

CITY OF FRANKLIN

FINANCIAL STATEMENTS

JUNE 30, 2009



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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, 2009, 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 did not audit the financial statements of the Franklin School Department, which represents 31%, 23%, and 67%, respectively, of the assets, net assets, and revenues of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates the the amounts included for the Franklin School Department is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and the report of other auditors provides a reasonable basis for our opinions.

Management has not adopted GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), and accordingly has not reported the related liability and expense on the government-wide financial statements nor has the required

supplementary information, *Schedule of Funding Progress*, been included in these statements. Accounting principles generally accepted in the United States of America require that the OPEB liability be reported which would increase liabilities and expenses and decrease net assets and change the expenses in the government-wide financial statements. The amount by which this departure would affect the liabilities and expenses, and net assets and revenues of the government-wide financial statements has not been determined. The City of Franklin has included the estimated liability for the next fiscal year, but the Franklin School Department has not.

In our opinion, except for the effects of not adopting GASB No. 45, the financial statements described 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, 2009, 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.

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 black ink that reads "Robbin G. Grill, CPA, PC". The signature is written in a cursive style.

Concord, New Hampshire
March 2, 2010

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

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, 2009. 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 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 \$21.9 million (\$7.4 million unrestricted) and total net assets for business like activities were \$9.1 million (\$744k unrestricted).
- As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of \$3.3 million, a decrease of \$1.2 million from the prior year. Of the combined ending fund balances, \$1.3 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 \$1.07 million, or 5 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 2009 and \$31 million at the close of fiscal year 2008. Governmental activities assets exceeded liabilities by \$21.9 million and \$22.3 million at the close of fiscal years 2009 and 2008, respectively.

The largest portion of the City of Franklin’s net assets (68%) 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	10,967	12,925	983	946	11,950	13,871
Capital assets	19,007	19,126	9,549	9,263	28,556	28,389
Total assets	29,974	32,051	10,532	10,209	40,506	42,260
Current liabilities	1,930	1,624	227	241	2,157	1,864
Long term liabilities outstanding	6,146	8,105	1,223	1,388	7,369	9,494
Total liabilities	8,076	9,729	1,450	1,629	9,526	11,358
Net Assets:						
Invested in capital assets, net of related debt	12,715	11,969	8,338	7,882	21,053	19,852
Restricted	1,784	2,352			1,784	2,352
Unrestricted	7,399	8,001	744	698	8,143	8,698
Total net assets	21,898	22,322	9,082	8,580	30,980	30,902

An additional portion of the City of Franklin's net assets (5.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$8.1 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)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program Revenue:						
Charges for Services	816	998	2,249	2,131	3,065	3,129
Operating Grants and Contributions	8,927	360	11	-	8,938	360
Capital Grants and Contributions	337	397	9	-	346	397
General Revenues:						
Property Taxes	9,442	9,862	-	-	9,442	9,862
Other Taxes	267	54	-	-	267	54
Licenses and Permits	1,011	1,218	-	-	1,011	1,218
Grants and Contributions not restricted to specific programs	757	9,498	-	-	757	9,498
Interest Earnings	-233	117	-	-	-233	117
Miscellaneous	620	431	-	-	620	431
Total Revenues	<u>21,944</u>	<u>22,935</u>	<u>2,269</u>	<u>2,131</u>	<u>24,213</u>	<u>25,066</u>
Expenses						
Functional Expenditures:						
General Government	1,462	1,468	-	-	1,462	1,468
Public Safety	3,363	3,390	-	-	3,363	3,390
Highway and Streets	1,436	1,471	-	-	1,436	1,471
Sanitation	641	600	-	-	641	600
Health	90	92	-	-	90	92
Welfare	144	169	-	-	144	169
Culture and Recreation	771	608	-	-	771	608
Conservation	3	4	-	-	3	4
Economic Development	77	77	-	-	77	77
School	14,000	13,857	-	-	14,000	13,857
Debt Service	339	389	-	-	339	389
Capital Outlay	34	247	-	-	34	247
Proprietary Activities	-	-	1,769	1,775	1,769	1,775
Total Expenses	<u>22,360</u>	<u>22,372</u>	<u>1,769</u>	<u>1,775</u>	<u>24,129</u>	<u>24,147</u>
Change in net assets before transfers	-419	562	500	356	81	919
Transfers	-11	-252	3	252	-8	-
Increase (Decrease) in net assets	-430	310	503	608	73	919
Net Assets, Beginning	<u>22,328</u>	<u>22,012</u>	<u>8,579</u>	<u>7,961</u>	<u>30,907</u>	<u>29,973</u>
Net Assets, Ending	<u>21,898</u>	<u>22,322</u>	<u>9,082</u>	<u>8,569</u>	<u>30,980</u>	<u>30,891</u>

Governmental activities. Governmental activities decreased the City of Franklin's net assets by \$429,586, which offset 85% of the business type activities increase in the government's net assets.

Business-type activities. Business-type activities increased the City of Franklin's net assets by \$502,836, accounting for the increase 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 \$3.3 million, a decrease of \$1.2 million over the prior year. Of the combined ending fund balances, \$1.3 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 (\$134,023), 2) legally restricted for permanent fund and capital purchase purposes (\$1,784,469), or 4) for a variety of other restricted purposes (\$63,188).

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 \$1.07 million, while total fund balance reached \$1.36 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 5 percent of total general fund expenditures, while total fund balance represents 6.1 percent of that same amount.

The fund balance of the City of Franklin's general fund decreased by \$454,214 during the current fiscal year. Key factor in this decline was a tax rate setting error which resulted in approximately \$449k less in tax revenue assessed. The City chose not to send out supplemental tax bills correcting this error. In addition, a spending freeze was initiated by the City Manager in March to offset the effect on fund balance resulting from deficiency in revenues to budget.

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 \$744,009. The total growth in net assets was \$502,836. 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 (\$715,431 increase in appropriations) and can be briefly summarized as follows:

- \$18,285 for retirement payout, allocated to fire department
- \$4,841 for highway safety, allocated to police department
- \$472,250 for capital improvements, allocated to the police, fire, municipal services and general government

- \$134,583 for Griffin Beach runoff and sedimentation remediation project, allocated to municipal services
- \$70,433 transfer to capital reserve fund, allocated to fire department
- \$14,339 for December 2008 ice storm, allocated to municipal services
- \$700 for staff development, allocated to fire department

Of this increase, \$82,678 was funded from miscellaneous grant sources, \$472,250 from capital reserve fund, and \$14,339 from the Federal Emergency Management Agency (FEMA). The remaining \$146,164 was budgeted from available fund balance. During the year, however, the Griffin Beach project was not completed and was reserved in the general fund for fiscal year 2010.

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, 2009, amounts to \$19,007,432 (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
- City Hall upgrades (windows, flooring, security cameras)
- 2009 Chevy Pick Up Truck
- Recorder for Dispatch
- Bobcat Skid Steer
- (2) 2009 Ford Crown Victorias
- 2009 Ford F450
- 2008 Chevy Trailblazer
- 20 ton trailer
- Horton Medium Duty Ambulance
- Generator for Municipal Services Garage
- Haynes Brook Culvert
- Chance Brook Bridge
- Upgrades to Franklin Street Parking Lot
- Life Pak 12
- Griffin Beach Parking Lot Upgrades (partially grant funded)
- 2009 Ford Explorer
- Ornamental Street Lights (mostly donated by community members and businesses)
- Gazebo (donated)
- Acme Electrical Upgrades
- Security Fence at Acme Well (grant funded)
- Water Dept Garage
- Acme Water Treatment Plant (in progress, partially grant funded)
- 2009 Ford F-550
- Sanbornton Well Upgrades

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	906	906	34	34	940	940
Monuments	61	61	-	-	61	61
Construction in Progress	552	489	147	-	699	489
Land Improvements	190	176	-	-	190	176
Buildings and Improvements	14,166	14,186	96	102	14,262	14,288
Machinery, Vehicles and Equipment	2,327	2,191	409	380	2,736	2,571
Infrastructure	1,133	1,117	8,863	8,747	9,996	9,864
Total	19,335	19,126	9,549	9,263	28,884	28,389

Long-term debt. At the end of the current fiscal year, the City of Franklin had total bonded debt outstanding of \$7,837,877. Of this amount, 100% comprises debt backed by the full faith and credit of the government; however, \$1,213,368 is attributable to the Water and Sewer proprietary funds, and \$450,000 is attributable to the District Courthouse. Of the \$1,213,368 proprietary debt, the State of New Hampshire has agreed to offset \$145,364 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 \$5,308,108. 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)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation Bond	6,624	7,643	486	625	7,110	8,268
Accrued Landfill Postclosure	235	247	-	-	235	247
Compensated Absences	221	215	14	8	235	223
Capital Leases	46	-	-	-	46	-
Other Notes	-	-	727	756	727	756
Total	7,126	8,105	1,227	1,389	8,353	9,494

The City of Franklin's net total debt decreased by \$1,140,767 (12 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 27th 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.

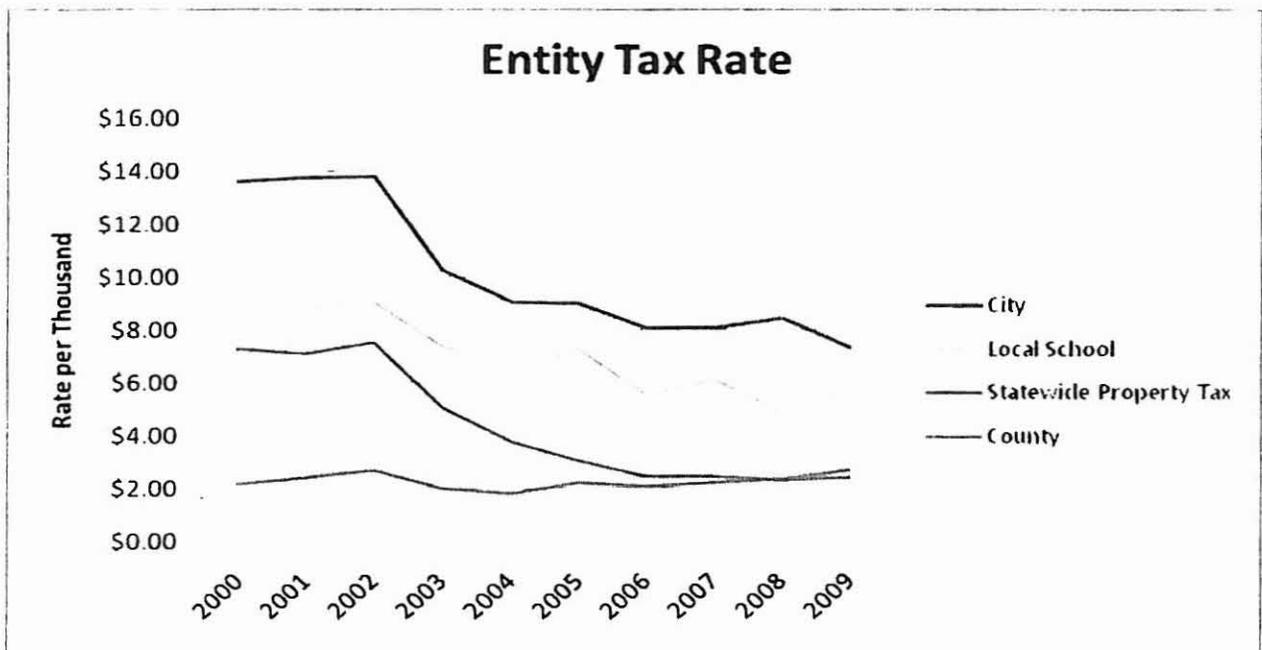
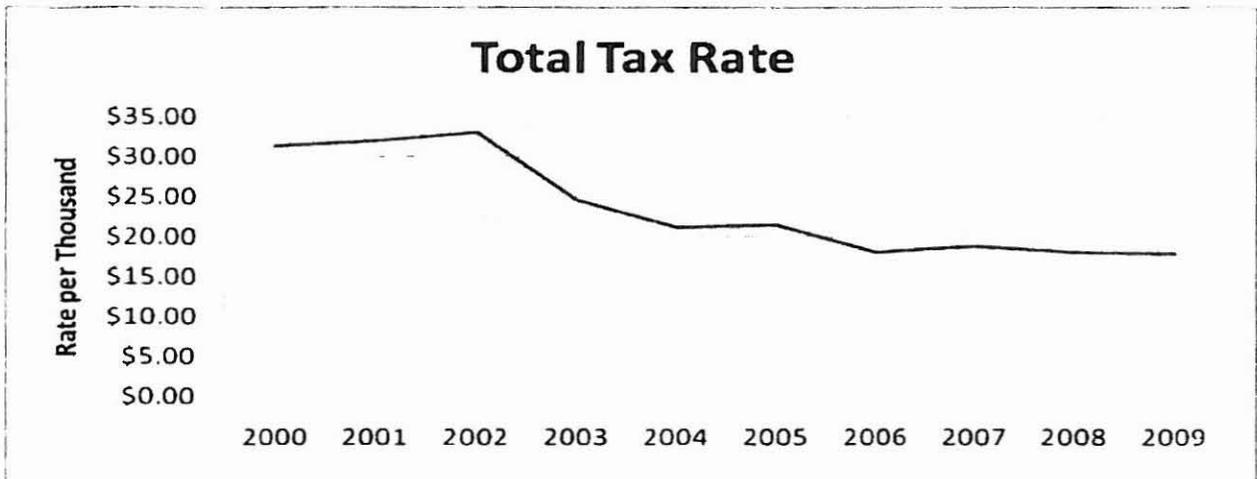
In November, 1989 the voters of the City of Franklin amended the budget procedures outlined under the city's charter §C-32 limiting the amount of taxes that can be raised to support annual operations. The formula limits the amount to be raised by the prior calendar year's Consumer Price Index (national 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

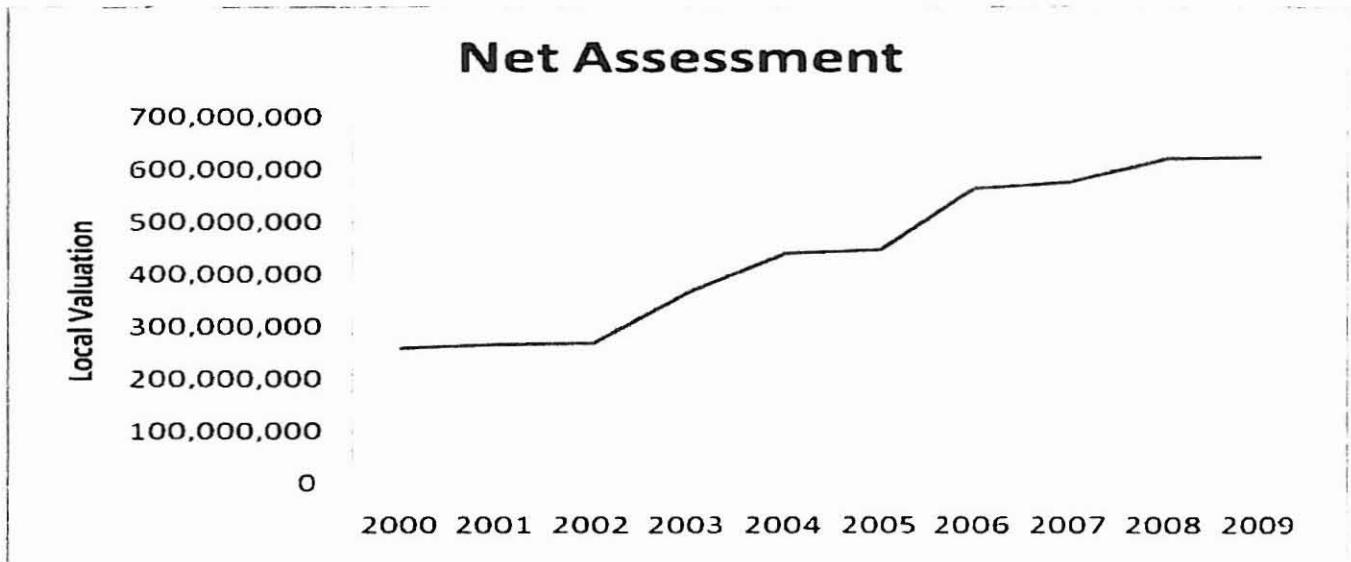
The city's tax rate is set by the New Hampshire Department of Revenue Administration. The total tax rate is comprised of a statewide education property tax assessment, Merrimack County tax assessment and the local municipal and school rates. The Franklin City Council has authority over the school and 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%
2009	\$11,018,539	0.0%

The City's net valuation, or the taxable assessment on both land and buildings used to establish the tax rate, was \$622,856,215 in fiscal year 2009. Over the prior six years, there had 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. Growth in all values was light in the current fiscal year.



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 has struggled to reinvent itself.

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 and land remains for sale and light industrial/commercial growth is mainly flat. However, CVS pharmacy is building a store front in the City of Franklin. Construction is well underway and the store is expected to open in early FY10. Freudenberg-NOK General Partnership closed its facility in Franklin during 2009, consolidating personnel and resources with its already established Bristol facility. On the other hand, Webster Valve successfully brought back manufacturing from overseas and re-established new manufacturing jobs in the City of Franklin.

As expected, residential growth has significantly decreased this year as a result of the nationwide downturn in the housing markets. However, slight growth did occur 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 experienced an increase in foreclosures along with the nationwide trend.

The City is in the design phase of its downtown revitalization plans, for which the City has received federally earmarked funding, in the newly adopted Tax Increment Financing District (TIF District).

Unemployment rates within the City have risen at a rate greater than the average State of New Hampshire rate of unemployment topping out at about 10%. The City Mayor worked with the State to open a satellite unemployment office 1 per week in the City Library.

The City is concerned the current economic downturn will have on the City's welfare budget for FY10 and expects to monitor it closely.

Water and Sewer Rates

The City has continued efforts to improve the quality and delivery of water. The City received 49% grant funding (\$3,555,000) through USDA Rural Development utilizing American Recovery & Reinvestment Act of 2009 funding for the construction of a water treatment facility that will significantly reduce the iron and manganese in the city's drinking water causing various aesthetic and mechanical issues. The city secured funding (\$3,345,000) through the state drinking water revolving fund for the remainder of the project.

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 upgrading the Sanbornton well heads.

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 2010 fiscal year.

Water rates remained constant for fiscal 2010 budget year as increases were made to support capital projects during the previous budget year as discussed in FY08 financial statements. Sewer rates were increased for the 2010 budget year by 7.36% (or \$.31 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, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Assets			
Cash and equivalents	\$ 5,692,688	\$ -	\$ 5,692,688
Investments	2,412,407	-	2,412,407
Receivables, net of allowances for uncollectables			
Taxes	1,478,107	-	1,478,107
Accounts	666,433	567,196	1,233,629
Intergovernmental receivable	467,569	145,364	612,933
Internal Balances	(217,201)	217,201	-
Prepaid Items	27,505	-	27,505
Inventory	61,558	53,444	115,002
Tax dedeed 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	551,499	146,870	698,369
Capital assets, net of accumulated depreciation			
Land improvements	189,973	-	189,973
Buildings and improvements	13,719,127	95,597	13,814,724
Machinery, equipment, and vehicles	2,446,916	409,414	2,856,329
Infrastructure	1,133,111	8,862,831	9,995,943
Total assets	<u>29,974,347</u>	<u>10,532,317</u>	<u>40,506,664</u>
LIABILITIES			
Classified Liabilities			
Accounts Payable	584,589	42,129	626,718
Accrued payroll and benefits	125,775	9,096	134,871
Contracts payable	-	-	-
Retainage payable	-	-	-
Accrued interest payable	87,583	26,399	113,981
Intergovernmental payable	52,064	-	52,064
Unearned revenues	44,963	149,150	194,112
Noncurrent liabilities:			
Due within one year:			
Bonds	725,825	128,075	853,900
Notes	-	23,285	23,285
Leases	22,316	-	22,316
Landfill postclosure care costs	11,055	-	11,055
Compensated absences	231,691	9,818	241,509
Other post employment benefits	44,159	-	44,159
Due in more than one year:			
Bonds, long term	5,898,686	365,000	6,263,686
Notes, long term	-	697,008	697,008
Leases	23,778	-	23,778
Landfill postclosure care, long term	223,610	-	223,610
Total Liabilities	<u>8,076,094</u>	<u>1,449,958</u>	<u>9,526,053</u>
NET ASSETS			
Net Assets			
Invested in capital assets, net of related debt	12,714,942	8,338,349	21,053,292
Restricted net assets	1,784,469	-	1,784,469
Unrestricted	7,398,841	744,009	8,142,850
Total net assets	<u>\$ 21,898,252</u>	<u>\$ 9,082,358</u>	<u>\$ 30,980,610</u>

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

City of Franklin, New Hampshire
Balance Sheet
Governmental Funds
June 30, 2009

	General	Capital Fund	Capital Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 5,497,709	\$ 100	\$ -	\$ 194,878	\$ 5,692,688
Investments	124,914	-	887,495	1,399,998	2,412,407
Receivables, net of allowances for uncollectables					
Taxes	1,478,107	-	-	-	1,478,107
Accounts	616,390	-	-	45,585	661,975
Intergovernmental receivable	5,101	-	-	3,750	8,851
Interfund receivable	115,651	17	-	119,588	235,256
Prepaid items	27,505	-	-	-	27,505
Inventory	33,090	-	-	2,982	36,072
Total assets	<u>\$ 7,898,468</u>	<u>\$ 117</u>	<u>\$ 887,495</u>	<u>\$ 1,766,781</u>	<u>\$ 10,552,861</u>
LIABILITIES AND FUND BALANCES					
Classified Liabilities					
Accounts payable	\$ 210,974	\$ -	\$ 361	\$ 372,972	\$ 584,307
Accrued payroll and benefits	120,599	-	-	5,176	125,775
Contracts payable	-	-	-	-	-
Retainage payable	-	-	-	-	-
Intergovernmental payable	52,064	-	-	-	52,064
Interfund payable	161,587	-	304,182	3,850	469,619
Deferred revenues	5,989,257	-	-	11,530	6,000,787
Total liabilities	<u>6,534,481</u>	<u>-</u>	<u>304,543</u>	<u>393,529</u>	<u>7,232,552</u>
Fund balances:					
Reserved for prepaid items	27,505	-	-	-	27,505
Reserved for inventory	33,090	-	-	2,593	35,683
Reserved for encumbrances	134,023	-	-	-	134,023
Reserved for special purposes	99,400	-	582,952	1,102,116	1,784,469
Unreserved, undesignated, reported in:					
General fund	1,069,969	-	-	-	1,069,969
Special revenue funds	-	-	-	268,543	268,543
Capital projects funds	-	117	-	-	117
Total fund balances	<u>1,363,987</u>	<u>117</u>	<u>582,952</u>	<u>1,373,252</u>	<u>3,320,309</u>
Total liabilities and fund balances	<u>\$ 7,898,468</u>	<u>\$ 117</u>	<u>\$ 887,495</u>	<u>\$ 1,766,781</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation. 19,007,432

Certain long term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:

Tax Deeded Property 377,849
Receivables from other governments 458,719

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. 46,823

Certain long term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:

Accrued interest payable (87,583)
Due to other governments -
Capital lease obligations payable (46,094)
General obligation bonds payable (6,624,512)
Landfill postclosure Costs (234,665)
Accrued compensated absences (231,691)
Other post employment benefits (44,159)
Deferred revenue 5,955,824

Net assets of governmental activities

(1,312,879)
\$ 21,898,252

City of Franklin, New Hampshire
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Paul Smith School Renovations	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 9,728,135	\$ -	\$ -	\$ -	\$ 9,728,135
Licenses and Permits	1,011,002	-	-	-	1,011,002
Intergovernmental	9,673,374	-	-	427,259	10,100,634
Charges for Services	544,325	-	-	271,222	815,547
Miscellaneous	616,162	-	-	8,361	624,523
Interest	69,151	-	11,632	33,006	113,789
Change in fair market value	-	-	-	(346,765)	(346,765)
Total Revenues	21,642,149	-	11,632	393,083	22,046,865
Expenditures:					
General Government	1,244,937	-	-	10,041	1,254,978
Public Safety	3,550,208	-	-	28,817	3,579,026
Highways and Streets	1,308,204	-	-	-	1,308,204
Sanitation	634,049	-	-	-	634,049
Health	89,853	-	-	-	89,853
Welfare	140,240	-	-	-	140,240
Culture and Recreation	439,455	-	-	327,576	767,031
Conservation	-	-	-	3,309	3,309
Economic Development	77,000	-	-	-	77,000
School	13,109,023	-	-	615,884	13,724,907
Debt Service	1,373,957	-	-	-	1,373,957
Capital Outlay	312,351	28,835	-	10,905	352,091
Total Expenditures	22,279,277	28,835	-	996,532	23,304,645
Excess of Revenues Over Expenditures	(637,128)	(28,835)	11,632	(603,449)	(1,257,780)
Other Financing Sources (Uses):					
Transfers In	474,362	13,950	474,635	323,987	1,286,934
Transfers Out	(362,876)	(94,151)	(799,122)	(33,544)	(1,289,693)
Proceeds from capital leases	71,429	-	-	-	71,429
Total Other Financing Sources(Uses)	182,915	(80,201)	(324,487)	290,443	68,670
Net Change in Fund Balances	(454,214)	(109,036)	(312,855)	(313,006)	(1,189,110)
Fund Balances, Beginning	1,818,201	109,153	895,807	1,686,258	4,509,419
Fund Balances, Ending	\$ 1,363,987	\$ 117	\$ 582,952	\$ 1,373,252	\$ 3,320,309

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, 2009

Net change in fund balances - total governmental funds	\$	(1,189,110)
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		939,637
Loss on disposal of capital assets		(26,051)
Depreciation expense		(1,023,077)
		(109,490)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue		(19,939)
		(19,939)
 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:		
Capital lease proceeds received		(71,429)
Capital lease obligation principle payments		25,335
General obligation bond principle payments		967,755
		921,662
 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:		
Transfer to enterprise funds		(8,624)
Accrued interest payable		16,444
Landfill postclosure		11,803
Accrued compensated absences		(16,281)
Other post employment benefits		(44,159)
		(40,817)
 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.		
		8,109
 Change in net assets of governmental activities	 \$	 (429,586)

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

City of Franklin, New Hampshire
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds		Total Enterprise Funds	Governmental
	Water	Sewer		Activity - Fuel Depot Internal Service Fund
ASSETS				
Current Assets:				
Accounts Receivable, Net of Allowance for Uncollectible	\$ 288,685	\$ 278,511	\$ 567,196	\$ 4,457
Intergovernmental Receivable	-	145,364	145,364	-
Interfund Receivable	246,961	39,293	286,254	17,087
Inventory	51,867	1,577	53,444	25,486
Total Current Assets	587,513	464,745	1,052,258	47,031
Noncurrent Assets:				
Capital Assets:				
Land	34,399	-	34,399	-
Construction in Progress	146,870	-	146,870	-
Buildings	111,209	-	111,209	70,737
Accumulated Depreciation, Buildings	(15,612)	-	(15,612)	(70,737)
Machinery and Equipment	413,401	171,477	584,878	-
Accumulated Depreciation, M&E	(139,508)	(35,956)	(175,464)	-
Infrastructure	9,349,064	2,764,057	12,113,121	-
Accumulated Depreciation, Infra	(2,866,678)	(383,612)	(3,250,290)	-
Total Capital Assets, Net	7,033,145	2,515,966	9,549,111	-
Total Assets	7,620,658	2,980,711	10,601,369	47,031
LIABILITIES				
Current liabilities:				
Accounts Payable	38,252	3,876	42,129	208
Accrued Payroll and Benefits	6,805	2,291	9,096	-
Accrued Interest Payable	8,390	18,009	26,399	-
Interfund Payable	-	69,052	69,052	-
Unearned Revenue	2,107	147,042	149,150	-
General Obligation Debt Payable, Current:				
Notes and Bonds	107,530	43,829	151,359	-
Compensated Absences	7,319	2,499	9,818	-
Total Current Liabilities	170,403	286,600	457,002	208
Noncurrent Liabilities:				
General Obligation Bonds Payable	310,000	55,000	365,000	-
General Obligation Notes Payable	-	697,008	697,008	-
Total Noncurrent Liabilities	310,000	752,008	1,062,008	-
Total Liabilities	480,403	1,038,608	1,519,011	208
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	6,601,438	1,736,911	8,338,349	-
Restricted	-	-	-	-
Unrestricted	538,817	205,192	744,009	46,823
Total Net Assets	\$ 7,140,256	\$ 1,942,103	\$ 9,082,358	\$ 46,823

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

City of Franklin, New Hampshire
Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Enterprise Funds		Total Enterprise Funds	Governmental Activity - Fuel Depot Internal Service Fund
	Water Fund	Sewer Fund		
Operating revenues:				
User Charges	\$ 1,221,279	\$ 991,175	\$ 2,212,454	\$ 192,895
Miscellaneous	11,293	300	11,593	-
Grants	-	10,692	10,692	-
Sale of Municipal Property	25,339	-	25,339	-
Total operating revenues	<u>1,257,911</u>	<u>1,002,167</u>	<u>2,260,078</u>	<u>192,895</u>
Operating expenses:				
Salaries, wages and benefits	340,748	148,975	489,722	-
Purchased services, professional and technical	14,340	6,079	20,419	208
Purchased services, property and miscellaneous	290,678	680,997	971,675	184,578
Depreciation	202,218	33,276	235,494	-
Total operating expenses	<u>847,983</u>	<u>869,327</u>	<u>1,717,310</u>	<u>184,786</u>
Operating income (loss)	<u>409,928</u>	<u>132,841</u>	<u>542,769</u>	<u>8,109</u>
Nonoperating revenues (expenses):				
Interest expense	(23,700)	(27,617)	(51,316)	-
Capital contributions	733	7,891	8,624	-
Total nonoperating revenues (expenses)	<u>(22,967)</u>	<u>(19,726)</u>	<u>(42,692)</u>	<u>-</u>
Income (loss) before transfers	<u>386,961</u>	<u>113,115</u>	<u>500,077</u>	<u>8,109</u>
Transfers:				
In	235,583	77,227	312,810	-
Out	(233,654)	(76,396)	(310,051)	-
Total transfers	<u>1,929</u>	<u>830</u>	<u>2,759</u>	<u>-</u>
Net change in net assets	388,891	113,945	502,836	8,109
Net assets, beginning	6,751,365	1,828,157	8,579,522	38,714
Net assets, ending	<u>\$ 7,140,256</u>	<u>\$ 1,942,103</u>	<u>\$ 9,082,358</u>	<u>\$ 46,823</u>

City of Franklin, New Hampshire
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Enterprise Funds			Governmental Activity - Fuel Depot Internal Service Fund
	Water Fund	Sewer Fund	Total Enterprise Funds	
Cash Flows from Operating Activities				
Receipts from Users	\$ 1,221,279	\$ 991,175	\$ 2,212,454	\$ 192,895
Payments to Providers	(847,983)	(869,327)	(1,717,310)	(184,786)
Other Receipts (Payments)	45,810	(43,273)	2,538	(8,109)
Net Cash Provided by (Used in) Operating Activities	419,106	78,576	497,682	-
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	235,583	77,227	312,810	-
Transfers to Other Funds	(233,654)	(76,396)	(310,051)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	1,929	830	2,759	-
Cash Flows from Capital and Related Financing Activities				
Capital Assets	(271,161)	(14,860)	(286,021)	-
Long Term Debt	(126,908)	(44,821)	(171,729)	-
Interest Expense	(23,700)	(27,617)	(51,316)	-
Capital Contributions	733	7,891		-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(421,035)	(79,406)	(509,066)	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	(8,624)	-
Balances - Beginning of Year	-	-	-	-
Balances - End of Year	\$ -	\$ -	\$ (8,624)	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Income (Loss)	\$ 409,928	\$ 132,841	\$ 542,769	\$ 8,109
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Inventory	(11,279)	51	(11,228)	16,474
Receivables, net	9,052	(64,416)	(55,364)	17,654
Deferred Revenue	1,773	(4,416)	(2,643)	-
Due from Other Funds	21,508	37,104	58,612	(17,087)
Accounts Payable	(12,907)	3,541	(9,366)	208
Accrued Payroll	(131)	595	464	-
Due to Other Funds	-	(33,316)	(33,316)	(25,357)
Due from Other Governments	-	5,819	5,819	-
Accrued Compensated Absences	1,163	774	1,936	-
Net Cash Provided By (Used in) Operating Activities	\$ 419,106	\$ 78,576	\$ 497,682	\$ -

City of Franklin, New Hampshire
Statement of Changes in Net Assets
Fiduciary Funds
June 30, 2009

	Agency Funds			Private Purpose Trust Funds		
	Engineering Escrow	Student Activities	Total	Charity	School Scholarship	Total
ASSETS						
Cash and Cash Equivalents	\$ 4,039	\$ 148,247	\$ 152,286	\$ -	\$ -	\$ -
Investments	-	-	-	122,547	403,455	526,002
Due from General Fund	74	-	74	-	-	-
Total Assets	4,113	148,247	152,360	122,547	403,455	526,002
LIABILITIES						
Accounts Payable	-	-	-	-	-	-
Due to Developers	4,113	-	4,113	-	-	-
Due to General Fund	-	-	-	-	-	-
Due to Student Groups	-	148,247	148,247	-	-	-
Total Liabilities	4,113	148,247	152,360	-	-	-
NET ASSETS						
Held in Trust for Special Purposes	\$ -	\$ -	\$ -	\$ 122,547	\$ 403,455	\$ 526,002

City of Franklin, New Hampshire
Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust Funds		
	Charity	School Scholarship	Total
ADDITIONS			
Investment earnings:			
Interest and dividends	\$ 1,385	\$ 5,828	\$ 7,212
Net increase in fair market value of investments	(65,826)	(215,271)	(281,097)
New Funds	-	12,345	12,345
DEDUCTIONS			
Scholarship and charity distributions	201	7,680	7,881
Change in net assets	(64,642)	(204,778)	(269,421)
Net assets, beginning	187,189	608,234	795,423
Net assets, ending	\$ 122,547	\$ 403,455	\$ 526,002

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

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

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

1-B Basis of Presentation, continued

generate the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

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 renovation or construction of a new asset. Currently the remainder of the Paul Smith School project and the beginning of the water treatment facility project are reflected in this fund.

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.

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

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.

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

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
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June 30, 2009

1-D Basis of Accounting, continued

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.

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.

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
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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 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 three or more 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:

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

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
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June 30, 2009

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.

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.

**City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009**

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.

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 2009, \$0 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	\$ 54,071
Municipal Services	27,274
Police	11,073
Finance	31,672
Fire	9,933
Total	\$ 134,023

City of Franklin, New Hampshire
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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, 2009 and includes encumbrances and reserves at June 30, 2008 as follows:

FY2009 Appropriations	\$25,166,446
June 2008 Encumbrances	140,613
Final Budgeted Amounts	\$25,307,059

The actual amounts appearing on Schedule A of the fund financial statements are shown on a budgetary basis which differs from generally accepted accounting principles (GAAP) as follows:

Revenues/Expenditures GAAP Basis	\$21,642,149	\$22,279,277
Transfers to Other Funds	2,700,935	2,589,449
Budgetary Beginning Fund Balance	1,677,588	
2008 Encumbrances/Reserves		(140,613)
2009 Encumbrances/Reserves		233,424
Proceeds from Capital Leases		(71,429)
Revenues/Expenditures Budgetary Basis	\$26,020,672	\$24,890,107

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 2009, the City was a member of the Local Government Center Property-Liability Trust, LLC and Workers' Compensation Program. This entity is 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 2009 recorded as an insurance expenditure totaled \$74,192. There were no unpaid contributions for the year ending June 30, 2009 and due in 2010. The City also paid \$99,560 for workers' compensation for the year ended June 30, 2009. 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, 2009, 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.

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

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, 2009, 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, 2009, the City held an investment in the following repurchase agreement:

<u>Amount</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Collateral Pledged</u>	
			<u>Underlying Securities</u>	<u>Market Value</u>
\$5,069,417	1.25%	1/25/12	FNMA	\$5,919,691

Investments

As of June 30, 2009, the City had the following investments:

Certificate of deposit	\$ 45,308
Mutual/Bond Funds	1,383,454
Common stocks	486,345
New Hampshire Public Deposit Investment Pool	<u>1,023,302</u>
Total	<u>\$2,938,409</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 \$2,938,409 in investments, \$486,345 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	\$594,750,415
For all other taxes	\$622,856,215

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.

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
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3-B Taxes Receivable, continued

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.

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	\$7.34	\$ 4,576,959
School portion:		
State of New Hampshire	2.42	1,438,412
Local	5.55	3,453,888
County portion	<u>2.67</u>	<u>1,661,680</u>
Total	<u>\$17.98</u>	<u>\$11,130,939</u>

During the current fiscal year, the tax collector executed a lien on April 14, 2009 for all uncollected 2008/2009 property taxes, \$449,122.

Taxes receivable at June 30, 2009, are as follows:

Property:	
Levy of 2009	\$ 1,323,781
Unredeemed (under tax lien):	
Levy of 2008	170,231
Levy of 2007	4,316
Yield Tax	2,653
Less: allowance for estimated uncollectible taxes	<u>(22,874)</u>
Net taxes receivable	<u>\$1,478,107</u>

3-C Other Receivables

Other receivables at June 30, 2009, 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, 2009 are as follows:

	Governmental	Proprietary
Accounts	\$ 711,868	\$569,949
Intergovernmental	8,851	145,364
Voluntary liens	40,590	-
Less: allowance for uncollectible or unavailable amount	(90,483)	(2,753)
Net receivables	\$670,826	\$712,560

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

3-D Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance, Beginning	Changes	Balance, Ending
Governmental activities:			
At cost:			
Not being depreciated:			
Monuments	61,000	-	61,000
Land	905,806	-	905,806
Construction in progress	488,732	62,767	551,499
Total not being depreciated	1,455,538	62,767	1,518,305
Being depreciated:			
Land improvements	181,785	15,160	196,945
Buildings	22,331,646	115,119	22,446,765
Machinery and equipment	4,808,502	465,227	5,273,729
Infrastructure	1,199,118	78,357	1,277,475
Total capital assets being depreciated	28,521,051	673,863	29,194,914
Total all capital assets	29,976,589	736,630	30,713,219
Less accumulated depreciation:			
Land improvements	(6,216)	(757)	(6,973)
Buildings	(8,144,454)	(583,184)	(8,727,638)
Machinery and equipment	(2,617,863)	(208,950)	(2,826,813)
Infrastructure	(82,510)	(61,853)	(144,363)
Total accumulated depreciation	(10,851,043)	(854,744)	(11,705,787)
Net book value, all capital assets	19,125,546	(118,114)	19,007,432
	Beginning		Ending
Business-type activities:			
At cost:			
Not being depreciated:			
Land	34,399	-	34,399
Construction in progress	-	146,870	146,870
Total not being depreciated	34,399	146,870	181,269
Being depreciated:			
Buildings	111,209	-	111,209
Machinery and equipment	511,840	73,038	584,878
Infrastructure	11,811,514	301,607	12,113,121
Total capital assets being depreciated	12,434,563	374,645	12,809,208
Total all capital assets	12,468,962	521,515	12,990,477
Less accumulated depreciation:			
Buildings	(9,488)	(6,124)	(15,612)
Machinery and equipment	(131,625)	(43,839)	(175,464)
Infrastructure	(3,064,759)	(185,531)	(3,250,290)
Total accumulated depreciation	(3,205,872)	(235,494)	(3,441,366)
Net book value, all capital assets	9,263,090	286,021	9,549,111

**City of Franklin, New Hampshire
Notes To The Basic Financial Statements
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June 30, 2009**

3-D Capital Assets, continued

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

Governmental activities:		
School		\$ 549,144
General government		172,112
Public safety		90,097
Highways and streets		188,274
Sanitation		3,465
Culture and recreation		<u>19,985</u>
Total depreciation expense – governmental activities		<u>\$ 1,023,077</u>
Business-type activities:		
Water		\$ 202,218
Sewer		<u>33,276</u>
Total depreciation expense – business-type activities		<u>\$ 235,494</u>

3-E Prepaid Items

Prepaid items at June 30, 2009, totaling \$27,505, consisted of the following paid in the current period to benefit the following fiscal year governmental activities:

Purpose	Amount
Software Support	\$15,138
Dues	5,959
Office Supplies	2,245
Equipment Lease	405
Subscription	185
Continuing Education	60
Rent	1,600
Total	<u><u>\$27,505</u></u>

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
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3-F Interfund Balances and Transfers

Interfund balances at June 30, 2009 consist of interfund loans, services provided, reimbursements or budgetary transfers. The composition of interfund balances as of June 30, 2009 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Governmental:		
General	\$115,651	\$161,587
Special Revenue		
CDBG	-	100
Parks & Recreation	14,236	-
Outside Details	3,194	-
Library	4,260	-
Conservation	6,386	-
School Food Service	91,512	-
Permanent		
Odell	-	3,750
Capital		
City Capital	17	-
Paul Smith Renovations	-	-
Capital Reserve	-	304,182
Proprietary:		
Enterprise		
Water	246,961	-
Sewer	39,293	69,052
Internal Services		
Fuel Depot	17,087	-
Agency:		
Engineering Escrow	74	-
Totals	<u>\$538,671</u>	<u>\$538,671</u>

**City of Franklin, New Hampshire
Notes To The Basic Financial Statements
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3-F Interfund Balances and Transfers, continued

Interfund transfers during the year were comprised of the following:

<u>Fund</u>	<u>Trf In</u>	<u>Trf Out</u>
Governmental:		
General Fund	\$474,362	\$362,876
Special Revenue Funds:		
Library	322,687	-
Conservation	400	-
DARE	500	-
Heritage	400	-
Permanent Funds:		
Library Buswell	-	27,132
Other Library	-	4,411
Odell	-	2,000
Capital Reserve Funds	474,635	799,122
Capital		
Paul Smith Renovations	13,950	94,151
Proprietary:		
Enterprise		
Water	235,583	233,654
Sewer	77,227	76,396
Totals	\$1,599,744	\$1,599,744

3-G Deferred/Unearned Revenue

Governmental Funds - Deferred/unearned revenue of \$6,000,787 at June 30, 2009 largely consists of property taxes levied but not due until the subsequent year (\$5,510,515) and property taxes not expected to be collected within 60 days of June 30, 2009 (\$445,310). In addition, \$33,433 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, 2009 of \$2,107 represents water rents collected in advance of water bills. Sewer department unearned revenue at June 30, 2009 of \$147,042 represents sewer rents collected in advance of the sewer bills (\$1,678) and amount due from State revolving fund to partially fund loan payments (\$145,364).

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

3-H Long-Term Liabilities

Changes in the City's long-term obligations during the year ended June 30, 2009, consisted of the following:

	<u>Balances, beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances, ending</u>
Governmental activities:				
General obligation bonds	\$7,643,175	\$ -	\$(1,018,666)	\$6,624,509
Compensated absences	215,411	5,208	-	220,619
Capital Leases	-	71,429	(25,335)	46,094
Accrued landfill post closure care costs	<u>246,467</u>		<u>(11,802)</u>	<u>234,665</u>
Totals	<u>\$8,105,053</u>	<u>\$ 76,637</u>	<u>\$ (1,055,803)</u>	<u>\$7,125,887</u>
Business-type activities:				
General obligation bonds/notes	\$ 1,380,912	\$ -	\$ (167,544)	\$1,213,368
Compensated absences	<u>7,882</u>	<u>5,943</u>	<u>-</u>	<u>13,825</u>
Totals	<u>\$ 1,388,794</u>	<u>\$ 5,943</u>	<u>\$ (167,544)</u>	<u>\$1,227,193</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, 2009</u>	<u>Current Portion</u>
Governmental activities:						
General obligation bonds payable:						
Refunding	\$8,088,610	1993	2010	2.5-5.4	\$ 168,720	\$ 168,720
Bridge Project	1,300,000	1994	2015	4.7-7.0	390,000	65,000
Police Station	1,000,000	1998	2018	4.7-5.3	450,000	50,000
Courthouse	1,000,000	1999	2018	4.7-5.3	450,000	50,000
School Renovation	5,010,386	2001	2020	4.5-5.25	2,750,000	250,000
School Renovation	2,700,000	2006	2026	4.29	2,415,789	142,105
Total general obligation bonds payable					\$6,624,509	\$ 725,825
Capital leases payable:						
(2) 2009 Ford Crown Victorias	46,033	2009	2011	6.55	29,705	14,382
(1) 2009 Ford Explorer	25,397	2009	2011	6.55	16,389	7,934
Total capital leases payable					46,094	22,316
Compensated absences payable					220,619	220,619
Accrued landfill post closure care costs					234,665	11,055
Total governmental activities					<u>\$7,125,887</u>	<u>\$ 979,815</u>

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

3-H Long-Term Liabilities, continued

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2009</u>	<u>Current Portion</u>
Business-type activities:						
Bonds/notes payable:						
Water/Sewer	\$1,000,000	1991	2014	Variable	\$ 250,000	\$ 50,000
FMHA Water	1,100,000	1991	2015	5.875	220,000	55,000
Refunding	856,390	1993	2010	2.5-5.4	16,280	16,280
Sewer Revolving Loan	784,061	2006	2026	3.352	727,088	30,079
Total general obligation bonds/notes payable					\$1,213,368	\$ 151,359
Compensated absences payable					13,825	13,825
Total business-type activities					<u>\$1,227,193</u>	<u>\$ 165,184</u>

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2009, including interest payments, are as follows:

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	557,105	192,662	749,767
2015-2019	2,425,526	571,149	2,996,675
2020-2024	960,526	151,350	1,111,876
2025-2026	<u>284,211</u>	<u>15,241</u>	<u>299,452</u>
Totals	<u>\$6,624,511</u>	<u>\$1,988,607</u>	<u>\$ 8,613,118</u>

Annual Requirements To Amortize Governmental Funds' Leases Payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$22,316	\$3,019	\$25,335
2011	<u>23,778</u>	<u>1,558</u>	<u>25,335</u>
Totals	<u>\$46,094</u>	<u>\$4,577</u>	<u>\$50,671</u>

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

3-H Long-Term Liabilities, continued

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	84,320	21,600	105,920
2015-2019	189,646	82,611	272,257
2020-2024	223,634	48,623	272,257
2025-2027	152,985	10,369	163,354
Totals	<u>\$1,213,368</u>	<u>\$312,649</u>	<u>\$1,526,017</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.

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 \$234,665 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, 2009, the City is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending <u>June 30</u>	<u>Amount</u>
2010	6,014
2011	6,215
2012	6,424
2013	6,639
2014	6,861
2015-2027	113,211
Total	<u>\$145,364</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.

City of Franklin, New Hampshire
Notes To The Basic Financial Statements
As Of And For The Fiscal Year Ended
June 30, 2009

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 2009, 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 2007, 2008 and 2009 were \$555,621, \$820,375 and \$787,413, 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

In addition to pension benefits described in note 4-A, 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, 2009, there were 22 retirees with a single, two person or family health plan participating. Nine of these retirees were over the age of 65.

The City provides fully insured health insurance through Local Government Center. During the year, expenditures of \$44,159 were recognized for postretirement health care. These costs represent the current year value of the hidden rate subsidy, as determined by the Local Government Center, in the City's health insurance rates for allowing retirees to continue on the City's health insurance. The City plans to conduct an actuarial review to determine the City's total postretirement health care during fiscal year 2010.

City of Franklin, New Hampshire
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

	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
ASSETS											
Assets											
Cash and equivalents	\$ 99,917	\$ 18,840	\$ -	\$ -	\$ 3,213	\$ 948	\$ -	\$ 71,959	\$ -	\$ -	\$ 194,878
Investments	-	-	-	3,993	-	-	6,900	91,177	-	-	102,070
Receivables, net of allowances for uncollectables	-	37,850	100	-	-	-	-	-	-	7,635	45,585
Intergovernmental Receivable	-	-	-	-	-	-	-	-	-	-	-
Interfund receivable	4,260	91,512	-	6,386	-	-	-	-	14,236	3,194	119,588
Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	2,982	-	-	-	-	-	-	-	-	2,982
Total assets	104,177	151,184	100	10,379	3,213	948	6,900	163,137	14,236	10,829	465,104
LIABILITIES AND FUND BALANCES											
Classified Liabilities											
Accounts payable	1,388	9,895	-	-	45	1,720	-	-	977	-	14,025
Contracts payable	-	-	-	-	-	-	-	-	-	-	-
Accrued payroll & benefits	4,604	-	-	-	-	-	-	-	-	572	5,176
Intergovernmental payable	-	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	100	-	-	-	-	-	-	-	100
Deferred Revenue	-	11,530	-	-	-	-	-	-	-	-	11,530
Total liabilities	5,992	21,425	100	-	45	1,720	-	-	977	572	30,831
Fund balances:											
Reserved for inventory	-	2,593	-	-	-	-	-	-	-	-	2,593
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-
Reserved for special purposes	-	-	-	-	-	-	-	163,137	-	-	163,137
Unreserved, undesignated, reported in:											
Special revenue funds	98,186	127,166	-	10,379	3,168	(772)	6,900	-	13,259	10,257	268,543
Total fund balances	98,186	129,759	-	10,379	3,168	(772)	6,900	163,137	13,259	10,257	434,273
Total liabilities and fund balances	\$ 104,177	\$ 151,184	\$ 100	\$ 10,379	\$ 3,213	\$ 948	\$ 6,900	\$ 163,137	\$ 14,236	\$ 10,829	\$ 465,104

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, 2009

	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
Revenues											
Revenues Gov Funds											
Intergovernmental	\$ -	\$ 413,786	\$ 10,905	\$ -	\$ 2,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 427,259
Charges for Services	9,874	226,343	-	-	-	-	-	-	19,465	15,540	271,222
Interest	1,546	563	-	78	34	12	65	1,908	-	-	4,206
Change in Fair Market	-	-	-	-	-	-	-	(48,333)	-	-	(48,333)
Miscellaneous	-	-	-	-	-	353	-	5,586	-	-	5,939
Total revenues	11,420	640,692	10,905	78	2,602	365	65	(40,840)	19,465	15,540	660,292
Expenditures											
Public Safety	-	-	-	-	12,918	2,732	-	2,778	-	10,389	28,817
Culture and recreation	313,245	-	-	-	-	-	-	-	14,331	-	327,576
Conservation	-	-	-	3,269	-	-	40	-	-	-	3,309
School	-	615,884	-	-	-	-	-	-	-	-	615,884
Capital Outlay	-	-	10,905	-	-	-	-	-	-	-	10,905
Total expenditures	313,245	615,884	10,905	3,269	12,918	2,732	40	2,778	14,331	10,389	986,491
Excess (deficiency) of revenues over (under) expenditures	(301,826)	24,808	-	(3,191)	(10,317)	(2,367)	25	(43,617)	5,134	5,151	(326,199)
Other financing sources (uses):											
Transfers in	322,687	-	-	400	-	500	400	-	-	-	323,987
Transfers Out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	322,687	-	-	400	-	500	400	-	-	-	323,987
Net change in fund balances	20,861	24,808	-	(2,791)	(10,317)	(1,867)	425	(43,617)	5,134	5,151	(2,212)
Fund balances, beginning	77,324	104,951	-	13,171	13,485	1,096	6,474	206,754	8,125	5,105	436,485
Fund balances, ending	\$ 98,186	\$ 129,759	\$ -	\$ 10,379	\$ 3,168	\$ (772)	\$ 6,900	\$ 163,137	\$ 13,259	\$ 10,257	\$ 434,273

City of Franklin, New Hampshire
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2009

	Odell Park	Other Misc Funds	Library Buswell Trust	Other Library Trusts	Total Permanent Funds
ASSETS					
Assets					
Investments	\$ 93,221	\$ 390,009	\$ 629,145	\$ 185,552	\$ 1,297,927
Intergovernmental receivable	3,750	-	-	-	3,750
Total Assets	<u>96,971</u>	<u>390,009</u>	<u>629,145</u>	<u>185,552</u>	<u>1,301,677</u>
LIABILITIES AND FUND BALANCES					
Classified Liabilities					
Accounts payable	-	358,948	-	-	358,948
Interfund Payable	3,750	-	-	-	3,750
Total Liabilities	<u>3,750</u>	<u>358,948</u>	<u>-</u>	<u>-</u>	<u>362,698</u>
Fund balances:					
Reserved for special purposes	93,221	31,062	629,145	185,552	938,980
Unreserved, undesignated, reported in:					
Permanent Funds	-	-	-	-	-
Total fund balances	<u>93,221</u>	<u>31,062</u>	<u>629,145</u>	<u>185,552</u>	<u>938,980</u>
Total liabilities and fund balances	<u>\$ 96,971</u>	<u>\$ 390,009</u>	<u>\$ 629,145</u>	<u>\$ 185,552</u>	<u>\$ 1,301,677</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, 2009

	Odell Park	Other Misc Funds	Library Buswell Trust	Other Library Trusts	Total Permanent Funds
Revenues					
Revenues Gov Funds					
Interest/Dividends	\$ 1,334	\$ 414	\$ 24,247	\$ 2,806	\$ 28,801
Change in Fair Value	(50,855)	(16,660)	(130,503)	(100,414)	(298,432)
Miscellaneous	-	-	2,422	-	2,422
Total revenues	<u>(49,521)</u>	<u>(16,246)</u>	<u>(103,834)</u>	<u>(97,608)</u>	<u>(267,209)</u>
Expenditures:					
Functional Expenditures					
General government	-		10,041	-	10,041
Total expenditures	<u>-</u>	<u>-</u>	<u>10,041</u>	<u>-</u>	<u>10,041</u>
Excess of revenues over expenditures	<u>(49,521)</u>	<u>(16,246)</u>	<u>(113,875)</u>	<u>(97,608)</u>	<u>(277,249)</u>
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	(2,000)	-	(27,132)	(4,411)	(33,544)
Total other financing sources (uses)	<u>(2,000)</u>	<u>-</u>	<u>(27,132)</u>	<u>(4,411)</u>	<u>(33,544)</u>
Net change in fund balances	(51,521)	(16,246)	(141,007)	(102,019)	(310,793)
Fund balances, beginning	144,742	47,307	770,153	287,571	1,249,773
Fund balances, ending	<u>\$ 93,221</u>	<u>\$ 31,061</u>	<u>\$ 629,145</u>	<u>\$ 185,552</u>	<u>\$ 938,980</u>

City of Franklin
Fund to Activities Conversion
For the Fiscal Year Ended June 30, 2009

	Governmental Funds	Conversion	Governmental Activities
Revenues			
Revenues Gov Funds			
Taxes	4,835,835.02	(19,938.93)	4,815,896.09
Licenses and permits	1,011,002.14		1,011,002.14
Intergovernmental	783,596.50		783,596.50
Charges for Services	589,203.59		589,203.59
Miscellaneous	312,396.21	(4,387.75)	308,008.46
Interest	110,520.10		110,520.10
Change in fair market	(346,765.00)		(346,765.00)
Total revenues	7,295,788.56 #	(24,326.68)	7,271,461.88
Expenditures:			
Functional Expenditures			
General government	1,254,977.90	206,549.34	1,461,527.24
Public safety	3,579,025.64	(215,630.76)	3,363,394.88
Highways and streets	1,308,203.68	128,194.44	1,436,398.12
Sanitation	634,048.59	7,017.68	641,066.27
Health	89,853.00		89,853.00
Welfare	140,240.06	3,604.95	143,845.01
Culture and recreation	767,031.18	4,276.14	771,307.32
Conservation	3,308.90		3,308.90
Economic development	77,000.00		77,000.00
School	0.00		0.00
Debt Service	323,076.32	(248,410.99)	74,665.33
Capital outlay	323,256.27	(288,784.27)	34,472.00
Total expenditures	8,500,021.54 #	(403,183.47)	8,096,838.07
Excess of revenues over expenditures	(1,204,232.98) #	378,856.79	(825,376.19)
Other financing sources (uses):			
Transfers in	1,272,983.86	(1,178,832.86)	94,151.00
Transfers out	(1,195,541.98)	1,170,208.61	(25,333.37)
Proceeds from capital leases	71,429.00	(71,429.00)	0.00
Total other financing sources and uses	148,870.88 #	(80,053.25)	68,817.63
Net change in fund balances	(1,055,362.10) #	298,803.54	(756,558.56)
Fund Balances, Beginning	4,191,723.30	11,457,552.78	15,649,276.08
Fund balances, ending	3,136,361.20 #	11,756,356.32	14,892,717.52

City of Franklin
Fund to Net Asset Conversion
6/30/09

	Governmental Funds	Conversion	Governmental Activities
ASSETS			
Assets			
Cash and equivalents	5,662,555.55		5,662,555.55
Investments	2,412,407.18		2,412,407.18
Receivables, net of allowances for uncollectables			
Taxes, net of allowance	1,478,107.06		1,478,107.06
Accounts, net of allowance	103,480.31	4,457.42	107,937.73
Due from component units	0.00		0.00
Intergovernmental	8,850.72	458,718.75	467,569.47
Interfund	143,827.31	17,160.83	160,988.14
Prepaid items	25,904.99		25,904.99
Tax deeded property, subject to resale	0.00	377,849.17	377,849.17
Inventory	33,089.73	25,486.24	58,575.97
Capital assets not being depreciated			
Monuments	0.00	61,000.00	61,000.00
Land	0.00	905,805.63	905,805.63
Construction in progress	0.00	551,499.44	551,499.44
Capital assets, net of accumulated depreciation			
Land improvements	0.00	189,972.65	189,972.65
Buildings and improvements	0.00	1,795,334.26	1,795,334.26
Machinery, equipment, and vehicles	0.00	2,168,915.76	2,168,915.76
Infrastructure	0.00	1,133,111.49	1,133,111.49
Total Assets	9,868,222.85	7,689,311.64	17,557,534.49
LIABILITIES AND FUND BALANCES			
Classified Liabilities			
Accounts Payable	480,627.45	281.75	480,909.20
Accrued payroll and benefits	125,182.33		125,182.33
Contracts payable	0.00		0.00
Matured interest payable	0.00	26,559.78	26,559.78
Intergovernmental payable	1,414.00		1,414.00
Due to component units	(242,809.06)		(242,809.06)
Due to other funds	378,189.56		378,189.56
Deferred and unearned revenues	5,989,257.07	(5,955,824.32)	33,432.75
Noncurrent liabilities:	0.00		0.00
Due within one year:	0.00		0.00
Bonds	0.00	191,401.35	191,401.35
Landfill postclosure care costs	0.00	11,055.00	11,055.00
Compensated absences	0.00	220,619.20	220,619.20
Capital Leases	0.00	22,316.08	22,316.08
OPEB	0.00	44,158.75	44,158.75
Due in more than one year:	0.00		0.00
Bonds, long term	0.00	1,125,000.45	1,125,000.45
Landfill postclosure care, long term	0.00	223,609.88	223,609.88
Capital Leases	0.00	23,777.70	23,777.70
Total Liabilities	6,731,861.35	(4,067,044.38)	2,664,816.97
Equity			
Invested in capital assets, net of related debt	0.00	5,821,142.82	5,821,142.82
Restricted for:			
Capital Projects	0.00		0.00
Other Purposes	1,784,468.73		1,784,468.73
Unrestricted	1,351,892.77	5,935,213.20	7,287,105.97
Total Equity	3,136,361.50	11,756,356.02	14,892,717.52
Total liabilities and fund balances	9,868,222.85	7,689,311.64	17,557,534.49