CITY OF FRANKLIN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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Independent Auditor's Report

The School Board
City of Franklin
Franklin, New Hampshire

I 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, 2010, 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's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to previously 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report date October 25, 2011 on my consideration of the City of Franklin's internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other maters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis, budgetary comparison information, and long term debt information on pages 3 through 13 and page 43 through 47, respectively are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The accompanying schedules of budgetary comparison schedule, combining balance sheet, combining schedule of revenue, expenditures and changes in fund balances, combining balance sheet – non major permanent funds, and combining schedule of revenues, expenditures, and changes in fund balance – non major permanent funds are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of budgetary comparison schedule, combining balance sheet, combining schedule of revenue, expenditures and changes in fund balances, combining balance sheet – non major permanent funds, and combining schedule of revenues, expenditures, and changes in fund balance – non major permanent funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Brent W Washburn

October 25, 2011

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

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, 2010. 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 $32.2 million (net assets). Of this amount, $9.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Total net assets for governmental activities were $22.7 million ($8.1 million unrestricted) and total net assets for business like activities were $9.5 million ($1.2 million unrestricted).

- As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending fund balances of $3.8 million, an increase of $452 thousand over the prior year. Of the combined ending fund balances, $1.8 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 $1.47 million, or 6.6 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 $32.2 million at the close of fiscal year 2010 and $31 million at the close of fiscal year 2009. Governmental activities assets exceeded liabilities by $22.7 million and $21.9 million at the close of fiscal years 2010 and 2009, respectively.

The largest portion of the City of Franklin's net assets (66%) 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	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Current and other assets	12,204	10,967	1,445	983	13,649	11,950
Capital assets	19,387	19,007	9,640	9,549	29,027	28,556
Total assets	31,591	29,974	11,085	10,532	42,676	40,506
Current liabilities	2,511	1,930	621	227	3,132	2,157
Long term liabilities outstanding	6,340	6,146	926	1,223	7,266	7,369
Total liabilities	8,851	8,076	1,547	1,450	10,398	9,526
Net Assets:						
Invested in capital assets, net of related debt	12,895	12,715	8,308	8,338	21,203	21,053
Restricted	1,735	1,784			1,735	1,784
Unrestricted	8,110	7,399	1,230	744	9,340	8,143
Total net assets	22,740	21,898	9,538	9,082	32,278	30,980

An additional portion of the City of Franklin's net assets (5.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($9.3 million) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Franklin is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenue:						
Charges for Services	931	816	2,315	2,249	3,246	3,065
Operating Grants and Contributions	10,664	8,927	10	11	10,674	8,938
Capital Grants and Contributions	332	337	-	9	332	346
General Revenues:					-	
Property Taxes	9,953	9,442	-	-	9,953	9,442
Other Taxes	319	267	-	-	319	267
Licenses and Permits	960	1,011	-	-	960	1,011
Grants and Contributions not restricted to specific programs	733	757	-	-	733	757
Interest Earnings	165	(233)	-	-	165	(233)
Miscellaneous	448	620	-	-	448	620
Total Revenues	24,505	21,944	2,325	2,269	26,830	24,213
Expenses						
Functional Expenditures:						
General Government	1,217	1,462	-	-	1,217	1,462
Public Safety	3,769	3,363	-	-	3,769	3,363
Highway and Streets	1,530	1,436	-	-	1,530	1,436
Sanitation	980	641	-	-	980	641
Health	57	90	-	-	57	90
Welfare	191	144	-	-	191	144
Culture and Recreation	626	771	-	-	626	771
Conservation	-	3	-	-	-	3
Economic Development	45	77	-	-	45	77
School	14,945	14,000	-	-	14,945	14,000
Debt Service	307	339	-	-	307	339
Capital Outlay	-	34	-	-	-	34
Proprietary Activities	-	-	1,870	1,769	1,870	1,769
Total Expenses	23,667	22,360	1,870	1,769	25,537	24,129
Change in net assets before transfers	838	(419)	454	500	1,293	81
Transfers	(1)	(11)	1	3	-	(8)
Increase (Decrease) in net assets	837	(430)	455	503	1,293	73
Net Assets, Beginning	21,903	22,328	9,082	8,579	30,985	30,907
Net Assets, Ending	22,740	21,898	9,538	9,082	32,278	30,980

Governmental activities. Governmental activities increased the City of Franklin's net assets by $837,409, which accounts for 64.8% of the City's total increase in net assets.

Business-type activities. Business-type activities increased the City of Franklin's net assets by $455,459, which accounts for 35.2% of the City's total increase in 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 $3.8 million, a increase of $452 thousand over the prior year. Of the combined ending fund balances, $1.8 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 ($353,102), 2) legally restricted for permanent fund and capital purchase purposes ($1,561,710), or 4) for a variety of other restricted purposes ($45,771).

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 $1.47 million, while total fund balance reached $1.85 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 6.6 percent of total general fund expenditures, while total fund balance represents 8.3 percent of that same amount.

The fund balance of the City of Franklin's general fund increased by $490,201 during the current fiscal year. The key factor contributing to the increase is the school district collected more revenue than budgeted by $164,753 combined and expended less than budgeted by $93,810 combined.

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 $1,230,298. The total growth in net assets was $455,460. 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 ($219,995 increase in appropriations) and can be briefly summarized as follows:

- $1,107 DWI Hunter Patrols grant, allocated to police department
- $1,181 Continuous Positive Pressure Airway Device grant, allocated to fire department
- $77,038 for capital expenditures, allocated to fire, municipal services and general government
- $20,000 to establish a contingent grant line, allocated to general government
- $500 bicycle safety grant,, allocated to police department
- $51,443 COPS grant, allocated to police
- $43,251 VAWA grant, allocated to police department
- $25,476 trust fund for stryker cots, allocated to fire department

Of this increase, $117,482 was funded from miscellaneous grant sources, $77,038 from capital reserve fund, and $25,476 from City trust funds. No supplemental appropriation was budgeted from available fund balance in 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, 2010, amounts to $29,027,411 (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:

- Fire Engine
- Griffin Beach Parking Lot Upgrades (partially grant funded)
- Acme Electrical Upgrades
- Steel Trailer (Solid Waste Division)
- Compactor Unit & Rolloff Containers (Solid Waste Division)
- Acme Water Treatment Plant (in progress, partially grant funded)
- Mack Hooklift Truck
- (2) Mack Solid Waste Trucks
- Security Camera (Recreation Center)
- Water Department Garage (in progress)
- Haynes Brook Culvert (in progress)
- Downtown Transportation Project (in progress, grant funded)
- Photocopiers/Printers (School District)
- Auto Scrubber (School District)
- Water Heater (School District)

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	906	906	34	34	940	940
Monuments	61	61	-	-	61	61
Construction in Progress	180	552	436	147	616	699
Land Improvements	186	190	-	-	186	190
Buildings and Improvements	13,741	14,166	90	96	13,831	14,262
Machinery, Vehicles and Equipment	2,927	2,327	369	409	3,296	2,736
Infrastructure	1,387	1,133	8,710	8,863	10,097	9,996
Total	19,387	19,335	9,640	9,549	29,027	28,884

Long-term debt. At the end of the current fiscal year, the City of Franklin had total bonded debt outstanding of $6,960,693 and 270,067 in notes. Of this amount, 100% comprises debt backed by the full faith and credit of the government; however, $1,062,008 bonds & $270,067 notes are attributable to the Water and Sewer proprietary funds, and $400,000 is attributable to the District Courthouse. Of the $1,062,008 proprietary bond debt, the State of New Hampshire has agreed to offset $139,350 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 $4,773,684. Further information regarding the School District's indebtedness may be found in their annual audit report.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
General Obligation Bond	5,899	6,624	365	486	6,264	7,110
Accrued Landfill Postclosure	224	235	-	-	224	235
Compensated Absences	218	221	16	14	234	235
Capital Leases	975	46			975	46
Other Notes	-	-	967	727	967	727
Total	7,316	7,126	1,348	1,227	8,664	8,353

The City of Franklin's net total debt increased by $310,032 (4 percent) during the current fiscal year. This increase is the net effect of current year debt service amounts paid ($1,065,775) and new capital lease issues for municipal waste collection program ($948,000) and school district copier/printers ($219,020), increase in compensated absences ($2,000) and new state drinking water revolving fund loan for water treatment facility ($270,067).

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 $55 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.

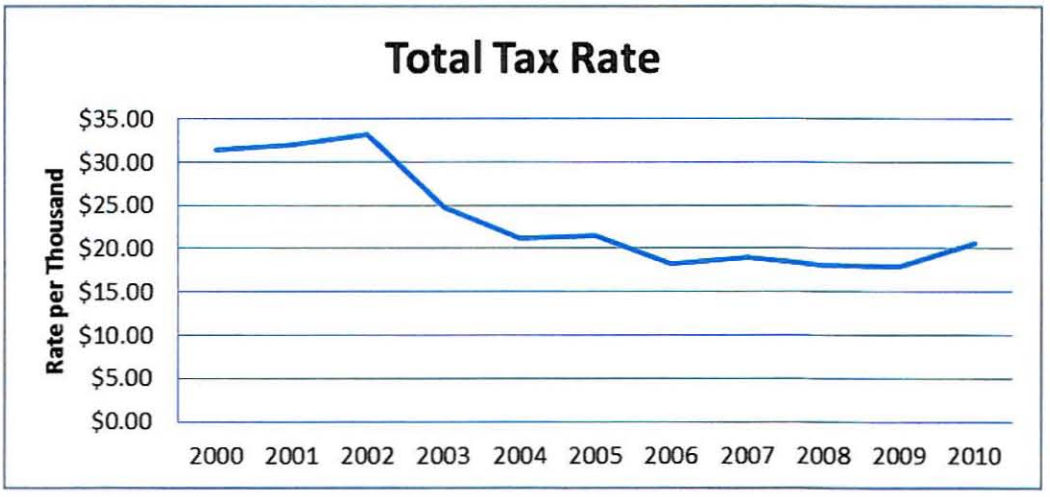
In November, 1989 the voters of the City of Franklin amended the budget procedures outlined under the city's charter §C-32 limiting the amount of taxes that can be raised to support annual operations. The formula limits the amount to be raised by the prior calendar year's Consumer Price Index (national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

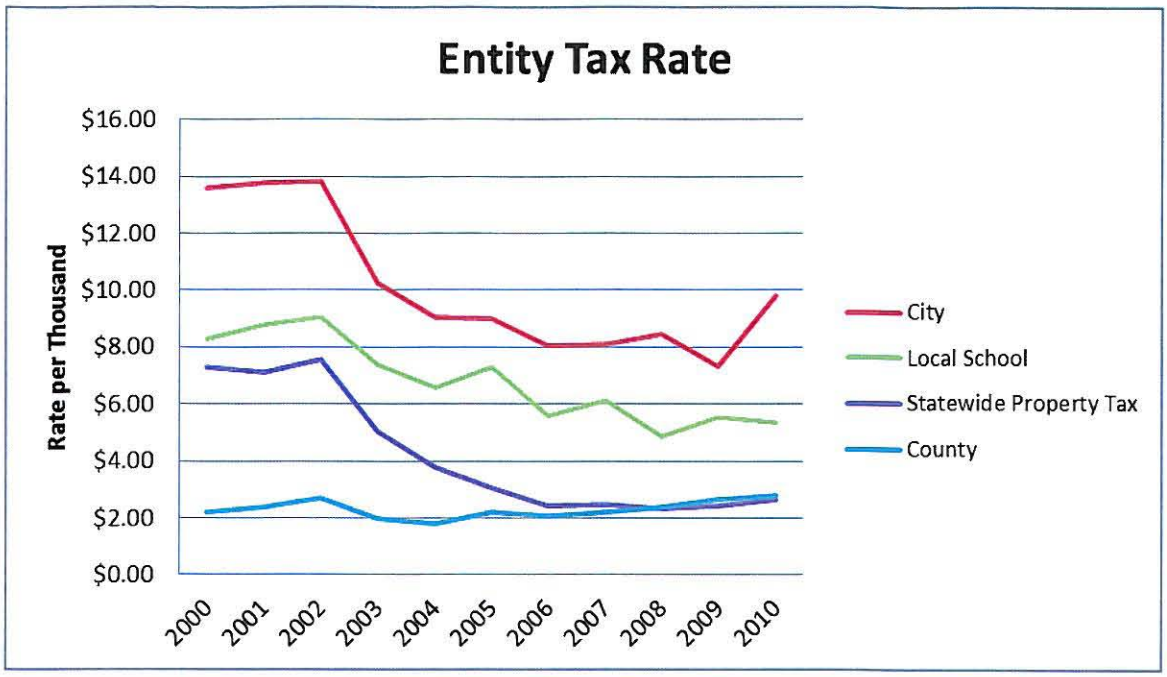
In October 2002, the Charter was amended again and the tax cap was modified to include a calculation to include newly assessed property value from the prior year (April 1). The calculation includes all new value from April 1 of the prior tax year multiplied by the prior calendar year's tax rate.

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.

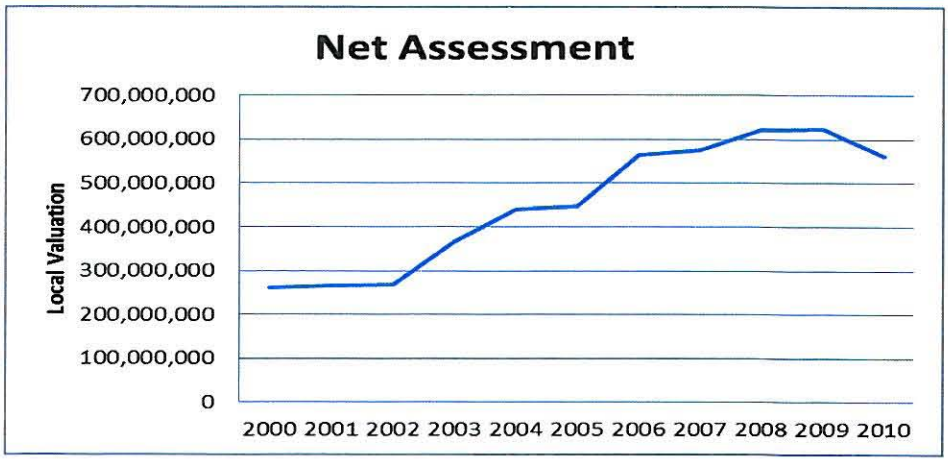




The total city tax commitment as opposed to the city's gross budget reflects how much taxes were raised as a result of changes in the gross budget and property assessment.

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%
2010	$11,391,420	3.4%

The City's net valuation, or the taxable assessment on both land and buildings used to establish the tax rate, was $562,675,690 in fiscal year 2010. Over the prior six years, there had been a significant increase in Franklin property assessments for single family and lake front residential properties; however, this year there has been decreases for all property as a result of the housing market correction experienced by the entire Country.



Economics

The City of Franklin is at the confluence of the Pemigewasset and Winnipesaukee 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 and Freudenberg-NOK buildings and land remain for sale and light industrial/commercial growth is mainly flat. However, CVS pharmacy did complete construction and open in Franklin this year.

As expected, residential growth has continued to decrease 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 nearing the end of 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%. In 2009, the City Mayor worked with the State to open a satellite unemployment office 1 per week in the City Library. This satellite office continues to serve the community.

As expected, the City has experienced an increase in need for welfare. The City continuously works to assist people in getting into the correct programs in order to minimize City exposure. This area will continue to be monitored closely in fiscal year 2011.

Water and Sewer Rates

The City has continued efforts to improve the quality and delivery of water. In FY09, the City had 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. By the end of fiscal year 2010, the City is well underway is the design portion of this 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. In FY09, a grant was received from the Department of Environmental Services for the purpose of upgrading the Sanbornton well heads. The City continued with replacement of Sanbornton well field drinking water well points in FY10. In addition, the City upgraded the electrical system at the Franklin Falls pumping station, installed a backup generator at the Acme well field, and upgraded the SCADA system with respects to pumping stations, tanks and distribution system.

The City septage is treated by at the Winnipesaukee River Basin Program (WRBP); a state owned and operated facility. Users of the municipal sewer system pay a shared assessment for the operation and maintenance of WRBP treatment and collection system. 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. The City participates in the advisory board for the WRBP which works with NHDES to review budget operations and capital projects of the program. Due to the age of WRPB facilities, the advisory board has been more active in issues facing the WRBP.

In 2010, the City was issued a NPDES permit from USEPA with respect to the operation and maintenance of Franklin's sanitary sewer collection system. This permit will have an impact on future maintenance of Franklin's collection system and the sewer rates charged to the end user.

All of the above factors were considered in preparing the City of Franklin's budget for the 2011 fiscal year.

Water rates remained constant for fiscal 2011 budget year as increases were made to support capital projects during the previous budget years as discussed in FY08 financial statements. Sewer rates were increased for the 2011 budget year by 17.32% (or $.78 per 100 gallons) for all customers. These rate increases were necessary to finance increased operating expenses and debt service on the Winnipesaukee River Basin Program and begin work on NPDES permit requirements as 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, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Assets			
Cash and equivalents	$ 7,106,870	$ -	$ 7,106,870
Investments	2,177,246	-	2,177,246
Receivables, net of allowances for uncollectables			
Taxes	1,566,055	-	1,566,055
Accounts	940,787	561,011	1,501,798
Intergovernmental receivable	519,756	204,764	724,520
Internal Balances	(577,356)	624,045	46,689
Prepaid items	32,012	-	32,012
Inventory	39,898	55,044	94,942
Tax deeded property, subject to resale	397,854	-	397,854
Capital assets not being depreciated			
Monuments	61,000	-	61,000
Land	905,806	34,399	940,205
Construction in progress	180,427	436,367	616,794
Capital assets, net of accumulated depreciation			
Land improvements	185,582	-	185,582
Buildings and improvements	13,741,282	90,040	13,831,323
Machinery, equipment, and vehicles	2,926,684	369,032	3,295,716
Infrastructure	1,386,637	8,710,156	10,096,792
Total assets	31,590,539	11,084,858	42,675,397
LIABILITIES			
Classified Liabilities			
Accounts Payable	1,166,792	29,472	1,196,264
Accrued payroll and benefits	81,504	3,883	85,387
Contracts payable	-	-	-
Retainage payable	-	-	-
Accrued interest payable	77,253	24,957	102,211
Intergovernmental payable	62,451	-	62,451
Unearned revenues	74,973	140,828	215,801
Noncurrent liabilities:			
Due within one year:			
Bonds	557,105	105,000	662,105
Notes	-	301,155	301,155
Leases	206,175	-	206,175
Landfill postclosure care costs	11,040	-	11,040
Compensated absences	228,693	15,825	244,518
Due in more than one year:			
Bonds, long term	5,341,581	260,000	5,601,581
Notes, long term	-	665,921	665,921
Leases	785,823	-	785,823
Other post employment benefits	402,447	-	402,447
Landfill postclosure care, long term	212,944	-	212,944
Total Liabilities	9,208,782	1,547,041	10,755,823
NET ASSETS			
Net Assets			
Invested in capital assets, net of related debt	12,894,703	8,307,520	21,202,223
Restricted net assets	1,735,106	-	1,735,106
Unrestricted	7,751,946	1,230,298	8,982,244
Total net assets	$ 22,381,756	$ 9,537,818	$ 31,919,573

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

City of Franklin, New Hampshire
Statement of Activities
For the Fiscal Year Ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Primary government							
Governmental actvities:							
General Government	$ 1,575,011	$ 7,350	$ 1,410	$ -	$ (1,566,251)		$ (1,566,251)
Public Safety	3,769,455	407,631	17,174	-	(3,344,650)		(3,344,650)
Highways and streets	1,530,128	3,820	-	77,137	(1,449,172)		(1,449,172)
Sanitation	979,751	207,071	-	-	(772,680)		(772,680)
Health	57,166	-	-	-	(57,166)		(57,166)
Welfare	190,968	5,663	-	-	(185,305)		(185,305)
Culture and recreation	626,149	92,778	6,412	-	(526,958)		(526,958)
Conservation	315	-	-	-	(315)		(315)
Economic Development	45,000	-	-	-	(45,000)		(45,000)
School	14,944,732	206,253	10,638,734	-	(4,099,745)		(4,099,745)
Interest on long term debt	306,997	-	-	254,847	(52,150)		(52,150)
Capital Outlay	-	-	-	-	-		-
Total governmental activities:	24,025,670	930,565	10,663,731	331,984	(12,099,390)		(12,099,390)
Business-type activities:							
Water operations	902,193	1,238,097	4,000	-		$ 339,904	339,904
Sewer operations	968,287	1,077,140	6,014	-		114,867	114,867
Total business-type activities	1,870,480	2,315,238	10,014	-		454,772	454,772
Total primary government	25,896,151	3,245,803	10,673,745	331,984	(12,099,390)	454,772	(11,644,619)
		General Revenues:					
		Property Taxes			9,952,923		9,952,923
		Other Taxes			319,207		319,207
		Licenses and Permits			960,101		960,101
		Grants Not Restricted to Specific Programs			733,410		733,410
		Interest Earnings			82,246		82,246
		Change in Fair Market Value			82,968		82,968
		Miscellaneous			448,344		448,344
		Transfers - Internal Activity			(688)	688	0
		Total General Revenues			12,578,511	688	12,579,199
		Change in Net Assets			479,121	455,459	934,580
		Net Assets - Beginning, as restated			21,902,636	9,082,358	30,984,994
		Net Assets - Ending			$ 22,381,756	$ 9,537,818	$ 31,919,574

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

Statement C

City of Franklin, New Hampshire
Balance Sheet
Governmental Funds
June 30, 2010

	General	Capital Projects	Capital Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	$ 6,859,943	$ 100	$ -	$ 246,827	$ 7,106,870
Investments	28,766	-	663,901	1,484,579	2,177,246
Receivables, net of allowances for uncollectables					
Taxes	1,566,055	-	-	-	1,566,055
Accounts	846,376	-	-	75,216	921,592
Intergovernmental receivable	6,183	105,782	-	36,243	148,208
Interfund receivable	46,201	117	1,170	75,847	123,335
Prepaid items	32,012	-	-	-	32,012
Inventory	-	-	-	13,759	13,759
Total assets	$ 9,385,536	$ 105,999	$ 665,071	$ 1,932,470	$ 12,089,077
LIABILITIES AND FUND BALANCES					
Classified Liabilities					
Accounts payable	$ 672,783	$ 84,066	$ 361	$ 390,006	$ 1,147,215
Accrued payroll and benefits	79,715	-	-	1,789	81,504
Contracts payable	-	-	-	-	-
Intergovernmental payable	15,762	-	-	-	15,762
Interfund payable	525,364	21,817	262,120	6,636	815,937
Deferred revenues	6,237,724	-	-	17,918	6,255,642
Total liabilities	7,531,348	105,882	262,481	416,349	8,316,060
Fund balances:					
Reserved for prepaid items	32,012	-	-	-	32,012
Reserved for inventory	-	-	-	13,759	13,759
Reserved for encumbrances	353,102	-	-	-	353,102
Reserved for special purposes	-	-	402,590	1,159,120	1,561,710
Unreserved, undesignated, reported in:					
General fund	1,469,073	-	-	-	1,469,073
Special revenue funds	-	-	-	343,242	343,242
Capital projects funds	-	117	-	-	117
Total fund balances	1,854,188	117	402,590	1,516,122	3,773,017
Total liabilities and fund balances	$ 9,385,536	$ 105,999	$ 665,071	$ 1,932,470	

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.	19,387,417
Certain long term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Tax Deeded Property	397,854
Receivables from individuals	7,985
Receivables from other governments	407,791
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.	50,087
Certain long term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued interest payable	(77,253)
Due to other governments	-
Capital lease obligations payable	(991,998)
General obligation bonds payable	(5,898,686)
Landfil postclosure Costs	(223,985)
Accrued compensated absences	(228,693)
Other post employment benefits	(402,447)
Deferred revenue	6,180,669
	(1,642,394)
Net assets of governmental activities	$ 22,381,756

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

Statement D

City of Franklin, New Hampshire
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Capital Projects	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 9,990,111	$ -	$ 37,170	$ -	$ 10,027,281
Licenses and Permits	960,101	-	-	-	960,101
Intergovernmental	10,980,475	136,269	-	446,922	11,563,666
Charges for Services	667,860	-	-	262,705	930,565
Miscellaneous	307,654	-	-	7,546	315,200
Interest	44,811	-	2,062	35,373	82,246
Change in fair market value	-	-	-	82,968	82,968
Total Revenues	22,951,013	136,269	39,232	835,513	23,962,028
Expenditures:					
General Government	1,170,709	-	-	11,624	1,182,333
Public Safety	3,585,575	-	-	11,881	3,597,455
Highways and Streets	1,363,530	-	-	-	1,363,530
Sanitation	1,832,350	-	-	-	1,832,350
Health	57,166	-	-	-	57,166
Welfare	195,824	-	-	-	195,824
Culture and Recreation	246,440	-	-	338,513	584,952
Conservation	-	-	-	315	315
Economic Development	45,000	-	-	-	45,000
School	13,592,715	-	5,438	611,068	14,209,221
Debt Service	1,089,250	-	-	-	1,089,250
Capital Outlay	386,370	136,269	-	-	522,639
Total Expenditures	23,564,928	136,269	5,438	973,400	24,680,035
Excess of Revenues Over Expenditures	(613,915)	-	33,795	(137,887)	(718,007)
Other Financing Sources (Uses):					
Transfers In	233,648	-	261,433	329,753	824,833
Transfers Out	(296,552)	-	(475,590)	(53,379)	(825,521)
Proceeds from capital leases	1,167,020	-	-	-	1,167,020
Total Other Financing Sources(Uses)	1,104,116	-	(214,157)	276,373	1,166,332
Net Change in Fund Balances	490,201	-	(180,362)	138,486	448,325
Fund Balances, Beginning	1,363,987	117	582,952	1,377,635	3,324,692
Fund Balances, Ending	$ 1,854,188	$ 117	$ 402,590	$ 1,516,122	$ 3,773,017

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

Statement E

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, 2010

Net change in fund balances - total governmental funds	$	448,325
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while govern-activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		1,542,987
Loss on disposal of capital assets		(1,240)
Depreciation expense		(1,161,763)
		379,985
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Tax Deeded Properties		20,005
Deferred revenue		224,845
Accounts receivable		7,985
		252,835
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		(1,167,020)
Capital lease obligation principle payments		221,116
General obligation bond principle payments		674,898
		(271,006)
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		
Accrued interest payable		10,328
Landfill postclosure		10,680
Accrued compensated absences		2,998
Other post employment benefits		(358,288)
		(334,282)
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.		3,264
Change in net assets of governmental activities	$	479,121

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

Statement F

City of Franklin, New Hampshire
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds		Total Enterprise Funds	Governmental Activity - Fuel Depot Internal Service Fund
	Water	Sewer		
ASSETS				
Current Assets:				
Accounts Receivable, Net of Allowance for Uncollectible	$ 296,399	$ 264,612	$ 561,011	$ 11,210
Intergovernmental Receivable	-	204,764	204,764	-
Interfund Receivable	602,397	39,396	641,793	30,353
Inventory	53,225	1,819	55,044	26,139
Total Current Assets	952,022	510,591	1,462,612	67,702
Noncurrent Assets:				
Capital Assets:				
Land	34,399	-	34,399	-
Construction in Progress	436,367	-	436,367	-
Buildings	111,209	-	111,209	70,737
Accumulated Depreciation, Buildings	(21,168)	-	(21,168)	(70,737)
Machinery and Equipment	413,401	171,477	584,878	-
Accumulated Depreciation, M&E	(175,327)	(40,519)	(215,846)	-
Infrastructure	9,376,564	2,764,057	12,140,621	-
Accumulated Depreciation, Infra	(3,018,595)	(411,870)	(3,430,465)	-
Total Capital Assets, Net	7,156,850	2,483,145	9,639,995	-
Total Assets	8,108,871	2,993,736	11,102,607	67,702
LIABILITIES				
Current liabilities:				
Accounts Payable	24,167	5,305	29,472	17,615
Accrued Payroll and Benefits	2,906	977	3,883	-
Accrued Interest Payable	7,933	17,024	24,957	-
Interfund Payable	-	17,749	17,749	-
Unearned Revenue	935	139,892	140,828	-
General Obligation Debt Payable, Current:				-
Notes and Bonds	361,317	44,838	406,155	-
Compensated Absences	12,118	3,707	15,825	-
Total Current Liabilities	409,377	229,492	638,868	17,615
Noncurrent Liabilities:				
General Obligation Bonds Payable	218,750	41,250	260,000	-
General Obligation Notes Payable	-	665,921	665,921	-
Total Noncurrent Liabilities	218,750	707,171	925,921	-
Total Liabilities	628,127	936,662	1,564,789	17,615
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	6,576,383	1,731,137	8,307,520	-
Restricted	-	-	-	-
Unrestricted	904,361	325,937	1,230,298	50,087
Total Net Assets	$ 7,480,744	$ 2,057,073	$ 9,537,818	$ 50,087

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

Statement G

City of Franklin, New Hampshire
Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds		Total	Governmental
	Water Fund	Sewer Fund	Enterprise Funds	Activity - Fuel Depot Internal Service Fund
Operating revenues:				
User Charges	$ 1,235,973	$ 1,077,140	$ 2,313,113	$ 177,562
Miscellaneous	2,125	-	2,125	-
Grants	4,000	6,014	10,014	-
Sale of Municipal Property	-	-	-	-
Total operating revenues	1,242,097	1,083,154	2,325,252	177,562
Operating expenses:				
Salaries, wages and benefits	374,959	118,681	493,640	-
Purchased services, professional and technical	6,899	4,543	11,442	458
Purchased services, property and miscellaneous	307,699	790,093	1,097,792	173,840
Depreciation	193,293	32,821	226,114	-
Total operating expenses	882,850	946,138	1,828,988	174,298
Operating income (loss)	359,248	137,016	496,264	3,264
Nonoperating revenues (expenses):				
Interest expense	(19,343)	(22,149)	(41,492)	-
Capital contributions	-	-	-	-
Total nonoperating revenues (expenses)	(19,343)	(22,149)	(41,492)	-
Income (loss) before transfers	339,904	114,867	454,772	3,264
Transfers:				
In	222,724	39,396	262,120	-
Out	(222,140)	(39,293)	(261,433)	-
Total transfers	584	103	688	-
Net change in net assets	340,489	114,971	455,459	3,264
Net assets, beginning	7,140,256	1,942,103	9,082,358	46,823
Net assets, ending	$ 7,480,744	$ 2,057,073	$ 9,537,818	$ 50,087

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

City of Franklin, New Hampshire
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds			Governmental Activity - Fuel Depot Internal Service Fund
	Water Fund	Sewer Fund	Total Enterprise Funds	
Cash Flows from Operating Activities				
Receipts from Users	$ 1,235,973	$ 1,077,140	$ 2,313,113	$ 177,562
Payments to Providers	(882,850)	(946,138)	(1,828,988)	(174,298)
Other Receipts (Payments)	(372,741)	(96,963)	(469,704)	(3,264)
Net Cash Provided by (Used in) Operating Activities	(19,618)	34,040	14,422	-
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	222,724	39,396	262,120	-
Transfers to Other Funds	(222,140)	(39,293)	(261,433)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	584	103	688	-
Cash Flows from Capital and Related Financing Activities				
Capital Assets	(123,705)	32,821	(90,884)	-
Long Term Debt	162,081	(44,814)	117,267	-
Interest Expense	(19,343)	(22,149)	(41,492)	-
Capital Contributions	-	-	-	
Net Cash Provided by (Used in) Capital and Related Financing Activities	19,033	(34,143)	(15,109)	-
Net Increase (Decrease) in Cash and Cash Equivalents	0	0	0	-
Balances - Beginning of Year	-	-	-	-
Balances - End of Year	$ 0	$ 0	$ 0	$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Income (Loss)	$ 359,248	$ 137,016	$ 496,264	$ 3,264
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Inventory	(1,358)	(242)	(1,600)	(653)
Receivables, net	(7,714)	13,900	6,186	(6,753)
Deferred Revenue	(1,172)	(7,150)	(8,322)	-
Due from Other Funds	(355,436)	(103)	(355,539)	(13,266)
Accounts Payable	(14,085)	1,428	(12,657)	17,407
Accrued Payroll	(3,898)	(1,314)	(5,213)	-
Due to Other Funds	-	(51,304)	(51,304)	-
Due from Other Governments	-	(59,400)	(59,400)	-
Accrued Compensated Absences	4,798	1,209	6,007	-
Net Cash Provided By (Used in) Operating Activities	$ (19,618)	$ 34,040	$ 14,422	$ -

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

Statement I

City of Franklin, New Hampshire
Statement of Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds			Private Purpose Trust Funds		
	Engineering Escrow	Student Activities	Total	Charity	School Scholarship	Total
ASSETS						
Cash and Cash Equivalents	$ 4,039	$ 143,167	$ 147,206	$ -	$ -	$ -
Investments	-		-	132,418	468,576	600,994
Due from General Fund	1,962		1,962			-
Total Assets	6,001	143,167	149,168	132,418	468,576	600,994
LIABILITIES						
Accounts Payable	-	-	-	-	-	-
Due to Developers	6,001	-	6,001	-	-	-
Due to General Fund	-	-	-	-	-	-
Due to Student Groups	-	143,167	143,167	-	-	-
Total Liabilities	6,001	143,167	149,168	-	-	-
NET ASSETS						
Held in Trust for Special Purposes	$ -	$ -	$ -	$ 132,418	$ 468,576	$ 600,994

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

City of Franklin, New Hampshire
Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust Funds		
	Charity	School Scholarship	Total
ADDITIONS			
Investment earnings:			
Interest and dividends	$ 3,379	$ 14,544	$ 17,923
Net increase in fair market value of investments	8,014	28,359	36,373
New Funds	-	30,350	30,350
DEDUCTIONS			
Scholarship and charity distributions	0	6,100	6,100
Change in net assets	11,393	67,153	78,547
Net assets, beginning	121,024	401,423	522,447
Net assets, ending	$ 132,418	$ 468,576	$ 600,993

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

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

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.

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

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

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

1-E-1 Cash, Cash Equivalents and Investments

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

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

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

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

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

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

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

1-E-2 Receivables

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

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

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

1-E-6 Compensated Absences

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

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

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

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

1-E-7 Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

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

1-E-8 Equity

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

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

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

1-E-9 Interfund Activity

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

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

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 2010, $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	$ 94,116
Municipal Services	158,004
Fire	68,750
Police	16,969
Planning	10,000
City Manager	2,940
Finance	2,000
City Clerk	323
Total	$353,102

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, 2010 and includes encumbrances and reserves at June 30, 2010 as follows:

FY2010 Appropriations	$25,596,188
June 2009 Encumbrances	233,426
Final Budgeted Amounts	$25,829,614

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
Revenues/Expenditures GAAP Basis	$22,951,013	$23,564,928
Transfers to Other Funds	2,498,578	2,561,482
Budgetary Beginning Fund Balance	1,130,564	
2009 Encumbrances/Reserves		(233,427)
2010 Encumbrances/Reserves		353,102
Proceeds from Capital Leases		(1,167,020)
Revenues/Expenditures Budgetary Basis	$26,580,155	$25,079,065

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 2010, 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 2010 recorded as an insurance expenditure totaled $114,595. There were no unpaid contributions for the year ending June 30, 2010 and due in 2011. The City also paid $109,352 for workers' compensation for the year ended June 30, 2010. 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, 2010, the City believes that disallowed expenditures, if any, based on subsequent review will not have a material effect on any individual funds or the overall financial position of the City.

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

3-A Investment Risks

Repurchase Agreement

Included in the City's cash equivalents at June 30, 2010, 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, 2010, the City held an investment in the following repurchase agreement:

			Collateral Pledged	
Amount	Interest Rate %	Maturity Date	Underlying Securities	Market Value
$6,062,022	0.75%	3/01/2013	FNMA	$6,487,680

Investments

As of June 30, 2010, the City had the following investments:

Certificate of deposit	$ 183,154
Mutual/Bond Funds	1,346,074
Common stocks	538,550
New Hampshire Public Deposit Investment Pool	710,461
Total	$2,778,239

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 $2,778,239 in investments, $538,550 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, 2008, upon which the 2009 property tax levy was based is:

For the New Hampshire education tax	$534,596,290
For all other taxes	$562,675,690

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.

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, 2010, were as follows:

	Per $1000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	$9.80	$ 5,512,958
School portion:		
State of New Hampshire	2.67	1,425,703
Local	5.34	3,005,396
County portion	2.78	1,566,463
Total	$20.59	$11,510,520

During the current fiscal year, the tax collector executed a lien on April 23, 2010 for all uncollected 2008/2009 property taxes, $384,431.

Taxes receivable at June 30, 2010, are as follows:

Property:	
Levy of 2010	$ 1,424,769
Unredeemed (under tax lien):	
Levy of 2009	156,367
Levy of 2008	8,811
Land Use Change Tax	5,500
Yield Tax	2,142
Less: allowance for estimated uncollectible taxes	(31,534)
Net taxes receivable	$1,566,055

3-C Other Receivables

Other receivables at June 30, 2010, 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, 2010 are as follows:

	Governmental	**Proprietary**
Accounts	$ 255,177	$566,288
Intergovernmental	111,947	204,764
Voluntary liens	35,833	-
Less: allowance for uncollectible or unavailable amount	(72,463)	(5,277)
Net receivables	$331,241	$765,775

3-D Capital Assets

Capital asset activity for the year ended June 30, 2010 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	551,499	(371,073)	180,426
Total not being depreciated	1,518,305	(371,073)	1,147,232
Being depreciated:			
Land improvements	196,945	-	196,945
Buildings	22,446,765	208,880	22,655,645
Machinery and equipment	5,273,729	1,316,714	6,590,443
Infrastructure	1,277,475	334,579	1,612,054
Total capital assets being depreciated	29,194,914	1,860,173	31,055,087
Total all capital assets	30,713,219	1,489,100	32,202,319
Less accumulated depreciation:			
Land improvements	(6,973)	(4,391)	(11,364)
Buildings	(8,727,638)	(593,144)	(9,320,782)
Machinery and equipment	(2,826,813)	(430,527)	(3,257,340)
Infrastructure	(144,363)	(81,054)	(225,417)
Total accumulated depreciation	(11,705,787)	(1,109,116)	(12,814,903)
Net book value, all capital assets	19,007,432	379,984	19,387,416

Business-type activities:	Beginning Balance	Changes	Ending Balance
At cost:			
Not being depreciated:			
Land	34,399	-	34,399
Construction in progress	146,870	289,497	436,367
Total not being depreciated	181,269	289,497	470,766
Being depreciated:			
Buildings	111,209	-	111,209
Machinery and equipment	584,878	-	584,878
Infrastructure	12,113,121	27,500	12,140,621
Total capital assets being depreciated	12,809,208	27,500	12,836,708
Total all capital assets	12,990,477	316,997	13,307,474
Less accumulated depreciation:			
Buildings	(15,612)	(5,557)	(21,169)
Machinery and equipment	(175,464)	(40,381)	(215,845)
Infrastructure	(3,250,290)	(180,176)	(3,430,466)
Total accumulated depreciation	(3,441,366)	(226,114)	(3,667,480)
Net book value, all capital assets	9,549,111	90,883	9,639,994

3-D Capital Assets, continued

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

Governmental activities:	
School	$ 602,936
General government	58,516
Public safety	236,833
Highways and streets	236,667
Sanitation	3,465
Culture and recreation	23,346
Total depreciation expense – governmental activities	$1,161,763
Business-type activities:	
Water	$ 193,293
Sewer	32,821
Total depreciation expense – business-type activities	$ 226,114

3-E Prepaid Items

Prepaid items at June 30, 2010, totaling $31,584, consisted of the following paid in the current period to benefit the following fiscal year governmental activities:

Purpose	Amount
Software Support	$17,087
Boiler Deposit	10,697
Office Supplies	2,032
Dues	718
School District	428
Rent	405
Recreation Deposit	200
Subscription	185
Continuing Education	135
Equipment Lease	125
Total	**$32,012**

3-F Interfund Balances and Transfers

Interfund balances at June 30, 2010 consist of interfund loans, services provided, reimbursements or budgetary transfers. The composition of interfund balances as of June 30, 2010 is as follows:

Fund	Due From	Due To
General	$ 46,201	$ 525,364
Capital	117	21,817
Water	602,397	-
Sewer	39,396	17,749
Fuel Depot	30,353	-
Food Service	36,243	-
Parks & Rec	27,925	-
Outside Detail	13,364	-
Library	28,262	-
Expendable Trusts	6,295	-
Other Library	-	6,636
Capital Reserve	1,170	262,120
Engineering Escrow	1,962	-
Totals	***$ 833,686***	***$ 833,686***

3-F Interfund Balances and Transfers, continued

Interfund transfers during the year were comprised of the following:

Fund	Transfer In	Transfer Out
General	$ 233,647.87	$ 296,551.51
Water	222,724.25	222,139.98
Sewer	39,395.90	39,292.61
Library	328,452.62	-
Conservation	400.00	-
DARE	500.00	-
Heritage	400.00	-
Expendable Trusts	-	18,178.13
Odell	-	2,000.00
Buswell	-	19,152.47
Other Library	-	14,048.62
Capital Reserve	261,432.59	475,589.89
Totals	***$ 1,086,953.23***	***$ 1,086,953.23***

3-G Deferred/Unearned Revenue

Governmental Funds - Deferred/unearned revenue of $6,255,642 at June 30, 2010 largely consists of property taxes levied but not due until the subsequent year ($5,715,846) and property taxes not expected to be collected within 60 days of June 30, 2010 ($464,823). In addition, $22,250 related to recreation program fees and grants collected in advance;$21,433 related to dispatch fees collected in advance; $11,500 donation and $1,200 rental fee collected in advance, $10,672 school district revenue collected in advance and $7,918 related to student meal money collected in advance of the meals being served.

Proprietary Funds – Water department unearned revenue at June 30, 2010 of $935 represents water rents collected in advance of water bills. Sewer department unearned revenue at June 30, 2010 of $139,892 represents sewer rents collected in advance of the sewer bills ($542) and amount due from State revolving fund to partially fund loan payments ($139,350).

3-H Long-Term Liabilities

Changes in the City's long-term obligations during the year ended June 30, 2010, consisted of the following:

	Balances, beginning	Additions	Reductions	Balances, ending
Governmental activities:				
General obligation bonds	$6,624,509	$ -	$ (725,825)	$5,898,684
Compensated absences	220,619	-	(2,893)	217,726
Capital Leases	46,094	1,167,020	(238,298)	974,816
Accrued landfill post closure care costs	234,665	-	(10,680)	223,985
Other Post Employment Benefits	44,159	473,449	(115,161)	402,447
Totals	$7,170,046	$ 1,640,469	$ (1,092,857)	$7,717,658
Business-type activities:				
General obligation bonds/notes	$ 1,213,368	$ 270,067	$ (151,359)	$ 1,332,076
Compensated absences	13,825	2,000	-	15,825
Totals	$ 1,227,193	$ 272,067	$ (151,359)	$ 1,347,901

3-H Long-Term Liabilities, continued

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2010	Current Portion
Governmental activities:						
General obligation bonds payable:						
Bridge Project	1,300,000	1994	2015	4.7-7.0	325,000	65,000
Police Station	1,000,000	1998	2018	4.7-5.3	400,000	50,000
Courthouse	1,000,000	1999	2018	4.7-5.3	400,000	50,000
School Renovation	5,010,386	2001	2020	4.5-5.25	2,500,000	250,000
School Renovation	2,700,000	2006	2026	4.29	2,273,684	142,105
Total general obligation bonds payable					$5,898,684	$ 557,105
Capital leases payable:						
(2) 2009 Ford Crown Victorias	46,033	2009	2011	6.55	15,324	15,324
(1) 2009 Ford Explorer	25,397	2009	2011	6.55	8,454	8,454
Automated Collection&Recycling Program	948,000	2009	2015	4.077	795,298	119,299
School District Copiers & Printers	219,020	2010	2014	3.9	155,740	38,935
Total capital leases payable					974,816	182,012
Compensated absences payable					217,726	217,726
Accrued landfill post closure care costs					223,985	11,040
Post Employment Benefits – Health					402,447	-
Total governmental activities					$7,717,658	$ 967,883

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2010	Current Portion
Business-type activities:						
Bonds/notes payable:						
Water/Sewer	$1,000,000	1991	2014	Variable	$ 200,000	$ 50,000
FMHA Water	1,100,000	1991	2015	5.875	165,000	55,000
Sewer Revolving Loan	784,061	2006	2026	3.352	697,008	31,088
Water DWSRF Bond Anticipation Note	3,345,000	2010	2011	1.000	270,067	270,067
Total general obligation bonds/notes payable					$1,332,076	$ 676,222
Compensated absences payable					15,825	15,825
Total business-type activities					$1,347,901	$ 692,047

3-H Long-Term Liabilities, continued

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2010, including interest payments, are as follows:

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	557,105	164,260	721,365
2016-2020	2,260,526	454,601	2,715,127
2021-2025	710,526	114,306	824,832
2026	142,105	4,572	146,677
Totals	$5,898,684	$1,6,78,358	$ 7,577,042

Annual Requirements To Amortize Governmental Funds' Leases Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	$182,012	$39,256	$221,268
2012	163,245	32,688	195,933
2013	168,466	27,467	195,933
2014	173,906	22,025	195,931
2015-2016	287,187	18,217	305,404
Totals	$974,816	$139,653	$1,114,469

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	406,155	43,372	449,527
2012	137,130	33,900	171,030
2013	138,207	27,067	165,274
2014	84,320	21,600	105,920
2015	35,470	18,981	54,451
2016-2020	196,003	76,254	272,257
2021-2025	231,130	41,127	272,257
2026-2027	103,662	5,241	108,903
Totals	$1,332,076	$267,542	$1,599,618

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.

3-H Long-Term Liabilities, continued

Accrued Landfill Post closure Care Costs

As required by state and federal laws and regulations, the City has constructed a final capping system on the River Street Landfill and completes annual ground water sampling and post closure reports. The Landfill stopped accepting waste in 1984 and the final capping system was completed in 1985. Remaining post closure care liability estimate of $223,985 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:

Bond Issue	Amount
Sewer Revolving Loan	$697,008

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, 2010, the City is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending June 30	Amount
2011	6,215
2012	6,424
2013	6,639
2014	6,861
2015	7,091
2016-2027	106,120
Total	$139,350

3-J Operating Leases

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

3-K Restatement of Equity

Fund equity at July 1, 2009, was restated to give retroactive effect to the following prior period adjustment:

	Other General Trusts	Other Library Trusts	Charity Fund	Scholarship Trust	Expendable Trust	Odell Trust	Govt Wide Net Assets
Adjustment:							
Correct FMV allocation of investments	($220)	($441)	($1,523)	($2,033)	$5,465	($422)	$4,384
Fund Balance/Net Assets, as previously reported	31,062	185,552	122,547	403,455	163,137	93,221	21,898,252
Fund Balance/Net Assets, as restated	$30,842	$185,111	$121,024	$401,423	$168,602	$92,799	$21,902,636

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 2010, the City contributed 13.66% for police, 17.28% for fire, 7.49% for teachers and 9.16% for other employees. The contribution requirements for the City of Franklin for the fiscal years 2008, 2009 and 2010 were $820,375, $787,413 and $925,971, respectively, which were paid in full in each year.

The State of New Hampshire funded 30% of employer costs for teachers, police officers and firefighters employed by the City for 2010. The State of New Hampshire previously funded 35% as required by State law. The New Hampshire Municipal Association is bringing a lawsuit forward to compel the State to resume the 35% contributions. The City has funded 70% of employer costs for teachers, police officers and firefighters under protest for 2010. At the time of these financial statements there has been no hearing or indication of the outcome of this suit. The City funds 100% of the employer costs for other employees.

4-B Post-Retirement Benefits - Other Post Employment Benefits

During the year, the City fully implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is recognition of an actuarially required contribution as an expense on the statement of revenues, expenditures and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that the entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

Plan Description

The City provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health and prescription insurance at the City's group rates. Although the City does not supplement the cost of these plans, GASB Statement 45 requires the City to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance – one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of June 30, 2010, there were approximately 79 retiree subscribers, including eligible spouses and dependents, and 219 active employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Benefits Provided

The City provides medical, prescription drug and mental health/substance abuse benefits to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

4-B Post-Retirement Benefits - Other Post-Employment Benefits, continued

Funding Policy

Retirees of the City, including the dependent school district, contribute 100% of the cost of the health plan, as determined by the City. The City contributes to the remainder of the health plan costs on a pay-as-you-go basis.

Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2010 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2010, the amount actually contributed to the plan and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2009.

Annual OPEB Cost and Net OPEB Obligation

1. Annual Required Contribution	$314,066
2. Interest on Net OPEB Obligation	0
3. Adjustment to annual required contribution	0
4. Annual OPEB cost	$314,066
5. Employer contributions (including subsidy)	115,161
6. Change in Net OPEB Obligation	$198,905
7. Net OPEB Obligation - beginning of year	203,542
8. Net OPEB Obligation - end of year	$402,447

Impact of Implicit Subsidy

1. Employer contributions (including subsidy)	$115,161
2. Actual employer contributions	0
3. Implicit Subsidy (1. - 2.)	$115,161

Plan History

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Increase in Net OPEB Obligation
6/30/10	314,066	37%	198,905
6/30/09	301,174	32%	203,542

The City's net OPEB obligation as of June 30, 2010 is recorded as a component of long term liabilities on the City's Statement of Net Assets.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
3/30/11	0	2,310,766	2,310,766	0%	8,360,353	27.6%
7/1/09	0	2,147,493	2,147,493	0%	7,750,077	27.7%

4-B Post-Retirement Benefits - Other Post-Employment Benefits, continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far in the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the March 30, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend of 10% which decreases to a 5% long term rate for all healthcare benefits after 6 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis.

Schedule A

City of Franklin, New Hampshire
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	$ 233,427	$ 233,427	$ 1,130,564	$ 897,137
Resources (Inflows)				
Taxes:				
Property	9,795,533	9,793,407	9,708,074	(85,333)
Other	269,875	269,875	282,037	12,162
Licenses, Permits & Fees	1,035,732	1,035,732	960,101	(75,631)
Intergovernmental:				
Shared Revenues	-	-	-	-
Highway Block Grant	177,719	182,587	175,707	(6,880)
Meals & Rooms Tax	386,000	384,875	384,875	0
Forest Land Reimbursement	145	155	163	8
Flood Control Reimbursement	37,968	36,341	36,341	0
School Aid	9,970,582	9,970,582	10,281,255	310,673
Department of Environmental Services	-	-	-	-
Department of Justice	-	94,694	9,360	(85,333)
Office of Emergency Management	-	-	-	-
Other Grant	3,598	26,386	92,774	66,387
Charges for Services:				
City Clerk/Tax Collector	450	450	100	(350)
Finance	1,299	1,299	925	(374)
Fire	333,740	333,740	340,482	6,742
Municipal Services	279,472	279,472	210,890	(68,582)
Planning & Zoning	3,550	3,550	6,325	2,775
Police	62,030	62,030	53,064	(8,966)
Recreation	52,100	52,100	50,411	(1,689)
School	39,600	39,600	49,169	9,569
Welfare	7,500	7,500	5,663	(1,837)
Interest	103,000	103,000	44,811	(58,189)
Sale of Municipal Property	40,000	40,000	28,868	(11,132)
Other	218,364	218,364	229,618	11,254
Transfers from Other Funds	2,557,935	2,660,449	2,498,578	(161,871)
Amounts Available for Appropriation	25,609,619	25,829,614	26,580,155	750,540
Charges to Appropriations (Outflows)				
General Government:				
Executive	197,564	217,564	199,434	18,130
Election, Registration & Vital Statistics	232,921	232,921	212,760	20,161
Financial Administration	465,015	465,015	358,363	106,652
Planning & Zoning	145,514	145,514	139,608	5,906
Insurance, Legal & Personnel Expenses	117,102	117,102	109,976	7,126
Buildings	115,390	115,390	127,765	(12,375)
Other	25,726	25,726	22,890	2,836
Public Safety:				
Police	2,137,189	2,233,490	1,949,323	284,167
Fire, Ambulance, Emergency Management	1,658,084	1,746,073	1,704,290	41,784
Municipal Services:				
Highways, Streets & Bridges	1,257,797	1,267,493	1,488,814	(221,321)
Solid Waste	976,935	976,935	897,247	79,688
Health Agencies & Hospitals	57,166	57,166	57,166	-
Welfare	154,044	154,044	195,824	(41,780)
Culture & Recreation:				
Parks & Recreation	429,147	429,147	236,727	192,420
Economic Development	20,000	20,000	45,000	(25,000)
Other	12,702	12,702	9,713	2,989
Capital Outlay	126,674	132,684	40,676	92,008
Debt Service:				
Principle	725,824	779,804	776,663	3,141
Interest	310,249	310,249	311,761	(1,512)
Other	825	825	825	-
School	13,873,668	13,819,688	13,632,757	186,931
Transfers to Other Funds	2,570,082	2,570,082	2,561,482	8,600
Total Charges to Appropriations	25,609,619	25,829,614	25,079,065	750,549
Ending Budgetary Fund Balance	$ -	$ -	$ 1,501,090	$ 1,501,090

Schedule B

City of Franklin, New Hampshire
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	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	$ 109,485	$ 61,155	$ -	$ -	$ 2,820	$ 920	$ -	$ 72,448	$ -	$ -	$ 246,827
Investments	-		-	10,515	-	-	7,279	79,709	-	-	97,502
Receivables, net of allowances for uncollectables	-	74,046	-	-	-	-	-	-	-	1,170	75,216
Intergovernmental Receivable	-	36,243	-	-	-	-	-	-	-	-	36,243
Interfund receivable	28,262	-	-	-	-	-	-	6,295	27,925	13,364	75,847
Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	13,759	-	-	-	-	-	-	-	-	13,759
Total assets	137,747	185,203	-	10,515	2,820	920	7,279	158,452	27,925	14,534	545,394
LIABILITIES AND FUND BALANCES											
Classified Liabilities											
Accounts payable	3,995	3,889	-	-	-	900	-	-	1,450	-	10,234
Contracts payable	-	-	-	-	-	-	-	-	-	-	-
Accrued payroll & benefits	1,789	-	-	-	-	-	-	-	-	-	1,789
Intergovernmental payable	-	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	7,918	-	-	-	-	-	-	10,000	-	17,918
Total liabilities	5,784	11,807	-	-	-	900	-	-	11,450	-	29,941
Fund balances:											
Reserved for inventory	-	13,759	-	-	-	-	-	-	-	-	13,759
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-
Reserved for special purposes	-	-	-	-	-	-	-	158,452	-	-	158,452
Unreserved, undesignated, reported in:											
Special revenue funds	131,963	159,637	-	10,515	2,820	20	7,279	-	16,475	14,534	343,242
Total fund balances	131,963	173,396	-	10,515	2,820	20	7,279	158,452	16,475	14,534	515,453
Total liabilities and fund balances	$ 137,747	$ 185,203	$ -	$ 10,515	$ 2,820	$ 920	$ 7,279	$ 158,452	$ 27,925	$ 14,534	$ 545,394

Schedule C

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, 2010

	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	$ -	$ 446,868	$ -	$ -	$ 54	$ -	$ -	$ -	$ -	$ -	$ 446,922
Charges for Services	5,544	206,253	-	-	-	-	-	-	36,823	14,085	262,705
Interest	1,134	366	-	10	6	2	19	3,104	-	-	4,641
Change in Fair Market	-	-	-	-	-	-	-	4,824	-	-	4,824
Miscellaneous	3,552	1,218	-	-	-	1,954	-	100	-	-	6,824
Total revenues	10,231	654,705	-	10	60	1,955	19	8,028	36,823	14,085	725,917
Expenditures											
Public Safety	-	-	-	-	409	1,664	-	-	-	9,808	11,881
Culture and recreation	304,906	-	-	-	-	-	-	-	33,607	-	338,513
Conservation	-	-	-	275	-	-	40	-	-	-	315
School	-	611,068	-	-	-	-	-	-	-	-	611,068
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	304,906	611,068	-	275	409	1,664	40	-	33,607	9,808	961,776
Excess (deficiency) of revenues over (under) expenditures	(294,675)	43,637	-	(265)	(349)	292	(21)	8,028	3,216	4,277	(235,860)
Other financing sources (uses):											
Transfers in	328,453	-	-	400	-	500	400	-	-	-	329,753
Transfers Out	-	-	-	-	-	-	-	(18,178)	-	-	(18,178)
Total other financing sources and uses	328,453	-	-	400	-	500	400	(18,178)	-	-	311,574
Net change in fund balances	33,778	43,637	-	135	(349)	792	379	(10,150)	3,216	4,277	75,715
Fund balances, beginning as restated	98,186	129,759	-	10,379	3,168	(772)	6,900	168,602	13,259	10,257	439,738
Fund balances, ending	$ 131,963	$ 173,396	$ -	$ 10,515	$ 2,820	$ 20	$ 7,279	$ 158,452	$ 16,475	$ 14,534	$ 515,453

Schedule D

City of Franklin, New Hampshire
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2010

	Odell Park	Other General Trusts	Library Buswell Trust	Other Library Trusts	Total Permanent Funds
ASSETS					
Assets					
Investments	$ 96,929	$ 413,677	$ 680,036	$ 196,434	$ 1,387,076
Intergovernmental receivable	-	-	-	-	-
Total Assets	96,929	413,677	680,036	196,434	1,387,076
LIABILITIES AND FUND BALANCES					
Classified Liabilities					
Accounts payable	-	379,772	-	-	379,772
Interfund Payable	-	-	-	6,636	6,636
Total Liabilities	-	379,772	-	6,636	386,408
Fund balances:					
Reserved for special purposes	96,929	33,905	680,036	189,798	1,000,669
Unreserved, undesignated, reported in:					
Permanent Funds	-	-	-	-	-
Total fund balances	96,929	33,905	680,036	189,798	1,000,669
Total liabilities and fund balances	$ 96,929	$ 413,677	$ 680,036	$ 196,434	$ 1,387,076

Schedule E

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, 2010

	Odell Park	Other General Trusts	Library Buswell Trust	Other Library Trusts	Total Permanent Funds
Revenues					
Revenues Gov Funds					
Interest/Dividends	$ 3,254	$ 1,011	$ 19,619	$ 6,847	$ 30,731
Change in Fair Value	5,866	2,052	58,337	11,889	78,143
Miscellaneous	-	-	722	-	722
Total revenues	9,120	3,063	78,677	18,736	109,596
Expenditures:					
Functional Expenditures					
General government	2,990		8,634	-	11,624
Total expenditures	2,990	-	8,634	-	11,624
Excess of revenues over expenditures	6,130	3,063	70,043	18,736	97,973
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	(2,000)	-	(19,152)	(14,049)	(35,201)
Total other financing sources (uses)	(2,000)	-	(19,152)	(14,049)	(35,201)
Net change in fund balances	4,130	3,063	50,891	4,687	62,772
Fund balances, beginning as restated	92,799	30,842	629,145	185,111	937,897
Fund balances, ending	$ 96,929	$ 33,905	$ 680,036	$ 189,798	$ 1,000,669