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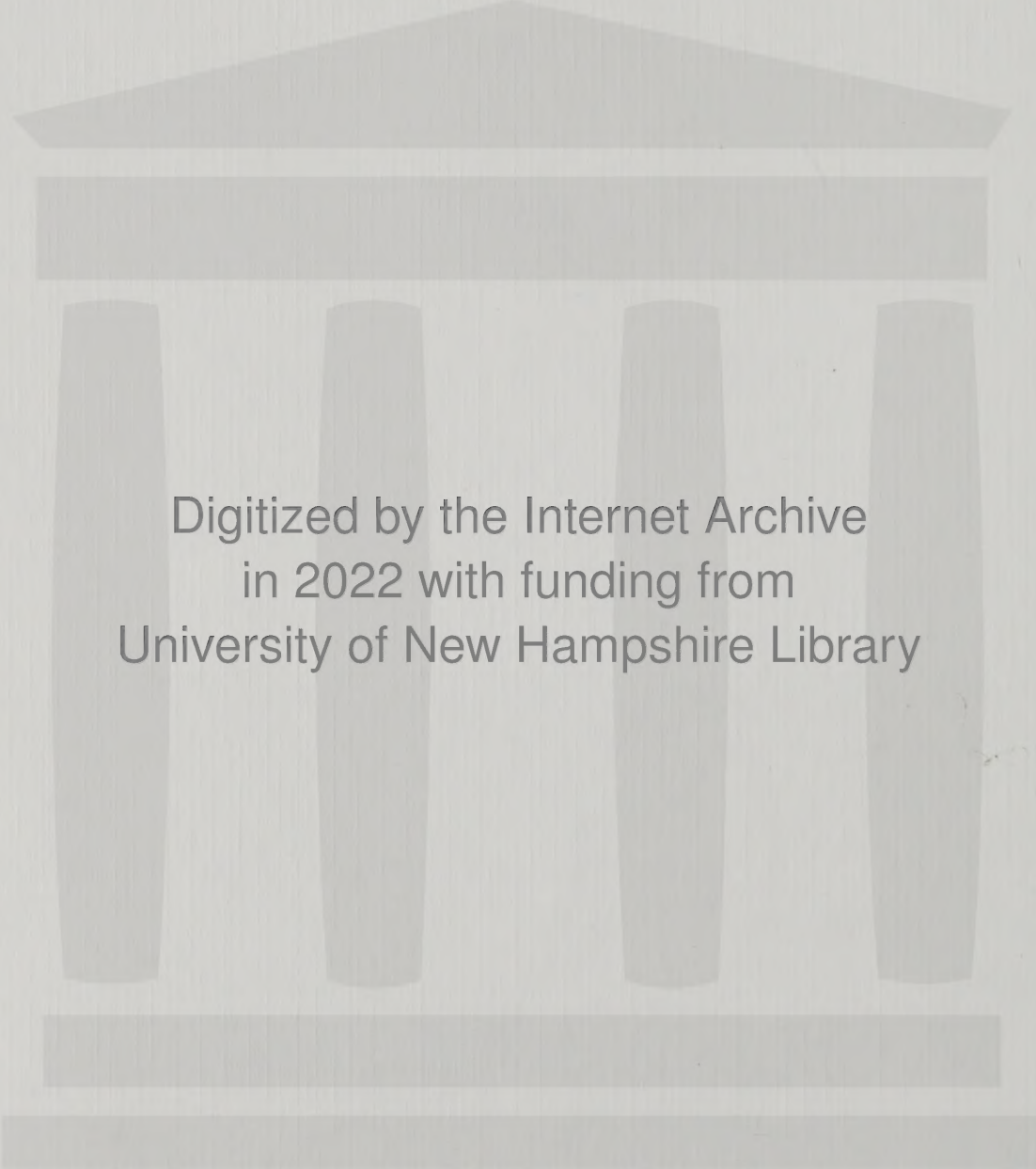
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CONCORD, NH

Annual Report

July 1, 2006 - June 30, 2007





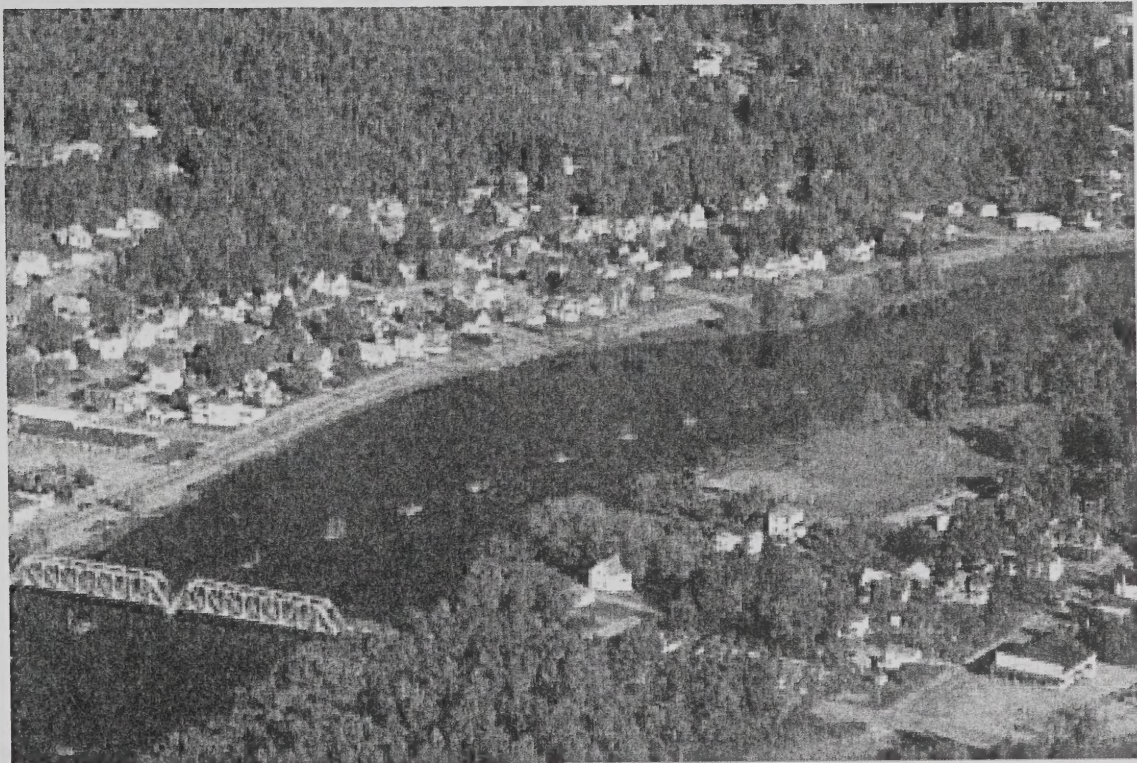
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City of Berlin New Hampshire



Annual Report July 1, 2006 - June 30, 2007



BERLIN CITY COUNCIL

July 1, 2006 to June 30, 2007



MAYOR

Robert Danderson

WARD I

Timothy P. Donovan Sr.

Harold Bigelow

WARD II

Richard Lafleur

Diana Nelson

WARD III

Paul Cusson

Richard Poulin

WARD IV

Jennifer Boucher

Paul R. Grenier

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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>Ernie Allain, Public Works Director</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>Charles Carpenter, Building Inspector</i> <i>Joseph Martin, Code Enforcement Officer</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>Henry Noel</i>
WATER WORKS	752-1677	<i>Roland Viens, Superintendent</i>

ASSESSING



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. The City has contracted with Avitar for the Assessor's duties. In order to address issues involving fair assessment, 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.

Jonathan Edwards was reappointed by the Mayor with City Council approval until March 31, 2009. He is a local realtor with expertise in the market values in the City of Berlin. His insight and expertise will be greatly appreciated as the Board reviews abatement applications in future months.

Every five years municipalities undergo an assessment review by the State of New Hampshire, Department of Revenue Administration. The City of Berlin was selected to undergo this review process in 2005. The municipality must meet criteria set by the Equalization Board and Assessing Standards Board regarding the annual sales study, as well as the practices of the Board in dealing with exemptions, tax credits, current use and yield tax, to name but a few of the duties. The City passed this review. The next review will be in 2010.

We contracted with Avitar to have a statistical update, based on market value, for tax year 2007 for all properties excluding utilities and former mill property. Notices will be sent to taxpayers and they will be able to access the Avitar web site to compare their value to others. Hearings will also be held once the values have been set.

Fraser NH LLC sold the mill site to North American Dismantling Corporation and the deed was recorded on October 3, 2006. North American Dismantling has commenced

disassembling machinery and destroying sections of the mill buildings. Fraser NH LLC has retained the administration and industrial relations buildings on Main Street, as well as various parcels they owned throughout the City. The settlement agreement between the mill and the City was set to expire in tax year 2008. However, because of the mill closing and sale, the City hired Mr. George Sansoucy, PE, to value utilities, the former mill property and the buildings Fraser still owns for tax year 2007. As of June 30, 2007, he had not submitted the values.

All deeds received from the Registry of Deeds in Lancaster, as well as subdivisions and lot mergers approved by the Planning Board, notices of demolitions and new construction are sent to Cartographics for updating of the City tax maps and the data base maintained by them on an annual basis. Any map with a physical change is then printed and sent to us. These maps are used by this office, with copies given to various Departments. These maps are available for public use as well as for all City Departments. Data sheets are also printed and given to the City so we may match their information with City data base. Discrepancies are then investigated and corrected.

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, yield tax, elderly and blind exemptions and veteran tax credit, reviewing the sales study.

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.

Sincerely,
BOARD OF ASSESSORS
PAUL CROTEAU, CHAIRMAN
ROBERT PELCHAT, MEMBER
JONATHAN EDWARDS, MEMBER



SUMMARY INVENTORY OF TAXABLE PROPERTY - APRIL 1, 2006 & APRIL 1, 2007

	APRIL 1, 2006	APRIL 1, 2007
Land	\$ 52,026,697.	\$ 55,685,546.
Building	336,968,500.	322,050,876.
Public Utilities	70,823,400.*	90,715,800.*
GROSS VALUATION	459,818,597.	468,452,222.
Blind Exemptions	165,600.	120,400.
Elderly Exemptions	3,769,100.	3,586,000.
Imp. To Assist Persons w/Disabilities	41,000.	43,236.
Water/Air Poll. Cont. Exem.	3,258,500.	3,310,500.
TOTAL EXEMPTIONS	7,234,200.	7,060,136.
NET VALUATION W/UTILITIES	\$ 452,584,397.*	\$ 461,392,086.*

EXEMPTIONS GRANTED

TYPE	APRIL 1, 2006		APRIL 1, 2007	
Elderly	127	\$ 110,208.	121	
Blind	13	4,842.	9	
Physically Handicap	4	1,199.	5	
Water/Air Poll. Cont.	2	95,279.	1	
Veterans	668	108,000.	646	104,450.

OTHER ACTIVITIES

TYPE	APRIL 1, 2005		APRIL 1, 2006	
Yield Tax	15	61,427.65	13	21,677.07
Property Transfers Processed	442			

The State Education Tax rate for tax year 2007 is \$ 2.34 per thousand and all other taxes total \$ 30.07 per thousand. Utilities valuations are **not** taxed locally for the State Education portion.

CITY CLERK'S DEPARTMENT

ELECTIONS

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

State Primary Election: September 12, 2006
- 13% Total City Voter Participation

State General Election: November 7, 2006
- 51% Total City Voter Participation

VITAL RECORDS

The following vital statistics were recorded:

YEARS	2004/05	2005/06	2006/07
Marriages	67	52	61
Births	98	92	87
Deaths	126	130	129

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

ORDINANCES

- 2006.07: Zoning: No Parking in front of Fire Station.
- 2006.08: Handicap Spaces Amended @Library
- 2006.09: No Parking Woodlands CU - FAILED
- 2006.10: Health – Vector Control
- 2006.11: 15 Min. Parking West side Pleasant St. Repurchase Tax Deeded Properties.
- 2006.12: Crosswalks - Chapter 15 Added
- 2007.01: Sewer - Complete Rewrite
- 2007.02: Devel./Comm. Revit. – Chapt. 19 Added
- 2007.03: Zoning Signs – BG, IG, Jericho Gateway

RESOLUTIONS

- 2006.19: 699 Main Street Sale of Property
- 2006.20: CDGB \$500k Neighborhood Revital.
- 2006.21: Airport Instrument Landing System
- 2006.22: Glen Ave Pk now Vet. Memorial Pk
- 2006.23: PD - OHRV
- 2006.24: PD Underage Drinking Grant.

- 2006.25: 394 Burgess Sold to Abutters for \$1,100.
- 2006.26: \$20k for Fire Chief Vehicle
- 2006.27: Segregated Funds
- 2006.28: Appropriate \$151k from FY'06-FY'07
- 2006.29: \$500 Paid From Maine Forest Rally
- 2006.30: Road Construction Specs Revised.
- 2006.31: Memorial Field Annex Portion Sold
- 2006.32: PD - \$5k Highway Safety Grant
- 2006.33: PD - \$50k Impound Building
- 2006.34: Segregated Fund Policy.
- 2006.35: Aborviral Illness Prevention Plan
- 2006.36: CDBG \$12k 411 School St. Feasibility Study
- 2006.37: PD - \$5k Highway Safety Grant
- 2006.38: FAA \$25k Grant for Runway Repair
- 2006.39: Gilbert St. Lot Line Adjustment
- 2006.40: PD – \$837.75 Pickup Truck Seatbelt Grant
- 2006.41: PD - \$45K for OT Outside Details
- 2006.42: Tillotson \$100k Grant app. for mill reuse
- 2006.43: 411 School St. US/EPA \$200k Grant app
- 2006.44: North/West Econ. Dev. \$25k Grant for mill
- 2006.45: Jericho Road land sold to Isaacson Steel
- 2007.01: Electric. Project final pay'mt from UFB \$13k
- 2007.02: PD Underage Drinking Grant \$4k
- 2007.03: Sansoucy \$109k Agrmt.mill, hydro etc. value
- 2007.04: Safe Haven \$400k Grant for CCFHS
- 2007.05: Raymond Chagnon Honored Councilor
- 2007.06: School Dept. \$300k Fed Project Funding
- 2007.07: PD - OHRV \$4,500 from Fish & Game
- 2007.08: Library Jonathin Ellis Mem. Donation
- 2007.09: School Career Tech Ed. Ren. Proj. Funds
- 2007.10: BIDPA sold #9Maynesboro Pk to Sabbow
- 2007.11: Welfare Guidelines Amended
- 2007.12: HUD \$300k, renovate, etc blighted prop.
- 2007.13: School \$57k Grant Appropriations
- 2007.14: PD - Highway Safety Grant
- 2007.15: PD Underage Drinking Grant
- 2007.16: PD - OHRV Fish & Game Grant app.
- 2007.17: Discharge Strafford, King, Cheshire, Sullivan Carroll Sts.
- 2007.18: School Budget \$210,711 Budget Increase
- 2007.19: WalMart \$1k donation to Fire Dept.
- 2007.20: Budget FY'2007/08.

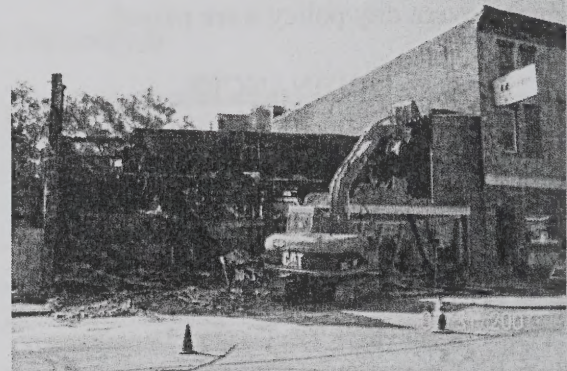
Respectfully submitted,
Debra A. Patrick, CMC
BerlinCity Clerk

Housing Coordinator

Assessment of our current housing stock, removal of dilapidated buildings, management of tax deeded properties and code enforcement continued to be the primary focus of the Housing Coordinator in FY 2007. In July of 2006, the City was the successful applicant for a \$350,000 CDBG grant that enabled the City to establish its Berlin Neighborhood Revitalization Project (BNRP) and provide help those who cannot afford to make these repairs. This is one of the many programs needed to revitalize Berlin's neighborhoods. Originally intended to serve 25 households, the demand from the community has far exceeded the resources allocated to the project. Without asking for any new applicants, but through the amount of positive press received in developing this program and soliciting for contractors, the project to date has received over 75 applicants for a program designed for 25 households. Since the release of the funds in February 2007, the City has established program guidelines, application forms, income verification procedures, contractor pre-qualification packages, household inspection forms, hired a construction specialist and developed a tracking and monitoring system to ensure project control as well as soliciting for qualified contractors to complete the work. Interest within the community remains strong and the City will reapply for additional funds in FY 2008.

A large number of fires have forced the City to change the focus of its demolition activities from abandoned buildings to buildings destroyed by fire where the owner does not want to, or

have the capabilities, to clean up the property after a fire. With the use of State of NH RSAs regarding burned out properties, the City has gained court permission to demolish these unsafe buildings and has liened the cost of demolition onto the properties involved. Overall this is a losing proposition for the City but needed in order to keep our neighborhoods safe.



In 2007, in close cooperation with the City's Tax Collector, Blandine Shallow, 18 properties have been tax deeded due to non-payment of taxes. Of the 18 properties, 6 are being retained for future demolition once the City cleans up all of the burned buildings.

Respectfully Submitted,
Andre Caron, Housing Coordinator

RECREATION & PARKS DEPARTMENT

ATHLETICS

The Department continued to provide fun athletic programs during the past year. We provide four season sports programming for children and young adults. Highlights of our athletics program include baseball, softball, hockey, basketball, field hockey and soccer. Programs generally are offered for children 3 years through teenagers. Some interesting hallmarks of our program year included:

RIVEFIRE 2007

RIVERFIRE 2007 was chosen by NH Magazine – Best of NH 2007, Northern Spectacular. The Recreation & Parks Department has been supportive and instrumental in bringing the Arts to the community for many years, and this year was no exception. Through the generous donation of Mrs. Marie Hughes, the department acquired and installed “Conversation”, a wood assemblage sculpture by local artist Robert Hughes. The sculpture was installed at the Voudoukis Park in the spring with a brief dedication and reception.



During the spring school vacation the Department worked in coordination with the Berlin After School Program to design, execute, and install a mural in the Recreation Center gymnasium. This work was executed by After School Program participants, Jan Millis and department staff member, Sylvia Ramsey.



You Are Invited

The Berlin Recreation & Parks Department invites you to attend the unveiling of the Berlin After School Program Mural Project.

Please join Mayor Robert Danderson, the Students Artist and our staff in celebrating the beautiful murals to be installed at the Berlin Recreation Gymnasium
Thursday, May 25, 3:15
Berlin Recreation Center
Light Refreshments Served.

The department looks forward to working with the After School Program to add new panels to the mural in the future.

Jericho Lake Park:

The Recreation Department continued to work with other city departments and the State of NH to transfer the Jericho Lake Park property to the state for an ATV Park. This project moved forward this year and one trail was opened by the State in the summer. The future of this property looks bright as a multi use trail park under the guidance of the NH Trails Bureau. The city insured the continued use by local residents at a reasonable cost through a transfer contract with the state.

Veterans Memorial Park:

The Berlin City Council, the Recreation Department and the White Mountain Veteran’s Council through a coordinated effort renamed the former Glen Avenue Park to Veteran’s Memorial Park. Through the coordination of Gary Roy and Gil Laramée, a new sign designed by local artist Andre Belanger and new military service flags were installed and the park was renamed officially on Veteran’s Day 2006.

PROGRAM LIST

- RiverFire 2007
- Tennis Lessons
- Beginner Baseball
- Jericho Day Camp
- k-4 Basketball Camp
- Farm League Baseball
- Student Craft Program
- Adult Craft Program
- After School Craft Program
- Girl’s Softball
- Babe Ruth Baseball
- Little Tykes Play Program
- k-1 Soccer
- 2nd-4th Field Hockey
- 2nd-3rd Soccer
- Slimnastics
- Holiday Craft Fair
- Children’s Tumbling
- Craft of the Month

- Vacation Special Events
- Jericho Lake
- Open Gym Program
- Jogging Program
- Easter Egg Hunt
- Halloween Dance
- Coca-Cola Basketball Tourney
- Cosmic Bowling
- Field Trips
- Community Yard Sale
- Snowboard/Ski Program
- Recreation Hockey League
- Senior Walking/Exercise Group
- Gym Rentals/Jericho Rentals
- Glen Ave. Gazebo Rentals
- Community Special Event Support
- Public Park Maintenance
- Athletic Field Maintenance
- Athletic Field Game Prep.
- Tennis Court Maintenance

Approximately 4099 participants enjoyed department programs



Respectfully Submitted,
Laura Lee Viger
Community Services Director

WELFARE DEPARTMENT

State law RSA 165 requires each town and city to have a welfare officer to help those who are poor and unable to support themselves. However, the towns and cities are allowed to determine what that means. The amount of assistance is determined by basic needs such as shelter cost, utilities, food, clothing and personal household needs, cost determined by household size, medical, etc. minus income and assets. Cable, phone, cell phone and other luxuries are not allowed. If income and assets are less than basic needs, the city can help with the difference only. If income and assets are more than basic needs, the city cannot assist.

The total number of unduplicated cases assisted for the 2006-2007 fiscal year was ninety-four of which sixty-seven were living in Berlin for over a year and twenty-seven lived in Berlin less than a year. Of those twenty-seven, eleven had lived in Berlin for less than thirty days when they came in, applied for and received assistance.

The monthly assistance and interviewed but not assisted numbers were broken down as follows:

(families=1 or more people)

	Families Assisted	Interviewed/Not Assisted
Jul-06	19	12
Aug-06	16	19
Sep-06	21	13
Oct-06	22	14
Nov-06	19	19
Dec-06	13	32
Jan-07	15	26
Feb-07	11	16
Mar-07	15	17
Apr-07	17	14
May-07	17	17
Jun-07	17	19
	202	218

People often do come in to apply for assistance more than once per fiscal year as their income status changes.

Assistance was issued in the following areas:

	Single Person Families	Multi person families	Total Assistance
Assistance Rent			
Mortgage/Shelter	36	9	\$32,287.89
Board & Care	2	2	\$1,422.92
Food/Personal Household needs	32	16	\$4,528.77
Medication	13	3	\$9,649.83
Electric	22	1	\$2,250.76
Water	0	0	\$0.00
Telephone	1	0	\$0.00
Oil/Kerosene	3	3	\$1,973.50
Clothing	0	0	\$0.00
Burials/Incidentals	3	1	\$1,576.98
Taxes	1	1	\$5,358.31

Family status for those who were assisted is:

	Single Male	Single Female	Multi-Person
6-Jul	11	5	3
6-Aug	8	4	4
6-Sep	13	6	2
6-Oct	12	6	4
6-Nov	7	7	5
6-Dec	6	5	2
7-Jan	11	3	1
7-Feb	8	1	2
7-Mar	6	2	7
7-Apr	9	3	5
7-May	10	4	3
7-Jun	9	7	1

The city does not issue any direct monies to the clients but instead will issue a voucher to the vendor and they bill us back for payment. If a landlord owes back taxes, sewer or water, the rent payments do not get released to them but will instead be paid to the balances owed to the city. If a person applies for assistance and owns property, a

lien is placed against the property until such time as the assistance is repaid.

Anyone who receives assistance and is physically/mentally capable of working is required to work on the City's work program as per RSA 165:31 (unless they are a single parent of a child under age 5). Three thousand-seven hundred ninety-two hours were worked on the work program at various sites throughout the City. The workers receive a credit of \$7.00 an hour for every hour worked, which is deducted from what they owe the city for the assistance received. \$26,544 (3,792 hours) in assistance was worked off on the work program. Work Program workers are sent to city offices and non-profit agencies around the city to help with various jobs. This serves a three fold purpose; the city is paid back for assistance, the agencies receive much needed help and the workers gain work experience and a possible reference. Additional reimbursement of \$8,479.27 was received through client payoff, lien payoffs, Social Security Interim assistance and other sources.

Anyone who comes into the City Welfare Office to apply for assistance is also directed to apply for other programs both State and Federal that may help them in the long term to meet their basic needs. If there is household income the welfare office will configure a budget so that the family can get back on track with their basic needs. The family will be required to stick to the budget and pay basic needs first. If their income and assets do not cover the monthly cost of basic needs but they stick to the prepared budget the City can continue to assist with the difference until they are able to get more income or have their expenses for basic needs go down through HUD, the electric discount program, WIC and other programs

offered by the State and Federal Governments.

There is no time cap for receiving assistance. The requirements to continue to receive assistance are usually very straight forward such as applying for programs in the community, paying basic needs and showing receipts, doing job search and employment security forms if unemployed and working scheduled work program hours.

If a recipient does not follow through on the requirement within the time given, they are disqualified from receiving assistance for at least seven days and until such time as they follow through with the requirements. If they are sanctioned twice in a six month period, the disqualification raises from seven days to fourteen.

The money that is used to assist recipients is taxpayer money. Therefore the Welfare Department is charged with the duty of assisting those who are truly in need and handling the taxpayer's money in a responsible manner. This is why we seek reimbursement through all available sources and have recipients apply for all programs we think they may be eligible to receive.

Respectfully submitted,
Angela Martin-Giroux
Administrator of Welfare

BERLIN PUBLIC LIBRARY

In Fiscal Year 2007, the Berlin Public Library continued to offer a variety of services to fulfill the needs of the community. Computers and Internet service are available to all. As always, the library continues to be a very good value for the dollar, providing valuable and unique resources.

During Fiscal Year 2007, we continued to make library improvements as the budget allowed. Many improvements were made to the Children's Department. In the interest of fuel efficiency and heat circulation in the Children's Department, shelving was moved away from the radiators. We redesigned the rooms to the best advantage. Additional shelves were custom built by David Landry and the Public Works Department to make the best use of the wall and floor areas. The rooms are much more comfortable in the winter. In April, a new rug was installed in the Children's Department to complete the makeover.

The library needed to replace the two 275 gallon fuel tanks. The Fire Department had a leftover 330 gallon tank which was given to the library. In order to fit this larger tank, Public Works widened the fuel room doorway, cutting through bricks and bracing it with steel beams. In April, the fuel tank, as well as new tubing, was installed.

The Children's 2006 Summer Reading Program was made possible by The NH State Library in cooperation with CHILIS, the Byrne Foundation, and the Cogswell Benevolent Trust. The library program began with a Kickoff Party held at the Recreation Dept. featuring "Partners & Rhyme". This year's theme was "Treasure Reading" which included a special outing to tour the Fire Dept. The Boston Museum Traveling Science Show presented "Fog Flowers & Fireworks", also presented at the Fire Department for all to enjoy. National Forest Service presented the Ranger Chris Wildlife (frog) program. The children

participated in weekly programs were held at the library including a closing party for the summer reading program. A group from The Berlin Recreation Department also came in weekly during the summer to enjoy a program with Kathy. The weekly Story Hour for young children returned in September and lasted until June.

The City Council passed a Resolution accepting a \$1,364.17 donation to the Children's Department, In Memory Of Jonathin Ellis, who died tragically at age 5 in a fire on 1/2/07. The money was collected by Jonathin's teacher, Brenda Lamarque, and his classmates and teachers of Bartlett School. In May, the books purchased for the Jonathin Memorial Book Collection were shown to his class and a beautiful memorial plaque was presented to the library by Brenda. These books are available to be enjoyed by the children who come to the library for years to come and will keep Jonathin's memory alive.

A grant from the New Hampshire Humanities Council made it possible for the Berlin Public Library in conjunction with the New Hampshire Community Technical College to hold two series of book discussions at the Fortier Library. The Fall 2006 series, entitled "Reflections: British Writers Looking Backwards" included four book discussions featuring Ingrid Graff as the discussion leader. The Spring 2007 series entitled "Contemporary New England Voices" also featured four book discussions. These were lead by Frumie Selchen, Suzanne Brown and Robin DeRosa. Books for these discussions are available at the library during the program periods and are open to the public.

The library added another year of microfilm of each local newspaper which can be researched on microfilm from late 1890's to the year 2005. For those who need local newspapers of 2006 to the present, we have the actual newspapers. The newspaper microfilms are a unique

resource in the library and are used extensively for research.

Computers continue to be a very popular resource at the library. This year, we were able to purchase two new computers to replace some very old “dinosaurs”. At the end of the fiscal year, Andre Caron helped us acquire three discarded computers from the AVH hospital. These will hopefully be installed during the next fiscal year and replace three of our oldest computers, one of which cannot be used at all.

The library is able to take advantage of the city of Berlin website (<http://www.berlinnh.gov/Pages/index>) which has sections for each department. We have been working hard to include our available resources, new items acquired and links, as well as a calendar of events. This project is still a work in progress but this will help the public become more aware of current resources the library has to offer.

We continue to work on the inventory project for automation of the card catalog. We are progressing. Inventory of books and patron records in the adult department is almost done and the children’s department is about half done. We will then be able to begin to barcode books and eventually begin to put the system in full use.

The Staff at the Berlin Public Library appreciate and thank the community for their continued support.

Respectfully Submitted,
Denise Jensen
Library Director



TOPICS	ADULT	JUVENILE	TOTAL
Generalities	41	19	60
Philosophy	130	30	160
Religion	81	29	110
Social Sciences	396	158	554
Languages	23	22	45
Natural Sciences	101	520	621
Useful Arts	599	211	810
Fine Arts	234	303	537
Literature	107	54	161
History	228	78	306
Travels	34	3	37
Biography	204	169	373
Fiction	8,196	6,158	14,354
Periodicals	1,074	22	1,096
Videos	4,159		4,159
DVD	7,234		7,234
Audio Books	4,290	86	4,376
Music CD	49		49
Paperbacks	375		375
Totals	27,555	7,862	35,417
Walk in patrons	16,544	10,672	27,216
Phone Inquiries	5,388		5,388
Computer Use	5,073	999	6,072
Interlibrary Loaned	677		677
Interlibrary Borrowed	220		220

PUBLIC HEALTH SERVICES

The Public Health services offered through the department were in keeping with the ten primary public health goals -

1. **Prevent** public health problems
2. **Protect** the public from health problems
3. **Promote** healthy behaviors
4. **Monitor** health status
5. **Mobilize** community action when needed
6. **Respond** to disasters
7. **Assure** quality medical care
8. **Reach Out** to the community
9. **Research** new ideas and insights
10. **Lead** in the development of sound health practices

The health officer executed numerous inspections during the year. Being a self inspecting community, a number of restaurant inspections were executed. The health officer also did a number of 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.

Throughout the year citizen complaints received by the department included insect infestations, mold concerns, unsanitary conditions and failure to comply with minimum housing standards. The Health Officer also responded to citizen complaints of health code violations. Working with the new Building and Housing inspectors, numerous apartments were investigated for health code violations. Many cases were resolved through a cooperative approach when the three departments Health, Housing and Building Inspectors worked together using a team approach and varied statutes to bring a property into compliance.

HOME HEALTH NURSING

The Home Health Visiting Nurse program continued to provide home health care for area citizens. Services were provided to residents of Berlin, Milan, Gorham, Shelburne, and Randolph. Home Health Nursing offers individuals the opportunity to receive nursing, therapy services, and home health aide

assistance in their homes. Services were provided to private pay patients, Medicare, Medicaid and private insurance patients. Patients have benefited from medication assistance, disease related care, all forms of therapy, hospice, and home health aide services and many more home health services.

Medicare, being the primary pay source for home health services, began its Prospective Payment System for home health services. This new payment system emphasizes care during acute care periods. This is a philosophical distinction from Medicare from periods in the past that allowed for maintenance care for people with chronic health conditions. This change in service has been very challenging for patients and the department staff. Each case requires careful scrutiny to insure that services are coverable skilled nursing services. Reimbursement for services has remained in range of previous years. The nursing and billing staff have attended and participated in training to continue to be skillful in the execution of a home health program.

Home Health Statistics in Office Clinic Stats

Home Nursing Visits	3589
MEDICAID VISIT	136
Home Nursing Patients	183
MEDICARE CLIENTS	284
Physical Therapy Visits	305
NO CHARGE OUT PATIENT VISITS	136
Occupational Therapy Visits	73
NO CHARGE OUT PATIENT CLIENTS	87
Speech Therapy Visits	1
NO CHARGE – PRE SCHOOL VISITS	2
Home Health Aide Visits	9
NO CHARGE – PRE SCHOOL CLIENTS	2
Homemakers Services	50
NO CHARGE – SCHOOL VISITS	79
NO CHARGE – SCHOOL CLIENTS	79
NO CHARGE – ADULTS VISITS	15
NO CHARGE – ADULTS CLIENTS	15
NO CHARGE – TB.RASH.OTHER	293

The department continued to provide a public health clinic to the City and surrounding towns. Berlin is one of three communities in NH that continues to provide a walk in public health clinic. Public health services include a wide variety of health prevention and monitoring services such as

cholesterol, blood pressure and blood sugar testing. Citizens can walk in and for a small fee, have these preventative tests done. The clinic assists in medication distribution and monitoring to individuals who need such assistance. A wide variety of general public health programs can be provided to individuals through the clinic. Office hours are generally Monday through Friday during the regular working day.

The public health director is the Health Officer and the Emergency Manager for the City of Berlin and participates in a variety of activities related to both. The department chairs and hosts the Region 1 All Hazards Pandemic Committee. This regional group has developed pandemic response plans and medication distribution plans. The committee and many City employees participated in a mock Point of Distribution for Medication Drill that tested the community's ability to immunize the community in the case of a pandemic. This drill exercised receiving medication from the federal stockpile through the NH Department of Emergency Management to our local distribution system. The drill was rated very successful.



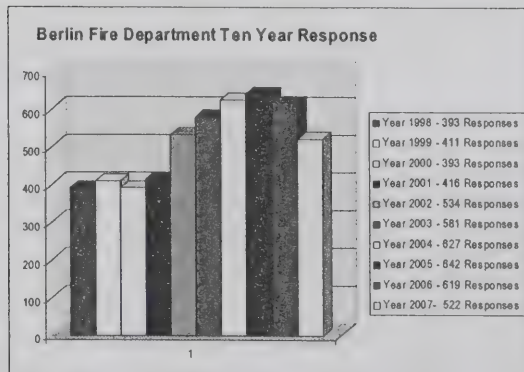
<u>Health Clinic Services</u>	<u>Clients Served</u>
Walmart Blood Pressure Clinics	560
Northern Lights on Site Clinics	147
Northern Light Foot Clinic	42
St. Regis on Site Clinics	103
Holiday Center on Site Clinics	60
Gorham Resource Center Clinics	116
Public Flu Vaccination Clinics	461
City Employee Flu Vaccination	56
Public Cholesterol Clinics	270
ISSI Flu Clinic	87
Diabetic Screening	285
Head Checks	76
Pneumonia Vaccination	4
Hepatitis B	5
Mantoux (TB) Testing	293
In – Office Foot Clinic	133

Respectfully Submitted,
Laura Lee Viger,
 Community Services Director

BERLIN FIRE DEPARTMENT



Fiscal Year 2007 proved to be a year of mixed experiences and emotions for our Fire Department. Taxing our resources, the Fire Department responded to thirty five structure fires, twelve of the thirty five were major alarms involving two or more properties. With the assistance of the State of New Hampshire Fire Marshals Office we conducted 105 Multi – Family Dwelling inspections. The adventure of follow-up on 1,100 violations has begun. The mission of the Berlin Fire Department is to provide the highest level of service twenty-four hours a day by trained professionals who serve with excellence, dedication and pride. It is our pleasure to present to the community our 2007 annual report. In the fiscal year 2007, The Berlin Fire Department responded to 522 calls for service. In fiscal year 2007 the fire department still remains above the ten year average of 513.8 calls for assistance as shown in the graph.



In the fiscal year 2007 the Berlin Fire Department was more than delighted to assist the library with their children’s programs, and as always look forward to lending a helping hand in years to come. One special program that the firefighters are exceptionally supportive of is the Make-A- Wish Adopt an Angel program. This year we had the pleasure of supporting two mentor programs one with the High School and one with the Laconia Technical College. The Berlin High School provided us with Noah Hallgren a student enrolled in the School – to - Career program. Mr. Hallgren’s challenge was met when he completed a pilot intern manual for future candidates inspiring to intern at the Berlin Fire Department. The New Hampshire Technical College provided us with Matthew Michaud who was seeking a degree in Fire Science. Mr. Michaud’s internship consisted of learning Code Enforcement and daily operations of the Fire Department. The fire department personnel put in a lot of time in assisting these students in their career choice, great job to both the fire department personnel and the students. The Berlin Fire Department will continue to support these programs and look forward to enhancing the quality of future programs.

As always, the Fire Prevention bureau continues to go above the call for duty to improve the quality of life for the citizens of Berlin. The prevention Bureau year after year has been the focal point of the Berlin Fire Department in the Departments efforts to minimize fire loss in the community. This effort is through the excellent programs that are offered through out the City in local business, schools, and health care facilities. The Berlin Fire Prevention Bureau in fiscal year 2007 has successfully completed 472 Life Safety Inspections. The Berlin Fire Department, Fire Prevention Bureau led by Prevention Chief Robert Goudreau, joining forces with the Nation Fire Protection Association (NFPA) reminds



local residents to: "Be Careful When Using Alternate Heating Sources".

According to the latest NFPA research, Heating Equipment fires accounted for 16% of all reported home fires in 2005(second behind cooking) and 22% of home fire deaths.

Safety Tips as recommended by the City of Berlin Fire Prevention Bureau and the National Fire Prevention Association:



- Keep and maintain a three-foot (one-meter) clearance between all heating equipment and anything that can burn.
- Do not use your oven to heat your home.
- Inspect and maintain heating equipment regularly for safety.
- Portable space heaters should be turned off every time you leave the room and before going to bed.
- When buying a new space heater, make sure it has the label showing it is listed by a recognized testing laboratory. Be sure to have fixed space heaters installed by a qualified technician, according to manufacturer's instructions or applicable codes. Make sure a qualified

technician checks to see that the unit has been properly installed.

- Make sure your fireplace has a sturdy screen to prevent sparks from flying into the room. Allow fireplace and woodstove ashes to cool before disposing in a metal container.
- Have heating equipment and chimneys inspected and cleaned every year.
- Install smoke alarms in every bedroom, outside each sleeping area and on every level of the home. For the best protection, interconnect all smoke alarms throughout the home. When one sounds, they all sound. Test smoke alarms monthly.
- Install and maintain carbon monoxide alarms to avoid risk of carbon monoxide poisoning.

The Berlin Fire Department shall stay aggressive in finding cost effective grant opportunities in the year 2008. Our Department will continue to provide dedicated and selflessness service to improve the quality of life for others.

Respectfully Submitted:
Chief Randall Scott Trull

CO

CODE ENFORCEMENT

100 Buildings inspected – 241 units

80 Buildings have received Certificate of Compliance
50 Buildings passed on first inspection
30 Buildings passed on second inspection
20 Buildings have not passed and need to be re-inspected
53 Complaints have been taken
37 landlord/tenant issues
16 Zoning issues
15 Buildings have been inspected for Bank Foreclosures

165 Total inspections

Code Enforcement / Zoning Officer
Joseph Martin

FIRE PREVENTION

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Totals
Place of Assembly	0	3	1	3	1	0	1	1	4	0	5	2	21
Oil Burners	1	6	1	7	8	0	3	4	2	3	15	2	52
L.P. Gas	0	0	4	1	2	2	1	1	2	3	4	1	21
New Construction	2	4	0	6	3	0	2	4	11	10	5	3	50
Wood Burner/Chimney	2	2	3	5	2	1	2	0	0	0	0	3	20
Health Care	0	1	1	1	2	1	0	1	3	4	1	1	16
Complaints Investigated	0	0	2	2	0	0	3	2	1	0	2	2	14
Industrial	1	1	1	2	4	0	1	0	1	2	3	3	19
Foster Homes	0	2	0	0	1	0	0	0	2	0	2	4	11
Daycare	0	2	2	2	0	0	2	0	0	0	0	0	8
Alarm Inpections	0	2	11	9	1	2	1	5	5	6	3	1	46
Misc. Inspections	2	4	14	4	4	2	8	5	1	5	5	4	58
Public Education	0	0	3	6	0	0	0	0	2	0	3	0	14
Multi - Family	0	0	0	0	0	1	0	0	94	9	13	7	124
	8	27	43	48	28	9	24	23	128	42	61	33	474

CALLS FOR SERVICE

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Totals
Assist Police	2	1	2	0	4	0	0	0	1	0	0	0	10
Bomb Scare	0	0	0	0	0	0	0	0	0	0	0	0	0
Chimney Fire	0	0	0	0	0	1	1	3	0	0	0	0	5
Dangerous Situation	1	0	0	1	1	0	0	0	0	1	1	0	5
DHART	2	3	3	3	6	1	2	3	1	3	4	6	37
Electrical Fire	0	0	0	1	0	0	1	1	0	0	1	1	5
Electrical Problem	0	4	2	1	1	1	1	1	0	0	1	3	15
Explosion	0	0	0	0	0	0	0	0	0	0	0	0	0
False, Malicious	1	0	2	1	1	0	2	1	0	0	0	1	9
False Unintentional	5	13	10	4	5	3	9	8	11	8	3	6	85
Furnace Problem	0	1	0	0	1	2	2	0	0	2	0	3	11
Leak / Spill	6	8	8	6	7	2	11	4	9	5	8	4	78
Lock Out	1	0	1	0	1	1	0	1	1	0	0	0	6
Medical Aid	1	1	3	2	4	1	1	1	3	2	2	1	22
Outside Fire	6	11	3	2	3	2	1	0	0	1	5	3	37
Rekindle	0	0	0	0	0	0	2	0	0	1	2	0	5
Rescue	0	2	0	1	0	0	0	0	0	0	0	0	3
Smoke Scare	1	2	0	3	4	1	5	4	1	1	7	3	32
Sprinkler Problem	0	0	0	0	0	0	0	1	2	0	0	1	4
Structure Fire	5	0	2	0	2	1	10	3	1	3	3	5	35
Vehicle Accident	3	5	4	7	6	5	5	6	1	3	4	6	55
Vehicle Fire	1	0	0	0	0	0	0	0	0	0	0	2	3
Water Problem	1	1	0	0	0	3	1	0	1	1	0	0	8
Service Call	8	12	4	7	5	7	2	0	1	0	5	1	52
	44	64	44	39	51	31	56	37	33	31	46	46	522



Police Department
Fiscal Year 2007 Annual Report

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.

In spite of the demands on the department, we are pleased to have been able to achieve many of our established goals. The department continues to see signs of success in its attempt to attain a more proactive rather than reactive approach to law enforcement. This is a constant struggle, and department will continue its efforts in this area.

NH Association of Chiefs of Police (NHACP): Chief Morency was unanimously elected to the position of President of the NHACP. This is an esteemed position which allows the chief to take a lead-role in addressing issues specifically challenging New Hampshire law enforcement, as well as law enforcement concerns affecting the country.

Milan: The Berlin Police Department continues to provide twenty-four hour law enforcement coverage to the Town of Milan. This service comes at no cost to the citizens of Berlin, nor does it compromise the safety or security of Berlin's citizens. The department continues to receive positive feedback from Milan residents.

OHRV Park: Additional trails have opened, and there has been a dramatic increase in usage of the park; we are pleased to report that most OHRV riders are respecting the laws. The Police Department continues to work with NH Fish and Game, the Department of Recreational Vehicles, and the US Forest Service in the park's development. Local businesses have also recognized the positive influence this park will have on the North Country; again this year, Profile Motorsports generously donated two OHRVs to the Police Department for OHRV enforcement.

Retirement & New Hires: Lt. Jean LeBlanc retired from the department after 19 years of service. He had an impeccable record and held many certifications in specialized fields; his knowledge and experience were a credit to our organization. Although he is sorely missed, the department was very fortunate to hire a certified officer to fill the vacancy. Officer Dana Brouillette joined the ranks of the Berlin Police Department after working several years with the Gorham Police Department. His experience in law enforcement allowed him to be placed "on the street" after a reduced field training period, at a tremendous savings to the City.

Grants: The department continues to actively pursue State and Federal grants to assist its operations and City of Berlin. This year, extra enforcement in bicycle, speed, red light running, and DWI enforcement patrols were conducted with the assistance of NH Highway Safety grants; the department also received funds for a pilot program encouraging the use of seat belts in pickup trucks. Funding through the NH Department of Fish & Game assisted greatly with OHRV enforcement, and funding from the Attorney General's Office for underage drinking patrols continues to prove critical to the development and education of youth in our community. The department also received funds through the Office of Justice Programs Bulletproof Vest Partnership program to equip all officers with new bullet-resistant vests.

This year, the department also saw the completion of its wireless MESH network project. The network is intended to enhance operations from police cruisers, and its functions include--but are not limited to--allowing police the ability to monitor critical infrastructure, transmit data, run warrant and other checks, record activity via in-cruiser cameras, and complete reports from the cruisers. The network can be expanded upon and has the potential to eventually provide access to other emergency and municipal agencies.

* * *

The officers at the Police Department continue to render their services with professionalism and dedication to the citizens of Berlin. The Department's resolve to meet any and all such

challenges remains strong, enables us the ability to be a progressive agency, and allows us to carry out our mission for the safety and security of the citizens we serve.

STATISTICS July 2006-June 2007

CALLS FOR SERVICE	21,314
911 CALLS	877
911 HANG-UP CALLS	361
ASSIST AMBULANCE SERVICE	1,011
ASSIST OTHER CITY DEPARTMENTS	435
CALLS FOR SERVICE – MILAN	588
ARRESTS	790
ARREST OFFENSES	709
DOMESTIC VIOLENCE ARRESTS	51
JUVENILE ARRESTS	105
JUVENILE PETITIONS	98
INCIDENT REPORTS	812
INCIDENT OFFENSES	1395
INCIDENTS: PEOPLE INJURED	108
DOMESTIC VIOLENCE INCIDENTS	38
FELONIES	254
MOTOR VEHICLE STOPS	1,860
MOTOR VEHICLE WARNINGS	1,027
MOTOR VEHICLE VIOLATIONS	282
ACCIDENT REPORTS	248
INTERSECTION-RELATED ACCIDENTS	70
DWI ACCIDENTS	6
FATAL ACCIDENTS	1
PARKING TICKETS	701
DOG COMPLAINTS	527
ANIMAL COMPLAINTS (OTHER)	319

Respectfully submitted,
Peter Morency
 Chief of Police

Berlin Housing Authority

The forward thinking of Mayor and City Council enabled the Berlin Housing Authority to renovate a tax lien property on 74 Maynesboro Street. This property is in a lovely neighborhood and is targeted for an income eligible family. Tri-County Community Action has overseen the installation of new electric, heating and plumbing systems along with the renovation in general. The startling before and after pictures tell a story that hopefully ends with a family moving in and making it their own.



Before

After

Berlin Housing Authority has had a very good year with its lease up rates. Thanks in large part to its professional staff who works hard to see that available units are promptly filled and that vouchers are properly leased. BHA owns 55 units, manages the 42 unit St Regis House and has 285 vouchers in its Housing Choice Voucher Program. The voucher program alone cash injects \$65,000 to \$75,000+ into the Berlin economy on a monthly basis. This cash injection does not take into account salaries and local purchases that with 97 units owned or managed, is significant. BHA also has consistently and faithfully fully paid its payment in lieu of taxes since its inception. The organization understands and appreciates the value of the police, public works and fire departments and has frequently made use of their services.

Approximately 5300 housing units exist in the City of Berlin per Joseph Martin, Code Enforcement Officer. Berlin Housing Authority subsidizes a little over 5% of that unit count in the privately owned apartment market. Of the project based subsidized apartment market BHA owns or manages 33%. BHA's units are targeted for the elderly and disabled. A snapshot of the resident population consists of retirees, past City

employees, veterans, homemakers, a local business owner, folks with disabilities and a few residents who have lived with us for over 25 years.

Every year a major construction project occurs in public housing from boiler replacement, window replacement, or oil tank replacement to name a few. The US Dept of Housing and Urban Development has a grant program for public housing called the Capital Fund. While the grant does not cover the cost of the renovation projects and has declined in the amount awarded, it provides a welcome cushion when taking on large projects. In fiscal year 2007 Berlin Housing managed to earn the rare "100% Award" in its Public Housing Assessment Score. This is a review of BHA financials, physical plant and resident satisfaction among other key indicators.

In short, BHA continues to serve the City of Berlin as it has since 1963 providing housing to various income levels in a professional and accepting manner. Our Commissioners and employees care deeply for our residents and their safety. We value the collateral agencies in the area that work with us as a team and best of all enjoy serving the City as "housing professionals".

A. UTILIZATION OF ASSISTED HOUSING PROGRAMS AT JUNE 30, 2007 (in number of units)		
	Units Allocated	Units Under Lease
Public Housing	55	55
St. Regis House	42	42
Vouchers	285	284
TOTALS	382	381
Public Housing Utilization on 6/30 was 100%		
Average Voucher Utilization for the Calendar Year was 99%		
B. PUBLIC HOUSING AND ST REGIS HOUSE TURNOVER IN 2006		
Public Housing	13 units	(9 units in 2006, 12 in 2005)
St. Regis House	4 units	(6 units in 2006, 8 in 2005)

Respectfully Submitted,
Mary Jo Landry, Executive Director
Berlin Housing Authority

Berlin Housing Authority Combined Balance Sheet

	<u>6/30/2006</u>	<u>6/30/2007</u>
ASSETS		
Cash	\$ 250,178	\$ 138,257
Security Deposits	14,574	15,515
Accounts Receivable-HUD Other Projects	-	-
Accounts Receivable-City of Berlin	-	-
Accounts Receivable-St. Regis	1,825	1,967
Accounts Receivable-Other	-	-
Investments	421,038	324,818
Prepaid Insurance	9,340	9,765
Accrued Interest Receivable	9,345	2,323
Capital Assets (Net)	674,098	762,828
Other Assets	-	-
TOTAL ASSETS	<u>\$ 1,380,398</u>	<u>\$ 1,255,473</u>
LIABILITIES		
Accounts Payable	12,392	21,074
Accounts Payable-HUD PHA Programs	122,678	-
Other Liabilities	81,206	31,586
TOTAL LIABILITIES	<u>216,276</u>	<u>52,660</u>
EQUITY/NET ASSETS		
Invested in Capital Assets, Net of Related Debt*	674,098	762,828
Unrestricted Net Assets*	490,024	439,985
TOTAL EQUITY/NET ASSETS	<u>1,164,122</u>	<u>1,202,813</u>
TOTAL LIABILITIES AND EQUITY/NET ASSETS	<u>\$ 1,380,398</u>	<u>\$ 1,255,473</u>
<u>COMPONENTS OF TOTAL EQUITY/NET ASSETS</u>		
<u>Liquid Equity:</u>		
Cash	\$ 250,178	\$ 138,257
Investments	421,038	324,818
Other working capital components	(181,192)	(23,090)
Net Liquid Equity	<u>490,024</u>	<u>439,985</u>
<u>Non Liquid Equity:</u>		
Land, Structures, and Equipment	674,098	762,828
Other Assets (Glen Avenue Building)	-	-
Total Non Liquid Equity	<u>674,098</u>	<u>762,828</u>
Total Equity/Net Assets	<u>\$ 1,164,122</u>	<u>\$ 1,202,813</u>
<u>Changes in Equity-Year ended 6/30/07</u>		
Equity, 6/30/06	1,164,122	
Prior year audit adjustments	-	
Net Income (Loss) from Operations:		
Public Housing	(66,600)	
Capital Fund Program *	66,689	
All other programs	38,422	
Equity, 6/30/06	<u>1,202,813</u>	
<u>Public Housing Portion of Equity</u>		
Public Housing	995,221	
All other programs	207,592	
Total Equity	<u>1,202,813</u>	

* Capital Fund Grant from HUD for building improvements to Public Housing
NOTE-Public Housing funds can only be used for Public Housing related improvements or expenditures. Public Housing capital expenditures must have HUD approval.

PLANNING DEPARTMENT

Berlin continues to move forward in light of the final closure of the pulp mill last year. The mill property is quickly changing as buildings are torn down. There are several conversations ongoing throughout the community about how Berlin will transition from a community that was mill-centric to a community that is more economically diverse. As the mill property is dismantled, it serves as a reminder of the history that has shaped and influenced Berlin throughout the years, both positively and negatively. It is important to remember all of that history as the City moves forward. Even though the mill will physically be gone, it will continue to influence our future.

The Federal Bureau of Prisons has completed the final Environmental Impact Study to determine the feasibility of locating a medium security facility in Berlin. The Bureau has selected Site A1, which is in the northeast corner of the City and will be located adjacent to the State Correctional facility. This process has been ongoing for the past five years and a final Record of Decision was issued over the winter. Community officials continue to work diligently to gauge secondary and social impacts to better prepare for this industry in the region. The social impact discussion has initiated even more discussions relating to the local social service agencies. The entire project continues to evolve and involve more people as the project continues to move forward. Site work and preparation is slated to begin later this summer, with construction to begin in Spring 2008.

The Planning Department successfully applied for two planning grants this year to supplement budgeted funds for Master Planning. The City's Master Plan was last updated in 1992. The Planning Board will begin work on hiring a consultant to guide the board through the process in the fall. The process will take approximately eighteen months. The focus will be on community participation and involvement throughout the project. Any member of the community who wishes to participate is welcome. Meetings will be advertised and open to the public.

The Berlin Industrial Development and Park Authority (BIDPA) has had another busy year. The board continues to work on expanding the current Maynesboro Industrial Park as the buildings are fully occupied and the two remaining parcels of raw land are under purchase and sales agreements. There continues to be interest in new industrial space at the park and throughout the City. The board continues to work on strategies for developing new space. The board interviewed consultants for park planning and development and if they are successful at securing new property, they will engage a consultant to assist in laying out the design of the new land.

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.

Respectfully submitted,
Pamela E. Laflamme
City Planner

Zoning/Code Enforcement Officer: *Joseph Martin*

Planning Board Chair: *Francoise Cusson*

ZBA Chair: *Richard Tremaine*

BIDPA Chair: *Richard Huot*

BERLIN PUBLIC SCHOOLS

The Berlin Public Schools provide our students with learning opportunities that prepare each and every young person for success. The Marston, Bartlett and Brown Schools continue to use a core Reading First program for each child. The students participate in learning experiences within our community and in our classrooms. Volunteers continue the partnerships with our teachers and staff that expand knowledge and skills for each student. The schools and volunteers earn recognition at the local and state levels for their dedication.

Hillside Elementary School continues review of reading programs to replace the current fourteen year old program. The new series requires a researched based comprehensive reading curriculum that meets No Child Left Behind standards and the recommendations of the National Reading Panel. Our teachers and staff adopted the Macmillan Treasures Reading Program to begin the 2007-2008 academic year. The integration of Hillside and Title One School Wide programs, strategies and resources benefits our students. During the 2005-2006 and the 2006-2007 school years, mathematics and literacy initiatives replaced older programs.

Approximately, two hundred fifty seventh and eighth grade students continue their education at the junior high school. Three academic teams and a fourth unified arts team provide relevant and rigorous instruction in an engaging and supportive school. This interdisciplinary model enhances learning and communication for students, parents and school staff. The Berlin Junior High School continues to use a variety of assessments to measure academic progress. National tests complement local assessments to improve curriculum development and instruction.

One hundred twenty-seven of one hundred twenty-eight seniors graduated as members

of Berlin High School's Class of 2007 on June 8th. More than 80% of the graduates attend colleges and universities. As a comprehensive high school, our students attend classes that are required, required electives and electives. A minimum of twenty-six credits must be earned to receive a Berlin High School diploma. More than five hundred seventy students in grades nine to twelve attend classes and programs at Berlin High School. The courses and programs provide important learning opportunities for all of our students.

At the request of the Berlin Board of Education, the Mayor and City Council authorized a "new elementary school" feasibility study committee including the charge to study space utilization of all existing public school buildings. The eight person committee, four members appointed by the Mayor and City Council and four by the Berlin Board of Education, met for their initial meeting on January, 23, 2007. The commitment and dedication of the committee members merits recognition and praise. After approximately six months of meetings and visitations to existing facilities, the committee recommended a primary recommendation and an alternate option to a meeting of the Mayor and City Council and then at a regular meeting of the Berlin Board of Education. A copy of the study is available at the Offices of the School Administrative Unit, SAU, 183 Hillside Avenue, Berlin, New Hampshire.

The Berlin Board of Education, teachers, administrators, office management personnel, paraprofessionals, assistants, custodians, food service staff and bus drivers continue to provide excellent learning opportunities within our safe schools for approximately one thousand five hundred thirty young people in grades K to 12. They and the City of Berlin, residents and businesses and organizations, merit recognition and praise.

Respectfully Submitted, *John Moulis*
Superintendent of Schools

Tax Collector's Report

Debits:	2007 Levy	2006 Levy
Uncollected Taxes - Beginning of Year:		
Property Taxes		1,482,539
Land Use Change Tax		12
Yield Taxes		9,204
Utility Charges		438,579
Uncommitted Taxes		32
Taxes Committed:		
Property Taxes	6,307,178	6,492,206
Uncommitted Taxes	-	12,284
Land Use Change Penalties	-	12,490
Yield Taxes	-	21,890
Excavation Activity Tax		193
Utility Charges		1,481,307
Uncommitted Utility Charges		1,609
Overpayment:		
Property Taxes		1,500
Interest - Late Tax		79,719
Interest - Late Sewer		12,624
Total Debits	6,307,178	10,046,188
Credits:	2007 Levy	2006 Levy
Remitted to the Treasurer:		
Property Taxes	1,527,193	7,438,276
Land Use Change Penalties		7,340
Yield Taxes	-	31,094
Excavation Activity Tax		205
Interest		92,343
Utility Charges		1,485,911
Conversion to Liens		574,026
Uncommitted Taxes		7,488
Uncommitted Utility Charges		1,641
Abatements made:		
Property Taxes	-	16,834
Land Use Change		27,254
Yield Taxes		1,150
Utility Charges		47,187
Uncommitted Taxes		566
Current Levy Deeded		3,418
Uncollected Taxes - End of Year:		
Property Taxes	4,779,985	-
Uncommitted Sewer Charges	-	303,224
Uncommitted Property Taxes	-	4,230
Land Use Change Tax		4,000
Total Credits	6,307,178	10,046,188

Debits:	2006 Levy	2005 Levy	2004 Levy	2003 Levy
Unredeemed Liens Balance at Beg. of Fiscal Year:		415,011	132,325	22,737
Liens Executed during Fiscal Year	619,690			
Interest & costs Collected after Lien	7,988	29,137	28,419.00	
Total Debits	627,678	444,148	160,744	22,737
Credits:	2006 Levy	2005 Levy	2004 Levy	2003 Levy
Remitted to Treasurer:				
Redemptions				
Interest & Costs Collected after Lien	7,988	29,137	28,419	
RSA Liens/Deferrals	-	1,890	-	
Abatement of Unredeemed Taxes	-	12,580	1,506	-
Liens Deeded to Municipality	44,290	41,796	26,535	-
Unredeemed Liens Balance End of Year	418,325	168,881	3,419	22,737
Total Credits	627,678	444,148	160,744	22,737

FINANCE/COLLECTIONS

The Finance and Collections Departments continually strive to streamline its data processing functions. The Finance Department is able to conduct much of its payroll functions over the internet eliminating the need for checks to mail to various institutions and agencies. The Collections Department has the capability of doing automated payments from property owner checking or savings accounts to pay tax bills and sewer bills. An owner may authorize to get property tax and sewer bills paid on the due date. Or, the amount due can be budgeted and paid on a monthly or weekly basis.

Vachon, Clukay & Co., P. C., of Manchester, NH, continues to conduct the fiscal year end audit. A copy of the audited financial statements is included with this annual report.

In fiscal year 2007, the Finance Department issued 4,409 semi-annual real estate tax bills totaling \$13,661,781. The Department also issued 3,404 sewer bills which totaled \$1,482,695. The number of motor vehicles

registrations issued from our office was down from last year by 491 registrations. The City issued 10,692 registrations and took in \$1,216,804 which is \$55,071 less than last fiscal year.

The Finance Department also serves as the Human Resource and Benefits Administrator for the City's 180 employees.

We are fortunate to employ a group of dedicated and conscientious employees. I want to thank each one of them for their commitment and hard work. The Finance and Collections Departments is made up of the following full-time employees --

Assistant Comptroller/Deputy Tax Collector: Florence Fitzmorris
 Senior Collections Clerk: Elaine Tremblay
 Junior Collections Clerk: Kristia Davis
 Accounts Payable Clerk: Lucille Lavoie
 Payroll Clerk: Sandra Rosenberg.

Respectfully submitted,
Blandine Shallow
 Comptroller/Tax Collector



Many positive changes have marked 2006 as another busy year passes at the Berlin Municipal Airport. Our runway rehabilitation project wrapped up in July of 07. A frost heave appeared on the south end of the runway during the winter of 2005- 06. This was after the runway was reconstructed. Working with our engineer and contractor, it was discovered the heave was due to an under drain issue on the east side of the runway. Drainage was added to the side of the runway and the heave was cut out with a saw and paved.

The Master Plan is still “a work in progress” and is expected to be complete in the fall of 2007. Many factors of the airports future needed to be considered and discussed, including whether an Instrument Landing System (ILS) precision approach is in the airport’s future. Other projects being worked on include updating the airport’s brochure, logo and possible name change.

Winter and spring has reminded us that the North Country is back in the political spotlight with several Presidential candidates flying into the Berlin Airport. With New Hampshire’s first-in-the-nation primary in early January 2008, I expect a busy fall and early winter with jet traffic. Aviation security still being in the foreground, our eyes are always open for any activity that would be considered suspicious here at the airport.

Many thanks go to the Berlin Airport Authority, employees and everyone associated with the airport for your continued support. As a place for first impressions “YOUR” airport continues to be a vital transportation asset to our community.

Respectfully submitted,
Eric Kaminsky, Airport Manager



Airport Information

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

Coordinates: N44-34.5°, W071-10.54°

Nav aids: BML-110.4 190 degrees 3.5

Approaches: VOR/DME, GPS, RNAV

UNICOM Frequency: 122.7

ASOS: 135.175, (603-449-3328)

Bangor Flight: 122.35 (1-866-295-3835)

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

Lighted wind cone, rotating beacon.

Elevation: 1158 feet

BERLIN WATER WORKS

Water Commissioners for this report period were Richard P. Fournier, Robert A. Delisle, Paul W. Poulin, and Lucien F. Langlois; Ex-officio member was Mayor Robert A. Danderson. On April 18, 2007, Lucien Langlois was reappointed for an additional four-year term.

The BWW has not increased water rates in nine years. This has been possible because of cross-training employees and elimination of work through planned improvements. The results of these efforts have been reduced cost through reduced staffing. There have also been continuous improvement efforts in reducing other operating cost. And finally, we have continued Forced Account in order to offset operating cost by performing capital improvement projects with Berlin Water Works resources.

The winter of 2007 started relatively mild and ended relatively cold and held on into early April. We had approximately 156 people running the water this past winter. The customers started running the water from February 1, 2007 to April 23, 2007, all customers were not running the full period, and they were started in groups. The balance of the 526 running water customers did not have to run the water in 2007. We had eighty-two freeze-ups that we had to thaw. Efforts continue to reduce the number of running water customers, of which there were 1003 of 3500 customers in the winter of 2000-2001. The 8" water main on Route 110 froze; it is located at the end of the line: a temporary water line for 207 Jericho Road was set up and a trailer supplied water to the White Mountain Distributors building, until the line thawed and was repaired in May 2007. A Standard Operation Procedure (SOP) for thawing was re-written because we wanted to be sure that all employees involved understood the process and goals. The goal is to compile data to correct the problems and remove customers from the running water list.

	FISCAL 2006	FISCAL 2007
Total Flow	446,970,689	394,242,291
Difference from previous year	.028% increase	13.37% decrease
Gallons per Day	1.22 million gal	1.08 million gal.
Running Water Customers	572	155
Running Water Start - early	March 1, 2006	February 1, 2007
Running Water Start - regular	--	--
Running Water Finish	April 1, 2006	April 23, 2007
Frozen Water Calls - outside	7	98
Frozen Water Calls - inside	1	11
Hydrant Flushing	August 2005	9/7/06 to 10/10/06
Number of main line breaks	6	8
Number of service line breaks	15	10

Several improvements to the Ammonoosuc Treatment Plant Facility and SCADA towers have been completed by staff with the assistance of John Arsenaault. Some of the work includes: new propane heaters, new controls on the make down transfer pumps at the plant, painting, cleaning, and new weather heads on the SCADA towers. Staff members Steve Lefebvre and Marc Bergeron attended classes in the fall and have begun implementing some of the practices

learned on the backwash system. These changes will improve process efficiency and reduce operating cost. Berlin Water Works sludge flow from the plant has been reduced to approximately sixty-seven thousand gallons per day, which is beneficial to the Pollution Control Facility operations. Efforts continue on further reductions.

Our lead and copper water sampling program passed the last two rounds of testing in June of 2006 and December of 2006. The testing results from December 2006 showed all passed for copper and one failed for lead. 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 and copper levels. A Water Quality Report for calendar year 2006 was distributed to all water customers as a bill stuffer in the May 2007 billing. A letter dated February 01, 2007 from Rebecca Presby, Monitoring & Enforcement Section, WSEB states that the next round of samples are in Quarter #3 of 2007 and the number of samples will be reduced by ½ instead of the total 60 test sites. Superintendent Viens stated that he had good news for the Board at the May 2007 meeting, the Schools were tested for lead and copper and all the tests passed.

A proclamation for National Drinking Water Week was signed by Mayor Danderson for the Week of May 6th thru May 12th, 2007. Water Week was successful; the Ammonoosuc Treatment Plant had several school bus tours and members of the public. It was a good turn out with approximately 175 people toured the plant.

Some staff changes occurred during this fiscal year, Paul A. Roy, Chief Treatment Plant Operator retired from Berlin Water Works in August 2006. AFSCME's negotiations agreement – Local 1444 Labor Contract was ratified and approved by the City Council on July 24th 2006. The new Contract is effective for August 1st 2006 – July 31st, 2011. The new contract allows union personnel to participate in supervisory coverage for the Treatment and Distribution systems.

The Berlin Water Works has purchased some additional equipment to help with the forced account work. Some of the equipment was purchased from both State and Federal Surplus including a 10 wheeler dump truck, trailer, Chevy van, Ford pick up and Ford station wagon. The department also purchased a new Ford 2007 pick up truck under the State bid

price. All new vehicles as well as the current vehicles have been marked with the new Berlin Water Works logo. Corey Fecteau, instructor at the NH Community Technical College was hired to do some work on the Berlin Water Works equipment; his students did the work for the cost of parts only. Some of the equipment repaired was the compressor, front end loader and Ford 10 wheeler dump truck.

Some changes to the Rules and Regulations of the Berlin Water Works include: the rate structure now includes City Sewer Metering Fees. The City requested BWB to install water meters on City well and other special water use customers to more accurately determine the sewer billing. The process will work, for a well or for a deduct application such as a lawn sprinkler system; the customer will submit an application form to the Berlin Public Works to start the process. The City Public Works Director will process the request. As soon as the application request is approved, BWB would estimate the project and charge same to the City. The second change is as follows: "For new service line connections larger than 1-inch in diameter to an existing water main, the customer will be required to pay the Berlin Water Works for the tap connection device and the shutoff valve. The cost of physical connection to the water main, up to and including 8-inch will be provided by Berlin Water Works at no charge. The Berlin Water Works reserves the right to charge additional connection fees when warranted by the Board (7/19/06).

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, 2007. Our FY 2008 budget of \$3,145,946 as presented at the Commissioners May 30, 2007 budget hearing providing \$1,626,424 for operations and \$1,519,523 for water bond and loan debt, was approved June 13, 2007. A State surface water filtration grant payment in the amount of \$234,531.37 was applied for in June 6, 2007 for the State's share of water bond debt required for the surface water treatment rule infrastructure improvements.

IMPROVEMENT PROJECTS:

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 the Rural Development Loan/Grant is 3.6 million dollars. Berlin Water Works has been continuing construction on the project streets under Forced Accounting agreement. In Fiscal 2007, work continued on the south end of Western Avenue to be continued in FY 2008. Berlin Water Works made their second payment of \$219,441.75 to NHDOT in November 2006 for the water mains portion of the Green Street project not covered by the state funding. In May a final settlement of \$190,000 was awarded to T Buck Construction for the suit regarding the contract for water main construction with Berlin Water Works.

Water Main Project BWW #02-2 was signed with CLD Consulting Engineers, Inc. for replacement-improvement to water mains including hydrants and appurtenances. Project funding is 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. Berlin Water Works completed the installation of a water main that connects Whittmore Avenue to Landry Street and Maple Street to Main Street during Fiscal Year 2007. Also a section of Howard Street (formerly Nansen Street) was improved with a new water main.

Water Main Project BWW #04-1 includes a significant improvement to the Berlin Water Works Distribution system. Project funding is \$894,100 through and EPA Grant Fiscal Year 2003. The high pressure line from Derrah Street Pump Station and Forbush Water Tank to Mercier Street has been completed. Pressure reducing valves were installed to residences in the Pershing Avenue area that were affected by the increase in water pressure.

Water Main Project BWW #05-1 with \$497,000 of EPA Grant Funding includes the replacement of water mains, installation of security fencing improvements and sodium bicarbonate process

improvements. In fiscal 2007, Beebe Street water main replacement was completed and an agreement was made with the Public Works Department to pave the street upon completion of the water main replacement.

An application package for \$599,067 of EPA Grant Funding was submitted and approved. The new Water Main Project BWW #06-1 includes the replacement of approximately 100 running water services and to replace old 2" galvanized lines. At the end of Fiscal Year 2007, thirty-seven of these services have been replaced under this project.

An application package for \$478,200 of EPA Grant Funding was submitted and approved on May 31, 2007. This new project will be called BWW 07-1 EPA Grant FY 2006. Scope of the project includes the elimination of a 6" cast iron main on Riverside Drive from Eleventh St to Morning Lane; it also includes the replacement of 6" cast iron mains with 8" mains on Hillside, Cedar, Willard, State and High Streets.

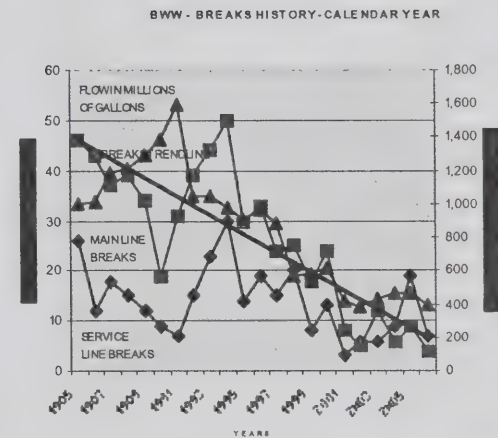
Federal Bureau of Prisons (FBOP) – Water Service Status: The FBOP has awarded a purchase order to the Berlin Water Works to upgrade our Water-Cad model and perform a hydraulic study to determine the effects of the proposed prison water demands on the distribution system in the amount of \$20,000. A Contract between Berlin Water Works and CLD Consulting Engineers, Inc. for Professional Services for updating current Berlin Water Works Hydraulic Model and utilizing model to determine System requirements to accommodate Proposed Federal Prison was signed by the Commissioners. At year-end, the Berlin Water Works was preparing FBOP application with several options to supply water to the proposed facility.

Superintendent Viens applied for a grant from the State of NH Department of Environmental Services in the amount of \$4,500 for security fencing at the Ammonoosuc Water Storage Tank. Acceptance of the \$4,500 grant was approved in February 2007 by the Water Commissioners.

	Total to Fiscal 2007	FISCAL 2006	FISCAL 2007
Curb-to-curb street paving	9.98	.04	.09
Number of New Meters	2707	226	423
Number of New hydrants	402 in system	1	2
Number of Replaced services	3500 total in system	25	50
New water main installed – since 1990	18.08 miles	1.00 miles	.39 miles

Improvements to the water distribution in the City of Berlin continue with planned replacement of small diameter galvanized mains (4465 feet remaining) and 1890 thru 1930's vintage unlined cast iron mains (47,952 feet remaining) that have the highest frequency of problems. Also the replacement water mains are selected and designed to improve fire protection flow capabilities. The Berlin Water Works purchase of various pieces of construction equipment has supported Berlin Water Works staff in performing "in house" projects like Western Avenue, Beebe Street, Whittemore Avenue to Landry Street, Howard Street and Pine Island Avenue.

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 continuing work on significant improvements that will improve our water system and reduce our operating cost for many years into the future.

Respectfully Submitted:
Roland Viens
 Water Works Superintendent

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-

**CITY OF BERLIN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2007**

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CITY OF BERLIN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2007

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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 financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2008 on our consideration of the City of Berlin, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages i-xii and 30-31, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Berlin, New Hampshire's basic financial statements. The accompanying schedule of expenditures of federal awards 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 nonmajor fund and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Wachon, Chubay & Co. PC

February 25, 2008

City of Berlin Management's Discussion and Analysis

This section of the City's financial statements is prepared to comply with the requirements of GASB Statement 34 which requires the City to provide a discussion and analysis of the City's financial performance. It also provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. As in past years, this narrative should be read in conjunction with the City's financial statements, which begin on page 1.

Financial Highlights – Primary Government

Government-wide Highlights:

- **Net Assets:** The total assets of the City exceeded total liabilities at fiscal year ending June 30, 2007 by \$33.5 million, an increase of \$2.5 million from last year. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government (a condensed Statement can be seen in the MD&A section of this report on page v). Total unrestricted assets increased by \$1.5 million to \$3.3 million. Restricted net assets of \$145,878 were restricted for endowments and \$30 million was invested in capital assets, net of related debt.
- **Changes in Net Assets:** The City's total net assets increased from last fiscal year's \$31 million to \$33.5 million in fiscal year 2007. Net assets of governmental activities increased by \$2.7 million or 27%, while net assets of the business-type activities showed a net decrease of \$256,864. This is discussed further under the Government-Wide Statement Analysis section of this report.

Fund Highlights:

- **Governmental Funds – Fund Balances:** As of the close of fiscal year 2007, the City's governmental funds reported an increase of \$170,953 in the combined ending fund balance of \$3.9 million, compared to the prior year. Included in the combined governmental fund balance is the activity of the City's General fund and the non-major governmental funds. The General Fund ended the fiscal year with an unreserved, undesignated fund balance of \$2,863,861, which is \$307,892 less than the previous year.

Overview of the Financial Statements

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

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

This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

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

- **Governmental Activities:** The activities in this section represent most of the City's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the City include general government, public safety, airport/aviation center, highways and streets, health and welfare, sanitation, culture and recreation, education, food service, capital outlay and debt service.
- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the operations of the:
 - Sewer Fund
 - BIDPA (Berlin Industrial Development and Park Authority Fund)
 - Cates Hill Landfill Fund
 - Courthouse Fund
- **Component Unit:** A component unit is an entity that is legally separate from the City, but for which the City is financially accountable. The financial data for the Berlin Water Works is shown in the component-unit column. Complete financial statements for the Berlin Water Works can be obtained by writing to the Board of Commissioners, 55 Willow Street, Berlin, NH 03570.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the governmental-wide financial statements. Reconciliations are provided between the Governmental Fund Statements and the Government-Wide Statements, which can also be found on pages 3-4.

The City's major governmental fund is the General Fund. Individual fund data for each of the City's non-major governmental funds are provided in the combining statements found on pages 43-46. The non-major governmental funds are:

- School Federal Projects
 - School Food Service Program
 - Berlin Airport Authority
 - Home Health Care
 - Mount Carberry Landfill
 - Recreation Activity Programs
 - Grant Fund
 - CDBG Fund
 - Permanent Funds
- **Proprietary Funds:** The City's proprietary funds provide goods and services to the general public and charge a user fee. These activities are reported in one major fund -

- Sewer Fund

and three non-major funds -

- Cates Hill Landfill
- Berlin Industrial Park and Development Authority (BIDPA)
- Courthouse Fund

Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. Therefore there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic propriety funds financial statements can be found on pages 5-7, with individual data for each of the City's non-major proprietary funds provided in the combining statements found on pages 47-49.

- **Fiduciary Funds:** These funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the accrual basis of accounting.

The City's fiduciary funds on pages 8-9 include the:

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the basic financial statements can be found on page 10-29.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the City's major governmental funds and includes a reconciliation between the reported activity of the revenues, expenditures and operating transfers for budgetary purposes (Schedule 1, page 30) and the activity as presented in the governmental fund financial statements (Exhibit D, page 4). The City's only major governmental fund for fiscal year 2007 is the General Fund.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental and proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The City's combined net assets (government and business-type activities) totaled \$33.5 million at the end of 2007, an increase of \$2.5 million compared to the end of the previous year.

Net assets of the City as of June 30, 2007 are as follows:

	Net Assets (in Millions)								
	Governmental Activities			Business-type Activities			Total Primary Government		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Other assets	12.5	11.9	11.7	4.2	3.8	2.0	16.7	15.7	13.7
Capital assets	17.6	16.3	13.7	21.1	22.0	23.2	38.8	38.3	36.9
Total assets	30.1	28.2	25.4	25.4	25.8	25.2	55.5	54.0	50.6
Long-term liabilities	9.4	9.0	10.0	0.2	0.3	0.3	9.6	9.3	10.3
Other liabilities	7.7	9.1	7.5	4.7	4.7	4.0	12.4	13.8	11.5
Total Liabilities	17.1	18.1	17.5	4.9	5.0	4.3	22.0	23.1	21.8
Net assets:									
Invested in capital assets,									
net of related debt	12.7	10.8	9.6	17.3	18.2	19.6	30.0	29.0	29.2
Restricted	0.1	0.1	0.3	-	-	-	0.1	0.1	0.3
Unrestricted	0.2	(0.8)	(2.0)	3.2	2.5	1.3	3.3	1.8	(0.7)
Total net assets	13.0	10.1	7.9	20.5	20.7	20.9	33.5	30.9	28.8

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

An additional portion of the City's net assets represent resources that are subject to external restrictions on how they may be used.

With the gradual pay down of several long-term bond obligations such as the 1999 Deficit bond, the New Hampshire Retirement Buy Back bond and the East Milan Landfill Closure bond, none of which has any offsetting assets, the City was able to turn the prior years' negative position in unrestricted net assets into a positive one of \$161,785 in FY 2007. The City continues to have a liability for compensated absences. The City needs to embark on a program to fund this liability in the future. This will be addressed in the coming year budget.

Statement of Activities

The City's net assets increased \$2.5 million during this fiscal year. Property and other taxes brought in \$13.2 million in revenues. Other revenues consisted of charges for services, operating

grants and contributions, capital grants and contributions, interest and investment earnings, and miscellaneous revenues.

Changes in net assets for the year ending June 30, 2007 are as follows:

	Changes in Net Assets (in Millions)								
	Governmental Activities			Business-type Activities			Total Primary Government		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Revenues									
Program revenues:									
Charges for services	3.1	2.9	2.5	1.5	1.7	1.4	4.5	4.6	3.9
Operating grants and contributions	15.3	14.8	12.1	0.1	-	-	15.5	14.8	12.1
Capital grants and contributions	1.0	1.3	0.2	0.0	-	-	1.0	1.3	0.2
General revenues:									
Property and other taxes	13.2	12.9	12.5	-	-	-	13.2	12.9	12.5
Licenses and permits	1.3	1.4	1.3	-	-	-	1.3	1.4	1.3
Grants and contributions	1.1	1.1	1.1	-	-	0.2	1.1	1.1	1.3
Interest and investment earnings	0.3	0.2	0.1	0.2	-	-	0.5	0.2	0.2
Miscellaneous	0.4	0.3	0.2	0.1	0.1	0.1	0.5	0.4	0.3
Contributions to permanent fund principal	0.0	-	-	-	-	-	0.0	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-
Transfers	-	(0.2)	-	-	0.2	-	-	-	-
Total revenues	35.6	34.7	30.0	1.9	2.0	1.7	37.6	36.7	31.7
Expenses:									
General Government	1.8	1.6	3.4				1.8	1.6	3.4
Public Safety	4.6	4.6	3.3				4.6	4.6	3.3
Airport/Aviation center	0.4	0.3	0.4				0.4	0.3	0.4
Highways and streets	2.4	2.5	1.9				2.4	2.5	1.9
Health and welfare	0.7	0.7	0.7				0.7	0.7	0.7
Sanitation	0.9	0.9	0.8				0.9	0.9	0.8
Culture and recreation	0.7	0.6	0.5				0.7	0.6	0.5
Economic Development	1.0	0.1	0.2				1.0	0.1	0.2
Education	17.1	17.7	14.6				17.1	17.7	14.6
Food service	0.6	0.6	0.5				0.6	0.6	0.5
Principal retirement	0.6	0.6	0.6				0.6	0.6	0.6
Interest and fiscal charges	0.5	0.6	0.7				0.5	0.6	0.7
Intergovernmental	1.4	1.3	1.3				1.4	1.3	1.3
Sewer	-	-	-	2.0	2.0	1.9	2.0	2.0	1.9

BIDPA	-	-	-	-	0.1	-	-	0.1	-
Nonmajor proprietary funds	-	-	-	0.2	0.1	0.3	0.2	0.1	0.3
Total expenses	32.9	32.3	28.9	2.2	2.2	2.2	35.1	34.5	31.0
Increase (decrease) in net assets	2.8	2.4	1.1	(0.3)	(0.2)	(0.5)	2.5	2.2	0.6
Net assets, beginning of year	10.2	8.0	6.9	20.7	20.9	21.4	30.9	28.8	28.3
Net assets, end of year	13.0	10.2	8.0	20.5	20.7	20.9	33.4	30.9	28.8

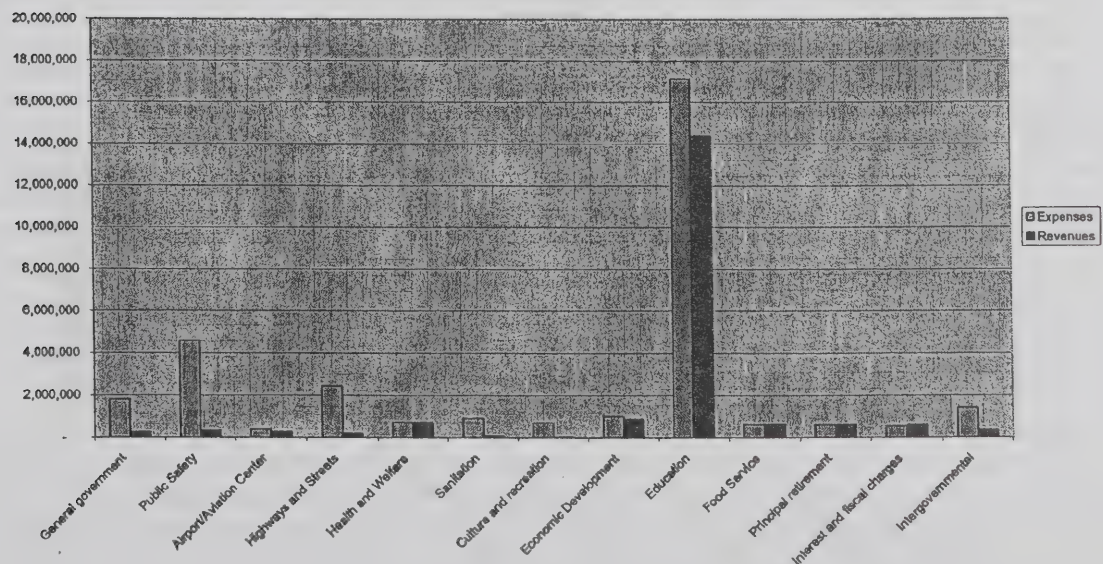
The City's expenses cover a range of services. The largest governmental expenses were for education (52%), and public safety (14%), highways and streets (7%), and general government (5%), which accounted for 78% of total governmental expenditures.

Government Activities

Governmental activity revenues of \$35.6 million exceeded expenses of \$32.9 million in fiscal year 2007, thereby increasing the City's net assets by \$2.8 million.

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

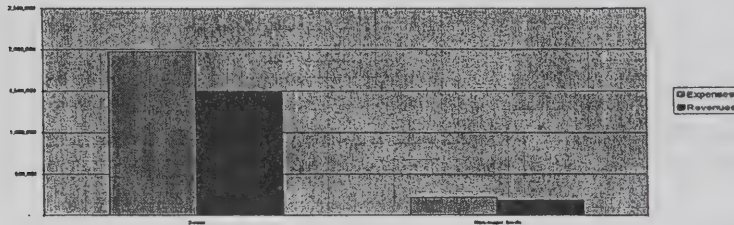
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ending June 30, 2007



Business-type Activities

The charges for goods and services for the City's business type activities were inadequate to cover the operating expenses. However, there are still sufficient net assets to support the excess expenses.

Expenses and Program Revenues – Business Type Activities
Fiscal Year Ending June 30, 2007



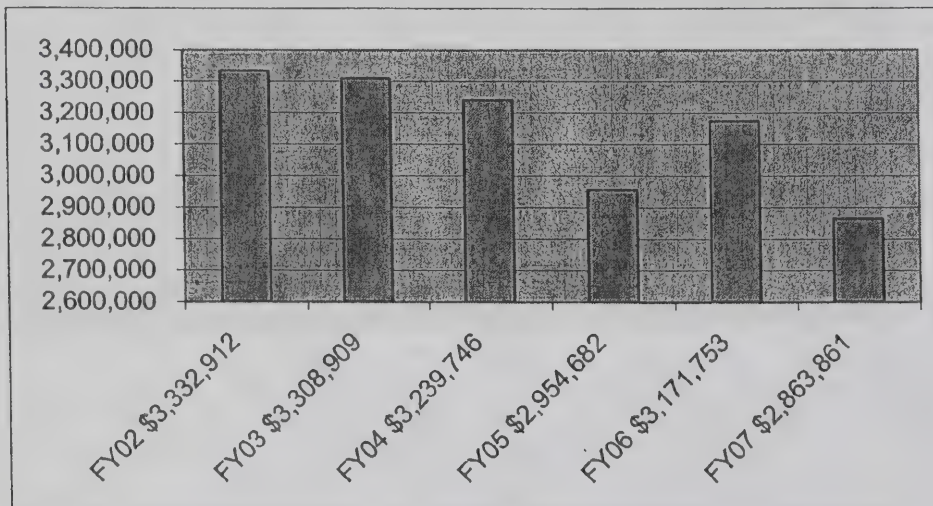
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Unreserved Fund Balance FY 2002 through FY2007



General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund had an unreserved, undesignated fund balance of \$2.9 million, while total fund equity was \$3.5 million. The total fund equity includes reserves for encumbrances, prepaid expenses and carryforward appropriations at year-end. The total General Fund fund balance, increased \$159,769 from June 30, 2006.

Other Governmental Funds

The total fund balance in the other governmental funds increased \$11,184 in fiscal year 2007.

Proprietary Funds

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

The total net assets in the proprietary funds decreased \$256,864 from June 30, 2006. The amount collected from sewer user fees was insufficient to offset operating expenses resulting in a net loss of \$398,913 in the Sewer Fund for the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations. Budget to Actual Schedules for the major governmental fund (the General Fund) is in the Required Supplementary Information section on page 30.

The actual budgetary revenues were less than the budget for estimated revenues by \$1.3 million. However, this revenue shortfall was offset by funds that were not expended. On the other hand, yield tax revenues came in at \$6,890 more than projected. The City also received additional revenues of \$12,490 from current use penalties. Interest and costs on delinquent taxes and tax liens also brought in \$40,000 more than our projections. Motor Vehicle fees brought in an additional \$69,000 and Cable Franchise Fees an additional \$6,000. The City also received over \$6,000 in Code Enforcement Fees. The State Rooms and Meals Tax provided \$86,500 more in revenues than projected and the State Recreational Land Reimbursement provided additional revenue of \$4,600 that was not projected. The City Health Department received an additional \$134,000 from Nursing and Medicare reimbursements. The interest earned on the City's investments also brought in \$160,000 in additional revenues.

The actual budgetary expenditures at year-end were \$1,578,000 less than the final budgeted appropriations. Most of this savings is due to budgeted capital improvement items of \$1.1 million being carried over into the next fiscal year and not spent in FY 2007. The City had supplemental appropriations of \$275,912 earmarked for the Police Impound Building (\$50,000), the Mill, Hydro and Utility Appraisals (\$109,000), and the City Buildings Electrical Project (\$13,550). Additionally there was a local match for the School's Career Technology Center for \$103,362. Other supplemental appropriations had an offset of revenues in the same amount.

Again this year, the City's cost of participation in the Androscoggin Valley Regional Refuse District was lower than projected, saving the City \$68,000. The legal service line was overspent by \$34,000 due to the number of issues with burned out properties, dilapidated housing and the repurchase of tax deeded properties. Most of the department budgets realized a savings in the cost of health insurance due to a change in insurance carrier. The City issued \$55,876 in property tax abatement and this amount was offset by overlay in the tax rate calculation formula. This past year, the City expended \$8,900 in costs related to tax deeded properties; however, the City will recoup some of the expenses when those properties are sold.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$71.3 million. Accumulated depreciation was \$32.6 million leaving a net book value of \$38.6 million. This investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure assets are items that are normally immovable, of value only to the City, which include roads and bridges. GASB 34 requires assets, including infrastructure, for the City's governmental funds to be reported in the General Fixed Asset Account Group (GFAAG). Additional information on the City's capital assets can be found in Note 7 on page 20 of Notes to the Basic Financial Statements.

Debt Administration

The City may issue general obligation bonds and notes in anticipation of such bonds authorized by the City Council. At the end of the current fiscal year, the City had total bonded debt outstanding of \$ 23.8 million. This amount includes \$12.9 million of bonds payable reported by the Berlin Water Works, its component unit. These are general obligation bonds, which are backed by the full faith and credit of the City. 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 Berlin Water Works reimburses the City for the annual principal and interest on the debt.

Additional information regarding the City's long-term debt obligations can be found in Note 9 on page 22 of Notes to the Basic Financial Statements.

ECONOMIC CONDITIONS

Berlin's economic prospects with the final closure of the Fraser Pulp Mill (and the recent closure of the nearby paper plant in Groveton) have nowhere to go but up. All of the recently closed pulp mill sites in Berlin have been cleared except for a few buildings worthy of preservation and the black liquor boiler. This may or may not be converted to a biomass boiler depending on what occurs between the owner of the property and a biomass company with whom it is negotiating with. A second biomass project is also in the works to be located near the City's Wastewater Treatment Facility in the southeastern portion of the City. The City's dilapidated surplus housing problem has been markedly reduced by the City's efforts at demolishing such structures and enforcing housing codes which set a minimum housing standard. A significant number of the City's very worst derelict buildings have been torn down or have burned down. The City experienced the loss of approximately 13 structures in the last year to major fires. However, it has

also had significant success at getting these burnt out properties cleaned up. Unfortunately, most of this cleanup has been at the expense of the City and not at the expense of the property owners responsible. It is clear that residential property values in the city are once again beginning to rise rather than fall. It is not clear how the current national housing slump will affect things in Berlin.

The Berlin Industrial Development Park Authority is conducting a feasibility study into a major expansion of the City's existing industrial park. It is also working actively on the potential development of a new building in conjunction with potential lessees. All of the current industrial park buildings are in full use and all of the lots in the Industrial Park have been sold to private parties except for the Maynesboro building which is fully occupied by several tenants but is still owned by the City.

A major wood pellet plant development is actively being pursued on three lots in the existing City Industrial Park. This is a \$75 million dollar investment in a plant which will provide good jobs and take advantage of the existing forestry potential in this region as well as provide renewable 'green' fuel for the heating market.

For the first time in anyone's memory, Berlin has two housing proposals being considered by its planning board with an excess of 100 units of new housing.

The Downtown Cornerstone Project is complete and has greatly improved the attractiveness of the southern entrance to Downtown, thereby adding new life and vitality to Main Street. Taking advantage of a new state law which allows property taxes on new investment to be forgiven for a period of years, the City has approved its first application from a number of local citizens who have formed a company and purchased a downtown building right across from the new Cornerstone project. They will be investing over a quarter of a million dollars of their own money to renovate this downtown building for commercial space on the first floor and market rate residential units upstairs.

The Phase I Green Street/Route 110 project will be completed this coming summer. This will dramatically improve the truck route through the City. Phase II of this project to be completed some years down the road, will further dramatically improve this route as well as the neighborhood that it now bisects.

The City has previously zoned the extended portion of Route 110 as a recreation zone. The State of New Hampshire is continuing the development of 7,200 acres in this quadrant of the City for its multi-use trail, Jericho Mountain State Park. The City has donated the 300 acre Jericho Lake Park to the State as a sort of icing-on-the cake for this park which should be a New England-wide attraction. This park already has about 30 miles of first-class trail development. This development should have a very significant impact on the City's image and economic base.

Finally, the long-awaited Federal Bureau of Prisons project is actually under construction with the site completely cleared and currently being graded. This will be the second or third largest public works project ever undertaken in the state and will add very significant economic activity to this region both during the construction phase and after construction.

In spite of the all the past plant closures and layoffs, Berlin has weathered everything that has been thrown at it and is well on its way to a solid and diversified economic base and is well on its way to a place where people will want to move to, instead of away from.

REQUESTS FOR INFORMATION

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

EXHIBIT A
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 7,594,137		\$ 7,594,137	\$ 343,515
Investments	731,498		731,498	345,037
Taxes receivable, net	5,267,145		5,267,145	
Accounts receivable, net	132,635	\$ 313,673	446,308	133,434
Notes receivable		916,294	916,294	
Due from other governments	1,560,615	95,622	1,656,237	313,692
Internal balances	(2,860,218)	2,860,218	-	
Prepaid expenses	48,933		48,933	
Prepaid financing costs			-	2,646
Inventory	11,907	45,423	57,330	274,497
Total Current Assets	<u>12,486,652</u>	<u>4,231,230</u>	<u>16,717,882</u>	<u>1,412,821</u>
Noncurrent Assets:				
Restricted cash and investments	9,331		9,331	
Tax deeded property	165,725		165,725	
Prepaid financing costs				17,027
Capital assets-nondepreciable	3,865,545	266,084	4,131,629	880,564
Capital assets-other, net	13,592,952	20,859,940	34,452,892	35,251,769
Total Noncurrent Assets	<u>17,633,553</u>	<u>21,126,024</u>	<u>38,759,577</u>	<u>36,149,360</u>
Total Assets	<u>\$ 30,120,205</u>	<u>\$ 25,357,254</u>	<u>\$ 55,477,459</u>	<u>\$ 37,562,181</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 649,353	\$ 32,375	\$ 681,728	\$ 12,890
Accrued expenses	677,296	20,769	698,065	297,278
Deposits			-	1,313
Deferred revenue	6,634,959	110,596	6,745,555	
Deferred debt refinancing interest savings			-	24,754
Current portion of bonds payable	1,208,607		1,208,607	956,481
Current portion of notes payable		51,950	51,950	
Current portion of capital leases payable	256,245		256,245	37,231
Total Current Liabilities	<u>9,426,460</u>	<u>215,690</u>	<u>9,642,150</u>	<u>1,329,947</u>
Noncurrent Liabilities:				
Payable from restricted assets	9,331		9,331	
Deferred debt refinancing interest savings				87,054
Bonds payable	3,532,867		3,532,867	11,909,772
Notes payable		523,628	523,628	
Capital leases payable	2,128,739		2,128,739	83,734
Compensated absences	1,835,625	89,340	1,924,965	96,566
Other long-term obligations		3,800,407	3,800,407	
Estimated liability for landfill closure and postclosure care costs	210,450	236,670	447,120	
Total Noncurrent Liabilities	<u>7,717,012</u>	<u>4,650,045</u>	<u>12,367,057</u>	<u>12,177,126</u>
Total Liabilities	<u>17,143,472</u>	<u>4,865,735</u>	<u>22,009,207</u>	<u>13,507,073</u>
NET ASSETS				
Invested in capital assets, net of related debt	12,669,070	17,325,617	29,994,687	23,145,115
Restricted	145,878		145,878	909,993
Unrestricted	161,785	3,165,902	3,327,687	
Total Net Assets	<u>12,976,733</u>	<u>20,491,519</u>	<u>33,468,252</u>	<u>24,055,108</u>
Total Liabilities and Net Assets	<u>\$ 30,120,205</u>	<u>\$ 25,357,254</u>	<u>\$ 55,477,459</u>	<u>\$ 37,562,181</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, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Operating Grants and Contributions		Primary Governmental Activities	Business-type Activities	Total	
		Charges for Services	Capital Grants and Contributions				
Governmental Activities:							
General government	\$ 1,808,236	\$ 263,964	\$ 154	\$ (1,544,118)		\$ (1,544,118)	
Public safety	4,582,452	117,365	213,037	(4,252,050)		(4,252,050)	
Airport/Aviation center	383,217	186,667	\$ 84,155	(112,395)		(112,395)	
Highways and streets	2,443,580	11,227	190,938	(2,241,415)		(2,241,415)	
Health and welfare	711,892	718,813	2,857	9,778		9,778	
Sanitation	922,431	74,434		(847,997)		(847,997)	
Culture and recreation	700,269	33,190	4,599	(662,480)		(662,480)	
Economic development	1,022,441	1,379,255	16,586	(137,034)		(137,034)	
Education	17,144,168	1,379,255	13,014,110	(2,750,803)		(2,750,803)	
Food service	615,007	270,334	337,831	(6,842)		(6,842)	
Principal retirement	605,000		605,000	-		-	
Interest and fiscal charges	540,321		576,628	36,307		36,307	
Intergovernmental	1,405,701		350,497	(1,055,204)		(1,055,204)	
Total governmental activities	32,884,715	3,055,249	15,312,237	(13,564,253)	\$ -	(13,564,253)	
Business-type activities:							
Sewer	1,975,133	1,480,450		(494,683)		(494,683)	
Nonmajor funds	211,788		144,321	(32,203)		(32,203)	
Total business-type activities	2,186,921	1,480,450	144,321	(526,886)		(526,886)	
Total primary government	\$ 35,071,636	\$ 4,535,699	\$ 15,456,558	(13,564,253)	\$ (13,564,253)	(14,091,139)	
Component unit:							
Water	\$ 2,940,146	\$ 2,146,091	\$ -	\$ 1,890,145		\$ 1,096,090	
Total component unit	\$ 2,940,146	\$ 2,146,091	\$ -	\$ 1,890,145		1,096,090	
General revenues:							
Property and other taxes				13,167,784		13,167,784	
Licenses and permits				1,314,971		1,314,971	
Grants and contributions:							
State shared revenues				692,955		692,955	
Rooms and meals tax distribution				406,500		406,500	
State and federal forest land				26,665		26,665	
State and investment earnings				335,954	150,453	486,407	23,099
Miscellaneous				372,041	119,569	491,610	75,546
Contributions to permanent fund principal				525		525	
Total general revenues and contributions				16,317,395	270,022	16,587,417	98,645
Change in net assets				2,753,142	(256,864)	2,496,278	1,194,735
Net assets - beginning				10,223,591	20,748,383	30,971,974	22,860,373
Net assets - ending				\$ 12,976,733	\$ 20,491,519	\$ 33,468,252	\$ 24,055,108

EXHIBIT C
CITY OF BERLIN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,584,363	\$ 9,774	\$ 7,594,137
Investments	370,831	360,667	731,498
Taxes receivable, net	5,267,145		5,267,145
Accounts receivable, net	127,670	3,453	131,123
Due from other governments	993,351	567,264	1,560,615
Due from other funds	469,672	324,110	793,782
Prepaid expenses	6,026	42,907	48,933
Inventory		11,907	11,907
Tax deeded property	165,725		165,725
Restricted cash and investments	9,331		9,331
Total Assets	<u>\$ 14,994,114</u>	<u>\$ 1,320,082</u>	<u>\$ 16,314,196</u>
LIABILITIES			
Accounts payable	\$ 457,896	\$ 191,457	\$ 649,353
Accrued expenses	544,671	11,697	556,368
Deferred revenue	7,251,613	281,072	7,532,685
Due to other funds	3,260,408	392,080	3,652,488
Payable from restricted assets	9,331		9,331
Total Liabilities	<u>11,523,919</u>	<u>876,306</u>	<u>12,400,225</u>
FUND BALANCES			
Reserved for endowments		145,878	145,878
Reserved for encumbrances	599,973		599,973
Reserved for prepaid expenses	6,026	42,907	48,933
Reserved for special purposes	335		335
Unreserved, reported in:			
General fund	2,863,861		2,863,861
Special revenue funds		36,118	36,118
Permanent funds		218,873	218,873
Total Fund Balances	<u>3,470,195</u>	<u>443,776</u>	<u>3,913,971</u>
Total Liabilities and Fund Balances	<u>\$ 14,994,114</u>	<u>\$ 1,320,082</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 17,458,497

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis 897,726

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:

Bonds payable	(4,741,474)
Capital leases payable	(2,384,984)
Accrued interest on long-term obligations	(120,928)
Compensated absences	(1,835,625)
Estimated liability for landfill closure and postclosure care costs	(210,450)
Net assets of governmental activities	<u>\$ 12,976,733</u>

See accompanying notes to the basic financial statements

EXHIBIT D
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

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, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	
Revenues:				
Taxes	\$ 13,133,286		\$ 13,133,286	
Licenses and permits	1,314,971		1,314,971	
Intergovernmental	13,529,917	\$ 3,861,416	17,391,333	
Charges for services	2,519,019	536,230	3,055,249	
Interest income	320,838	15,116	335,954	
Miscellaneous	331,198	41,368	372,566	
Total Revenues	<u>31,149,229</u>	<u>4,454,130</u>	<u>35,603,359</u>	\$ 170,953
Expenditures:				
Current operations:				
General government	1,738,392	8,799	1,747,191	
Public safety	4,299,743	65,659	4,365,402	
Airport/Aviation center		205,990	205,990	
Highways and streets	1,967,607	4,062	1,971,669	
Health and welfare	705,286	46,117	751,403	
Sanitation	876,987	33,650	910,637	
Culture and recreation	555,425	868,930	1,424,355	
Economic development	16,038,473	2,534,215	18,572,688	
Education		630,645	630,645	
Food service	1,017,265	52,177	1,069,442	
Capital outlay				
Debt service:				
Principal retirement	1,811,709	1,774	1,813,483	
Interest and fiscal charges	563,429	371	563,800	
Intergovernmental	1,405,701		1,405,701	
Total Expenditures	<u>30,980,017</u>	<u>4,452,389</u>	<u>35,432,406</u>	1,208,483
Excess of revenues over expenditures	<u>169,212</u>	<u>1,741</u>	<u>170,953</u>	110,832
Other financing sources (uses):				
Operating transfers in		9,443	9,443	
Operating transfers out	(9,443)		(9,443)	
Total other financing sources (uses)	<u>(9,443)</u>	<u>9,443</u>	<u>-</u>	26,042
Excess of revenues and other sources over expenditures and other uses	159,769	11,184	170,953	
Fund balances at beginning of year	3,310,426	432,592	3,743,018	
Fund balances at end of year	<u>\$ 3,470,195</u>	<u>\$ 443,776</u>	<u>\$ 3,913,971</u>	<u>(110,132)</u>
				<u>\$ 2,753,142</u>

Change in Fund Balances - Total Governmental Funds

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

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 net loss on the disposal of capital assets reduced by the actual proceeds received from the sale of capital assets.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

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.

In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.

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.

Change in Net Assets of Governmental Activities

See accompanying notes to the basic financial statements

EXHIBIT E
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
ASSETS			
Current Assets:			
Accounts receivable, net	\$ 311,173	\$ 2,500	\$ 313,673
Notes receivable		916,294	916,294
Due from other governments		95,622	95,622
Due from other funds	2,464,764	471,533	2,936,297
Inventory	45,423		45,423
Total Current Assets	<u>2,821,360</u>	<u>1,485,949</u>	<u>4,307,309</u>
Noncurrent Assets:			
Non-depreciable capital assets	52,997	213,087	266,084
Depreciable capital assets, net	20,454,021	405,919	20,859,940
Total Noncurrent Assets	<u>20,507,018</u>	<u>619,006</u>	<u>21,126,024</u>
Total Assets	<u>\$ 23,328,378</u>	<u>\$ 2,104,955</u>	<u>\$ 25,433,333</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 30,946	\$ 1,429	\$ 32,375
Accrued expenses	20,529	240	20,769
Deferred revenue	107,171	3,425	110,596
Due to other funds		76,079	76,079
Current portion of notes payable		51,950	51,950
Total Current Liabilities	<u>158,646</u>	<u>133,123</u>	<u>291,769</u>
Noncurrent Liabilities:			
Notes payable		523,628	523,628
Compensated absences	86,836	2,504	89,340
Other long-term obligations	3,800,407		3,800,407
Estimated liability for landfill closure and postclosure care costs		236,670	236,670
Total Noncurrent Liabilities	<u>3,887,243</u>	<u>762,802</u>	<u>4,650,045</u>
Total Liabilities	<u>4,045,889</u>	<u>895,925</u>	<u>4,941,814</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,706,611	619,006	17,325,617
Unrestricted	2,575,878	590,024	3,165,902
Total Net Assets	<u>19,282,489</u>	<u>1,209,030</u>	<u>20,491,519</u>
Total Liabilities and Net Assets	<u>\$ 23,328,378</u>	<u>\$ 2,104,955</u>	<u>\$ 25,433,333</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, 2007

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Operating revenues:			
Intergovernmental		\$ 179,585	\$ 179,585
Charges for services	\$ 1,480,450		1,480,450
Miscellaneous	1,460	118,109	119,569
Total operating revenues	<u>1,481,910</u>	<u>297,694</u>	<u>1,779,604</u>
Operating expenses:			
Personal services	626,365	16,515	642,880
Contractual services	27,264	44,743	72,007
Repairs and maintenance	28,265	11,836	40,101
Administrative	36,565		36,565
Materials and supplies	198,646	38,736	237,382
Utilities	155,726	25,513	181,239
Depreciation	902,302	44,317	946,619
Total operating expenses	<u>1,975,133</u>	<u>181,660</u>	<u>2,156,793</u>
Operating income (loss)	<u>(493,223)</u>	<u>116,034</u>	<u>(377,189)</u>
Non-operating revenues (expenses):			
Interest revenue	94,310	56,143	150,453
Interest expense		(30,128)	(30,128)
Net non-operating revenues (expenses)	<u>94,310</u>	<u>26,015</u>	<u>120,325</u>
Change in net assets	(398,913)	142,049	(256,864)
Total net assets at beginning of year	<u>19,681,402</u>	<u>1,066,981</u>	<u>20,748,383</u>
Total net assets at end of year	<u>\$ 19,282,489</u>	<u>\$ 1,209,030</u>	<u>\$ 20,491,519</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, 2007

	Business-type Activities		
	Sewer Fund	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,618,289	\$ 345,191	\$ 1,963,480
Cash paid to suppliers and employees	(1,133,726)	(204,836)	(1,338,562)
Net cash provided by operating activities	<u>484,563</u>	<u>140,355</u>	<u>624,918</u>
Cash flows from capital and related financing activities:			
Notes receivable issued		(394,068)	(394,068)
Proceeds from notes receivable		64,514	64,514
Principal paid on note payable		(49,422)	(49,422)
Interest paid on note payable		(30,128)	(30,128)
Purchases of capital assets		(64,497)	(64,497)
Net cash (used) for capital and related financing activities	<u>-</u>	<u>(473,601)</u>	<u>(473,601)</u>
Cash flows from investing activities:			
Interest on investments	<u>94,310</u>	<u>56,143</u>	<u>150,453</u>
Net cash provided by investing activities	<u>94,310</u>	<u>56,143</u>	<u>150,453</u>
Net increase (decrease) in cash and cash equivalents	578,873	(277,103)	301,770
Cash and cash equivalents at beginning of year	<u>1,885,891</u>	<u>672,557</u>	<u>2,558,448</u>
Cash and cash equivalents at end of year	<u>\$ 2,464,764</u>	<u>\$ 395,454</u>	<u>\$ 2,860,218</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (493,223)	\$ 116,034	\$ (377,189)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	902,302	44,317	946,619
Changes in assets and liabilities:			
Accounts receivable, net	136,379	(2,500)	133,879
Due from other governments		53,992	53,992
Prepaid expenses	655		655
Inventory	(9,841)		(9,841)
Accounts payable	(66,213)	(24,896)	(91,109)
Accrued expenses	1,031	7	1,038
Retainage payable		(33,580)	(33,580)
Deferred revenue		(3,995)	(3,995)
Compensated absences	13,473	(571)	12,902
Estimated liability for landfill closure and postclosure care costs		(8,453)	(8,453)
Net cash provided by operating activities	<u>\$ 484,563</u>	<u>\$ 140,355</u>	<u>\$ 624,918</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, 2007

	Private- Purpose <u>Trusts</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 3,164	\$ 191,760
Investments	<u>118,256</u>	
Total assets	<u>\$ 121,420</u>	<u>\$ 191,760</u>
LIABILITIES		
Due to other funds	\$ 1,512	
Due to student groups		<u>\$ 191,760</u>
Total liabilities	<u>1,512</u>	<u>\$ 191,760</u>
NET ASSETS		
Held in trust	<u>119,908</u>	
Total net assets	<u>119,908</u>	
Total liabilities and net assets	<u>\$ 121,420</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, 2007

	<u>Private- Purpose Trust Fund</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 1,364
Total Contributions	<u>1,364</u>
Investment earnings:	
Investment income	4,985
Total Investment earnings	<u>4,985</u>
Total Additions	<u>6,349</u>
DEDUCTIONS:	
Benefits	2,024
Total Deductions	<u>2,024</u>
Change in Net Assets	4,325
Net assets - beginning of year	<u>115,583</u>
Net assets - end of year	<u>\$ 119,908</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, 2007

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.

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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.

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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 is the City's major proprietary fund:

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

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

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net 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 four 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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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.

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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.

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.

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	\$ 2,464,764		\$ 2,464,764
Nonmajor funds	<u>471,533</u>	<u>\$ (76,079)</u>	<u>395,454</u>
	<u>\$ 2,936,297</u>	<u>\$ (76,079)</u>	<u>\$ 2,860,218</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, 2007 are recorded as receivables net of reserves for estimated uncollectibles of \$322,381.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2007 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	10-30
	Buildings and improvements	10-60
	Vehicles and equipment	3-30

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,

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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.

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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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 (\$452,584,397 as of April 1, 2006) and are due in two installments on July 1, 2007 and December 1, 2006. 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) in the governmental fund statements only. Full accrual is reported in the government wide financial statements.

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, 2007 were \$1,405,701. The City bears responsibility for uncollected taxes.

NOTE 3—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2007 the following nonmajor governmental fund was in a deficit position:

Airport Authority Fund	<u>\$ 74,715</u>
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The City's management intends to rectify the above conditions by transferring funds from the General Fund to offset the deficit position.

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, 2007, 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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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, 2007.

NOTE 5—CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 7,594,137
Investments	731,498
Statement of fiduciary net assets:	
Cash and cash equivalents	194,924
Investments	<u>118,256</u>
Total cash and investments	<u>\$ 8,638,815</u>

Cash and investments as of June 30, 2007 consist of the following:

Deposits with financial institutions	8,034,290
Investments	<u>611,396</u>
Total cash and investments	<u>\$ 8,648,146</u>

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,

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

certificates of deposit, and repurchase agreements in accordance with New Hampshire State law (RSA 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Of the City's deposits with financial institutions at year end, \$8,056,475 was collateralized by securities held by the bank in the bank's name and \$20,101 was uninsured and uncollateralized.

Investment in NHPDIP

The City is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The City's exposure to derivatives is indirect through its participation in the NHPDIP. The City's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 6—DUE FROM OTHER GOVERNMENTS

Receivables from other governments at June 30, 2007 consists of tuition from other Districts and various federal and state funding. 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
State of New Hampshire	43,396
Due from Federal agencies	264,328
Medicaid	47,511
Tuition from other Districts	146,399
State and federal school grant reimbursements	300,985
Berlin Water Works reimbursement	1,152
State of NH forestry	1,547
School lunch program	18,141
Airport improvement program grants	195,609
Federal Projects grants:	
State of NH education grants	66,931
	<u>\$ 1,560,615</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

NOTE 7—CAPITAL ASSETS

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

	Balance 07/01/06	Additions	Reductions	Balance 06/30/07
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 694,357			\$ 694,357
Construction in process	1,195,315	\$ 1,975,873		3,171,188
Total capital assets not being depreciated	<u>1,889,672</u>	<u>1,975,873</u>	<u>\$ -</u>	<u>3,865,545</u>
Other capital assets:				
Infrastructure	6,343,376			6,343,376
Land improvements	5,862,556	41,666		5,904,222
Buildings and improvements	7,648,259	89,541		7,737,800
Vehicles and equipment	7,341,419	183,505	(91,478)	7,433,446
Total other capital assets at historical cost	<u>27,195,610</u>	<u>314,712</u>	<u>(91,478)</u>	<u>27,418,844</u>
Less accumulated depreciation for:				
Infrastructure	(3,001,695)	(209,760)		(3,211,455)
Land improvements	(2,445,867)	(175,480)		(2,621,347)
Buildings and improvements	(3,910,224)	(147,130)		(4,057,354)
Vehicles and equipment	(3,581,465)	(444,140)	89,869	(3,935,736)
Total accumulated depreciation	<u>(12,939,251)</u>	<u>(976,510)</u>	<u>89,869</u>	<u>(13,825,892)</u>
Total other capital assets, net	14,256,359	(661,798)	(1,609)	13,592,952
Total capital assets, net	<u>\$ 16,146,031</u>	<u>\$ 1,314,075</u>	<u>\$ (1,609)</u>	<u>\$ 17,458,497</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 27,731
Public safety	173,560
Airport/Aviation center	168,916
Highways and streets	366,631
Sanitation	9,850
Culture and recreation	61,679
Education	160,961
Food service	7,182
Total governmental activities depreciation expense	<u>\$ 976,510</u>

The balance of the assets acquired through capital leases as of June 30, 2007 is as follows:

Buildings and improvements	\$ 467,847
Vehicles and equipment	1,119,372
Less accumulated depreciation for:	
Buildings and improvements	(187,139)
Vehicles and equipment	(313,160)
	<u>\$ 1,086,920</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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

	Balance 07/01/06	<u>Additions</u>	<u>Reductions</u>	Balance 06/30/07
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 235,750			\$ 235,750
Construction in process	30,334			30,334
Total capital assets not being depreciated	<u>266,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>266,084</u>
Other capital assets:				
Buildings and improvements	38,882,162	64,496		38,946,658
Vehicles and equipment	817,739			817,739
Total other capital assets at historical cost	<u>39,699,901</u>	<u>64,496</u>	<u>-</u>	<u>39,764,397</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,309,443)	(900,205)		(18,209,648)
Vehicles and equipment	(648,395)	(46,414)		(694,809)
Total accumulated depreciation	<u>(17,957,838)</u>	<u>(946,619)</u>	<u>-</u>	<u>(18,904,457)</u>
Total other capital assets, net	<u>21,742,063</u>	<u>(882,123)</u>	<u>-</u>	<u>20,859,940</u>
Total capital assets, net	<u>\$ 22,008,147</u>	<u>\$ (882,123)</u>	<u>\$ -</u>	<u>\$ 21,126,024</u>

Depreciation expense was charged to proprietary funds as follows:

Sewer Fund	\$ 902,302
Nonmajor Funds	44,317
Total business-type activities depreciation expense	<u>\$ 946,619</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 9.68%, 14.36%, 3.70%, and 6.81%, 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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

the State of New Hampshire of \$290,749 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, 2007, 2006, and 2005 were \$807,619, \$769,816, and \$604,682, 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, 2007 are as follows:

	Balance 07/01/06	<u>Additions</u>	<u>Reductions</u>	Balance 06/30/07	Due Within One Year
Governmental activities:					
Bonds payable	\$ 5,949,957		\$(1,208,483)	\$ 4,741,474	\$ 1,208,607
Capital leases payable	2,495,816		(110,832)	2,384,984	256,245
Compensated absences	1,714,970	\$ 144,758	(24,103)	1,835,625	-
Total governmental activities	<u>\$ 10,160,743</u>	<u>\$ 144,758</u>	<u>\$(1,343,418)</u>	<u>\$ 8,962,083</u>	<u>\$ 1,464,852</u>
Business-type activities:					
Notes payable	\$ 625,000		\$ (49,421)	\$ 575,579	\$ 51,950
Other long-term obligations	3,800,407			3,800,407	-
Compensated absences	88,402	\$ 938		89,340	-
Total business-type activities	<u>\$ 4,513,809</u>	<u>\$ 938</u>	<u>\$ (49,421)</u>	<u>\$ 4,465,326</u>	<u>\$ 51,950</u>
Component unit activities:					
Bonds payable	\$ 13,962,557		\$(1,096,304)	\$ 12,866,253	\$ 956,481
Total component unit activities	<u>\$ 13,962,557</u>	<u>\$ -</u>	<u>\$(1,096,304)</u>	<u>\$ 12,866,253</u>	<u>\$ 956,481</u>

Payments on the general obligation bonds and capital leases are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

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

General Obligation Bonds

Government Activities:

Bonds payable at June 30, 2007 are comprised of the following individual issues:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

\$5,100,000 Deficit Funding Bonds due in annual installments of \$510,000 through July 2009; interest at 4.5% - 5.25%	\$ 1,530,000
\$1,134,062 Landfill Closure Bonds due in annual installments of \$56,703 through November 2016; interest at 4.48%	567,031
\$4,500,000 State Guaranteed School Improvement Bonds due in annual installments of \$300,000 through January 2013; interest at 4.15% - 4.9%	1,800,000
\$1,500,000 School Improvement Bonds due in annual installments of \$100,000 through January 2013; interest at 4.3% - 4.95%	600,000
\$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%	240,000
\$9,063 Airport Authority Equipment Bond due in annual installments of \$2,145 through June 2009 and \$508 through September 2009; interest at 6.75%	4,443
	<u>\$ 4,741,474</u>

Debt service requirements to retire general obligation bonds for governmental activities at June 30, 2007 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 1,208,607	\$ 208,620	\$ 1,417,227
2009	968,739	157,997	1,126,736
2010	967,206	108,384	1,075,590
2011	456,703	75,882	532,585
2012	456,703	54,142	510,845
2013-2017	683,516	57,754	741,270
	<u>\$ 4,741,474</u>	<u>\$ 662,779</u>	<u>\$ 5,404,253</u>

The State of New Hampshire annually reimburses the City for its share of landfill related debt service payments. For the year ended June 30, 2007, the landfill closure reimbursement was \$12,313.

As included on the Statement of Activities (Exhibit B), interest expense for the year ended June 30, 2007 was \$540,321 on general obligation debt for the City of Berlin.

Business-type Activities:

Notes payable at June 30, 2007 is comprised of the following individual issue:

\$625,000 Note payable to Business Finance Authority, secured by real estate, due in monthly installments of \$6,629 through June 2016; interest at 5.0%	<u>\$ 575,579</u>
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CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

Debt service requirements to retire general obligation bonds for business-type activities at June 30, 2007 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 51,950	\$ 27,599	\$ 79,549
2009	54,608	24,941	79,549
2010	57,402	22,147	79,549
2011	60,338	19,211	79,549
2012	63,426	16,124	79,550
2013-2016	<u>287,855</u>	<u>30,341</u>	<u>318,196</u>
	<u>\$ 575,579</u>	<u>\$ 140,363</u>	<u>\$ 715,942</u>

Component Unit:

Bonds payable at June 30, 2007 are comprised of the following individual issues:

Bond payable due in annual installments of \$150,000 through August 2013; interest at 5.3% - 5.875%	\$ 1,050,000
Bond payable due in annual installments of \$150,000 through August 2014; interest at 6.125% - 7.0%	1,200,000
Bond payable due in annual installments of \$305,000 through August 2016; interest at 5.25% - 5.625%	2,745,000
State revolving loan payable due in variable annual installments of \$110,477 to \$14,462 through December 2020; interest at 3.8%	1,071,128
State revolving loan payable due in variable annual installments of \$142,470 to \$18,479 through November 2020; interest at 3.8%	1,381,229
State revolving loan payable due in variable annual installments of \$56,016 to \$6,934 through December 2021; interest at 3.704%	588,971
State revolving loan payable due in variable annual installments of \$137,384 to \$17,007 through December 2021; interest at 3.704%	1,444,504
State revolving loan payable due in variable annual installments of \$103,859 to \$53,742 through May 2023; interest at 3.728%	1,680,877
State revolving loan payable due in variable annual installments of \$132,242 to \$100,537 through September 2024; interest at 3.688%	1,704,544
	<u>\$ 12,866,253</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 \$2,149,273 at June 30, 2007 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 956,481	\$ 563,042	\$ 1,519,523
2009	963,806	511,131	1,474,937
2010	970,806	458,310	1,429,116
2011	977,364	404,816	1,382,180
2012	983,324	350,948	1,334,272
2013-2017	3,910,306	1,000,242	4,910,548
2018-2022	1,573,643	314,217	1,887,860
2023-2025	381,250	32,732	413,982
	<u>\$ 10,716,980</u>	<u>\$ 3,635,438</u>	<u>\$ 14,352,418</u>

Interest expense for the year ended June 30, 2007 was \$567,588 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 this debt. For the year ended June 30, 2007, the reimbursement was \$905,766, which consists of \$605,000 in principal and \$300,766 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, 2007, the Berlin Water Works received a forgiveness of principal of \$147,378.

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, 2007:

Equipment, due in annual installments of \$69,673, including interest at 4.09%, through April 2013	\$ 373,274
Equipment, due in annual installments of \$23,298, including interest at 3.5%, through August 2008	44,259
Equipment, due in annual installments of \$49,515, including interest at 4.65%, through September 2012	254,161
Equipment, due in annual installments of \$214,347, including interest at 4.295%, through July 2016	1,713,290
	<u>\$ 2,384,984</u>

Debt service requirements to retire capital lease obligations outstanding at June 30, 2007 are as follows:

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 256,245	\$ 100,587	\$ 356,832
2009	267,141	89,692	356,833
2010	255,203	78,332	333,535
2011	266,233	67,301	333,534
2012	277,740	55,794	333,534
2013-2016	<u>1,062,422</u>	<u>126,559</u>	<u>1,188,981</u>
	<u>\$ 2,384,984</u>	<u>\$ 518,265</u>	<u>\$ 2,903,249</u>

Other Long-Term Obligations

Primary Government:

The City has drawn \$3,800,407 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. Subsequent to year end the City issued general obligation bonds for the Sewer Wastewater Facility and Pump Stations in the amount of \$5,000,000, which it used to retire the entire outstanding State Revolving Loan balance (see Note 16).

Authorized and Unissued Debt

The following debt was authorized and unissued as of June 30, 2007:

Sewer Wastewater Facility and Pump Stations	<u>\$ 5,000,000</u>
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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 \$447,120 as of June 30, 2007, 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 (\$210,450) and the Cates Hill landfill (\$236,670) 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 was capped during fiscal year 2005. The estimated total current cost of the landfill closure and postclosure care of \$447,120 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfills were acquired as of June 30, 2007. 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

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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, 2007:

	Balance			Balance	Amounts
	07/01/06	Additions	Reductions	06/30/07	Due Within
					One Year
Governmental activities	\$ 220,973		\$ (10,523)	\$ 210,450	\$ 10,522
Business-type activities	245,123		(8,453)	236,670	8,452
	<u>\$ 466,096</u>	<u>\$ -</u>	<u>\$ (18,976)</u>	<u>\$ 447,120</u>	<u>\$ 18,974</u>

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.

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. Interfund balances at June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
Major Funds:		
General Fund	\$ 469,672	\$ 3,260,408
Sewer Fund	2,464,764	
Nonmajor Funds:		
Governmental Funds	324,110	392,080
Proprietary Funds	471,533	76,079
Fiduciary Funds:		
Private-Purpose Trusts		1,512
	<u>\$ 3,730,079</u>	<u>\$ 3,730,079</u>

During the year, interfund transactions occurred between funds. The operating transfers were made in accordance with budgetary authorization. Interfund transfers for the year ended June 30, 2007 are as follows:

<u>Fund</u>	<u>Operating</u> <u>Transfers In</u>	<u>Operating</u> <u>Transfers Out</u>
Major Funds:		
General Fund		\$ 9,443
Nonmajor Governmental Funds	\$ 9,443	
	<u>\$ 9,443</u>	<u>\$ 9,443</u>

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

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, 2007 are as follows:

	<u>Principal</u>	<u>Income</u>	<u>Total</u>
Cemetery Funds	\$ 145,878	\$ 218,873	\$ 364,751

NOTE 13—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes as follows:

Endowments	<u>\$ 145,878</u>
------------	-------------------

NOTE 14—TOP TAXPAYERS

The following are the five major property owners as they relate to the assessed property valuation of \$452,584,397:

<u>Taxpayer</u>	<u>Property Valuation</u>	<u>Percentage of Total Valuation</u>
Public Service of New Hampshire	\$ 31,823,500	7.03%
Great Lakes Hydro America, LLC	27,834,000	6.15%
Fraser NH, LLC	22,165,001	4.90%
Portland Natural Gas	10,707,600	2.37%
Individual taxpayer	3,250,500	0.72%

NOTE 15—COMMITMENTS AND CONTINGENCIES

Ambulance Contract

During 2003, the City entered into a long-term contract with an independent ambulance company to provide emergency ambulance services until December 31, 2006. In April 2007, the City entered into a new long-term agreement with an independent company to provide emergency ambulance services. The agreement shall be in effect from July 1, 2007 through June 30, 2010, with an automatic three year renewal until June 30, 2013. Terms of the contract include minimum payments, which are payable in monthly installments of \$20,000. For the year ended June 30, 2007, the City expended \$240,000 under the terms of the emergency ambulance service agreements.

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.

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2007

NOTE 16—SUBSEQUENT EVENT

During September 2007, the City issued general obligation bonds for the Sewer Wastewater Facility and Pump Stations in the amount of \$5,000,000 with interest at 4.25% maturing September 5, 2032.

SCHEDULE 1
CITY OF BERLIN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 13,127,738	\$ 13,127,738	\$ 13,167,784	\$ 40,046
Licenses and permits	1,234,100	1,234,100	1,314,971	80,871
Intergovernmental	13,314,207	13,314,207	13,239,168	(75,039)
Charges for services	2,137,929	2,137,929	2,519,019	381,090
Interest income	160,000	160,000	320,838	160,838
Miscellaneous	2,172,600	827,893	331,198	(496,695)
Total Revenues	<u>32,146,574</u>	<u>30,801,867</u>	<u>30,892,978</u>	<u>91,111</u>
Expenditures:				
Current:				
General government	1,577,634	1,564,834	1,738,392	(173,558)
Public safety	4,247,066	4,247,066	4,153,936	93,130
Highways and streets	2,091,159	2,091,159	1,973,412	117,747
Health and welfare	696,801	696,801	705,286	(8,485)
Sanitation	957,890	957,890	876,987	80,903
Culture and recreation	561,001	561,001	555,425	5,576
Education	16,282,255	16,051,991	15,895,102	156,889
Capital outlay	2,771,940	1,670,297	1,513,247	157,050
Debt service:				
Principal retirement	1,816,703	1,816,703	1,811,709	4,994
Interest and fiscal charges	563,435	563,435	563,429	6
Intergovernmental	1,405,697	1,405,697	1,405,701	(4)
Total Expenditures	<u>32,971,581</u>	<u>31,626,874</u>	<u>31,192,626</u>	<u>434,248</u>
Excess revenues over (under) expenditures	<u>(825,007)</u>	<u>(825,007)</u>	<u>(299,648)</u>	<u>525,359</u>
Other financing (uses):				
Operating transfers out	<u>(9,334)</u>	<u>(9,334)</u>	<u>(9,443)</u>	<u>(109)</u>
Total other financing (uses)	<u>(9,334)</u>	<u>(9,334)</u>	<u>(9,443)</u>	<u>(109)</u>
Excess revenues over (under) expenditures and other uses	<u>(834,341)</u>	<u>(834,341)</u>	<u>(309,091)</u>	<u>525,250</u>
Fund balances at beginning of year				
- Budgetary Basis	<u>4,077,039</u>	<u>4,077,039</u>	<u>4,077,039</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 3,242,698</u>	<u>\$ 3,242,698</u>	<u>\$ 3,767,948</u>	<u>\$ 525,250</u>

See accompanying notes to the required supplementary information

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2007

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis) are reported on the basis budgeted by the City. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Budgetary information in these financial statements has been presented only for the General Fund as it is neither practical nor meaningful for other funds. Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for encumbrances and on-behalf payments for fringe benefits.

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 31,149,229	\$ 30,989,460
Difference in property taxes meeting susceptible to accrual criteria	34,498	
Encumbrances, June 30, 2007		599,973
Encumbrances, June 30, 2006		(96,615)
On-behalf fringe benefits	<u>(290,749)</u>	<u>(290,749)</u>
Per Schedule 1	<u>\$ 30,892,978</u>	<u>\$ 31,202,069</u>

NOTE 2—BUDGETARY FUND BALANCES

The components of the budgetary fund balance for the General Fund are as follows:

Reserved for tax deeded property	\$ 165,725
Reserved for prepaid expenses	6,026
Reserved for special purposes	335
Unreserved:	
Designated for continuing appropriations	1,344,707
Undesignated	<u>2,251,155</u>
	<u>\$ 3,767,948</u>

NOTE 3—RESERVED FOR SPECIAL PURPOSES

The balance reserved for special purposes at June 30, 2007 is as follows:

Unity Street Park	<u>\$ 335</u>
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SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE		
Pass Through Payments from New Hampshire Department of Education		
Special Milk Program for Children	10.556	\$ 1,637
National School Lunch Program	10.555	253,406
School Breakfast Program	10.553	72,186
Food Distribution	10.550	<u>36,374</u>
Total Department of Agriculture		<u><u>363,603</u></u>
 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass Through Payments from Community Development Finance Authority		
Community Development Block Grants - State's Program		
#05-053-FSPF	14.228	11,726
#06-053-CDED		494,316
#05-053-CDHS		<u>362,779</u>
Total Department of Housing and Urban Development		<u><u>868,821</u></u>
 DEPARTMENT OF EDUCATION		
Pass Through Payments from New Hampshire Department of Education		
Title I Grants to Local Educational Agencies		
#60010	84.010	36,731
#70011		516,200
#70757		236,715
#72526		<u>393,564</u>
		<u><u>1,183,210</u></u>
 Vocational Education - Basic Grants to States		
#75011	84.048A	55,028
		<u>55,028</u>
 Special Education - Preschool Grants		
#72723	84.173	20,828
#72808		<u>1,467</u>
		<u><u>22,295</u></u>
 Safe and Drug-Free Schools - State Grants		
#76515	84.186	18,994
		<u>18,994</u>

See notes to schedule of expenditures of federal awards

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Expenditures
DEPARTMENT OF EDUCATION (CONTINUED)		
21st Century Community Learning Center #76282	84.287C	375,685 <u>375,685</u>
Innovative Education Program Strategies #76011	84.298A	3,093 <u>3,093</u>
Education Technology - State Grants #54591 #64431 #64591 #74431	84.318X	42,478 15,000 294,899 3,374 <u>355,751</u>
Teacher Quality Enhancement Grants #64953 #74617 #74797	84.336	20,000 119,298 166,314 <u>305,612</u>
Rural Education #76252	84.358	46,625 <u>46,625</u>
Mathematics and Science Partnerships State Grants #65194 #65195	84.366	55,882 33,490 <u>89,372</u>
Improving Teacher Quality State Grants #54618	84.367A	17,359 <u>17,359</u>
Total Department of Education		<u>2,473,024</u>
DEPARTMENT OF JUSTICE		
Received directly from U.S. Treasury Department Enhancing Underage Drinking Laws Programs #2004CD90 #2005CD25	16.727	4,447 13,051 <u>17,498</u>
Total Department of Justice		<u>17,498</u>

See notes to schedule of expenditures of federal awards

SCHEDULE I
CITY OF BERLIN, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
DEPARTMENT OF TRANSPORTATION		
Pass Through Payments from New Hampshire Department of Transportation		
Airport Improvement Program	20.106	
#33-33-001-13		4,017
#33-33-001-14		1,381
#33-33-001-15		<u>38,702</u>
		<u>44,100</u>
State and Community Highway Safety	20.600	
#304-07B-007		702
#315-06B-039		1,131
#315-05B-040		1,711
#315-05B-042		<u>1,982</u>
		<u>5,526</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	
#308-06B-024		1,929
#308-05B-070		<u>5,000</u>
		<u>6,929</u>
Safety Belt Performance Grants	20.609	
#304-07S-010		<u>1,540</u>
		<u>1,540</u>
Total Department of Transportation		<u>58,095</u>
DEPARTMENT OF COMMERCE		
Received directly from the Economic Development Administration		
Economic Development - Technical Assistance	11.303	
#01-06-08162		<u>35,264</u>
Total Department of Commerce		<u>35,264</u>
DEPARTMENT OF HOMELAND SECURITY		
Pass Through Payments from New Hampshire Office of Emergency Management		
Homeland Security Grant Program	97.067	
N/A		3,522
N/A		<u>2,200</u>
Total Department of Homeland Security		<u>5,722</u>
Total Expenditures of Federal Awards		<u>\$ 3,822,027</u>

See notes to schedule of expenditures of federal awards

CITY OF BERLIN, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2007

NOTE 1—GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Berlin, New Hampshire. The City of Berlin's reporting entity is defined in Note 1 to the City's basic financial statements.

NOTE 2—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

NOTE 3—NON-CASH TRANSACTIONS

The Food Distribution Program (CFDA #10.550) is a non-cash program. Dollar values reported on the Schedule of Expenditures of Federal Awards represent the value of commodities used by the City from this program.

NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards have been reported in the City's basic financial statements as intergovernmental revenues in the Nonmajor Special Revenue Funds and Nonmajor Enterprise Funds as follows:

Nonmajor Special Revenue Funds:	
Federal Projects Fund	\$ 2,473,024
Airport Authority Fund	44,100
Food Service Fund	327,229
Grant Fund	37,215
CDBG Fund	868,821
Nonmajor Enterprise Funds:	
Industrial Development and Park Authority Fund	35,264
	<u>\$ 3,785,653</u>

CITY OF BERLIN, NEW HAMPSHIRE
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2007

DEPARTMENT OF HOMELAND SECURITY
Law Enforcement Terrorism Prevention Program (CFDA #97.074)

FINDING #2006-1 Procurement Procedures

Condition: We noted that the Police Department did not comply with competitive bidding requirements for the acquisition of a wireless network with an acquisition cost of \$238,784, as required by 28 CFR Part 66 and Circular A-110.

Recommendation: We recommended that the Police Department document its decisions to purchase equipment required by the grant on a sole source basis and provide support as to why this purchase could not be competitively bid.

Current Status: The Police Department will comply with competitive bidding requirements and document any decisions as to why a purchase could not be competitively bid.

Vachon, Clukay & Co., PC

Certified Public Accountants

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Berlin, New Hampshire, as of and for the year ended June 30, 2007, and have issued our report thereon dated February 25, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Berlin, New Hampshire's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion of the City of Berlin, New Hampshire's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely effects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses as defined above.

Compliance

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

This report is intended for the information and use of management, the Honorable Mayor and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Uschon, Cluhay & Co. PC

February 25, 2008

Vachon, Clukay & Co., PC

Certified Public Accountants

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Berlin, New Hampshire with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Berlin, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Berlin, New Hampshire's management. Our responsibility is to express an opinion on the City of Berlin, New Hampshire's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Berlin, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Berlin, New Hampshire's compliance with those requirements.

In our opinion, The City of Berlin complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Berlin, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City

of Berlin, New Hampshire's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Honorable Mayor and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Wachon, Clark & Co. PC

February 25, 2008

**City of Berlin, New Hampshire
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____ yes X none reported
 Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____ yes X no

Type of auditor’s report issued on compliance
 for major programs: qualified
 Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Nutrition Cluster
14.228	Community Development Block Grants
84.287C	21 st Century Community Learning Center
84.318X	Education Technology - State Grants

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II—Financial Statement Findings

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

Section III—Federal Award Findings and Questioned Costs

There were no findings and questioned costs as defined under OMB Circular A-133 .510(a).

SCHEDULE A
CITY OF BERLIN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2007

	Special Revenue Funds	Permanent Funds	Combining Totals
ASSETS			
Cash and cash equivalents	\$ 4,909	\$ 4,865	\$ 9,774
Investments		360,667	360,667
Accounts receivable, net	3,453		3,453
Due from other governments	567,264		567,264
Due from other funds	324,110		324,110
Prepaid expenses	42,907		42,907
Inventory	11,907		11,907
Total Assets	<u>\$ 954,550</u>	<u>\$ 365,532</u>	<u>\$ 1,320,082</u>
LIABILITIES			
Accounts payable	\$ 190,676	\$ 781	\$ 191,457
Accrued expenses	11,697		11,697
Deferred revenue	281,072		281,072
Due to other funds	392,080		392,080
Total Liabilities	<u>875,525</u>	<u>781</u>	<u>876,306</u>
FUND BALANCES			
Reserved for endowments		145,878	145,878
Reserved for prepaid expenses	42,907		42,907
Unreserved, reported in:			
Special revenue funds	36,118		36,118
Permanent funds		218,873	218,873
Total Fund Balances	<u>79,025</u>	<u>364,751</u>	<u>443,776</u>
Total Liabilities and Fund Balances	<u>\$ 954,550</u>	<u>\$ 365,532</u>	<u>\$ 1,320,082</u>

SCHEDULE A-1
CITY OF BERLIN, NEW HAMPSHIRE
 Combining Balance Sheet
 Governmental Funds - All Nonmajor Special Revenue Funds
 June 30, 2007

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Health Department Fund	Carberry Fund	Grant Fund	CDBG Fund	Recreation and Parks Programs Fund	Combining Totals
ASSETS									
Cash and cash equivalents			\$ 921	\$ 4,909	\$ 1,532	\$ 1,000			\$ 4,909
Accounts receivable, net			195,609			267,267			3,453
Due from other governments	\$ 66,931	\$ 18,141					\$ 19,316		567,264
Due from other funds	201,644	95,267	42,907		4,149			\$ 23,050	324,110
Prepaid expenses									42,907
Inventory		11,907							11,907
Total Assets	<u>\$ 268,575</u>	<u>\$ 125,315</u>	<u>\$ 239,437</u>	<u>\$ 4,909</u>	<u>\$ 5,681</u>	<u>\$ 268,267</u>	<u>\$ 19,316</u>	<u>\$ 23,050</u>	<u>\$ 954,550</u>
LIABILITIES									
Accounts payable	\$ 145,874	\$ 1,999	\$ 22,401		\$ 1,270	\$ 475	\$ 18,657		\$ 190,676
Accrued expenses	6,471		2,461			2,502		\$ 263	11,697
Deferred revenue	115,263		289,290	\$ 2,650		165,809			281,072
Due to other funds			314,152	2,650		99,481	659		392,080
Total Liabilities	<u>267,608</u>	<u>1,999</u>	<u>314,152</u>	<u>2,650</u>	<u>1,270</u>	<u>268,267</u>	<u>19,316</u>	<u>263</u>	<u>875,525</u>
FUND BALANCES									
Reserved for prepaid expenses			42,907						42,907
Unreserved (deficit), reported in:			(117,622)	2,259	4,411			22,787	36,118
Special revenue funds	967	123,316	(74,715)	2,259	4,411	-		22,787	79,025
Total Fund Balances	<u>967</u>	<u>123,316</u>	<u>\$ 239,437</u>	<u>\$ 4,909</u>	<u>\$ 5,681</u>	<u>\$ 268,267</u>	<u>\$ 19,316</u>	<u>\$ 23,050</u>	<u>\$ 954,550</u>
Total Liabilities and Fund Balances									

SCHEDULE B
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2007

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:			
Intergovernmental	\$ 3,861,416		\$ 3,861,416
Charges for services	536,230		536,230
Interest income	43	\$ 15,073	15,116
Miscellaneous	40,843	525	41,368
Total Revenues	<u>4,438,532</u>	<u>15,598</u>	<u>4,454,130</u>
Expenditures:			
Current operations:			
General government	3,964	4,835	8,799
Public safety	65,659		65,659
Airport/Aviation center	205,990		205,990
Health and welfare	4,062		4,062
Sanitation	46,117		46,117
Culture and recreation	33,650		33,650
Economic development	868,930		868,930
Education	2,534,215		2,534,215
Food service	630,645		630,645
Capital outlay	52,177		52,177
Debt service:			
Principal retirement	1,774		1,774
Interest and fiscal charges	371		371
Total Expenditures	<u>4,447,554</u>	<u>4,835</u>	<u>4,452,389</u>
Excess of revenues over (under) expenditures	<u>(9,022)</u>	<u>10,763</u>	<u>1,741</u>
Other financing sources:			
Operating transfers in	9,443		9,443
Total other financing sources	<u>9,443</u>	<u>-</u>	<u>9,443</u>
Excess of revenues and other sources over expenditures and other uses	421	10,763	11,184
Fund balances at beginning of year	<u>78,604</u>	<u>353,988</u>	<u>432,592</u>
Fund balances at end of year	<u>\$ 79,025</u>	<u>\$ 364,751</u>	<u>\$ 443,776</u>

SCHEDULE B-1
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
For the Year Ended June 30, 2007

	Federal Projects Fund	Food Service Fund	Airport Authority Fund	Health Department Fund	Carberry Fund	Grant Fund	CDBG Fund	Recreation and Parks Programs Fund	Combining Totals
Revenues:									
Intergovernmental	\$ 2,499,739	\$ 337,831	\$ 84,155		\$ 46,689	\$ 70,870	\$ 868,821	\$ 32,540	\$ 3,861,416
Charges for services		270,334	186,667						536,230
Interest income	34,293		2,465	\$ 43		3,810			43
Miscellaneous	2,534,032	608,165	273,287	275	46,689	74,680	868,821	32,540	4,438,532
Total Revenues				318					
Expenditures:									
Current operations:									
General government						3,964			3,964
Public safety						65,659			65,659
Airport/Aviation center			205,990			2,857			205,990
Health and welfare				1,205	46,117				46,117
Sanitation								33,650	33,650
Culture and recreation							868,930		868,930
Economic development									2,534,215
Education	2,534,215	630,645							630,645
Food service			49,977			2,200			52,177
Capital outlay									1,774
Debt service:									371
Principal retirement			1,774						
Interest and fiscal charges			371						
Total Expenditures	2,534,215	630,645	258,112	1,205	46,117	74,680	868,930	33,650	4,447,554
Excess of revenues over (under) expenditures	(183)	(22,480)	15,175	(887)	572	-	(109)	(1,110)	(9,022)
Other financing sources:									
Operating transfers in			9,334				109		9,443
Total other financing sources			9,334				109		9,443
Excess of revenues and other sources over (under) expenditures	(183)	(22,480)	24,509	(887)	572	-	-	(1,110)	421
Fund balances (deficit) at beginning of year	1,150	145,796	(99,224)	3,146	3,839	-	-	23,897	78,604
Fund balances (deficit) at end of year	\$ 967	\$ 123,316	\$ (74,715)	\$ 2,259	\$ 4,411	\$ -	\$ -	\$ 22,787	\$ 79,025

SCHEDULE C
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Net Assets
All Nonmajor Proprietary Funds
June 30, 2007

	Industrial Development and Park Authority Fund	Courthouse Fund	Cates Hill Landfill Fund	Combining Totals
ASSETS				
Current Assets:				
Accounts receivable	\$ 2,500			\$ 2,500
Notes receivable	916,294			916,294
Due from other governments			\$ 95,622	95,622
Due from other funds	150,884		320,649	471,533
Total Current Assets	<u>1,069,678</u>	<u>\$ -</u>	<u>416,271</u>	<u>1,485,949</u>
Noncurrent Assets:				
Non-depreciable capital assets	213,087			213,087
Depreciable capital assets, net	258,721	147,198		405,919
Total Noncurrent Assets	<u>471,808</u>	<u>147,198</u>	<u>-</u>	<u>619,006</u>
Total Assets	<u>\$ 1,541,486</u>	<u>\$ 147,198</u>	<u>\$ 416,271</u>	<u>\$ 2,104,955</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 1,272	\$ 157		\$ 1,429
Accrued expenses		240		240
Deferred revenue	3,425			3,425
Due to other funds		76,079		76,079
Current portion of notes payable	51,950			51,950
Total Current Liabilities	<u>56,647</u>	<u>76,476</u>	<u>\$ -</u>	<u>133,123</u>
Noncurrent Liabilities:				
Notes payable	523,628			523,628
Compensated absences		2,504		2,504
Estimated liability for landfill closure and postclosure care costs			236,670	236,670
Total Noncurrent Liabilities	<u>523,628</u>	<u>2,504</u>	<u>236,670</u>	<u>762,802</u>
Total Liabilities	<u>580,275</u>	<u>78,980</u>	<u>236,670</u>	<u>895,925</u>
NET ASSETS				
Invested in capital assets, net of related debt	471,808	147,198		619,006
Unrestricted (deficit)	489,403	(78,980)	179,601	590,024
Total Net Assets	<u>961,211</u>	<u>68,218</u>	<u>179,601</u>	<u>1,209,030</u>
Total Liabilities and Net Assets	<u>\$ 1,541,486</u>	<u>\$ 147,198</u>	<u>\$ 416,271</u>	<u>\$ 2,104,955</u>

SCHEDULE D
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenses and Changes in Net Assets
All Nonmajor Proprietary Funds
For the Year Ended June 30, 2007

	Industrial Development and Park Authority Fund	Courthouse Fund	Cates Hill Landfill Fund	Combining Totals
Operating revenues:				
Intergovernmental	\$ 35,264		\$ 144,321	\$ 179,585
Miscellaneous	77,187	\$ 40,702	220	118,109
Total operating revenues	<u>112,451</u>	<u>40,702</u>	<u>144,541</u>	<u>297,694</u>
Operating expenses:				
Personal services		16,515		16,515
Contractual services	44,743			44,743
Repairs and maintenance	7,640	2,624	1,572	11,836
Materials and supplies	38,736			38,736
Utilities		25,513		25,513
Depreciation	38,546	5,771		44,317
Total operating expenses	<u>129,665</u>	<u>50,423</u>	<u>1,572</u>	<u>181,660</u>
Operating income (loss)	<u>(17,214)</u>	<u>(9,721)</u>	<u>142,969</u>	<u>116,034</u>
Non-operating revenues (expenses):				
Interest revenue	56,143			56,143
Interest expense	(30,128)			(30,128)
Net non-operating revenues (expenses)	<u>26,015</u>	<u>-</u>	<u>-</u>	<u>26,015</u>
Change in net assets	8,801	(9,721)	142,969	142,049
Total net assets at beginning of year	<u>952,410</u>	<u>77,939</u>	<u>36,632</u>	<u>1,066,981</u>
Total net assets at end of year	<u>\$ 961,211</u>	<u>\$ 68,218</u>	<u>\$ 179,601</u>	<u>\$ 1,209,030</u>

SCHEDULE E
CITY OF BERLIN, NEW HAMPSHIRE
Combining Statement of Cash Flows
All Nonmajor Proprietary Funds
For the Year Ended June 30, 2007

	Industrial Development and Park Authority Fund	Courthouse Fund	Cates Hill Landfill Fund	Combining Totals
Cash flows from operating activities:				
Cash received from customers	\$ 105,956	\$ 40,702	\$ 198,533	\$ 345,191
Cash paid to suppliers employees	<u>(150,787)</u>	<u>(42,524)</u>	<u>(11,525)</u>	<u>(204,836)</u>
Net cash provided (used) by operating activities	<u>(44,831)</u>	<u>(1,822)</u>	<u>187,008</u>	<u>140,355</u>
Cash flows from capital and related financing activities:				
Notes receivable issued	(394,068)			(394,068)
Proceeds from notes receivable	64,514			64,514
Principal paid on note payable	(49,422)			(49,422)
Interest paid on note payable	(30,128)			(30,128)
Purchases of capital assets	<u>(23,216)</u>	<u>(41,281)</u>		<u>(64,497)</u>
Net cash (used) for capital and related financing activities	<u>(432,320)</u>	<u>(41,281)</u>	-	<u>(473,601)</u>
Cash flows from investing activities:				
Interest on investments	<u>56,143</u>			<u>56,143</u>
Net cash provided by investing activities	<u>56,143</u>	-	-	<u>56,143</u>
Net increase (decrease) in cash and cash equivalents	(421,008)	(43,103)	187,008	(277,103)
Cash and cash equivalents (deficiency) at beginning of year	<u>571,892</u>	<u>(32,976)</u>	<u>133,641</u>	<u>672,557</u>
Cash and cash equivalents (deficiency) at end of year	<u>\$ 150,884</u>	<u>\$ (76,079)</u>	<u>\$ 320,649</u>	<u>\$ 395,454</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (17,214)	\$ (9,721)	\$ 142,969	\$ 116,034
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	38,546	5,771		44,317
Changes in assets and liabilities:				
Accounts receivable, net	(2,500)			(2,500)
Due from other governments			53,992	53,992
Accounts payable	(24,513)	(383)		(24,896)
Accrued expenses		7		7
Retainage payable	(32,080)		(1,500)	(33,580)
Deferred revenue	(3,995)			(3,995)
Compensated absences	(3,075)	2,504		(571)
Estimated liability for landfill closure and postclosure care costs			<u>(8,453)</u>	<u>(8,453)</u>
Net cash provided (used) by operating activities	<u>\$ (44,831)</u>	<u>\$ (1,822)</u>	<u>\$ 187,008</u>	<u>\$ 140,355</u>

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