

**CITY OF FRANKLIN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**





ROBBIN R. GRILL, CPA, PC

The Concord Center, 10 Ferry Street, Suite 311, Concord, NH 03301

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council and City Manager

Franklin, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Franklin, New Hampshire, as of and for the year ended June 30, 2008, 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 of Franklin, New Hampshire'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 the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, New Hampshire as of June 30, 2008, 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 November 8, 2009, on our consideration of the City of Franklin, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

A handwritten signature in cursive script that reads "Robin L. Bell, CPA, PC". The signature is written in black ink and is positioned above the typed name and title.

Concord, New Hampshire

November 8, 2009

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## Management's Discussion and Analysis Fiscal Year Ended June 30, 2008

As management of the City of Franklin, we offer readers of the City of Franklin's financial statements this narrative overview and analysis of the financial activities of the City of Franklin for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlight

- The assets of the City of Franklin exceeded its liabilities at the close of the most recent fiscal year by \$31 million (net assets). Of this amount, \$8.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Total net assets for governmental activities were \$22.3 million (\$8 million unrestricted) and total net assets for business like activities were \$8.6 million (\$700k unrestricted).
- As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of \$4.5 million, a decrease of \$3 million over the prior year. Of the combined ending fund balances, \$1.9 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1.56 million, or 7 percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Franklin's basic financial statements. The City of Franklin's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Franklin's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Franklin's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Franklin is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the City of Franklin that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Franklin include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Franklin include Water, Sewer, and Fuel Depot Activities.

The government-wide financial statements include not only the City of Franklin (known as the primary government), but also a legally separate dependent school district, Franklin School District, which the City of Franklin is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself.

**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 of Franklin, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Franklin can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Franklin maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital fund and capital reserve funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Franklin adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The City of Franklin maintains only two types of proprietary funds: enterprise and internal service fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Franklin uses enterprise funds to account for its water and sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City of Franklin.

*Internal service funds* report "any activity that provides goods and services to other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis". The City of Franklin uses an internal service fund to account for the fuel depot. Because the nature of these funds is internal, internal service funds are combined with governmental activities on the government-wide financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Franklin's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Franklin's Non-GAAP Budgetary Basis Reporting.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Franklin, assets exceeded liabilities by \$31 million at the close of fiscal year 2008 and \$30 million at the close of fiscal year 2007. Governmental activities assets exceeded liabilities by \$22.3 million and \$22.1 million at the close of fiscal years 2008 and 2007, respectively.

The largest portion of the City of Franklin's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Franklin uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Franklin'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 cannot be used to liquidate these liabilities.

**City of Franklin, New Hampshire Net Assets (in Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	12,931	15,246	946	266	13,877	15,512
Capital assets	19,126	17,694	9,263	9,210	28,389	26,904
Total assets	32,057	32,940	10,209	9,476	42,266	42,416
Current liabilities	1,624	2,947	241	271	1,864	3,218
Long term liabilities outstanding	8,105	7,890	1,388	1,229	9,494	9,119
Total liabilities	9,729	10,837	1,629	1,500	11,358	12,337
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	11,969	10,941	7,882	7,819	19,852	18,760
Restricted	2,352	1,583			2,352	1,583
Unrestricted	8,006	9,579	698	-	8,704	9,736
Total net assets	22,328	22,103	8,580	7,819	30,908	29,922

An additional portion of the City of Franklin's net assets (7.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$8.7 million) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Franklin is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Franklin, New Hampshire Changes in Net Assets (in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program Revenue:						
Charges for Services	998	1,796	2,131	1,663	3,129	3,459
Operating Grants and Contributions	360	645	-	-	360	645
Capital Grants and Contributions	397	696	11	20	408	716
General Revenues:						
Property Taxes	9,862	8,534	-	-	9,862	8,534
Other Taxes	54	286	-	-	54	286
Licenses and Permits	1,218	1,100	-	-	1,218	1,100
Grants and Contributions not restricted to specific programs	9,498	8,892	-	-	9,498	8,892
Interest Earnings	117	563	-	-	117	563
Miscellaneous	437	303	-	-	437	303
<b>Total Revenues</b>	<b>22,941</b>	<b>22,815</b>	<b>2,142</b>	<b>1,683</b>	<b>25,083</b>	<b>24,498</b>
<b>Expenses</b>						
Functional Expenditures:						
General Government	1,468	1,248			1,468	1,248
Public Safety	3,390	3,237			3,390	3,237
Highway and Streets	1,471	1,508			1,471	1,508
Sanitation	600	594			600	594
Health	92	89			92	89
Welfare	169	133			169	133
Culture and Recreation	608	565			608	565
Conservation	4	5			4	5
Economic Development	77	77			77	77
School	13,857	13,781			13,857	13,781
Debt Service	389	100			389	100
Capital Outlay	247	423			247	423
Proprietary Activities	-	-	1,775	1,525	1,775	1,525
<b>Total Expenses</b>	<b>22,372</b>	<b>21,760</b>	<b>1,775</b>	<b>1,525</b>	<b>24,147</b>	<b>23,285</b>
Change in net assets before transfers	568	1,055	367	158	936	1,213
Transfers	-252	10	252	96	-	107
<b>Increase (Decrease) in net assets</b>	<b>316</b>	<b>1,066</b>	<b>619</b>	<b>253</b>	<b>936</b>	<b>1,320</b>
Net Assets, Beginning as Restated	22,012	21,037	7,961	7,566	29,973	28,603
<b>Net Assets, Ending</b>	<b>22,328</b>	<b>22,103</b>	<b>8,580</b>	<b>7,819</b>	<b>30,908</b>	<b>29,922</b>

**Governmental activities.** Governmental activities increased the City of Franklin's net assets by \$315,782, accounting for 34 percent of the total growth in the government's net assets.

**Business-type activities.** Business-type activities increased the City of Franklin's net assets by \$618,370, accounting for 66 percent of the total growth in the government's net assets.

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City of Franklin'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 of Franklin'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.

As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of \$4.5 million, a decrease of \$3 million over the prior year. Of the combined ending fund balances, \$1.9 million is available for spending at the government's discretion (unreserved fund balance). The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$140,613), 2) legally restricted for permanent fund and capital purchase purposes (\$2,352,334), or 4) for a variety of other restricted purposes (\$121,766).

The general fund is the chief operating fund of the City of Franklin. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.56 million, while total fund balance reached \$1.81 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7 percent of total general fund expenditures, while total fund balance represents 8 percent of that same amount.

During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance to the extent initially anticipated. The fund balance of the City of Franklin's general fund decreased by \$1,745,300 during the current fiscal year. Key factors in this decline are as follows:

- The planned decrease in fund balance was \$1,109,344
- Transfer to capital reserve fund \$633,000

**Proprietary funds.** The City of Franklin's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$697,344. The total growth in net assets was \$618,370. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Franklin's business-type activities.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively large (\$572,844 increase in appropriations) and can be briefly summarized as follows:

- \$400,844 for sick time payouts, allocated to all City departments
- \$120,000 for engineering/feasibility study for water treatment, allocated to water fund
- \$25,000 from capital reserve funds, allocated to the school district
- \$15,000 water protection grant, allocated to water fund
- \$12,000 community development block grant for water study, allocated to water fund

Of this increase, \$27,000 was funded from miscellaneous grant sources, \$25,000 from capital reserve fund, and \$120,000 from user fees in the water fund. The remaining \$400,844 was budgeted from available fund balance. During the year, however, the engineering/feasibility study and water study were not completed and these items were re-appropriated in the water enterprise fund for fiscal year 2009.

#### Capital Asset and Debt Administration

**Capital Assets.** The City of Franklin's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$28,388,637 (net of accumulated depreciation). This investment in capital assets includes monuments, land, land improvements, buildings, infrastructure and utility systems, improvements, machinery and equipment, park facilities, roads, highways, bridges, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Completion of upgrades at the Paul Smith School
- 2008 International Dump Truck
- Police Cruiser
- Generator for Police Department
- \$492,000 in infrastructure improvements
- Windows for City Hall
- John Deere Chipper
- Playground Equipment (funded mostly by grant money)
- Backhoe
- Chevy Van

**City of Franklin, New Hampshire Capital Assets Net of Depreciation (in Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
<b>Land</b>	906	996	34	34	940	1,030
<b>Monuments</b>	61	61	-	-	61	61
<b>Construction in Progress</b>	489	2,137	-	38	489	2,175
<b>Land Improvements</b>	176	176	-	-	176	176
<b>Buildings and Improvements</b>	14,186	11,552	102	108	14,288	11,659
<b>Machinery, Vehicles and Equipment</b>	2,191	2,158	380	172	2,571	2,330
<b>Infrastructure</b>	1,117	614	8,747	8,859	9,864	9,473
<b>Total</b>	<u>19,126</u>	<u>17,694</u>	<u>9,263</u>	<u>9,210</u>	<u>28,389</u>	<u>26,904</u>

**Long-term debt.** At the end of the current fiscal year, the City of Franklin had total bonded debt outstanding of \$9,024,087. Of this amount, 100% comprises debt backed by the full faith and credit of the government; however, \$1,388,794 is attributable to the Water and Sewer proprietary funds, and \$500,000 is attributable to the District Courthouse. Of the \$1,388,794 proprietary debt, the State of New Hampshire has agreed to offset \$151,183 in the form of a revolving loan. The City of Franklin is financially liable for the debt due and owing for the District Courthouse Building, but has been reimbursed annually by the State of New Hampshire. The City of Franklin is also financially liable for general obligation debt outstanding for its component unit, Franklin School District, which amounts to approximately \$6,082,544. Further information regarding the School District's indebtedness may be found in their annual audit report.

**City of Franklin, New Hampshire Long Term Debt (in Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General Obligation Bond	7,643	8,696	625	764	8,268	9,460
Accrued Landfill Post closure	247	257	-	-	247	257
Compensated Absences	215	456	8	43	223	499
Other Notes	-	-	756	784	756	784
<b>Total</b>	<b>8,105</b>	<b>9,409</b>	<b>1,389</b>	<b>1,591</b>	<b>9,494</b>	<b>11,000</b>

The City of Franklin's net total debt decreased by \$1,506,613 (14 percent) during the current fiscal year. This decrease is from current year debt service amounts paid.

New Hampshire Municipal Finance Act, Chapter 33 of the State Statutes limit the amount of general obligation debt a local governmental entity may issue to 9.75 percent of its total equalized assessed valuation as computed by the Department of Revenue Administration. State statute allows certain debts (betterment of water and sewer systems, energy production projects, small scale power facilities, etc) to be excluded from the debt capacity computation. The current debt limitation for the City of Franklin is \$61 million, which is significantly in excess of the City of Franklin's outstanding general obligation debt.

Additional information on the City of Franklin's long-term debt can be found in the notes to financial statements, later in this document.

**Economic Factors and Next Year's Budgets and Rates**

**Taxation Cap**

Pursuant to Franklin City Charter, the city manager is responsible for preparing an annual budget and submitting the budget to the Franklin City Council one month prior to the start of the new fiscal year. The annual budget is to be presented to the city council for action no later than the 27<sup>th</sup> day of the first month of the fiscal year (July). If the city council does not take action within 30 days, the budget shall automatically become effective.

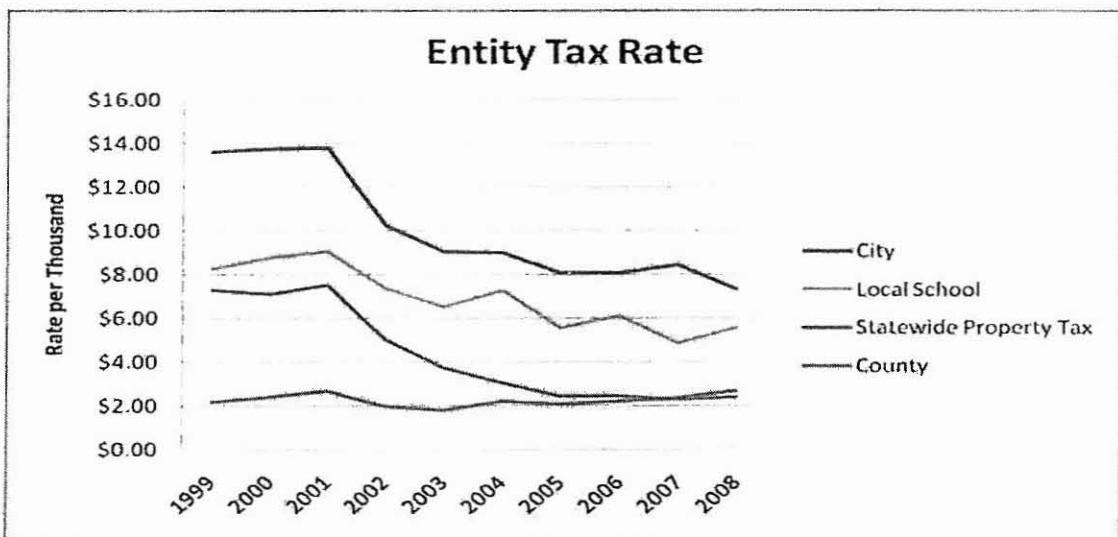
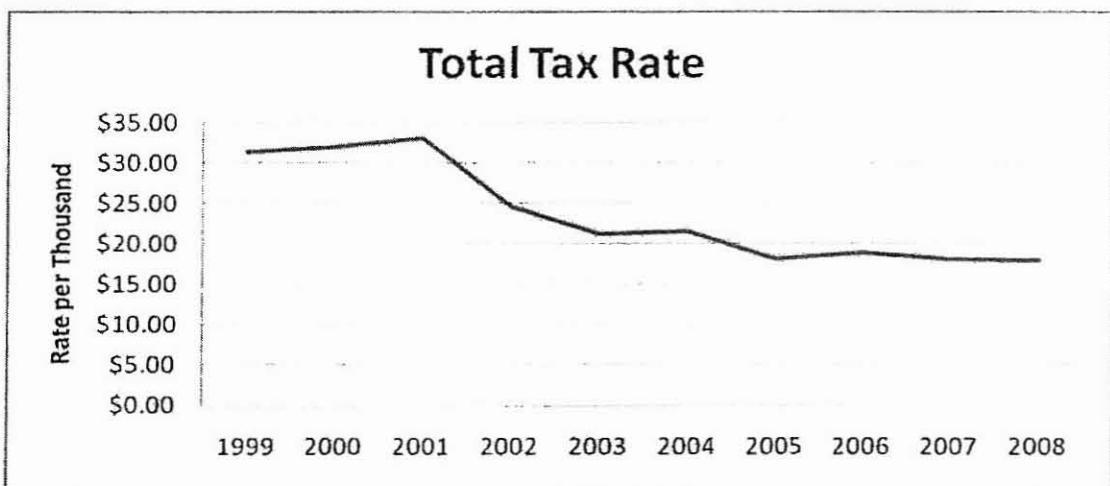
In November, 1989 the voters of the City of Franklin amended the budget procedures outlined under the city's charter §C-32 limiting the amount of taxes that can be raised to support annual operations. The formula limits the amount to be raised by the prior calendar year's Consumer Price Index (national average). The charter amendment provides cap exceptions with a 2/3 vote of the city council. Exceptions from the tax cap include school or city debt service or any capital expenditures deemed necessary by the council.

In October 2002, the Charter was amended again and the tax cap was modified to include a calculation to include newly assessed property value from the prior year (April 1). The calculation includes all new value from April 1 of the prior tax year multiplied by the prior calendar year's tax rate.

The amended tax cap formula is as follows:

	Total Amount of Property Taxes Assessed in the Prior Year As Calculated by Department of Revenue Administration (DRA)
X	National Consumer Price Index Average
+	Pick-Ups for new construction (as of April 1)
X	Prior Year's Tax Rate approved by DRA
=	Additional Revenues Allowed to be Raised with Property Taxes

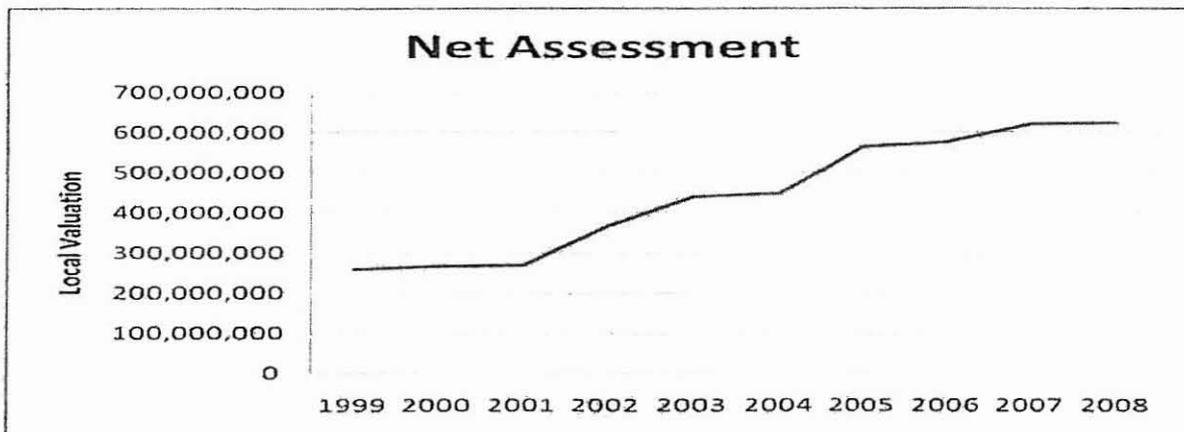
The city's tax rate is set by the New Hampshire Department of Revenue Administration. The total tax rate is comprised of a statewide education property tax assessment, Merrimack County tax assessment and the local municipal and school rates. The Franklin City Council has authority over the school and municipal rate, but not the statewide property tax rate or the county tax rate.



The total city tax commitment as opposed to the city's gross budget reflects how much taxes were raised as a result of changes in the gross budget and property assessment.

Fiscal Year	Total Taxes	Percentage Change
2000	\$8,311,991	
2001	\$8,656,921	4.1%
2002	\$8,838,708	2.1%
2003	\$9,144,701	3.5%
2004	\$9,483,601	3.7%
2005	\$10,090,189	6.4%
2007	\$10,724,152	6.3%
2008	\$11,038,643	2.9%

The City's net valuation, or the taxable assessment on both land and buildings used to establish the tax rate, was \$621,720,590 in fiscal year 2008. Over the past six years, there has been a significant increase in Franklin property assessments for single family and lake front residential properties. Growth in commercial and light industrial property value over the past year was very light.



### Economics

The City of Franklin is at the confluence of the Pemigewasset and Winnepesaukee Rivers, forming the headwater for the Merrimack River. In its prime, Franklin was a thriving mill city with numerous factories. After the last of the large mills closed in the 1970's, the community became economically depressed.

As New Hampshire growth trends from south to north, Franklin has become more attractive to retirees and commuters seeking affordable homes within convenient driving distances to southern tier employers. Interest in Franklin's historic housing stock, proximity to Interstate 93, and other Lake Region recreation destinations has renewed interest in the community and drawn attention to revitalizing its main street corridor. The community promotes a stabilized tax rate, access to various recreation amenities, and its historic downtown.

The old Polyclad building remains for sale and light industrial/commercial growth is mainly flat. However, one small manufacturing building was completed and occupied during 2008 creating less than 10 new jobs. In addition, a large chain pharmacy has showed interest in building in Franklin.

It is projected that residential growth will slow in the coming year as a result of the nationwide downturn in the housing markets. However, growth is still expected as both retirees and commuting professionals seek property tax stability, a commutable location to southern tier employers, affordable housing stock, and recreational access. The city is undertaking revitalization plans for its downtown by initiating new zoning regulations and aesthetic improvements to spur investment in the old mill buildings.

The city has adopted a Tax Increment Financing District (TIF District) in the downtown area and received federally earmarked funding for the revitalization of the core downtown area.

#### **Water and Sewer Rates**

The City has continued efforts to improve the quality and delivery of water. User rates were increased to support a feasibility/engineering study for the treatment of iron and manganese in the City's drinking water. It is expected that this increase will provide funding in future budgets for projects designed to better the drinking water. Ongoing water meter replacement program continues in order to replace old, faulty and stop meters often preventing the city from obtaining valid water usage information. Some aging water equipment was replaced in the current fiscal year and a grant was received from the Department of Environmental Services for the purpose of installing security fencing at the City's well fields.

The city septage is treated by at the Winnepesaukee River Basin Project (WRBP); a state owned and operated facility. Users of the municipal sewer system pay a share established by the WRBP Board. The WRBP is approximately 76% of the City's current sewer budget. Although some capital improvement expenditures have been passed on to the City by the WRBP, several large capital improvements are expected in the coming years that will impact the rate payer.

All of the above factors were considered in preparing the City of Franklin's budget for the 2009 fiscal year.

Water rates remained constant for fiscal 2009 budget year as increases were made to support capital projects during the current budget year as discussed above. Sewer rates were increased for the 2009 budget year by 15% (or \$.57 per 100 gallons) for all customers. These rate increases were necessary to finance increased operating expenses and debt service on the Winnepesaukee River Basin Project explained above.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Franklin's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Judie Milner, Finance Director, City of Franklin Finance Office, 316 Central Street Franklin, NH 03235.

City of Franklin, New Hampshire  
Statement of Net Assets  
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Assets			
Cash and equivalents	\$ 5,920,544	\$ -	\$ 5,920,544
Investments	3,106,244	-	3,106,244
Receivables, net of allowances for uncollectables			
Taxes	2,618,953	-	2,618,953
Accounts	443,012	511,833	954,844
Intergovernmental receivable	529,164	151,183	680,347
Internal Balances	(240,523)	240,523	-
Prepaid items	97,312	-	97,312
Inventory	78,412	42,216	120,628
Tax deeded property, subject to resale	377,849	-	377,849
Capital assets not being depreciated			
Monuments	61,000	-	61,000
Land	905,806	34,399	940,205
Construction in progress	488,732	-	488,732
Capital assets, net of accumulated depreciation			
Land improvements	175,570	-	175,570
Buildings and improvements	14,186,912	101,721	14,288,633
Machinery, equipment, and vehicles	2,190,919	380,214	2,571,133
Infrastructure	1,116,608	8,746,756	9,863,364
<b>Total assets</b>	<b>32,056,514</b>	<b>10,208,845</b>	<b>42,265,358</b>
<b>LIABILITIES</b>			
Classified Liabilities			
Accounts Payable	1,209,931	51,495	1,261,425
Accrued payroll and benefits	124,461	6,658	131,119
Contracts payable	79,799	-	79,799
Accrued interest payable	104,029	30,584	134,613
Intergovernmental payable	50,181	-	50,181
Unearned revenues	55,222	151,793	207,014
Noncurrent liabilities:			
Due within one year:			
Bonds	1,018,666	144,259	1,162,925
Notes	-	23,285	23,285
Landfill postclosure care costs	10,681	-	10,681
Compensated absences	215,410	7,882	223,292
Due in more than one year:			
Bonds, long term	6,624,509	486,280	7,110,789
Notes, long term	-	727,088	727,088
Landfill postclosure care, long term	235,787	-	235,787
<b>Total Liabilities</b>	<b>9,728,675</b>	<b>1,629,322</b>	<b>11,357,997</b>
<b>NET ASSETS</b>			
Net Assets			
Invested in capital assets, net of related debt	11,969,375	7,882,178	19,851,553
Restricted net assets	2,352,334	-	2,352,334
Unrestricted	8,006,130	697,344	8,703,474
<b>Total net assets</b>	<b>\$ 22,327,838</b>	<b>\$ 8,579,522</b>	<b>\$ 30,907,361</b>

See Accompanying Independent Auditor's Report and Notes to Financial Statements

City of Franklin, New Hampshire  
Statement of Activities  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Primary government							
Governmental activities:							
General Government	\$ 1,467,934	\$ 178,220	\$ -	\$ -	\$ (1,289,714)		\$ (1,289,714)
Public Safety	3,390,106	292,325	-	-	(3,097,781)		(3,097,781)
Highways and streets	1,470,926	-	8,163	-	(1,462,763)		(1,462,763)
Sanitation	600,366	213,873	-	-	(386,493)		(386,493)
Health	91,948	-	-	-	(91,948)		(91,948)
Welfare	168,746	25,569	-	-	(143,177)		(143,177)
Culture and recreation	608,340	65,841	-	27,000	(515,500)		(515,500)
Conservation	4,491	-	-	-	(4,491)		(4,491)
Economic Development	77,000	-	-	-	(77,000)		(77,000)
School	13,857,121	222,552	9,213,420	-	(4,421,149)		(4,421,149)
Interest on long term debt	389,419	-	-	369,524	(19,895)		(19,895)
Capital Outlay	247,445	-	-	-	(247,445)		(247,445)
Total governmental activities:	22,373,841	998,380	9,221,583	396,524	(11,757,354)		(11,757,354)
Business-type activities:							
Water operations	899,500	1,235,413	-	-		\$ 335,913	335,913
Sewer operations	875,758	895,467	-	10,698		30,407	30,407
Total business-type activities	1,775,258	2,130,880	-	10,698		366,320	366,320
<b>Total primary government</b>	<b>24,149,099</b>	<b>3,129,260</b>	<b>9,221,583</b>	<b>407,222</b>	<b>(11,757,354)</b>	<b>366,320</b>	<b>(11,391,034)</b>
General Revenues:							
Property Taxes							
City							
					5,146,427		5,146,427
School							
					4,715,805		4,715,805
Other Taxes							
					54,442		54,442
Licenses and Permits							
					1,217,893		1,217,893
Grants Not Restricted to Specific Programs							
					636,422		636,422
Interest Earnings							
					286,395		286,395
Change in Fair Market Value							
					(168,906)		(168,906)
Miscellaneous							
					436,709		436,709
Transfers - Internal Activity							
					(252,051)	252,051	(0)
Total General Revenues							
					12,073,136	252,051	12,325,187
Change in Net Assets							
					315,782	618,370	934,152
Net Assets - Beginning							
					22,012,056	7,961,152	29,973,208
Net Assets - Ending							
					\$ 22,327,838	\$ 8,579,522	\$ 30,907,361

See Accompanying Independent Auditor's Report and Notes to Financial Statements

City of Franklin, New Hampshire  
Balance Sheet  
Governmental Funds  
June 30, 2008

	General	Paul Smith School Renovations	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and equivalents	\$ 5,750,320	\$ -	\$ -	\$ 170,224	\$ 5,920,544
Investments	394,579	-	745,656	1,966,009	3,106,244
Receivables, net of allowances for uncollectables					
Taxes	2,646,036	-	-	-	2,646,036
Accounts	311,626	-	-	74,119	385,745
Intergovernmental	-	-	-	-	-
Interfund receivable	161,017	121,588	402,560	44,484	729,650
Prepaid items	97,536	-	-	-	97,536
Inventory	21,675	-	-	14,777	36,452
<b>Total assets</b>	<b>\$ 9,382,790</b>	<b>\$ 121,588</b>	<b>\$ 1,148,216</b>	<b>\$ 2,269,614</b>	<b>\$ 12,922,207</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Classified Liabilities					
Accounts payable	\$ 635,427	\$ 12,435	\$ 358	\$ 561,935	\$ 1,210,155
Accrued payroll and benefits	120,254	-	-	4,207	124,461
Contracts payable	79,799	-	-	-	79,799
Retainage payable	-	-	-	-	-
Intergovernmental payable	50,181	-	-	-	50,181
Interfund payable	659,473	-	252,051	5,684	917,207
Deferred revenues	6,019,455	-	-	11,530	6,030,985
<b>Total liabilities</b>	<b>7,564,589</b>	<b>12,435</b>	<b>252,408</b>	<b>583,356</b>	<b>8,412,788</b>
Fund balances:					
Reserved for prepaid items	97,536	-	-	-	97,536
Reserved for inventory	21,675	-	-	6,370	28,045
Reserved for encumbrances	140,613	-	-	-	140,613
Reserved for special purposes	-	-	895,807	1,456,527	2,352,334
Unreserved, undesignated, reported in:					
General fund	1,558,376	-	-	-	1,558,376
Special revenue funds	-	-	-	223,361	223,361
Capital projects funds	-	109,153	-	-	109,153
<b>Total fund balances</b>	<b>1,818,201</b>	<b>109,153</b>	<b>895,807</b>	<b>1,686,258</b>	<b>4,509,419</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,382,790</b>	<b>\$ 121,588</b>	<b>\$ 1,148,216</b>	<b>\$ 2,269,614</b>	
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, net of accumulated depreciation.					19,125,447
Certain long term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:					
Tax Deeded Property					377,949
Receivables from other governments					509,628
Internal service funds are used by management to account for fuel, gasoline and diesel, used by City vehicles. The assets and liabilities of the Internal service funds are included in governmental activities in the Statement of Net Assets.					
					38,714
Certain long term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:					
Accrued interest payable					(104,029)
Due to other governments					-
Capital lease obligations payable					-
General obligation bonds payable					(7,643,175)
Landfill Postclosure Costs					(246,468)
Accrued compensated absences					(215,410)
Deferred revenue					5,975,763
					(2,233,318)
<b>Net assets of governmental activities</b>					<b>\$ 22,327,838</b>

City of Franklin, New Hampshire  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	General	Paul Smith School Renovations	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 9,392,740	\$ -	\$ -	\$ -	\$ 9,392,740
Licenses and Permits	1,217,893	-	-	-	1,217,893
Intergovernmental	9,525,459	-	-	730,945	10,256,404
Charges for Services	789,742	-	-	246,243	1,035,986
Miscellaneous	421,800	-	-	6,901	428,701
Interest	161,425	-	40,286	84,684	286,395
Change in fair market value	-	-	-	(168,906)	(168,906)
<b>Total Revenues</b>	<b>21,509,059</b>	<b>-</b>	<b>40,286</b>	<b>899,868</b>	<b>22,449,213</b>
<b>Expenditures:</b>					
General Government	1,457,299	-	-	10,157	1,467,456
Public Safety	3,382,471	-	-	10,566	3,393,037
Highways and Streets	1,760,135	-	-	-	1,760,135
Sanitation	610,122	-	-	-	610,122
Health	91,948	-	-	-	91,948
Welfare	168,054	-	-	-	168,054
Culture and Recreation	249,463	-	-	377,988	627,452
Conservation	-	-	-	4,491	4,491
Economic Development	77,000	-	-	-	77,000
School	12,850,459	-	-	528,556	13,379,015
Debt Service	1,456,176	-	-	-	1,456,176
Capital Outlay	386,241	1,438,264	-	350,005	2,174,510
<b>Total Expenditures</b>	<b>22,489,369</b>	<b>1,438,264</b>	<b>-</b>	<b>1,281,763</b>	<b>25,209,395</b>
Excess of Revenues Over Expenditures	(980,310)	(1,438,264)	40,286	(381,895)	(2,760,183)
<b>Other Financing Sources (Uses):</b>					
Transfers In	2,658,936	403,280	633,000	317,253	4,012,469
Transfers Out	(3,423,926)	-	(815,337)	(25,257)	(4,264,520)
<b>Total Other Financing Sources(Uses)</b>	<b>(764,990)</b>	<b>403,280</b>	<b>(182,337)</b>	<b>291,997</b>	<b>(252,051)</b>
<b>Net Change in Fund Balances</b>	<b>(1,745,300)</b>	<b>(1,034,984)</b>	<b>(142,051)</b>	<b>(89,898)</b>	<b>(3,012,234)</b>
Fund Balances, Beginning	3,563,500	1,144,137	1,037,859	1,776,156	7,521,652
<b>Fund Balances, Ending</b>	<b>\$ 1,818,201</b>	<b>\$ 109,153</b>	<b>\$ 895,807</b>	<b>\$ 1,686,258</b>	<b>\$ 4,509,419</b>

City of Franklin, New Hampshire  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$	(3,012,234)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p>		
Capital asset purchases capitalized		2,435,759
Loss on disposal of capital assets		(7,393)
Depreciation expense		(906,476)
Sale of Tax Deeded Asset		(100)
		1,521,791
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Deferred revenue		523,934
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets. Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets:</p>		
General obligation bond principle payments		1,013,744
		1,013,744
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Accrued interest payable		13,530
Landfil Postclosure		10,638
Accrued compensated absences		240,608
		264,776
<p>Internal Services Funds are used by management to account for the cost of fuel charged to individual departments. The net revenue (expense) of the internal service funds is reported with governmental activities.</p>		
		3,771
Change in net assets of governmental activities	\$	315,782

City of Franklin, New Hampshire  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008

	Enterprise Funds		Total Enterprise Funds	Governmental Activity - Fuel Depot Internal Service Fund
	Water	Sewer		
<b>ASSETS</b>				
Current Assets:				
Accounts Receivable, Net of Allowance for Uncollectible	\$ 297,737	\$ 214,096	\$ 511,833	\$ 2,575
Intergovernmental Receivable	-	151,183	151,183	19,536
Interfund Receivable	266,495	76,396	342,891	-
Inventory	40,588	1,628	42,216	41,960
<b>Total Current Assets</b>	<b>604,820</b>	<b>443,303</b>	<b>1,048,123</b>	<b>64,071</b>
Noncurrent Assets:				
Capital Assets:				
Land	34,399	-	34,399	-
Construction in Progress	-	-	-	-
Buildings	111,209	-	111,209	70,737
Accumulated Depreciation, Buildings	(9,488)	-	(9,488)	(70,737)
Machinery and Equipment	388,499	123,340	511,839	-
Accumulated Depreciation, M&E	(100,688)	(30,938)	(131,626)	-
Infrastructure	9,047,457	2,764,057	11,811,514	-
Accumulated Depreciation, Infra	(2,709,405)	(355,354)	(3,064,758)	-
<b>Total Capital Assets, Net</b>	<b>6,761,984</b>	<b>2,501,106</b>	<b>9,263,090</b>	<b>-</b>
<b>Total Assets</b>	<b>7,366,805</b>	<b>2,944,408</b>	<b>10,311,213</b>	<b>64,071</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts Payable	51,159	335	51,495	-
Accrued Payroll and Benefits	4,962	1,696	6,658	-
Accrued Interest Payable	10,608	19,976	30,584	-
Interfund Payable	-	102,368	102,368	25,357
Unearned Revenue	334	151,459	151,793	-
General Obligation Debt Payable, Current:				
Notes and Bonds	124,690	42,854	167,544	-
Compensated Absences	6,157	1,725	7,882	-
<b>Total Current Liabilities</b>	<b>197,910</b>	<b>320,413</b>	<b>518,323</b>	<b>25,357</b>
Noncurrent Liabilities:				
General Obligation Bonds Payable	417,530	68,750	486,280	-
General Obligation Notes Payable	-	727,088	727,088	-
<b>Total Noncurrent Liabilities</b>	<b>417,530</b>	<b>795,838</b>	<b>1,213,368</b>	<b>-</b>
<b>Total Liabilities</b>	<b>615,440</b>	<b>1,116,251</b>	<b>1,731,691</b>	<b>25,357</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	6,219,764	1,662,414	7,882,178	-
Restricted	-	-	-	-
Unrestricted	531,601	165,743	697,344	38,714
<b>Total Net Assets</b>	<b>\$ 6,751,365</b>	<b>\$ 1,828,157</b>	<b>\$ 8,579,522</b>	<b>\$ 38,714</b>

City of Franklin, New Hampshire  
Statement of Revenues, Expenditures, and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008

	Enterprise Funds		Total Enterprise Funds	Governmental
	Water Fund	Sewer Fund		Activity - Fuel Depot Internal Service Fund
<b>Operating revenues:</b>				
User Charges	\$ 1,209,061	\$ 890,345	\$ 2,099,406	\$ 245,419
Miscellaneous	4,843	5,121	9,965	-
Grants	-	10,698	10,698	-
Sale of Municipal Property	21,509	-	21,509	-
<b>Total operating revenues</b>	<b>1,235,413</b>	<b>906,165</b>	<b>2,141,578</b>	<b>245,419</b>
<b>Operating expenses:</b>				
Salaries, wages and benefits	304,656	132,008	436,664	-
Purchased services, professional and technical	12,409	4,215	16,623	523
Purchased services, property and miscellaneous	364,618	677,438	1,042,056	241,125
Depreciation	187,443	33,925	221,368	-
<b>Total operating expenses</b>	<b>869,125</b>	<b>847,585</b>	<b>1,716,711</b>	<b>241,648</b>
<b>Operating income (loss)</b>	<b>366,288</b>	<b>58,580</b>	<b>424,867</b>	<b>3,771</b>
<b>Nonoperating revenues (expenses):</b>				
Interest expense	(30,375)	(28,173)	(58,548)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(30,375)</b>	<b>(28,173)</b>	<b>(58,548)</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>335,913</b>	<b>30,407</b>	<b>366,320</b>	<b>3,771</b>
<b>Transfers:</b>				
In	175,654	76,396	252,051	-
Out	-	-	-	-
<b>Total transfers</b>	<b>175,654</b>	<b>76,396</b>	<b>252,051</b>	<b>-</b>
<b>Net change in net assets</b>	<b>511,567</b>	<b>106,803</b>	<b>618,370</b>	<b>3,771</b>
<b>Net assets, beginning, as restated</b>	<b>6,239,798</b>	<b>1,721,354</b>	<b>7,961,152</b>	<b>34,943</b>
<b>Net assets, ending</b>	<b>\$ 6,751,365</b>	<b>\$ 1,828,157</b>	<b>\$ 8,579,522</b>	<b>\$ 38,714</b>

City of Franklin, New Hampshire  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008

	Enterprise Funds		Total Enterprise Funds	Governmental Activity - Fuel Depot Internal Service Fund
	Water Fund	Sewer Fund		
<b>Cash Flows from Operating Activities</b>				
Receipts from Users	\$ 1,209,061	\$ 890,345	\$ 2,099,406	\$ 245,419
Payments to Providers	(869,125)	(847,585)	(1,716,711)	(241,648)
Other Receipts (Payments)	(271,366)	(96,956)	(368,322)	(68,348)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>68,570</u>	<u>(54,196)</u>	<u>14,374</u>	<u>-</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	175,654	76,396	252,051	-
Transfers to Other Funds	-	-	-	-
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>175,654</u>	<u>76,396</u>	<u>252,051</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital Assets	(86,689)	33,636	(53,053)	-
Long Term Debt	(127,160)	(27,663)	(154,823)	-
Interest Expense	(30,375)	(28,173)	(58,548)	-
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(244,224)</u>	<u>(22,200)</u>	<u>(266,424)</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-	(0)	(0)	-
<b>Balances - Beginning of Year</b>	-	-	-	-
<b>Balances - End of Year</b>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating Income (Loss)	\$ 366,288	\$ 58,580	\$ 424,867	\$ 3,771
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
<b>Change in Assets and Liabilities:</b>				
Inventory	(8,991)	(891)	(9,883)	(19,803)
Receivables, net	(101,030)	(68,527)	(169,557)	(21,637)
Deferred Revenue	(1,242)	(6,662)	(7,904)	-
Due from Other Funds	(170,996)	(76,706)	(247,702)	35,315
Accounts Payable	30,156	(17,074)	13,082	(18,409)
Accrued Payroll	142	318	460	-
Due to Other Funds	(37,622)	65,024	27,402	19,114
Due from Other Governments	19,000	-	19,000	1,649
Accrued Compensated Absences	(27,135)	(8,258)	(35,393)	-
<b>Net Cash Provided By (Used in) Operating Activities</b>	<u>\$ 68,570</u>	<u>\$ (54,196)</u>	<u>\$ 14,374</u>	<u>\$ -</u>

City of Franklin, New Hampshire  
Statement of Changes in Net Assets  
Fiduciary Funds  
June 30, 2008

	Agency Funds			Private Purpose Trust Funds		
	Engineering Escrow	Student Activities	Total	Charity	School Scholarship	Total
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 6,100	\$ 145,451	\$ 151,551	\$ -	\$ -	\$ -
Investments	-	-	-	187,189	608,234	795,423
<b>Total Assets</b>	<b>6,100</b>	<b>145,451</b>	<b>151,551</b>	<b>187,189</b>	<b>608,234</b>	<b>795,423</b>
<b>LIABILITIES</b>						
Accounts Payable	1,985	-	1,985	-	-	-
Due to Developers	1,507	-	1,507	-	-	-
Due to General Fund	2,608	-	2,608	-	-	-
Due to Student Groups	-	145,451	145,451	-	-	-
<b>Total Liabilities</b>	<b>6,100</b>	<b>145,451</b>	<b>151,551</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>						
Held in Trust for Special Purposes	\$ -	\$ -	\$ -	\$ 187,189	\$ 608,234	\$ 795,423

City of Franklin, New Hampshire  
Statement of Changes in Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust Funds		
	Charity	School Scholarship	Total
<b>ADDITIONS</b>			
Investment earnings:			
Interest and dividends	\$ 10,605	\$ 44,367	\$ 54,972
Net increase in fair market value of investments	(19,091)	(57,748)	(76,839)
New Funds	-	2,894	2,894
<b>DEDUCTIONS</b>			
Scholarship and charity distributions	1,273	17,700	18,973
Change in net assets	(9,759)	(28,186)	(37,945)
Net assets, beginning	196,948	636,420	833,368
Net assets, ending	\$ 187,189	\$ 608,234	\$ 795,423

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Franklin, New Hampshire (the City) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**1-A Reporting Entity**

The City of Franklin is a municipal corporation governed by an elected 9-member City Council and City Manager. The reporting entity is comprised of the primary government and any other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board, and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is defined by GASB as the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget, (b) levy taxes or set rates or charges without approval by another government, and (c) issue bonded debt without approval by another government. Based on the foregoing criteria, the City of Franklin's dependent school district is included in the City's financial reporting entity as a blended component unit.

**1-B 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.

**Government-wide Financial Statements** - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed at this reporting level as all individual funds are consolidated as governmental or business-type activities. Fiduciary activities are not included at the government-wide reporting level.

The statement of net assets presents the financial position of the governmental and business-type activities of the City at year-end. This statement includes all of the City's assets, liabilities and net assets.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with the function, and therefore, clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which functions generate the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are restricted.

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*1-B Basis of Presentation, continued*

**Fund Financial Statements** - During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

**Fund Accounting** - The City uses funds to maintain its financial records during the year. The City uses three categories of funds: governmental, proprietary, and fiduciary.

**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. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

**General Fund** - The general fund is the primary operating fund of the City. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Capital Fund** - The capital fund is used to account for bond monies received for renovations of the Paul Smith School.

**Capital Reserve Fund** - The capital reserve fund is used to account for funds established by resolution of City Council for specific capital reserves as allowed by New Hampshire law.

The City also reports 14 non-major special revenue and permanent funds as other governmental funds.

**Proprietary Funds** - Proprietary funds are those which account for activities of the government that are similar to activities that may be performed by a commercial enterprise. These funds cover those activities that generally charge a fee in order to recover operational costs. The City reports the difference between proprietary fund assets and liabilities as net assets. The following are the City's two major proprietary funds:

**Enterprise Funds** - Enterprise funds are used to report activities for which a fee is charged to external users for goods or services. The City reports water and sewer funds, which account for all the activity related to the provision of water and sewage disposal services, as major funds.

**Internal Services Fund** - Internal Services funds are used to account for any activity that provides goods and services to other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis. The City also reports one internal service fund, which predominantly accounts for fuel used by City departments or agencies, as a governmental activity.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets. The City's fiduciary funds consist of two types of funds, agency and private purpose trust funds. The engineering escrow and student activities agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations. The charity and scholarship private purpose trust funds account for assets held by the trustees of trust funds for the benefit of other governments, organizations or individuals.

*1-C Measurement Focus*

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues, expenses and changes in net assets.

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**1-C Measurement Focus, continued**

**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 the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

All proprietary funds are accounted for using the accrual basis of accounting. Using this basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are increased (flow of economic resources measurement focus).

Fiduciary funds use an economic resources measurement focus. These funds report all assets and liabilities on the statement of fiduciary net assets. The statement of changes in fiduciary net assets reports additions and deductions to net assets of the private purpose trust funds.

**1-D 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. At the fund reporting level, governmental funds use the modified accrual basis of accounting, and proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some deferred revenue, and in the presentation of expenses versus expenditures. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

**Revenues - 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 the modified accrual basis, revenue is recorded when the exchange takes place and 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, generally within sixty days of year-end.

**Revenues - Nonexchange Transactions** - Nonexchange transactions, in which the City receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

**Deferred/Unearned Revenue** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable, but not available) rather than as revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue in the governmental funds, and as unearned revenue on the government-wide financial statements.

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**1-D Basis of Accounting, continued**

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**1-E Assets, Liabilities and Net Assets or Fund Equity**

**1-E-1 Cash, Cash Equivalents and Investments**

**Cash and Cash Equivalents** - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

New Hampshire statutes require that the City treasurer have custody of all moneys belonging to the City and pay out the same only upon orders of the City Manager. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

**Investments** - Whenever the treasurer has in custody an excess of funds, which is not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the City Manager, invest the excess funds.

New Hampshire law authorizes the City to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the City. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices, in accordance with GASB Statement #31.

**1-E-2 Receivables**

Tax revenue is recorded when a warrant for collection is committed to the tax collector. Taxes receivable are reported net of an allowance established for tax amounts considered uncollectible by City management.

As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not

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**1-E-2 Receivables, continued**

redeemed within the 2-year redemption period, the property is tax deeded to the City, and may be subsequently sold at public sale. Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible amounts.

**1-E-3 Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated on the statement of net assets. Balances between governmental and proprietary funds are eliminated on the line called internal balances.

**1-E-4 Inventory and Prepaid Items**

Inventory is valued at cost using the first-in, first-out method. The consumption method is used to account for inventory. Under the consumption method, inventory is recorded when expenditures are consumed rather than when purchased. Reported inventory in the governmental funds is equally offset by a fund balance reserve which indicates that the assets are not available for appropriation even though they are a component of reported assets.

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method, by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**1-E-5 Capital Assets**

Capital assets include property and equipment which the City owns. These assets are reported in the applicable columns of the government-wide financial statements. The proprietary funds' capital assets are reported in both the government-wide and fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 and more than two years of estimated life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	Years
Land improvements	50-75 years
Building and building improvements	20-120 years
Machinery, Equipment and Vehicles	2-50 years
Infrastructure	20-100 years

**1-E-6 Compensated Absences**

Vacation benefits are accrued as a liability, as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City's experience of making termination payments.

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*1-E-6 Compensated Absences, continued*

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide and proprietary fund financial statements. Governmental funds report the compensated absence liability at the fund reporting level only when due.

*1-E-7 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 financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

In the government-wide financial statements and in proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

*1-E-8 Equity*

Fund equity at the governmental fund financial reporting level is classified as fund balance. Equity for all other reporting is classified as net assets.

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes. The City has exceeded the set financial management goal of attaining an unreserved fund balance level of at least 5% of budgeted appropriations.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*1-E-9 Interfund Activity*

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 of repayment are reported as interfund transfers. At the fund reporting level, interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

At the government-wide financial reporting level, transfers between funds that would be reported in the individual funds are eliminated.

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**1-E-10 Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

**2-A Budget**

Governmental revenues and expenditures are balanced and controlled by a formal integrated budgetary system which is substantively consistent with Generally Accepted Accounting Principles (GAAP); applicable State finance related laws and regulations which govern the City's operations as well as the City's adopted charter. The City's budget is approved by the City Council. During the budget year, appropriations may be transferred between lines but total expenditures may not exceed the total approved budget. Emergency items may be excepted under the City Charter and Municipal Budget Law under State RSA 32. At year end, all unencumbered annual appropriations lapse. Other appropriations, which have a longer than annual authority may carry over at year end if the governing body intends to continue or complete the special purpose for which the funds were established. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2008, \$708,500 of beginning general fund unreserved fund balance was appropriated to reduce taxes.

**2-B Encumbrances**

Encumbrance accounting is utilized in the governmental funds to account for commitments relating to unperformed contracts for goods and services. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities of the governmental fund but are carried forward to supplement appropriations of the succeeding year. Encumbrances outstanding at year-end in the general fund are detailed by function as follows:

School	\$ 30,773
Municipal Services	19,800
General Government	28,500
Police	7,500
Finance	10,000
Recreation	16,500
Fire	27,540
Total	\$ 140,613

**2-C Budgetary Basis**

The general fund final appropriation appearing on Schedule A of the fund financial statements represents a final budget as of June 30, 2008 and includes encumbrances and reserves at June 30, 2006 as follows:

FY2008 Appropriations	\$24,587,755
June 2007 Encumbrances	703,329
Final Budgeted Amounts	\$25,291,084

**2-D Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2008, the City was a member of the Local Government Center Property-

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**2-D Risk Management, continued**

Liability Trust, LLC and the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member towns and cities.

The Local Government Center Property-Liability Trust, LLC is a trust organized to provide certain property and liability insurance coverages to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the City shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability and public officials' liability subject to a \$1,000 deductible.

Property/Liability contributions paid in 2008 recorded as an insurance expenditure totaled \$81,300. There were no unpaid contributions for the year ending June 30, 2008 and due in 2009. The City also paid \$101,384 for workers' compensation for the year ended June 30, 2008. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

Settled claims, if any, have not exceeded the City's coverage in any of the past five years.

**2-E Contingent Liabilities**

Grants – Amounts received are subject to later year's review and adjustment by grantor agencies, principally federal and state governments. At such time, any disallowed claims, including amounts already collected, may constitute a liability of the City and applicable funds. At June 30, 2008, the City believes that disallowed expenditures, if any, based on subsequent review will not have a material effect on any individual funds or the overall financial position of the City.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS**

**3-A Investment Risks**

**Repurchase Agreement**

Included in the City's cash equivalents at June 30, 2008, is a short-term investment in a repurchase agreement issued by a local banking institution. Under this agreement, the City will be repaid principal plus interest on a specified date which is subsequent to year-end. The agreement is guaranteed/collateralized with securities held by the banking institution which equal the amount of the agreement. To the extent that the banking institution may default on its commitment to this obligation, the City is at risk of economic loss. Management considers this exposure to be minimal. At June 30, 2008, the City held an investment in the following repurchase agreement:

<u>Amount</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Underlying Securities</u>	<u>Market Value</u>
\$4,074,704	1.87%	7/1/08	FNMA	\$4,560,287

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**3-A Investment Risks, continued**

**Investments**

As of June 30, 2008, the City had the following investments:

Certificate of deposit	\$ 50,291
Mutual/Bond Funds	2,394,533
Common stocks	303,519
New Hampshire Public Deposit Investment Pool	<u>1,153,324</u>
Total	<u>\$3,901,667</u>

*Interest Rate Risk* - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - State law limits investments to those described in Note 1-E-1. The City has no investment policy that would further limit its investment choices.

*Custodial Credit Risk* - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) 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 \$3,901,667 in investments, \$303,519 is subject to custodial credit risk because the securities are held by the counter party's trust department or agent, not in the City's name. The City does not have policies for custodial credit risk.

**3-B Taxes Receivable**

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2007, upon which the 2008 property tax levy was based is:

For the New Hampshire education tax	\$593,610,790
For all other taxes	\$621,720,590

The City subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the City's tax rate for the fiscal year.

In connection with the setting of the tax rate, City officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the City include taxes levied for the State of New Hampshire and Merrimack County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the City.

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**3-B Taxes Receivable, continued**

The tax rates and amounts assessed for the year ended June 30, 2008, were as follows:

	<u>Per \$1000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$8.45	\$ 5,252,066
School portion:		
State of New Hampshire	\$2.33	1,384,858
Local	\$4.88	3,030,947
County portion	\$2.38	<u>1,482,472</u>
Total		<u>\$11,150,343</u>

During the current fiscal year, the tax collector executed a lien on April 17, 2008 for all uncollected 2007/2008 property taxes, \$377,230.

Taxes receivable at June 30, 2008, are as follows:

<b>Property:</b>		
Levy of 2008		\$2,237,230
Unredeemed (under tax lien):		
Levy of 2008		288,706
Levy of 2007		116,889
Interest & Penalties		1,772
Utility		15,809
Payment in Lieu of Taxes		11,274
Less: allowance for estimated uncollectible taxes		<u>(25,644)</u>
Net taxes receivable		<u>\$2,646,036</u>

**3-C Other Receivables**

Other receivables at June 30, 2008, consisted of accounts (billings for water, sewer, police details, ambulance, transfer station, and other user charges), and intergovernmental amounts arising from grants.

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectibility.

Amounts receivable at June 30, 2008 are as follows:

	Governmental	Proprietary
Accounts	\$ 433,784	\$514,586
Intergovernmental	-	151,183
Voluntary liens	35,655	-
Less: allowance for uncollectible or unavailable amount	(83,694)	(2,753)
Net receivables	\$385,745	\$663,016

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**3-D Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance, Beginning	Changes	Balance, Ending
<b>Governmental activities:</b>			
At cost:			
Not being depreciated:			
Monuments	61,000	-	61,000
Land	996,297	(90,491)	905,806
Construction in progress	2,137,242	(1,648,510)	488,732
Total not being depreciated	3,194,539	(1,739,001)	1,455,538
Being depreciated:			
Land improvements	181,785	-	181,785
Buildings	19,156,509	3,175,137	22,331,646
Machinery and equipment	4,498,205	310,297	4,808,502
Infrastructure	648,784	550,334	1,199,118
Total capital assets being depreciated	24,485,284	4,035,768	28,521,051
Total all capital assets	27,679,823	2,296,767	29,976,589
Less accumulated depreciation:			
Land improvements	(5,454)	(762)	(6,216)
Buildings	(7,604,444)	(540,010)	(8,144,454)
Machinery and equipment	(2,340,593)	(277,270)	(2,617,863)
Infrastructure	(35,183)	(47,327)	(82,510)
Total accumulated depreciation	(9,985,674)	(865,369)	10,851,043
Net book value, all capital assets	17,694,149	1,431,398	19,125,546
<b>Business-type activities:</b>			
At cost:			
Not being depreciated:			
Land	34,399	-	34,399
Construction in progress	37,950	(37,950)	-
Total not being depreciated	72,349	(37,950)	34,399
Being depreciated:			
Buildings	111,209	-	111,209
Machinery and equipment	338,417	173,423	511,840
Infrastructure	11,742,575	68,939	11,811,514
Total capital assets being depreciated	12,192,201	242,362	12,434,563
Total all capital assets	12,264,550	204,412	12,468,962
Less accumulated depreciation:			
Buildings	(3,900)	(5,587)	(9,488)
Machinery and equipment	(166,248)	34,623	(131,625)
Infrastructure	(2,884,364)	(180,395)	(3,064,759)
Total accumulated depreciation	(3,054,512)	(151,359)	(3,205,872)
Net book value, all capital assets	9,210,038	53,053	9,263,090

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
**As Of And For The Fiscal Year Ended**  
**June 30, 2008**

**3-D Capital Assets, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
School	\$ 477,786
General government	31,410
Public safety	190,246
Highways and streets	165,930
Sanitation	3,484
Culture and recreation	<u>37,620</u>
Total depreciation expense – governmental activities	<u>\$ 906,476</u>
Business-type activities:	
Water	\$ 187,443
Sewer	<u>33,925</u>
Total depreciation expense – business-type activities	<u>\$ 221,368</u>

**3-E Prepaid Items**

Prepaid items at June 30, 2008, totaling \$97,536, consisted of software maintenance (\$14,759), dues (\$7,624), worker's compensation premiums (\$70,660), office supplies (\$1,377), subscriptions (\$406), conferences (\$1,738), police medical (\$598) and vendor credit balance (\$375) paid in the current period to benefit the following fiscal year.

*City of Franklin, New Hampshire  
Notes To The Basic Financial Statements  
As Of And For The Fiscal Year Ended  
June 30, 2008*

**3-F Interfund Balances and Transfers**

Interfund balances at June 30, 2008 consist of interfund loans, services provided, reimbursements or budgetary transfers. The composition of interfund balances as of June 30, 2008 is as follows:

Fund	Due From	Due To
<b>Governmental:</b>		
<b>General</b>	\$161,017	\$659,473
<b>Special Revenue</b>		
CDBG	-	386
Parks & Recreation	1,197	-
Outside Details	5,105	-
Library	-	-
Conservation	6,312	-
DARE	-	3,297
Drug Forfeiture	357	-
Heritage	495	-
Expendable Trusts	-	-
School Food Service	31,019	-
<b>Permanent</b>		
Odell	-	2,000
<b>Capital</b>		
Paul Smith Renovations	96,588	-
Capital Reserve	402,560	252,051
<b>Proprietary:</b>		
<b>Enterprise</b>		
Water	266,495	-
Sewer	76,396	102,368
<b>Internal Services</b>		
Fuel Depot	-	25,357
<b>Agency:</b>		
Engineering Escrow	-	2,608
<b>Totals</b>	<u>\$1,047,541</u>	<u>\$1,047,541</u>

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
**As Of And For The Fiscal Year Ended**  
**June 30, 2008**

**3-F Interfund Balances and Transfers, continued**

Interfund transfers during the year were comprised of the following:

Fund	Trf In	Trf Out
<b>Governmental:</b>		
General Fund	\$2,658,936	\$3,423,926
<b>Special Revenue Funds:</b>		
Library	315,953	-
Conservation	400	-
DARE	500	-
Heritage	400	-
<b>Permanent Funds:</b>		
Library Buswell	-	16,569
Other Library	-	6,688
Odell	-	2,000
Capital Reserve Funds	633,000	815,337
<b>Capital</b>		
Paul Smith Renovations	403,280	-
<b>Proprietary:</b>		
<b>Enterprise</b>		
Water	175,654	-
Sewer	76,396	-
<b>Totals</b>	<b>\$4,264,519</b>	<b>\$4,264,519</b>

**3-G Deferred/Unearned Revenue**

Governmental Funds - Deferred/unearned revenue of \$6,030,985 at June 30, 2008 largely consists of property taxes levied but not due until the subsequent year (\$5,598,309) and property taxes not expected to be collected within 60 days of June 30, 2008 (\$381,862). In addition, \$39,283 related to recreation program fees collected in advance; \$11,530 related to student meal money collected in advance of the meals being served.

Proprietary Funds – Water department unearned revenue at June 30, 2008 of \$334 represents water rents collected in advance of water bills. Sewer department unearned revenue at June 30, 2008 of \$151,459 represents sewer rents collected in advance of the sewer bills (\$276) and amount due from State revolving fund to partially fund loan payments (\$151,183).

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
**As Of And For The Fiscal Year Ended**  
**June 30, 2008**

**3-H Long-Term Liabilities**

Changes in the City's long-term obligations during the year ended June 30, 2008, consisted of the following:

	<u>Balances, beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances, ending</u>
Governmental activities:				
General obligation bonds	\$8,696,400	\$ -	\$(1,053,225)	\$7,643,175
Compensated absences	456,019	12,590	(253,198)	215,411
Accrued landfill post closure care costs	<u>257,105</u>		<u>(10,638)</u>	<u>246,467</u>
Totals	<u>\$9,409,524</u>	<u>\$ 12,590</u>	<u>\$ (1,317,061)</u>	<u>\$8,105,053</u>
Business-type activities:				
General obligation bonds/notes	\$ 1,547,952	\$ -	\$ (167,040)	\$1,380,912
Compensated absences	<u>43,275</u>	<u>-</u>	<u>(35,393)</u>	<u>7,882</u>
Totals	<u>\$ 1,591,227</u>	<u>\$ -</u>	<u>\$ (202,433)</u>	<u>\$1,388,794</u>

Long-term liabilities payable are comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2008</u>	<u>Current Portion</u>
Governmental activities:						
General obligation bonds payable:						
Refunding	\$8,088,610	1993	2010	2.5-5.4	\$ 515,280	\$ 346,560
Bridge Project	1,300,000	1994	2015	4.7-7.0	455,000	65,000
Police Station	1,000,000	1998	2018	4.7-5.3	500,000	50,000
Aerial Apparatus	295,000	1999	2009	3.9-4.75	25,000	25,000
Courthouse	1,000,000	1999	2018	4.7-5.3	500,000	50,000
School Renovation	366,430	2000	2009	3.9-4.75	35,000	35,000
School Renovation	593,589	2000	2009	3.9-4.75	55,000	55,000
School Renovation	5,010,386	2001	2020	4.5-5.25	3,000,000	250,000
School Renovation	2,700,000	2006	2026	4.29	2,557,895	142,105
Total general obligation bonds payable					\$7,643,175	\$1,018,665
Compensated absences payable					215,411	215,411
Accrued landfill post closure care costs					246,467	10,681
Total governmental activities					<u>\$8,105,053</u>	<u>\$1,244,757</u>

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
**As Of And For The Fiscal Year Ended**  
**June 30, 2008**

**3-H Long-Term Liabilities, continued**

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2008	Current Portion
Business-type activities:						
Bonds/notes payable:						
Water/Sewer	\$1,000,000	1991	2014	Variable	\$ 300,000	\$ 50,000
FMHA Water	1,100,000	1991	2015	5.875	275,000	55,000
Refunding	856,390	1993	2010	2.5-5.4	49,720	33,440
Sewer Revolving Loan	784,061	2006	2026	3.352	756,192	29,104
Total general obligation bonds/notes payable					\$1,380,912	\$ 167,544
Compensated absences payable					7,882	7,882
Total business-type activities					<u>\$1,388,794</u>	<u>\$ 175,426</u>

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2008, including interest payments, are as follows:

*Annual Requirements To Amortize Governmental Funds' General Obligation Bonds Payable:*

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	1,018,667	354,396	1,373,063
2010	725,826	310,248	1,036,084
2011	557,106	277,572	834,678
2012	557,106	249,353	806,459
2013	557,105	221,032	778,137
2014-2018	2,590,526	696,877	3,287,403
2019-2023	1,210,526	201,519	1,412,045
2024-2026	426,316	32,005	458,321
<b>Totals</b>	<u>\$7,643,175</u>	<u>\$2,343,003</u>	<u>\$ 9,986,178</u>

*Annual Requirements To Amortize Proprietary Funds' General Obligation Bonds Payable:*

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 167,040	\$ 42,535	\$ 209,575
2009	167,544	55,697	223,241
2010	151,359	47,808	199,166
2011	136,088	40,671	176,759
2012	137,130	33,900	171,030
2013	138,207	27,067	165,274
2014-2018	233,495	90,230	323,725
2019-2023	216,381	55,876	272,257
2024-2027	200,709	17,096	217,805
<b>Totals</b>	<u>\$1,380,912</u>	<u>\$368,345</u>	<u>\$1,749,257</u>

All debt is general obligation debt of the City, which is backed by its full faith and credit. Proprietary fund debt will be funded through user fees. All other debt will be repaid from general governmental revenues.

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
**As Of And For The Fiscal Year Ended**  
**June 30, 2008**

**3-H Long-Term Liabilities, continued**

**Accrued Landfill Post closure Care Costs**

As required by state and federal laws and regulations, the City has constructed a final capping system on the River Street Landfill and completes annual ground water sampling and post closure reports. The Landfill stopped accepting waste in 1984 and the final capping system was completed in 1985. Remaining post closure care liability estimate of \$246,468 is reflected in the City's Government Wide Statement of Net Assets under governmental activities. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

**3-I State Aid to Water Pollution Projects**

The City received from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

<u>Bond Issue</u>	<u>Amount</u>
Sewer Revolving Loan	\$750,373

Under N.H. RSA Chapter 486, the City receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2008, the City is due to receive the following annual amounts to offset debt payments:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Amount</u>
2009	5,819
2010	6,014
2011	6,215
2012	6,424
2013	6,639
2014-2027	<u>120,072</u>
Total	<u>\$151,183</u>

**3-J Operating Leases**

The City has entered into operating leases for the use of photocopiers. These leases are cancellable in the event of non-appropriation.

**3-K Restatement of Equity**

Fund equity at July 1, 2006, was restated to give retroactive effect to the following prior period adjustment:

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Business</u> <u>Activities</u> <u>Government-</u> <u>Wide</u>	<u>Governmental</u> <u>Activities</u> <u>Government-</u> <u>Wide</u>
Adjustments:				
To recognize revenue for water/sewer billed after year end	\$ 80,246	\$ 61,663	\$ 141,910	
To eliminate school land recorded in city fixed asset program and school fixed asset program		-	-	\$ (90,493)
Retained earnings/net assets, as previously stated	<u>6,159,552</u>	<u>1,659,691</u>	<u>7,819,242</u>	<u>22,102,549</u>
Retained earnings/net assets, as restated	<u>\$ 6,239,798</u>	<u>\$ 1,721,354</u>	<u>\$7,961,152</u>	<u>\$22,012,056</u>

*City of Franklin, New Hampshire  
Notes To The Basic Financial Statements  
As Of And For The Fiscal Year Ended  
June 30, 2008*

**NOTE 4 - OTHER MATTERS**

**4-A Pensions**

The City of Franklin participates in the New Hampshire Retirement System (the System) which consists of a cost-sharing, multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provisions for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the City. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For 2008, the City contributed 11.84% for police, 15.92% for fire, 5.8% for teachers and 8.74% for other employees. The contribution requirements for the City of Franklin for the fiscal years 2006, 2007, and 2008 were \$520,278, \$555,621 and 820,375, respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for teachers, police officers and firefighters employed by the City. The City funds 100% of the employer costs for other employees.

**4-B Post-Retirement Benefits**

The City provides post retirement health care benefits to all eligible employees as provided in statute. The New Hampshire Retirement System subsidizes the monthly premium for eligible retirees. If the subsidy does not fully cover the cost, the retiree is responsible for the balance. At June 30, 2008, there were 21 retirees with a single, two person or family health plan participating. Ten of these retirees were over the age of 65.

The City is required to comply with GASB Statement 45, Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, for fiscal year ending June 30, 2009. The City intends to implement this pronouncement in fiscal year 2009.

City of Franklin, New Hampshire  
Budgetary Comparison Schedule  
General Fund  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 1,099,996	\$ 1,500,840	\$ 3,186,647	\$ 1,685,807
<b>Resources (Inflows)</b>				
<b>Taxes:</b>				
Property	9,649,908	9,622,874	9,300,448	(322,426)
Other	303,960	303,960	285,718	(18,242)
Licenses, Permits & Fees	1,102,900	1,052,900	1,073,448	20,548
<b>Intergovernmental:</b>				
Shared Revenues	138,346	138,346	138,346	-
Highway Block Grant	171,107	165,248	172,428	7,180
Meals & Rooms Tax	336,176	365,816	365,816	0
Forest Land Reimbursement	134	145	139	(6)
Flood Control Reimbursement	26,059	26,059	37,968	11,909
School Aid	8,686,022	8,686,022	8,802,599	116,577
Department of Environmental Services	-	-	2,500	2,500
Office of Emergency Management	-	-	5,663	5,663
<b>Charges for Services:</b>				
City Clerk/Tax Collector	30,500	30,500	31,154	654
Fire	202,300	202,300	231,980	29,680
Municipal Services	231,900	231,900	213,873	(18,027)
Planning & Zoning	44,500	44,500	10,431	(34,069)
Police	54,600	54,600	54,386	(214)
Recreation	45,650	45,650	46,233	583
School	222,358	284,100	221,726	(62,374)
Welfare	14,000	14,000	22,233	8,233
Interest	186,500	203,000	161,425	(41,576)
Sale of Municipal Property	10,000	10,000	3,136	(6,864)
Other	207,239	207,239	280,634	73,395
Transfers from Other Funds	2,526,929	2,673,929	2,658,936	(14,993)
Amounts Available for Appropriation	25,291,084	25,863,928	27,307,865	1,443,937
<b>Charges to Appropriations (Outflows)</b>				
<b>General Government:</b>				
Executive	669,141	105,248	159,055	(53,807)
Election, Registration & Vital Statistics	82,253	94,793	172,316	(77,523)
Financial Administration	476,250	497,294	375,718	121,576
Planning & Zoning	129,456	126,124	111,524	14,599
Insurance, Legal & Personnel Expenses	428,231	397,619	401,084	(3,465)
Buildings	205,395	206,164	86,437	119,727
Other	25,488	24,027	23,073	954
<b>Public Safety:</b>				
Police	1,735,903	1,859,666	1,756,532	103,133
Fire, Ambulance, Emergency Management	1,497,842	1,641,403	1,618,979	22,425
<b>Municipal Services:</b>				
Highways, Streets & Bridges	1,503,865	1,875,681	1,554,380	321,301
Solid Waste	625,835	615,567	614,922	644
Health Agencies & Hospitals	91,948	91,948	91,948	-
Welfare	120,995	167,533	168,054	(521)
<b>Culture &amp; Recreation:</b>				
Parks & Recreation	185,569	203,810	256,963	(53,153)
Economic Development	77,000	77,000	77,000	-
Other	9,000	9,000	9,000	-
Capital Outlay	418,437	400,854	386,241	14,613
<b>Debt Service:</b>				
Principle	1,053,226	1,053,226	1,053,225	1
Interest	406,114	406,114	402,126	3,988
Other	825	825	825	-
School	12,270,323	12,558,943	12,569,399	(10,456)
Transfers to Other Funds	3,277,988	3,451,089	3,423,926	27,163
Total Charges to Appropriations	25,291,084	25,863,928	25,812,728	551,200
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 1,995,137	\$ 1,995,137

City of Franklin, New Hampshire  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2008

	Franklin Public Library	School Food Service	CDBG Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts	Parks and Recreation	Outside Detail	Total Special Revenue Funds
<b>ASSETS</b>											
Assets											
Cash and equivalents	\$ 76,956	\$ 4,690	\$ -	\$ -	\$ 13,129	\$ 4,393	\$ -	\$ 71,057	\$ -	\$ -	\$ 170,224
Investments	5,429	-	-	7,109	-	-	5,980	135,697	-	-	154,214
Receivables, net of allowances for uncollectables	-	66,374	386	-	-	-	-	-	7,359	-	74,119
Interfund receivable	-	31,019	-	6,312	357	-	495	-	1,197	5,105	44,484
Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	14,777	-	-	-	-	-	-	-	-	14,777
<b>Total assets</b>	<b>82,385</b>	<b>116,860</b>	<b>386</b>	<b>13,421</b>	<b>13,485</b>	<b>4,393</b>	<b>6,474</b>	<b>206,754</b>	<b>8,555</b>	<b>5,105</b>	<b>457,819</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Classified Liabilities											
Accounts payable	1,388	275	-	250	-	-	-	-	-	-	1,913
Contracts payable	-	-	-	-	-	-	-	-	-	-	-
Accrued payroll & benefits	3,673	104	-	-	-	-	-	-	431	-	4,207
Intergovernmental payable	-	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	386	-	-	3,297	-	-	-	-	3,684
Deferred Revenue	-	11,530	-	-	-	-	-	-	-	-	11,530
<b>Total liabilities</b>	<b>5,060</b>	<b>11,909</b>	<b>386</b>	<b>250</b>	<b>-</b>	<b>3,297</b>	<b>-</b>	<b>-</b>	<b>431</b>	<b>-</b>	<b>21,334</b>
Fund balances:											
Reserved for inventory	-	6,370	-	-	-	-	-	-	-	-	6,370
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-
Reserved for special purposes	-	-	-	-	-	-	-	206,754	-	-	206,754
Unreserved, undesignated, reported in:											
Special revenue funds	77,324	98,581	-	13,171	13,485	1,096	6,474	-	8,125	5,105	223,361
<b>Total fund balances</b>	<b>77,324</b>	<b>104,951</b>	<b>-</b>	<b>13,171</b>	<b>13,485</b>	<b>1,096</b>	<b>6,474</b>	<b>206,754</b>	<b>8,125</b>	<b>5,105</b>	<b>436,485</b>
<b>Total liabilities and fund balances</b>	<b>\$ 82,385</b>	<b>\$ 116,860</b>	<b>\$ 386</b>	<b>\$ 13,421</b>	<b>\$ 13,485</b>	<b>\$ 4,393</b>	<b>\$ 6,474</b>	<b>\$ 206,754</b>	<b>\$ 8,555</b>	<b>\$ 5,105</b>	<b>\$ 457,819</b>

City of Franklin, New Hampshire  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2008

	Franklin Public Library	School Food Service	CDBG Grant Fund	Conservation Commission	Drug Forfeiture	Dare Fund	Heritage Commission	Expendable Trusts	Parks and Recreation	Outside Police Details	Total Special Revenue Funds
<b>Revenues</b>											
Revenues Gov Funds											
Intergovernmental	\$ -	\$ 352,064	\$ 350,005	\$ -	\$ 357	\$ -	\$ -	\$ -	\$ 27,000	\$ 1,519	\$ 730,945
Charges for Services	9,333	222,552	-	-	-	-	-	-	10,275	4,084	246,243
Interest/Dividends	1,898	664	-	280	46	13	236	17,382	-	-	20,519
Change in Fair Market	-	-	-	-	-	-	-	(57,123)	-	-	(57,123)
Miscellaneous	-	-	-	-	-	500	-	1,630	4,659	-	6,789
<b>Total revenues</b>	<b>11,230</b>	<b>575,280</b>	<b>350,005</b>	<b>280</b>	<b>403</b>	<b>513</b>	<b>236</b>	<b>(38,111)</b>	<b>41,934</b>	<b>5,603</b>	<b>947,373</b>
<b>Expenditures</b>											
Public Safety	-	-	-	-	-	2,190	-	4,764	-	3,612	10,566
Culture and recreation	337,170	-	-	-	-	-	-	-	40,818	-	377,988
Conservation	-	-	-	3,924	-	-	567	-	-	-	4,491
School	-	528,556	-	-	-	-	-	-	-	-	528,556
Capital Outlay	-	-	350,005	-	-	-	-	-	-	-	350,005
<b>Total expenditures</b>	<b>337,170</b>	<b>528,556</b>	<b>350,005</b>	<b>3,924</b>	<b>-</b>	<b>2,190</b>	<b>567</b>	<b>4,764</b>	<b>40,818</b>	<b>3,612</b>	<b>1,271,606</b>
Excess (deficiency) of revenues over (under) expenditures	(325,940)	46,724	-	(3,643)	403	(1,676)	(331)	(42,875)	1,116	1,991	(324,233)
<b>Other financing sources (uses):</b>											
Transfers in	315,953	-	-	400	-	500	400	-	-	-	317,253
Transfers Out	-	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>315,953</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>-</b>	<b>500</b>	<b>400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>317,253</b>
Net change in fund balances	(9,987)	46,724	-	(3,243)	403	(1,176)	69	(42,875)	1,116	1,991	(6,980)
Fund balances, beginning	87,311	58,227	-	16,414	13,082	2,272	6,406	249,629	7,009	3,115	443,465
<b>Fund balances, ending</b>	<b>\$ 77,324</b>	<b>\$ 104,951</b>	<b>\$ -</b>	<b>\$ 13,171</b>	<b>\$ 13,485</b>	<b>\$ 1,096</b>	<b>\$ 6,474</b>	<b>\$ 206,754</b>	<b>\$ 8,125</b>	<b>\$ 5,105</b>	<b>\$ 436,485</b>

City of Franklin, New Hampshire  
Combining Balance Sheet  
Nonmajor Permanent Funds  
June 30, 2008

	Odell Park	Other Misc Funds	Library Buswell Trust	Other Library Trusts	Total Permanent Funds
<b>ASSETS</b>					
Assets					
Investments	\$ 146,742	\$ 607,329	\$ 770,153	\$ 287,571	\$ 1,811,795
Total Assets	<u>146,742</u>	<u>607,329</u>	<u>770,153</u>	<u>287,571</u>	<u>1,811,795</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Classified Liabilities					
Accounts payable	-	560,022	-	-	560,022
Due to other funds	2,000	-	-	-	2,000
Total Liabilities	<u>2,000</u>	<u>560,022</u>	<u>-</u>	<u>-</u>	<u>562,022</u>
Fund balances:					
Reserved for special purposes	144,742	47,307	770,153	287,571	1,249,773
Unreserved, undesignated, reported in:					
Permanent Funds	-	-	-	-	-
Total fund balances	<u>144,742</u>	<u>47,307</u>	<u>770,153</u>	<u>287,571</u>	<u>1,249,773</u>
Total liabilities and fund balances	<u>\$ 146,742</u>	<u>\$ 607,329</u>	<u>\$ 770,153</u>	<u>\$ 287,571</u>	<u>\$ 1,811,795</u>

City of Franklin, New Hampshire  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Permanent Funds  
For the Fiscal Year Ended June 30, 2008

	Odell Park	Other Misc Funds	Library Buswell Trust	Other Library Trusts	Total Permanent Funds
<b>Revenues</b>					
Revenues Gov Funds					
Interest/Dividends	\$ 10,212	\$ 3,173	\$ 29,293	\$ 21,487	\$ 64,165
Change in Fair Value	(11,485)	(3,875)	(71,495)	(24,928)	(111,783)
Miscellaneous	-	-	113	-	113
Total revenues	<u>(1,273)</u>	<u>(702)</u>	<u>(42,090)</u>	<u>(3,440)</u>	<u>(47,505)</u>
<b>Expenditures:</b>					
Functional Expenditures					
General government	-	-	10,157	-	10,157
Total expenditures	<u>-</u>	<u>-</u>	<u>10,157</u>	<u>-</u>	<u>10,157</u>
Excess of revenues over expenditures	<u>(1,273)</u>	<u>(702)</u>	<u>(52,247)</u>	<u>(3,440)</u>	<u>(57,662)</u>
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	(2,000)	-	(16,569)	(6,688)	(25,257)
Total other financing sources (uses)	<u>(2,000)</u>	<u>-</u>	<u>(16,569)</u>	<u>(6,688)</u>	<u>(25,257)</u>
Net change in fund balances	(3,273)	(702)	(68,815)	(10,128)	(82,918)
Fund balances, beginning	148,015	48,009	838,968	297,699	1,332,691
Fund balances, ending	<u>\$ 144,742</u>	<u>\$ 47,307</u>	<u>\$ 770,153</u>	<u>\$ 287,571</u>	<u>\$ 1,249,773</u>