	
Accounts receivable, net	56,731	\$ 185,456	242,187	57,650
Due from other governments	1,166,295	321,213	1,487,508	441,606
Internal balance	(1,178,038)	1,178,038	-	
Prepaid expenses	24,831	3,168	27,999	
Prepaid financing costs			-	30,258
Inventory	8,021	20,366	28,387	175,233
Total Current Assets	<u>11,419,213</u>	<u>1,708,241</u>	<u>13,127,454</u>	<u>2,441,958</u>
Noncurrent Assets:				
Restricted cash and investments	3,045		3,045	
Capital assets, net	12,846,146	21,454,929	34,301,075	33,142,213
Total Noncurrent Assets	<u>12,849,191</u>	<u>21,454,929</u>	<u>34,304,120</u>	<u>33,142,213</u>
Total Assets	<u>\$ 24,268,404</u>	<u>\$ 23,163,170</u>	<u>\$ 47,431,574</u>	<u>\$ 35,584,171</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 413,577	\$ 351,637	\$ 765,214	\$ 402,463
Accrued expenses	378,247	9,936	388,183	303,203
Retainage payable	5,400	28,401	33,801	126,425
Deferred revenue	6,240,469	110,563	6,351,032	
Current portion of bonds payable	1,561,703		1,561,703	828,942
Current portion of notes payable		13,002	13,002	
Current portion of capital leases payable	94,726		94,726	12,966
Current portion of estimated liability for landfill closure and postclosure care costs	10,523	372,194	382,717	
Total Current Liabilities	<u>8,704,645</u>	<u>885,733</u>	<u>9,590,378</u>	<u>1,673,999</u>
Noncurrent Liabilities:				
Payable from restricted assets	3,045		3,045	
Bonds payable	8,413,916		8,413,916	12,390,010
Notes payable		76,451	76,451	
Capital leases payable	98,139		98,139	1
Other long-term obligations		140,231	140,231	1,996,517
Compensated absences	1,504,475	51,752	1,556,227	85,126
Estimated liability for landfill closure and postclosure care costs	242,017	253,575	495,592	
Total Noncurrent Liabilities	<u>10,261,592</u>	<u>522,009</u>	<u>10,783,601</u>	<u>14,471,654</u>
Total Liabilities	<u>18,966,237</u>	<u>1,407,742</u>	<u>20,373,979</u>	<u>16,145,653</u>
NET ASSETS				
Invested in capital assets, net of related debt	8,563,281	21,225,244	29,788,525	17,913,777
Restricted for:				
Permanent funds	143,053		143,053	
Unrestricted (deficit)	(3,404,167)	530,184	(2,873,983)	1,524,741
Total Net Assets	<u>5,302,167</u>	<u>21,755,428</u>	<u>27,057,595</u>	<u>19,438,518</u>
Total Liabilities and Net Assets	<u>\$ 24,268,404</u>	<u>\$ 23,163,170</u>	<u>\$ 47,431,574</u>	<u>\$ 35,584,171</u>

See accompanying notes to the basic financial statements

EXHIBIT B
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Governmental Activities:							
General government	\$ 2,256,085	\$ 5,912	\$ 353,321	\$ (2,250,173)		\$ (2,250,173)	
Public safety	2,738,804	3,078		(2,382,405)		(2,382,405)	
Airport/Aviation center	305,746	153,586	\$ 513,564	361,404		361,404	
Highways and streets	1,759,764	110		(1,573,765)		(1,573,765)	
Health and welfare	426,807	415,812		(9,530)		(9,530)	
Sanitation	603,650	84,665	10,000	(508,985)		(508,985)	
Culture and recreation	390,257	50,434		(339,823)		(339,823)	
Education	11,394,018	1,072,355	6,268,897	(4,052,766)		(4,052,766)	
Food service	437,440	213,933	258,320	34,813		34,813	
Capital outlay	452,023			(452,023)		(452,023)	
Principal retirement	605,000	605,000		-		-	
Interest and fiscal charges	924,421	853,613		(70,808)		(70,808)	
Intergovernmental	1,314,357	77,971		(1,236,386)		(1,236,386)	
Total governmental activities	23,608,372	1,999,885	8,614,476	(12,480,447)	\$ -	(12,480,447)	
Business-type activities:							
Sewer	1,639,060	1,160,809		(478,251)		(478,251)	
Cates Hill landfill	14,503			(14,503)		(14,503)	
Nonmajor funds	160,493			(160,493)		(160,493)	
Total business-type activities	1,814,056			(653,247)		(653,247)	
Total primary government	25,422,428	3,160,694	8,614,476	(12,480,447)		(13,133,694)	
Component unit:							
Water	\$ 2,728,965	\$ 2,121,660	\$ -	\$ 3,144,622		\$ 2,537,377	
Total component unit	2,728,965	2,121,660	-	3,144,622		2,537,377	
General revenues:							
Property and other taxes				11,408,999		11,408,999	
Licenses and permits				1,213,439		1,213,439	
Grants and contributions:							
State shared revenues				965,481		965,481	
Rooms and meals tax distribution				300,516		300,516	
State and federal forest land				39,952		39,952	
Interest and investment earnings				120,739	7,295	128,034	32,233
Miscellaneous				152,948	136,716	289,664	80,985
Transfers				(117,703)	117,703	-	
Total general revenues and transfers				14,084,371	261,714	14,346,085	113,218
Change in net assets				1,603,924	(391,533)	1,212,391	2,650,595
Net assets - beginning - (See Note 17)				3,698,243	22,146,961	25,845,204	16,787,923
Net assets - ending				5,302,167	21,755,428	27,057,595	19,438,518

EXHIBIT C
CITY OF BERLIN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2003

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,160,256	\$ 51,038	\$ 4,211,294
Investments	1,853,014	350,819	2,203,833
Taxes receivable, net	4,926,246		4,926,246
Accounts receivable, net	24,324	21,308	45,632
Due from other governments	765,736	400,559	1,166,295
Due from other funds	416,263	363,482	779,745
Prepaid expenses	18,325	6,506	24,831
Inventory		8,021	8,021
Restricted cash and investments	3,045		3,045
Total Assets	<u>\$ 12,167,209</u>	<u>\$ 1,201,733</u>	<u>\$ 13,368,942</u>
LIABILITIES			
Accounts payable	\$ 341,037	\$ 72,540	\$ 413,577
Accrued expenses	179,715	1,278	180,993
Retainage payable	5,400		5,400
Deferred revenue	6,703,745	48,156	6,751,901
Due to other funds	1,557,528	389,156	1,946,684
Payable from restricted assets	3,045		3,045
Total Liabilities	<u>8,790,470</u>	<u>511,130</u>	<u>9,301,600</u>
FUND BALANCES			
Reserved for endowments		143,053	143,053
Reserved for encumbrances	42,283		42,283
Reserved for prepaid expenses	18,325	6,506	24,831
Reserved for special purposes	7,222		7,222
Unreserved, reported in:			
General fund	3,308,909		3,308,909
Special revenue funds		140,182	140,182
Capital projects funds		191,905	191,905
Permanent funds		208,957	208,957
Total Fund Balances	<u>3,376,739</u>	<u>690,603</u>	<u>4,067,342</u>
Total Liabilities and Fund Balances	<u>\$ 12,167,209</u>	<u>\$ 1,201,733</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	12,846,146
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis	511,432
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	(9,975,619)
Capital leases payable	(192,865)
Accrued interest on long-term obligations	(197,254)
Compensated absences	(1,504,475)
Estimated liability for landfill closure and postclosure care costs	<u>(252,540)</u>

Net assets of governmental activities \$ 5,302,167

See accompanying notes to the basic financial statements

EXHIBIT D
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$11,391,541		\$11,391,541
Licenses and permits	1,213,439		1,213,439
Intergovernmental	8,894,680	\$ 1,539,309	10,433,989
Charges for services	1,461,354	538,531	1,999,885
Interest income	115,443	5,296	120,739
Miscellaneous	72,193	80,755	152,948
Total Revenues	<u>23,148,650</u>	<u>2,163,891</u>	<u>25,312,541</u>
Expenditures:			
Current operations:			
General government	2,229,034	11,115	2,240,149
Public safety	2,663,886		2,663,886
Airport/Aviation center		197,882	197,882
Highways and streets	1,425,349	8,892	1,434,241
Health and welfare	379,362	37,761	417,123
Sanitation	538,265	75,908	614,173
Culture and recreation	337,994	46,216	374,210
Education	10,484,478	847,602	11,332,080
Food service		435,776	435,776
Capital outlay	721,657	541,769	1,263,426
Debt service			
Principal retirement	2,101,703		2,101,703
Interest and fiscal charges	950,938	17,178	968,116
Intergovernmental	1,314,357		1,314,357
Total Expenditures	<u>23,137,023</u>	<u>2,220,099</u>	<u>25,357,122</u>
Excess of revenues over (under) expenditures	<u>11,627</u>	<u>(56,208)</u>	<u>(44,581)</u>
Other financing sources (uses):			
Proceeds from debt issues		10,000	10,000
Operating transfers in		65,739	65,739
Operating transfers out		(114,853)	(114,853)
Total other financing sources (uses)		<u>(39,114)</u>	<u>(107,703)</u>
Excess of revenues and other sources under expenditures and other uses	<u>(56,962)</u>	<u>(95,322)</u>	<u>(152,284)</u>
Fund balances at beginning of year, as restated	<u>433,701</u>	<u>785,925</u>	<u>1,219,626</u>
Fund balances at end of year	<u>\$ 437,739</u>	<u>\$ 690,603</u>	<u>\$ 1,128,342</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, 2003

New Change in Fund Balances--Total Governmental Funds	\$ (152,284)
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 these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	81,036
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets. There were no proceeds.	(8,167)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	17,458
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(10,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,496,703
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 assets.	87,280
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	43,695
Some expense reported in the statement of activities, such as compensated absences and the estimated liability for landfill closure and postclosure care costs, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	48,201
Change in Net Assets of Governmental Activities	<u>\$ 1,603,924</u>

EXHIBIT E
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-type Activities			Totals
	Sewer Fund	Cates Hill Landfill Fund	Nonmajor Enterprise Funds	
ASSETS				
Current Assets:				
Accounts receivable, net	\$ 185,456			\$ 185,456
Due from other governments		\$ 321,213		321,213
Due from other funds	752,890	481,684		1,234,574
Prepaid expenses	3,168			3,168
Inventory	20,366			20,366
Total Current Assets	<u>961,880</u>	<u>802,897</u>	<u>\$ -</u>	<u>1,764,777</u>
Noncurrent Assets:				
Capital assets, net	<u>20,214,902</u>	<u>40,416</u>	<u>1,199,611</u>	<u>21,454,929</u>
Total Noncurrent Assets	<u>20,214,902</u>	<u>40,416</u>	<u>1,199,611</u>	<u>21,454,929</u>
Total Assets	<u>\$ 21,176,782</u>	<u>\$ 843,313</u>	<u>\$ 1,199,611</u>	<u>\$ 23,219,706</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 184,288	\$ 167,349		\$ 351,637
Accrued expenses	9,100		\$ 836	9,936
Retainage payable		28,401		28,401
Deferred revenue	107,171		3,392	110,563
Due to other funds	40,000		16,536	56,536
Current portion of notes payable			13,002	13,002
Current portion of estimated liability for landfill closure and postclosure care costs		<u>372,194</u>		<u>372,194</u>
Total Current Liabilities	<u>340,559</u>	<u>567,944</u>	<u>33,766</u>	<u>942,269</u>
Noncurrent Liabilities:				
Notes payable			76,451	76,451
Other long-term obligations	140,231			140,231
Compensated absences	49,633		2,119	51,752
Estimated liability for landfill closure and postclosure care costs		<u>253,575</u>		<u>253,575</u>
Total Noncurrent Liabilities	<u>189,864</u>	<u>253,575</u>	<u>78,570</u>	<u>522,009</u>
Total Liabilities	<u>530,423</u>	<u>821,519</u>	<u>112,336</u>	<u>1,464,278</u>
NET ASSETS				
Invested in capital assets, net of related debt	20,074,671	40,416	1,110,157	21,225,244
Unrestricted (deficit)	<u>571,688</u>	<u>(18,622)</u>	<u>(22,882)</u>	<u>530,184</u>
Total Net Assets	<u>20,646,359</u>	<u>21,794</u>	<u>1,087,275</u>	<u>21,755,428</u>
Total Liabilities and Net Assets	<u>\$ 21,176,782</u>	<u>\$ 843,313</u>	<u>\$ 1,199,611</u>	<u>\$ 23,219,706</u>

See accompanying notes to the basic financial statements

EXHIBIT F
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2003

	Business-type Activities			Totals
	Sewer Fund	Cates Hill Landfill Fund	Nonmajor Enterprise Funds	
Operating revenues:				
Charges for services	\$ 1,160,809			\$ 1,160,809
Miscellaneous			\$ 136,716	136,716
Total operating revenues	<u>1,160,809</u>	<u>\$ -</u>	<u>136,716</u>	<u>1,297,525</u>
Operating expenses:				
Personal services	501,817		37,136	538,953
Repairs and maintenance	39,195		27,836	67,031
Administrative	36,168			36,168
Materials and supplies	208,865		17,405	226,270
Utilities	104,457	236	17,286	121,979
Depreciation	747,174	14,265	55,729	817,168
Miscellaneous		2		2
Total operating expenses	<u>1,637,676</u>	<u>14,503</u>	<u>155,392</u>	<u>1,807,571</u>
Operating loss	<u>(476,867)</u>	<u>(14,503)</u>	<u>(18,676)</u>	<u>(510,046)</u>
Non-operating revenues (expenses):				
Interest revenue		6,775	520	7,295
Interest expense	<u>(1,384)</u>		<u>(5,101)</u>	<u>(6,485)</u>
Net non-operating revenues (expenses)	<u>(1,384)</u>	<u>6,775</u>	<u>(4,581)</u>	<u>810</u>
Loss before transfers	<u>(478,251)</u>	<u>(7,728)</u>	<u>(23,257)</u>	<u>(509,236)</u>
Operating transfers in		<u>117,703</u>		<u>117,703</u>
Change in net assets	<u>(478,251)</u>	<u>109,975</u>	<u>(23,257)</u>	<u>(391,533)</u>
Total net assets at beginning of year (deficit) , as restated	<u>21,124,610</u>	<u>(88,181)</u>	<u>1,110,532</u>	<u>22,146,961</u>
Total net assets at end of year	<u>\$ 20,646,359</u>	<u>\$ 21,794</u>	<u>\$ 1,087,275</u>	<u>\$ 21,755,428</u>

See accompanying notes to the basic financial statements

EXHIBIT G
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	Business-type Activities			Totals
	Sewer Fund	Cates Hill Landfill Fund	Nonmajor Enterprise Funds	
Cash flows from operating activities:				
Cash received from customers	\$ 1,097,720	\$ 17,050	\$ 134,216	\$ 1,248,986
Cash paid to suppliers and employees	(879,457)	(164,294)	(96,509)	(1,140,260)
Net cash provided (used) by operating activities	<u>218,263</u>	<u>(147,244)</u>	<u>37,707</u>	<u>108,726</u>
Cash flows from noncapital financing activities:				
Transfer from other funds		117,703		117,703
Net cash provided by noncapital financing activities	<u>-</u>	<u>117,703</u>	<u>-</u>	<u>117,703</u>
Cash flows from capital and related financing activities:				
Proceeds from long-term debt	140,231			140,231
Proceeds from loan receivable			13,050	13,050
Purchases of capital assets	(339,025)		(250,000)	(589,025)
Principal paid on note payable			(14,474)	(14,474)
Interest paid on note payable			(5,101)	(5,101)
Interest paid on advance from other fund	(1,384)			(1,384)
Net cash provided (used) for capital and related financing activities	<u>(200,178)</u>	<u>-</u>	<u>(256,525)</u>	<u>(456,703)</u>
Cash flows from investing activities:				
Interest on investments		6,775	520	7,295
Net cash provided by investing activities	<u>-</u>	<u>6,775</u>	<u>520</u>	<u>7,295</u>
Net decrease in cash and cash equivalents	18,085	(22,766)	(218,298)	(222,979)
Cash and cash equivalents at beginning of year, as restated	694,805	504,450	201,762	1,401,017
Cash and cash equivalents (deficiency) at end of year	<u>\$ 712,890</u>	<u>\$ 481,684</u>	<u>\$ (16,536)</u>	<u>\$ 1,178,038</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (476,867)	\$ (14,503)	\$ (18,676)	\$ (510,046)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	747,174	14,265	55,729	817,168
Changes in assets and liabilities:				
Accounts receivable, net	(63,089)			(63,089)
Due from other governments		17,050		17,050
Prepaid expenses	(553)		199	(354)
Inventory	(1,551)			(1,551)
Accounts payable	4,195	167,349		171,544
Accrued expenses	2,949		836	3,785
Retainage payable		28,401		28,401
Deferred revenue			(2,500)	(2,500)
Compensated absences	6,005		2,119	8,124
Estimated liability for landfill closure and postclosure care costs		(359,806)		(359,806)
Net cash provided (used) by operating activities	<u>\$ 218,263</u>	<u>\$ (147,244)</u>	<u>\$ 37,707</u>	<u>\$ 108,726</u>
Supplemental disclosure of non-cash transactions:				
Capital asset additions included in year end liabilities	<u>\$ 133,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,886</u>

See accompanying notes to the basic financial statements

EXHIBIT H
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private- Purpose <u>Trusts</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 772	\$ 130,098
Investments	<u>128,387</u>	
Total assets	<u>129,159</u>	<u>\$ 130,098</u>
LIABILITIES		
Due to other funds	\$ 11,099	
Due to student groups		<u>\$ 130,098</u>
Total liabilities	<u>11,099</u>	<u>\$ 130,098</u>
NET ASSETS		
Held in trust	<u>118,060</u>	
Total net assets	<u>\$ 118,060</u>	

See accompanying notes to the basic financial statements

EXHIBIT I
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2003

	<u>Private- Purpose Trust Fund</u>
ADDITIONS:	
Investment earnings:	
Interest	\$ 3,103
Total Additions	<u>3,103</u>
DEDUCTIONS:	
Benefits	<u>5,425</u>
Total Deductions	<u>5,425</u>
Change in Net Assets	(2,322)
Net assets - beginning of year	<u>120,382</u>
Net assets - end of year	<u>\$ 118,060</u>

See accompanying notes to the basic financial statements

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

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 authorized by State law.

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

Accounting principles generally accepted in the United States of America (Governmental Accounting Standards Board Statement No. 14) require that all component units for which the City maintains financial oversight 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 criteria 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. It is reported in a separate column to emphasize that they are legally separate from the City.

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 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.

Basic Financial Statement Presentation

During fiscal year 2003, the City has implemented the following GASB Statements:

- GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*"

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”
- GASB Statement No. 36, “*Recipient Reporting for Certain Shared Nonexchange Revenues*”
- GASB Statement No. 37, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*”
- GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”
- GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*”

At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 33, 36, 37, and 38. GASB 34 creates new basic financial statements reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements combine the governmental activities and business-type activities into one column for each category. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Basis of Presentation

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

1. Government-Wide Financial Statements:

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds, and its component unit.

The statement of net assets presents the financial condition of the governmental 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 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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 liabilities is reported as fund balance. The following is the City's major governmental fund:

The General Fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

2. Proprietary Funds:

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

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

The Cates Hill Landfill Fund accounts for all revenues and expenses pertaining to the closure and postclosure monitoring of the City's landfill operations.

The Sewer and Cates Hill Landfill Funds are 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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 three 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 Funds of the school.

Measurement Focus

1. Government-Wide Financial Statements:

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

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 and current liabilities 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 a reconciliation 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 deferred revenue, and in the presentation of expenses versus expenditures.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements and proprietary fund statements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 and interest on investments.

Licenses and permits, charges for services, and miscellaneous revenues (except interest on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

3. Expenses/Expenditures:

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

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

The City's budget represents functional appropriations as authorized by City Council. 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 year ended June 30, 2003, the City applied \$1,591,094 of its unappropriated fund balance to reduce taxes.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders and other commitments for expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgetary integration in Governmental Funds. Encumbrances outstanding at year end are reported as a component of fund balance since they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

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>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Totals</u>
Proprietary Funds:			
Sewer Fund	\$ 752,890	\$ (40,000)	\$ 712,890
Cates Hill Landfill Fund	481,684		481,684
Nonmajor funds		(16,536)	(16,536)
	<u>\$ 1,234,574</u>	<u>\$ (56,536)</u>	<u>\$ 1,178,038</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, 2003 are recorded as receivables net of reserves for estimated uncollectibles of \$438,999.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2003 are recorded as prepaid items.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Restricted Cash and Investments

Restricted cash and investments consist of deposits held in escrow accounts.

Capital Assets

General capital assets result from expenditures in the governmental and proprietary funds. These assets are reported in the government-wide statement of net assets, but are not reported in the 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 fixed assets are recorded at their fair market 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 system, and similar items. 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 of capital assets 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	15-30
	Land improvements	30
	Buildings and improvements	10-60
	Vehicles and equipment	3-30

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

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

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances, prepaid expenses and special purposes.

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
For the Year Ended June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Cates Hill landfill fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

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

NOTE 2--PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$265,769,874 as of April 1, 2002) and are due in two installments on July 1, 2002 and December 23, 2002. Taxes paid after the due dates accrue interest at 12% per annum. 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 is tax deeded to the City.

In accordance with State law, the City collects taxes for Coos County, an independent governmental unit, which are remitted to the County as required by law. Taxes appropriated to Coos County for the year ended June 30, 2003 were \$1,314,357. The City bears responsibility for uncollected taxes.

NOTE 3—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2003 the following nonmajor governmental funds were in a deficit position:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 3—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Special Revenue Funds:	
Airport Authority Fund	\$ 60,874
Carberry Fund	4,425
Capital Projects Funds:	
Cascade Bridge Fund	<u>7,524</u>
	<u>\$ 72,823</u>

The City's management intends to rectify the above conditions by transferring funds from the General Fund to offset the deficit positions.

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, 2003, the City was a member of the New Hampshire Public Risk Management Exchange (PRIMEX). The City currently reports all of its risk management activities in its General Fund. The Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

PRIMEX 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.

The Trust agreement permits 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 Trust 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, 2003.

NOTE 5--CASH AND INVESTMENTS

The City has combined the cash resources of its governmental, proprietary, and fiduciary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

The City's investment policy for governmental fund types requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The City limits its investments to demand deposits, money market accounts, certificates of deposit, and repurchase agreements in accordance with New Hampshire State law (RSA

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 5--CASH AND INVESTMENTS (CONTINUED)

41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), and external investment pool. Responsibility for the investments of the Trust Funds is with the Board of Trustees. Investments of the Student Activities Agency Funds are at the discretion of the School Principals.

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.

At year end, the carrying amount of the City's cash deposits for its governmental, proprietary, and fiduciary funds, included restricted cash, was \$4,345,209 and the bank balance was \$4,649,249. Of the bank balance, \$4,588,160 was covered by federal depository insurance or collateralized by securities held by the bank and \$61,089 was uninsured and uncollateralized.

The City's investments are categorized to provide an indication of the level of risk assumed by the City of Berlin. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

At year end, the City's investment balances for its governmental and fiduciary funds were as follows:

	Category			Fair Value
	1	2	3	
Certificates of deposit	<u>\$ 227,354</u>	<u>\$ 13,664</u>	<u>\$ -</u>	\$ 241,018
Investments in New Hampshire Public Deposit Investment Pool (NHPDIP)				<u>2,091,202</u>
Total Investments				<u>\$ 2,332,220</u>

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

NOTE 6—DUE FROM OTHER GOVERNMENTS

Receivables from other governments at June 30, 2003 consists of tuition from other Districts and various federal and state fundings. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

State shared revenues	\$ 474,616
Police grants	52,748
Medicaid	32,300
Tuition from other Districts	194,641
Berlin Water Works reimbursement	10,073
Welfare grant	1,358
School lunch program	16,909

**CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003**

NOTE 6—DUE FROM OTHER GOVERNMENTS (CONTINUED)

Airport improvement program grants	259,811
Bridge improvement grant	7,396
Cates Hill landfill closure project	321,213
Federal Projects grants:	
Title I grants	46,519
Special education grants	11,476
Vocational education grants	988
Education technology grants	55,402
Innovative education grants	526
Safe and drug-free schools grant	1,532
	<u>\$ 1,487,508</u>

NOTE 7—CAPITAL ASSETS

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

	<u>Balance</u> <u>07/01/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/03</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 532,948			\$ 532,948
Construction in process	3,788	\$ 528,836		532,624
Total capital assets not being depreciated	<u>536,736</u>	<u>528,836</u>	<u>\$ -</u>	<u>1,065,572</u>
Other capital assets:				
Infrastructure	6,214,740			6,214,740
Land improvements	4,133,509	12,933		4,146,442
Buildings and improvements	7,453,554	24,885		7,478,439
Vehicles and equipment	4,297,629	244,749	(32,225)	4,510,153
Total other capital assets at historical cost	<u>22,099,432</u>	<u>282,567</u>	<u>(32,225)</u>	<u>22,349,774</u>
Less accumulated depreciation for:				
Infrastructure	(2,123,232)	(222,102)		(2,345,334)
Land improvements	(2,017,932)	(90,494)		(2,108,426)
Buildings and improvements	(3,341,513)	(138,332)		(3,479,845)
Vehicles and equipment	(2,380,214)	(279,439)	24,058	(2,635,595)
Total accumulated depreciation	<u>(9,862,891)</u>	<u>(730,367)</u>	<u>24,058</u>	<u>(10,569,200)</u>
Total other capital assets, net	<u>12,236,541</u>	<u>(447,800)</u>	<u>(8,167)</u>	<u>11,780,574</u>
Total capital assets, net	<u>\$ 12,773,277</u>	<u>\$ 81,036</u>	<u>\$ (8,167)</u>	<u>\$ 12,846,146</u>

Depreciation expense was charged to governmental functions as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 7—CAPITAL ASSETS (CONTINUED)

General government	\$ 3,513
Public safety	124,951
Airport/Aviation center	107,864
Highways and streets	321,804
Health and welfare	2,071
Culture and recreation	8,587
Education	159,913
Food service	1,664
Total governmental activities depreciation expense	<u>\$ 730,367</u>

The balance of the assets acquired through capital leases as of June 30, 2003 is as follows:

Buildings and improvements	\$ 467,847
Vehicles and equipment	148,991
Less accumulated depreciation for:	
Buildings and improvements	(124,759)
Vehicles and equipment	(78,281)
	<u>\$ 413,798</u>

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

	Balance <u>07/01/02</u>	Additions	Reductions	Balance <u>06/30/03</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 401,883			\$ 401,883
Construction in process	<u>114,525</u>	\$ 361,499	\$ (114,525)	<u>361,499</u>
Total capital assets not being depreciated	<u>516,408</u>	<u>361,499</u>	<u>(114,525)</u>	<u>763,382</u>
Other capital assets:				
Buildings and improvements	34,912,254	475,937		35,388,191
Vehicles and equipment	<u>801,884</u>			<u>801,884</u>
Total other capital assets at historical cost	<u>35,714,138</u>	<u>475,937</u>	<u>-</u>	<u>36,190,075</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,308,317)	(741,071)		(15,049,388)
Vehicles and equipment	<u>(373,043)</u>	<u>(76,097)</u>		<u>(449,140)</u>
Total accumulated depreciation	<u>(14,681,360)</u>	<u>(817,168)</u>	<u>-</u>	<u>(15,498,528)</u>
Total other capital assets, net	<u>21,032,778</u>	<u>(341,231)</u>	<u>-</u>	<u>20,691,547</u>
Total capital assets, net	<u>\$ 21,549,186</u>	<u>\$ 20,268</u>	<u>\$ (114,525)</u>	<u>\$ 21,454,929</u>

Depreciation expense was charged to proprietary funds as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 7—CAPITAL ASSETS (CONTINUED)

Sewer Fund	\$ 747,174
Caes Hill Landfill Fund	14,265
Nonmajor Funds	<u>55,729</u>
Total business-type activities depreciation expense	<u><u>\$ 817,168</u></u>

NOTE 8—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, 4 Chenell Drive, Concord, New Hampshire 03301.

Funding Policy

Covered public safety employees are required to contribute 9.3% of their covered salary, whereas teachers and general employees are required to contribute 5.0% 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 5.33%, 6.61%, 2.58%, and 4.14%, respectively. The City contributes 65% of the employer cost for police officers, fire employees, and teachers, and the State contributes the remaining 35% of the employer cost. The City contributes 100% of the employer cost for general employees of the City. In accordance with accounting principles generally accepted in the United States of America (GASB #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$139,153 have been reported as a revenue and expenditure of the General Fund in these financial statements.

Per 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, 2003, 2002, and 2001 were \$388,581, \$379,822, and \$386,838, respectively, equal to the required contributions for each 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, 2003 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 9—LONG-TERM OBLIGATIONS (CONTINUED)

	Balance 07/01/02	Additions	Reductions	Balance 06 30/03	Due Within One Year
Governmental activities:					
Bonds payable	\$ 11,462,322	\$ 10,000	\$ (1,496,703)	\$ 9,975,619	\$ 1,561,703
Capital leases payable	280,145		(87,280)	192,865	94,726
Compensated absences	<u>1,542,155</u>		<u>(37,680)</u>	<u>1,504,475</u>	<u>-</u>
Total governmental activities	<u>\$ 13,284,622</u>	<u>\$ 10,000</u>	<u>\$ (1,621,663)</u>	<u>\$ 11,672,959</u>	<u>\$ 1,656,429</u>
Business-type activities:					
Notes payable	\$ 103,927		\$ (14,474)	\$ 89,453	\$ 13,002
Other long-term obligations		\$ 140,231		140,231	-
Compensated absences	<u>43,628</u>	<u>8,124</u>		<u>51,752</u>	<u>-</u>
Total business-type activities	<u>\$ 147,555</u>	<u>\$ 148,355</u>	<u>\$ (14,474)</u>	<u>\$ 281,436</u>	<u>\$ 13,002</u>
Component unit activities:					
Bonds payable	\$ 11,399,352	\$ 2,743,499	\$ (923,899)	\$ 13,218,952	\$ 828,942
Other long-term obligations	<u>2,967,347</u>	<u>1,772,669</u>	<u>(2,743,499)</u>	<u>1,996,517</u>	<u>-</u>
Total component unit activities	<u>\$ 14,366,699</u>	<u>\$ 4,516,168</u>	<u>\$ (3,667,398)</u>	<u>\$ 15,215,469</u>	<u>\$ 828,942</u>

Payments on the general obligation bonds and capital leases are paid out of the General Fund. Payments on the notes payable are paid out of the Berlin Industrial Development and Park Authority Fund. Compensated absences will be paid from the fund where the employee's salary is paid. Payments on the landfill closure and postclosure care costs for the East Milan landfill are paid out of the General Fund. Payments on the landfill closure and postclosure care costs for the Cates Hill landfill are paid out of the Cates Hill Landfill Fund.

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

General Obligation Bonds

Primary Government:

Bonds payable at June 30, 2003 are comprised of the following individual issues:

\$5,100,000 Deficit Funding Bonds due in annual installments of \$510,000 through July, 2009; interest at 4.5% - 5.25%	\$ 3,570,000
\$3,035,000 State Guaranteed Sewer Construction Bonds due in annual installments of \$95,000 - \$300,000 through July, 2004; interest at 8.214%	300,000
\$1,134,062 Landfill Closure Bonds due in annual installments of \$56,703 through November, 2016; interest at 4.48%	793,844

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 9—LONG-TERM OBLIGATIONS (CONTINUED)

\$4,500,000 State Guaranteed School Improvement Bonds due in annual installments of \$300,000 through January, 2013; interest at 4.15% - 4.9%	3,000,000
\$1,500,000 School Improvement Bonds due in annual installments of \$100,000 through January, 2013; interest at 4.3% - 4.95%	1,000,000
\$450,000 Fire Truck Bonds due in annual installments of \$45,000 through August, 2004; interest at 4.7% - 7.0%	90,000
\$69,275 Asbestos Grant Loan due in annual installments of \$5,000 through 2005 and \$1,775 in 2006	11,775
\$1,210,000 Public Works Bond due in annual installments of \$245,000 through August, 2004 and \$240,000 through August, 2007; interest at 3.0% - 3.5%	1,210,000
	<u>\$ 9,975,619</u>

Debt service requirements to retire general obligation bonds outstanding at June 30, 2003 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 1,561,703	\$ 434,626	\$ 1,996,329
2005	1,261,703	371,211	1,632,914
2006	1,208,478	316,809	1,525,287
2007	1,206,703	262,668	1,469,371
2008	52 1,206,703	208,378	1,415,081
2009-2013	3,303,516	428,642	3,732,158
2014-2017	226,813	25,403	252,216
	<u>\$ 9,975,619</u>	<u>\$ 2,047,737</u>	<u>\$ 12,023,356</u>

The State of New Hampshire annually reimburses the City for its share of sewer and landfill related debt service payments. For the year ended June 30, 2003, the sewer reimbursement was \$241,404, and the landfill closure reimbursement was \$13,552.

As included on the Statement of Activities (Exhibit B), interest expense for the year ended June 30, 2003 was \$909,038 on general obligation debt for the City of Berlin.

Component Unit:

Bonds payable at June 30, 2003 are comprised of the following individual issues:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 9—LONG-TERM OBLIGATIONS (CONTINUED)

Bond payable due in annual installments of \$150,000 through August, 2013; interest at 5.3% - 5.875%	\$ 1,650,000
Bond payable due in annual installments of \$150,000 through August, 2014; interest at 6.125% - 7.0%	1,800,000
Bond payable due in annual installments of \$305,000 through August, 2016; interest at 5.25% - 5.625%	3,965,000
State revolving loan payable due in variable annual installments of \$110,477 to \$14,462 through December, 2020; interest at 3.8%	1,397,102
State revolving loan payable due in variable annual installments of \$142,470 to \$18,479 through November, 2020; interest at 3.8%	1,801,666
State revolving loan payable due in variable annual installments of \$56,016 to \$6,934 through December, 2021; interest at 3.704%	754,560
State revolving loan payable due in variable annual installments of \$137,384 to \$17,007 through December, 2021; interest at 3.704%	<u>1,850,624</u>
	<u>\$ 13,218,952</u>

Debt service requirements to retire general obligation bonds outstanding, net of principal forgiveness from the State of New Hampshire to be forgiven over a period of 19 years from the start of the individual State Revolving Loan Funds of \$1,732,625 at June 30, 2003 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 828,942	\$ 616,315	\$ 1,445,257
2005	833,217	572,045	1,405,262
2006	837,310	527,240	1,364,550
2007	841,167	481,886	1,323,053
2008	844,726	436,011	1,280,737
2009-2013	4,259,662	1,473,851	5,733,513
2014-2018	2,554,637	422,493	2,977,130
2019-2022	486,666	50,251	536,917
	<u>\$ 11,486,327</u>	<u>\$ 4,580,092</u>	<u>\$ 16,066,419</u>

Interest expense for the year ended June 30, 2003 was \$700,179 on general obligation debt for the Berlin Water Works.

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 the annual principal and interest payments on

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 9—LONG-TERM OBLIGATIONS (CONTINUED)

this debt. For the year ended June 30, 2003, the reimbursement was \$1,035,029, which consists of \$605,000 in principal and \$430,029 in interest.

The State of New Hampshire annually forgives a portion of the Berlin Water Works' State Revolving Loan debt principal under the Disadvantaged System Program. For the year ended June 30, 2003, the Berlin Water Works received a forgiveness of principal of \$99,371.

Notes Payable

The Berlin Industrial Development and Park Authority Fund is directly liable for several notes payable. The proceeds of the notes were used to construct buildings and improvements at the Industrial Park. Notes payable at June 30, 2003 is comprised of the following issues:

\$206,107 Note payable to Berlin Economic Development Council, Inc. secured by land and building due in monthly installments of \$1,500, including interest at 6.0%, through October, 2007	\$ 69,453
\$21,500 Note payable to Berlin Economic Development Council, Inc. secured by land and building due in a balloon payment in October, 2007, interest at 0%	<u>20,000</u>
	<u>\$ 89,453</u>

Debt service requirements to retire the notes payable outstanding at June 30, 2003 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 13,002	\$ 3,498	\$ 16,500
2005	15,021	2,979	18,000
2006	15,948	2,052	18,000
2007	16,932	1,068	18,000
2008	<u>28,550</u>	<u>146</u>	<u>28,696</u>
	<u>\$ 89,453</u>	<u>\$ 9,743</u>	<u>\$ 99,196</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. Following are the individual capital lease obligations at June 30, 2003:

Equipment, due in monthly installments of \$4,708, including interest at 6.5%, through February, 2005	\$ 117,042
Equipment, due in monthly installments of \$7,572, with no stated interest rate, through September, 2004	15,143

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 9—LONG-TERM OBLIGATIONS (CONTINUED)

Equipment, due in annual installments of \$22,743, including interest at 6.1%, through August, 2005	60,680
	<u>\$ 192,865</u>

Debt service requirements to retire capital lease obligations outstanding at June 30, 2003 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 94,726	\$ 9,212	\$ 103,938
2005	76,703	3,717	80,420
2006	21,436	1,308	22,744
	<u>\$ 192,865</u>	<u>\$ 14,237</u>	<u>\$ 207,102</u>

Other Long-Term Obligations

Primary Government:

The City has drawn \$140,231 of approximately \$8,342,200 in funds under the State of New Hampshire, State Water Pollution Control Revolving Fund Program for the improvements to the Wastewater Treatment Facility and Pump Stations. 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. The scheduled completion date is March 1, 2005.

Component Unit:

As of June 30, 2003, the Berlin Water Works has drawn down on two State Revolving Loan Funds a total amount of \$1,996,517. These State Revolving Loan Funds were issued in the City's name. These loans are not scheduled to be repaid until the projects are completed and all of the funds needed have been drawn down.

NOTE 10—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City place a final cover on its two landfills when closed and perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. An estimated liability has been recorded based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste. These landfill closure and postclosure care costs are based on the amount of the landfills used. The estimated liability for landfill closure and postclosure care costs has a balance of \$878,309 as of June 30, 2003, which is based on 100% usage of the East Milan landfill and 100% usage of the Cates Hill landfill. The estimated liability for the closure and postclosure care costs of the East Milan landfill (\$252,540) and the Cates Hill landfill (\$625,769) has been reported as a liability of the Governmental Funds and the Cates Hill Landfill Proprietary Fund, respectively. The East Milan landfill was capped during fiscal year 1997, and the Cates Hill landfill is expected to be capped during fiscal year 2004. The estimated total current cost of the landfill closure and postclosure care of \$878,309 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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 10—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

of June 30, 2003. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The closure costs of the East Milan landfill were financed through the issuance of debt under the State of New Hampshire, State Water Pollution Control Revolving Fund Program. The remaining postclosure care costs for the East Milan landfill are expected to be financed through annual taxation. The City has entered into an intermunicipal agreement with surrounding communities for the reimbursement of their share of the Cates Hill landfill closure and postclosure care costs. The remaining closure and postclosure 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 closure and postclosure care costs for the year ended June 30, 2003:

	Balance 07/01/02	Additions	Reductions	Balance 06/30/03	Amounts Due Within One Year
Governmental activities	\$ 263,063		\$ (10,523)	\$ 252,540	\$ 10,523
Business-type activities	985,575		(359,806)	625,769	372,194
	<u>\$ 1,248,638</u>	<u>\$ -</u>	<u>\$ (370,329)</u>	<u>\$ 878,309</u>	<u>\$ 382,717</u>

NOTE 11—INTERFUND BALANCES AND TRANSFERS

The City has combined the cash resources of its governmental, proprietary, and fiduciary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Also, as of June 30, 2003, \$40,000 was advanced to the Sewer Fund from the Wastewater Treatment Capital Projects Fund. This advance will be repaid within one year or less. Interfund balances at June 30, 2003 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General Fund	\$ 416,263	\$ 1,557,528
Sewer Fund	752,890	40,000
Cates Hill Landfill Fund	481,684	
Nonmajor Funds:		
Governmental Funds	363,482	389,156
Proprietary Funds		16,536
Fiduciary Funds:		
Private-Purpose Trusts		11,099
	<u>\$ 2,014,319</u>	<u>\$ 2,014,319</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 11—INTERFUND BALANCES AND TRANSFERS (CONTINUED)

During the year, several interfund transactions occurred between funds. The Cates Hill Landfill Fund received \$114,853 from the East Milan Landfill Fund as the fund was discontinued. The Cates Hill Landfill Fund, Airport Authority Fund, and the Public Works Retirement Buy Back Fund received funds from the General Fund as authorized in the annual budget. Interfund transfers for the year ended June 30, 2003 are as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
Major Funds:		
General Fund		\$ 68,589
Cates Hill Landfill Fund	\$ 117,703	
Nonmajor Funds:		
Governmental Funds	<u>65,739</u>	<u>114,853</u>
	<u>\$ 183,442</u>	<u>\$ 183,442</u>

NOTE 12—PERMANENT FUNDS

Cemetery care funds are accounted for as permanent funds. The principal amounts of all cemetery care funds are restricted in that only income earned may be expended. Principal and income balances at June 30, 2003 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	<u>\$ 143,053</u>	<u>\$ 208,957</u>	<u>\$ 352,010</u>

NOTE 13—RESERVED FOR SPECIAL PURPOSES

The balance reserved for special purposes at June 30, 2003 is as follows:

Unity Street Park	\$ 949
Sanitary landfill	<u>6,273</u>
	<u>\$ 7,222</u>

NOTE 14—UNRESERVED FUND BALANCES

The unreserved fund balance of the General Funds as of June 30, 2003 is as follows:

Designated for continuing appropriations	\$ 1,933,839
Undesignated	<u>1,375,070</u>
Total per Exhibit C	<u>\$ 3,308,909</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 15—TOP TAXPAYERS

The following are the five major property owners as they relate to the assessed property valuation of \$265,769,874:

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Public Service of New Hampshire	\$ 33,727,300	12.69%
GNE, LLC	25,017,100	9.41%
Fraser NH, LLC	19,982,900	7.52%
Portland Natural Gas	10,797,600	4.06%
Individual taxpayer	1,765,300	0.66%

NOTE 16—COMMITMENTS AND CONTINGENCIES

Ambulance Contract

During 1997, the City entered into a long-term contract with an independent ambulance company to provide ambulance services until December 31, 2003. Terms of the contract include minimum payments, which is payable in monthly installments. For the year ended June 30, 2003, the City expended \$236,500 under the terms of the agreement.

During May 2003, the City renewed its long-term contract for ambulance services until December 31, 2006. Minimum future payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2004	\$ 255,000
2005	291,000
2006	318,000
2007	162,000
	<u>\$ 1,026,000</u>

Other Contingencies

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

NOTE 17—RESTATEMENT OF EQUITY

Correction of an Error

During the year ended June 30, 2003, it was noted that several cash receipts were recorded in the incorrect fund. In addition, a receivable was not previously recognized in the Cates Hill Landfill Fund based on the intermunicipal agreements with the surrounding communities for the reimbursement of their share of the

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

NOTE 17—RESTATEMENT OF EQUITY (CONTINUED)

landfill closure and postclosure care costs. Fund balance of the Carberry Special Revenue Fund and net assets of the Cates Hill Landfill Fund have been restated as follows.

	Special Revenue Funds	Cates Hill Landfill Proprietary Fund
Balance, July 1 - as previously reported	\$ 139,442	\$ (440,598)
Amount of restatement due to:		
Cash receipts recorded in the incorrect fund	(14,154)	14,154
Receivable not previously recorded		338,263
Balance, July 1 - as restated	<u>\$ 125,288</u>	<u>\$ (88,181)</u>

Change in Accounting Principle

Effective July 1, 2002, the City retroactively changed its method of financial reporting to conform with a recent pronouncement of the Governmental Accounting Standards Board (Statement No. 34). This new statement narrowed the definition for the fiduciary fund types. As a result, the City's expendable trust funds were reclassified into private-purpose trust funds, and the City's non-expendable trust funds were reclassified as permanent funds.

The impact of these restatements on the governmental funds is as follows:

	General Fund	Special Revenue Funds	Capital Projects Funds	Fiduciary Funds	Total
Fund Balance, July 1 - as restated per above	\$ 3,433,701	\$ 125,288	\$ 305,354	\$ 120,382	\$ 3,984,725
Amount of restatement due to:					
Reclassification of Expendable Trust Funds to Private-Purpose Trust Funds				(120,382)	(120,382)
Reclassification of Non-Expendable Trust Funds as Permanent Funds				355,283	355,283
Fund Balance, July 1 - per Exhibit D	<u>\$ 3,433,701</u>	<u>\$ 125,288</u>	<u>\$ 305,354</u>	<u>\$ 355,283</u>	4,219,626
Amount of restatement due to conversion to the GASB Statement No. 34 model:					
Capital assets, net					12,773,277
Deferred tax revenue					493,974
Amounts previously recorded in the General Long-Term Debt Account Group -					
Bonds payable					(11,462,322)
Capital leases payable					(280,145)
Accrued interest on long-term obligations					(240,949)
Compensated absences					(1,542,155)
Estimated liability for landfill closure and postclosure care costs					<u>(263,063)</u>
Net assets, July 1 - per Exhibit B					<u>\$ 3,698,243</u>

MAYORS OF THE CITY OF BERLIN

The Honorable...

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

* 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-

