

**CITY OF FRANKLIN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**





ROBBIN R. GRILL, CPA, PC

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

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council and City Manager

Franklin, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Franklin, New Hampshire, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Franklin, New Hampshire's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, New Hampshire as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2009, on our consideration of the City of Franklin, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Concord, New Hampshire

November 8, 2009

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

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

### Financial Highlight

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

### Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

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



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

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Franklin, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Franklin can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

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

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

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

### Government-Wide Financial Analysis

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

The largest portion of the City of Franklin's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Franklin uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Franklin's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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

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

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



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

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

#### **Financial Analysis of the Government's Funds**

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

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

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

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

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

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

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

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

#### **General Fund Budgetary Highlights**

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

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

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

#### Capital Asset and Debt Administration

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

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

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

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

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

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

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

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

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

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

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

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

##### **Taxation Cap**

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

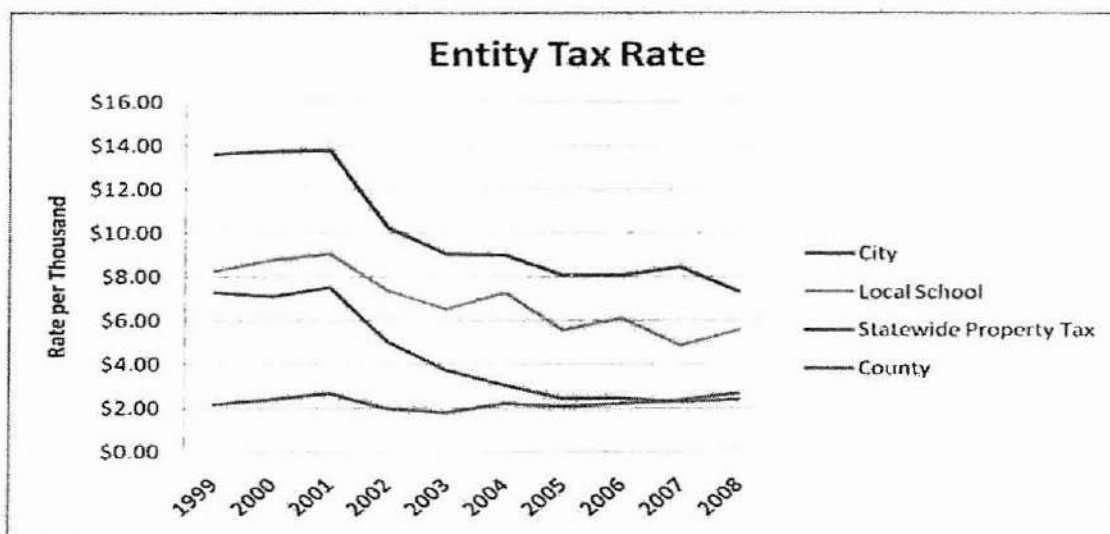
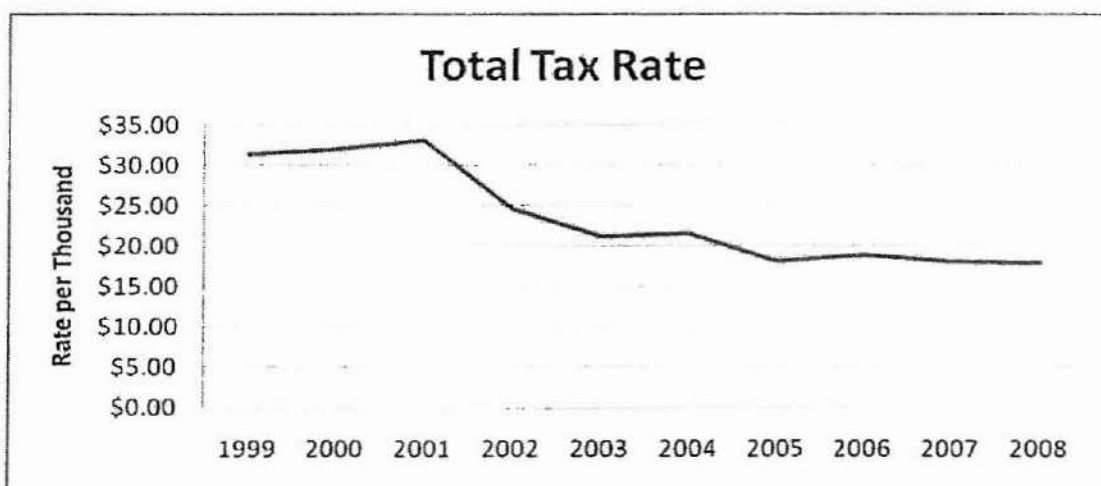
In November, 1989 the voters of the City of Franklin amended the budget procedures outlined under the city's charter §C-32 limiting the amount of taxes that can be raised to support annual operations. The formula limits the amount to be raised by the prior calendar year's Consumer Price Index (national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

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

The amended tax cap formula is as follows:

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

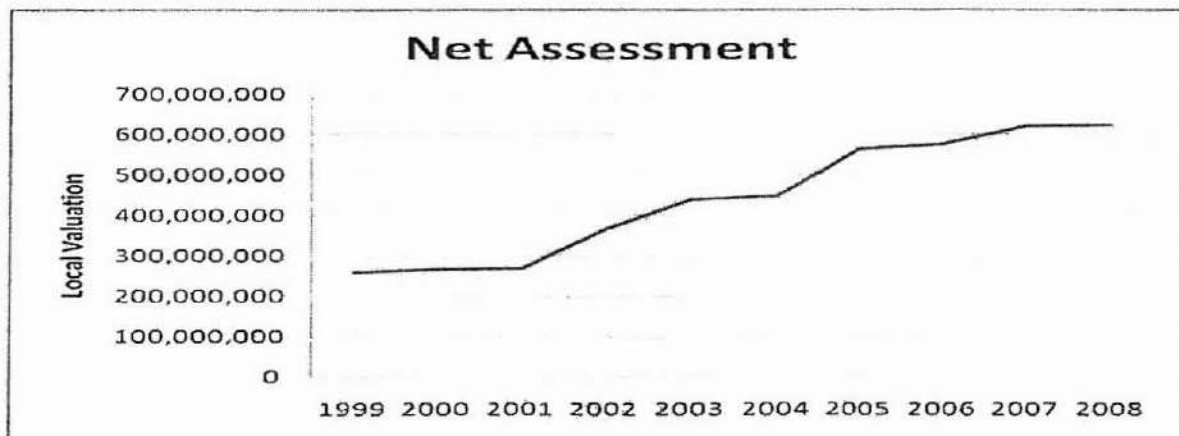
The city's tax rate is set by the New Hampshire Department of Revenue Administration. The total tax rate is comprised of a statewide education property tax assessment, Merrimack County tax assessment and the local municipal and school rates. The Franklin City Council has authority over the school and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



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

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

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



### Economics

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

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

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



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

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

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

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

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

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

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

#### **Requests for Information**

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

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

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

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

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

|  | Expenses     | Program Revenues     |                                    | Net (Expense) Revenue and Changes in Net Assets |                         |                          |
|--|--------------|----------------------|------------------------------------|---|-------------------------|--------------------------|
|  |              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Governmental Activities | Business-Type Activities |
| Primary government:                        |              |                      |                                    |   |                         |                          |
| Primary government                         |              |                      |                                    |   |                         |                          |
| Governmental activities:                   |              |                      |                                    |   |                         |                          |
| General Government                         | \$ 1,457,934 | \$ 178,220           | \$ -                               | \$ -  | \$ (1,289,714)          | \$ (1,289,714)           |
| Public Safety                              | 3,390,106    | 292,325              | -                                  | -   | (3,097,781)             | (3,097,781)              |
| Highways and streets                       | 1,470,926    | -                    | 8,163                              | -   | (1,462,763)             | (1,462,763)              |
| Sanitation                                 | 600,366      | 213,873              | -                                  | -   | (386,493)               | (386,493)                |
| Health                                     | 91,948       | -                    | -                                  | -   | (91,948)                | (91,948)                 |
| Welfare                                    | 168,746      | 25,569               | -                                  | -   | (143,177)               | (143,177)                |
| Culture and recreation                     | 608,340      | 65,841               | -                                  | 27,000  | (515,500)               | (515,500)                |
| Conservation                               | 4,491        | -                    | -                                  | -   | (4,491)                 | (4,491)                  |
| Economic Development                       | 77,000       | -                    | -                                  | -   | (77,000)                | (77,000)                 |
| School                                     | 13,857,121   | 222,552              | 9,213,420                          | -   | (4,421,149)             | (4,421,149)              |
| Interest on long term debt                 | 389,419      | -                    | -                                  | 369,524   | (19,895)                | (19,895)                 |
| Capital Outlay                             | 247,445      | -                    | -                                  | -   | (247,445)               | (247,445)                |
| Total governmental activities:             | 22,373,841   | 998,380              | 9,221,583                          | 396,524   | (11,757,354)            | (11,757,354)             |
| Business-type activities:                  |              |                      |                                    |   |                         |                          |
| Water operations                           | 899,500      | 1,235,413            | -                                  | -   |                         | \$ 335,913               |
| Sewer operations                           | 875,758      | 895,467              | -                                  | 10,698  |                         | 30,407                   |
| Total business-type activities             | 1,775,258    | 2,130,880            | -                                  | 10,698  |                         | 366,320                  |
| Total primary government                   | 24,149,099   | 3,129,260            | 9,221,583                          | 407,222   | (11,757,354)            | 366,320                  |
|  |              |                      |                                    |   |                         |                          |
| General Revenues:                          |              |                      |                                    |   |                         |                          |
| Property Taxes                             |              |                      |                                    |   |                         |                          |
| City                                       |              |                      |                                    |   | 5,146,427               | 5,146,427                |
| School                                     |              |                      |                                    |   | 4,715,805               | 4,715,805                |
| Other Taxes                                |              |                      |                                    |   | 54,442                  | 54,442                   |
| Licenses and Permits                       |              |                      |                                    |   | 1,217,893               | 1,217,893                |
| Grants Not Restricted to Specific Programs |              |                      |                                    |   | 636,422                 | 636,422                  |
| Interest Earnings                          |              |                      |                                    |   | 286,395                 | 286,395                  |
| Change in Fair Market Value                |              |                      |                                    |   | (168,906)               | (168,906)                |
| Miscellaneous                              |              |                      |                                    |   | 436,709                 | 436,709                  |
| Transfers - Internal Activity              |              |                      |                                    |   | (252,051)               | 252,051                  |
| Total General Revenues                     |              |                      |                                    |   | 12,073,136              | 12,325,187               |
| Change in Net Assets                       |              |                      |                                    |   | 315,782                 | 618,370                  |
| Net Assets - Beginning                     |              |                      |                                    |   | 22,012,056              | 7,961,152                |
| Net Assets - Ending                        |              |                      |                                    |   | \$ 22,327,838           | \$ 8,579,522             |
|  |              |                      |                                    |   |                         | \$ 30,907,361            |

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

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

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

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

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



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

|  |    |             |
|--|----|-------------|
| Net change in fund balances - total governmental funds | \$ | (3,012,234) |
|--|----|-------------|

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

|                                     |  |           |
|-------------------------------------|--|-----------|
| Capital asset purchases capitalized |  | 2,435,759 |
| Loss on disposal of capital assets  |  | (7,393)   |
| Depreciation expense                |  | (906,476) |
| Sale of Tax Deeded Asset            |  | (100)     |
|                                     |  | 1,521,791 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

|                  |  |         |
|------------------|--|---------|
| Deferred revenue |  | 523,934 |
|------------------|--|---------|

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:

|  |  |           |
|--|--|-----------|
| General obligation bond principle payments |  | 1,013,744 |
|  |  | 1,013,744 |

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:

|                              |  |         |
|------------------------------|--|---------|
| Accrued interest payable     |  | 13,530  |
| Landfill Postclosure         |  | 10,638  |
| Accrued compensated absences |  | 240,608 |
|                              |  | 264,776 |

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.

|   |    |         |
|---|----|---------|
| Change in net assets of governmental activities | \$ | 315,782 |
|---|----|---------|

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

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

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

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

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

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

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

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



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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1-A Reporting Entity**

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

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

**1-B Basis of Presentation**

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

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

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

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

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

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

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

**1-B Basis of Presentation, continued**

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

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

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

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

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

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

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

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

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

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

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

**1-C Measurement Focus**

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

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

*1-C Measurement Focus, continued*

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

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

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

*1-D Basis of Accounting*

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

**Revenues - Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, generally within sixty days of year-end.

**Revenues - Nonexchange Transactions** - Nonexchange transactions, in which the City receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

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

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

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

*1-D Basis of Accounting, continued*

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

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

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

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

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

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

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

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

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

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

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

*1-E-2 Receivables*

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

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



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

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

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

**1-E-3 Interfund Balances**

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

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

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

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

**1-E-5 Capital Assets**

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

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

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

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

**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.

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

**1-E-6 Compensated Absences, continued**

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

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

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

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

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

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

**1-E-8 Equity**

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

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

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

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

**1-E-9 Interfund Activity**

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

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

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
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**1-E-10 Estimates**

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

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

**2-A Budget**

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

**2-B Encumbrances**

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

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

**2-C Budgetary Basis**

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

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

**2-D Risk Management**

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

**City of Franklin, New Hampshire**  
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**2-D Risk Management, continued**

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

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

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

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

**2-E Contingent Liabilities**

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

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

**3-A Investment Risks**

**Repurchase Agreement**

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

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

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

**3-A Investment Risks, continued**

**Investments**

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

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

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

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

*Custodial Credit Risk* - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Of the City's \$3,901,667 in investments, \$303,519 is subject to custodial credit risk because the securities are held by the counter party's trust department or agent, not in the City's name. The City does not have policies for custodial credit risk.

**3-B Taxes Receivable**

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

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

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

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

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

**3-B Taxes Receivable, continued**

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

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

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

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

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

**3-C Other Receivables**

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

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

Amounts receivable at June 30, 2008 are as follows:

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



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

**3-D Capital Assets**

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

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



*City of Franklin, New Hampshire*  
**Notes To The Basic Financial Statements**  
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**June 30, 2008**

**3-D Capital Assets, continued**

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

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

**3-E Prepaid Items**

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

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

**3-F Interfund Balances and Transfers**

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

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

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
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**June 30, 2008**

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

Interfund transfers during the year were comprised of the following:

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

**3-G Deferred/Unearned Revenue**

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

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

**City of Franklin, New Hampshire**  
**Notes To The Basic Financial Statements**  
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**June 30, 2008**

**3-H Long-Term Liabilities**

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

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

Long-term liabilities payable are comprised of the following:

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

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

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

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

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

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

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

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

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

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

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

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

**Accrued Landfill Post closure Care Costs**

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

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

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

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

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

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

**3-J Operating Leases**

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

**3-K Restatement of Equity**

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

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



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

**NOTE 4 - OTHER MATTERS**

**4-A Pensions**

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

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

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

**4-B Post-Retirement Benefits**

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

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

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

|   | Budgeted Amounts |              | Actual       | Variance with                       |
|---|------------------|--------------|--------------|-------------------------------------|
|   | Original         | Final        | Amounts      | Final Budget<br>Positive (Negative) |
| Beginning Budgetary Fund Balance          | \$ 1,099,996     | \$ 1,500,840 | \$ 3,186,647 | \$ 1,685,807                        |
| Resources (Inflows)                       |                  |              |              |                                     |
| Taxes:                                    |                  |              |              |                                     |
| Property                                  | 9,649,908        | 9,622,874    | 9,300,448    | (322,426)                           |
| Other                                     | 303,960          | 303,960      | 285,718      | (18,242)                            |
| Licenses, Permits & Fees                  | 1,102,900        | 1,052,900    | 1,073,448    | 20,548                              |
| Intergovernmental:                        |                  |              |              |                                     |
| Shared Revenues                           | 138,346          | 138,346      | 138,346      | -                                   |
| Highway Block Grant                       | 171,107          | 165,248      | 172,428      | 7,180                               |
| Meals & Rooms Tax                         | 336,176          | 365,816      | 365,816      | 0                                   |
| Forest Land Reimbursement                 | 134              | 145          | 139          | (6)                                 |
| Flood Control Reimbursement               | 26,059           | 26,059       | 37,968       | 11,909                              |
| School Aid                                | 8,686,022        | 8,686,022    | 8,802,599    | 116,577                             |
| Department of Environmental Services      | -                | -            | 2,500        | 2,500                               |
| Office of Emergency Management            | -                | -            | 5,663        | 5,663                               |
| Charges for Services:                     |                  |              |              |                                     |
| City Clerk/Tax Collector                  | 30,500           | 30,500       | 31,154       | 654                                 |
| Fire                                      | 202,300          | 202,300      | 231,980      | 29,680                              |
| Municipal Services                        | 231,900          | 231,900      | 213,873      | (18,027)                            |
| Planning & Zoning                         | 44,500           | 44,500       | 10,431       | (34,069)                            |
| Police                                    | 54,600           | 54,600       | 54,386       | (214)                               |
| Recreation                                | 45,650           | 45,650       | 46,233       | 583                                 |
| School                                    | 222,358          | 284,100      | 221,726      | (62,374)                            |
| Welfare                                   | 14,000           | 14,000       | 22,233       | 8,233                               |
| Interest                                  | 186,500          | 203,000      | 161,425      | (41,576)                            |
| Sale of Municipal Property                | 10,000           | 10,000       | 3,136        | (6,864)                             |
| Other                                     | 207,239          | 207,239      | 280,634      | 73,395                              |
| Transfers from Other Funds                | 2,526,929        | 2,673,929    | 2,658,936    | (14,993)                            |
| Amounts Available for Appropriation       | 25,291,084       | 25,863,928   | 27,307,865   | 1,443,937                           |
| Charges to Appropriations (Outflows)      |                  |              |              |                                     |
| General Government:                       |                  |              |              |                                     |
| Executive                                 | 669,141          | 105,248      | 159,055      | (53,807)                            |
| Election, Registration & Vital Statistics | 82,253           | 94,793       | 172,316      | (77,523)                            |
| Financial Administration                  | 476,250          | 497,294      | 375,718      | 121,576                             |
| Planning & Zoning                         | 129,456          | 126,124      | 111,524      | 14,599                              |
| Insurance, Legal & Personnel Expenses     | 428,231          | 397,619      | 401,084      | (3,465)                             |
| Buildings                                 | 205,395          | 206,164      | 86,437       | 119,727                             |
| Other                                     | 25,488           | 24,027       | 23,073       | 954                                 |
| Public Safety:                            |                  |              |              |                                     |
| Police                                    | 1,735,903        | 1,859,666    | 1,756,532    | 103,133                             |
| Fire, Ambulance, Emergency Management     | 1,497,842        | 1,641,403    | 1,618,979    | 22,425                              |
| Municipal Services:                       |                  |              |              |                                     |
| Highways, Streets & Bridges               | 1,503,865        | 1,875,681    | 1,554,380    | 321,301                             |
| Solid Waste                               | 625,835          | 615,567      | 614,922      | 644                                 |
| Health Agencies & Hospitals               | 91,948           | 91,948       | 91,948       | -                                   |
| Welfare                                   | 120,995          | 167,533      | 168,054      | (521)                               |
| Culture & Recreation:                     |                  |              |              |                                     |
| Parks & Recreation                        | 185,569          | 203,810      | 256,963      | (53,153)                            |
| Economic Development                      | 77,000           | 77,000       | 77,000       | -                                   |
| Other                                     | 9,000            | 9,000        | 9,000        | -                                   |
| Capital Outlay                            | 418,437          | 400,854      | 386,241      | 14,613                              |
| Debt Service:                             |                  |              |              |                                     |
| Principal                                 | 1,053,226        | 1,053,226    | 1,053,225    | 1                                   |
| Interest                                  | 406,114          | 406,114      | 402,126      | 3,988                               |
| Other                                     | 825              | 825          | 825          | -                                   |
| School                                    | 12,270,323       | 12,558,943   | 12,569,399   | (10,456)                            |
| Transfers to Other Funds                  | 3,277,988        | 3,451,089    | 3,423,926    | 27,163                              |
| Total Charges to Appropriations           | 25,291,084       | 25,863,928   | 25,312,728   | 551,200                             |
| Ending Budgetary Fund Balance             | \$ -             | \$ -         | \$ 1,995,137 | \$ 1,995,137                        |

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

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

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

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

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

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

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

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