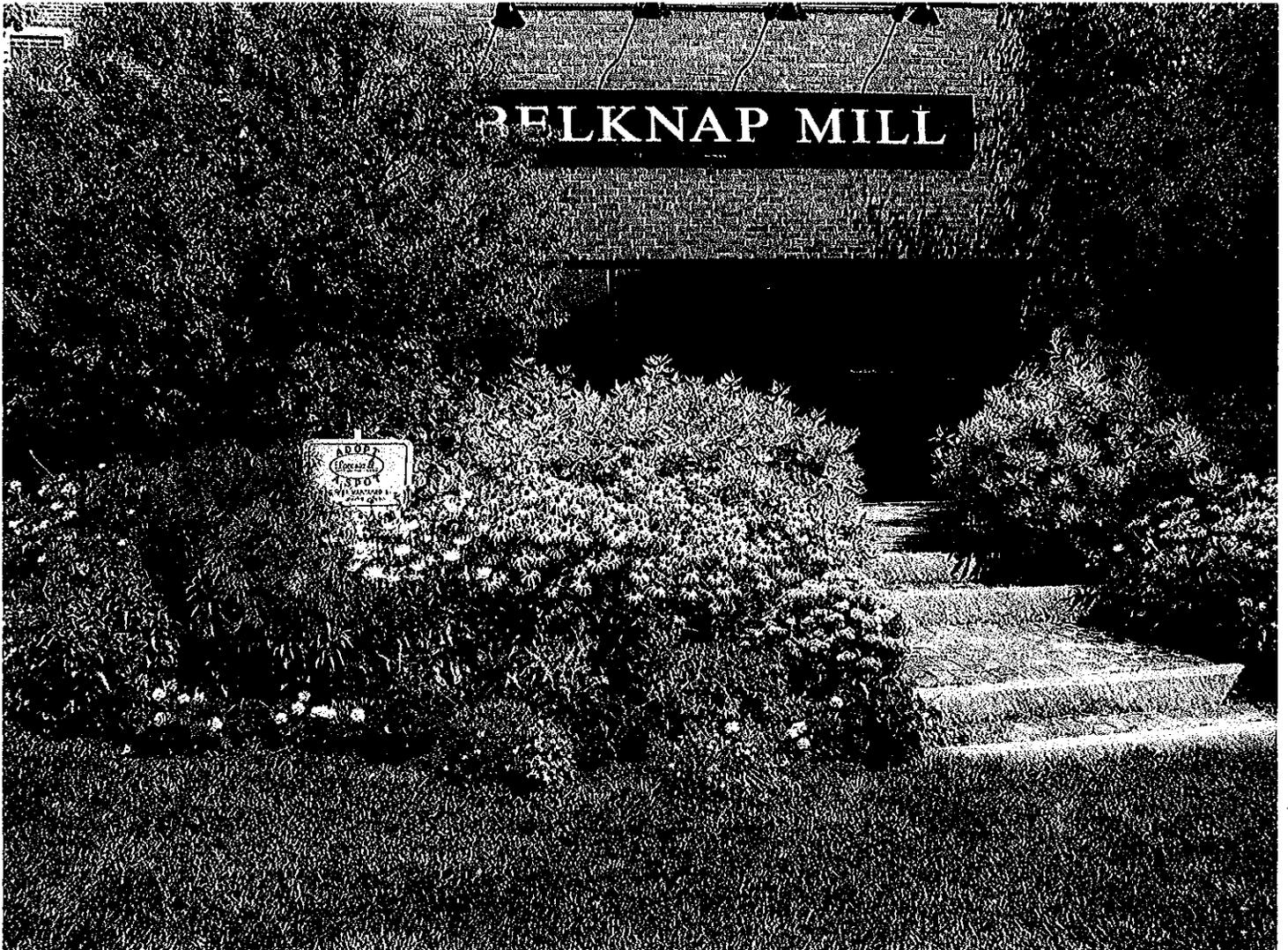


**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
CITY OF LACONIA, NEW HAMPSHIRE**

Fiscal Year Ended June 30, 2011



Belknap Mill – photo provided by Amy Lovisek

CITY OF LACONIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

April 13, 2012

Honorable Mayor and City Council
City of Laconia
Laconia NH 03246

Dear Council Members:

A comprehensive annual financial report of the City of Laconia for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of various funds, account groups, and component units of the City of Laconia. All disclosures necessary to enable the reader to gain an understanding of the City of Laconia's activities have been included.

This report is part of management's responsibility to keep the Council and the citizens informed. It is divided into three major sections.

1. An unaudited introductory section, including the transmittal letter, organization chart and list of principal elected officials acquaints the reader with the operations of the City.
2. A financial section, including the auditor's report on the financial statements and schedules, City management's discussion and analysis, and the financial statements as required under GASB 34. This includes government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

3. An unaudited statistical section including financial and demographic data provides users with a broader understanding of the City and the trends in its financial affairs in that it presents some non-accounting data and covers more than one fiscal year.

The City of Laconia has operated under the Council-Manager form of government since 1971. The City Council is comprised of six members and an elected Mayor. The City Council is responsible for enacting ordinances, resolutions and regulations concerning the City, as well as for appointing the members of various statutory and advisory boards. As chief administrative officer, the City Manager is responsible for budget preparation, enforcement of ordinances and appointing and supervising the heads of departments of the City organization.

The City provides a full range of services, including police and fire protection, emergency medical services, public works operations, planning and zoning, code enforcement, health and welfare services, parks operation and maintenance, recreation and library services, solid waste collection and disposal, schools and general administrative services.

Water and sewer services are provided under an Enterprise Fund concept with user charges set to ensure adequate coverage of operating expenses and payments on outstanding debt.

Economic Condition and Outlook

The City of Laconia, located in central New Hampshire, is a choice four season resort destination which serves as County seat for Belknap County. The City, situated on the shores of Lake Winnepesaukee, Lake Winnisquam and Lake Opechee, serves as a major tourist destination. Not only is it a major summer resort, but it also enjoys the benefits of fall tourists who visit for the foliage season and winter tourists who visit the Gunstock Ski Area and take advantage of the numerous snowmobile trails just minutes away from downtown.

As of January 2012, the unemployment rate in the Laconia area is well below the National rate of 8.3% and Northeast average of 6.9%. The unemployment rate in our area, compared to a year ago, has decreased from to 8.3% as of January 31, 2011, to 6.3% as of January 31, 2012.

New Hampshire's unemployment rate continues to remain low overall. At 5.2% New Hampshire has the fifth lowest jobless rate among all states.

We continue to see more people either unemployed or underemployed visiting our welfare office requesting assistance with their rents or house payments. These individuals have very few work skills and as are limited on the types of work they can perform. Those that are unemployed are staying unemployed longer.

As of this writing the Lakes Region Real Estate Market is showing signs of optimism. Although housing inventory levels remain high with a 15 month supply, homes sales in the Lakes Region have continued to remain constant as interest rates remain near record lows.

Major Initiatives

Infrastructure:

The City continues to make cash investments in the roads in the City. This year \$850 thousand was appropriated for resurfacing or reconstructing the roads throughout the City.

Parks:

Due to the many generous donations of labor and materials a new storage building was constructed at Memorial Park. Memorial Park sees a lot of activity due to the diversity of recreational activities that are available at the park. The park consists of 18 acres and not only offers lighted tennis courts, softball and hardball fields, but also has a lighted outdoor skating facility and sliding hill for use during the winter months.

Properties Purchased/Sold:

The City was able to purchase property located at 23 Manchester Street from Citizen's Bank for \$5,000. The property was converted into a parking lot for use by those using Sanborn Park; prior to this the only parking available was on the street.

Tax Increment Finance District-Downtown:

The contribution to the Downtown TIF District was once again slightly over \$100,000 for Fiscal Year 2011. The renovation and improvements to Stewart Park were completed utilizing funds from the Downtown TIF District Fund. Stewart Park is located in the heart of downtown, near the intersection of Main St., Court St., and Union Ave. and now provides a green belt park for the city of Laconia bordering the Winnepesaukee River. The balance in the Downtown TIF district account as of June 30, 2011 was \$180,104. The Board Members are working on an action plan for further improvement to the Downtown area.

FINANCIAL INFORMATION-GENERAL GOVERNMENTAL FUNCTIONS

Internal Control

Management is responsible for establishing and maintaining an internal control structure designed to make certain that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but no absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived and that the evaluation of cost and benefits require estimates. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable

laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

Budget Controls

Formal budgets are adopted for each department and are an integral part of the accounting system, providing management control over expenditures. Commitments which would result in over-expenditure for the City are not released until additional appropriations are made available. The head of any department, with the approval of the manager, may transfer any unencumbered balance or any portion thereof from one fund or agency within his department to another fund or agency within his department; the manager, with the approval of the Council, may transfer unencumbered appropriation balances or any portion thereof from one department to another. Council approval is required before total actual expenditures may exceed the total appropriation for the year.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Revenues

Revenues for general governmental functions totaled \$52.5 million in fiscal year 2010-2011; this represented a decrease of .6% over fiscal year 2009-2010. The following schedule presents a summary of General Fund revenues for the fiscal year ended June 30, 2011 and the amount and percentage increases or decreases in relation to prior year revenues.

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase/(Decrease) From Prior Year</u>
Taxes	\$37,325,653	71.4%	(\$55,102)
Penalties, interest and other taxes	\$681,382	1.3%	(\$40,845)
Licenses & Permits	\$2,266,268	4.3%	(\$97,431)
Intergovernmental	\$10,073,181	19.2%	(\$252,480)
Charges for Services	\$1,335,082	2.5%	\$20,863
Interest on Investments	\$151,991	0.3%	(\$154,154)
Other Revenues	\$520,759	1.0%	\$120,583
TOTALS	\$52,354,316		(\$458,566)

Revenues continued to trend lower in several areas this year. The most significant decrease was in Interest on Investments Revenue which was down 50.7% from the prior year. This is a result of the continued low rates offered on investments. Tax Revenues were down slightly over the prior year along with Penalties, interest and other taxes with a combined decrease of just over .2% from the prior year. Motor Vehicle Registrations (found under licenses and permits) continues to trend downward again this year with a decrease of just over 2.2% from the prior year. Motor Vehicle revenues have declined from a high of \$2.3 million in 2006 to just under \$1.9 million in 2011.

Expenditures

Expenditures for the General Fund functions totaled \$51.5 million in fiscal year 2010-2011 (excluding capital outlay), an increase of 0.7% over prior year expenditures.

The composition of the majority of expenditures stayed consistent with prior year's expenses. There were slight increases and decreases across expenditure sources with the biggest increase coming from the Public Works Department which includes Solid Waste which increased over the prior year by 0.5%. The largest decrease was in the Debt Service line which decreased by 0.7% from the prior year.

<u>Expenditure Sources</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase/(Decrease) From Prior Year</u>
General Government	\$6,710,212	13.0%	\$325,870
Public Safety	\$8,371,520	16.3%	\$118,720
Education	\$27,110,507	52.7%	\$124,550
Public Works and Solid Waste	\$3,979,602	7.7%	\$177,765
Health and Welfare	\$110,814	0.2%	(\$62,605)
Parks and Recreation	\$644,716	1.3%	\$72,287
Library	\$756,093	1.5%	(\$23,677)
Debt Service	\$3,783,461	7.3%	(\$331,916)
TOTALS	\$51,466,925	100.0%	\$400,994

Fund Balance

Unreserved General Fund Balance increased from \$6,311,584 to \$6,340,681 a net increase of \$29,097 over the prior year. This unreserved fund balance is within the guidelines established by the GFOA and the DRA.

Proprietary Funds

The City's proprietary funds include two separate activities: Sanitary Sewer and Water Works.

Sanitary Sewer Fund: Operating losses decreased from \$615,583 in FY10 to \$458,669 in FY11. This reduced loss is due to several factors. Overall revenue was up slightly at 1.7% or \$45,907, while Operating expenses were down by 3.3% or \$111,007.

Water Works: The Water Works continues the project of replacing various water mains throughout the City in conjunction with the City's road capital improvement projects. This fund showed a loss of \$152,000 thousand in the current fiscal year compared to a loss of \$85,000 in the prior fiscal year, reduced consumption by consumers contributes to this loss.

Fiduciary Operations

Fiduciary Fund's net assets continued to improve this year due to favorable increases in market conditions.

Assessed Valuation

A revaluation of all the City's properties was completed. Total assessment valuations dropped from \$2.1 billion to \$1.9 billion (a 9.5% decrease). There were no significant changes in the categories of the property within the City.

Debt Administration

The position of the general obligation bonds and notes, illustrating the payment of principal and interest and the amounts outstanding are as follows:

	Balance Due June 30, 2011	Interest Paid	Principal Paid
1990 Public Works/Parks Bonds	-	7,762	115,000
1996 Capital Project Bonds	264,234	17,688	56,050
2000 Capital Improvement #2	-	4,225	162,500
2001 Capital Improvement	1,945,000	97,142	180,000
2002 Capital Improvement	1,350,000	63,650	175,000
2004 City Library Bonds	1,440,000	72,525	115,000
2006 Capital Improvement	205,430	9,861	41,086
2008 Fire Truck	665,000	23,408	95,000
2009 Transfer Station	780,000	42,450	100,000
2010 Revaluation	275,000	9,322	67,350
2010 Weirs Boardwalk	720,000	32,168	40,000
2011 Endicott Water/Boardwalk	565,000	-	-
1996 School Bonds	65,766	4,402	13,950
2001 School Bonds	-	5,655	217,500
2001 School Bonds- Elm/Pleasant	3,430,000	171,240	310,000
2001 School Bonds-WH	2,460,000	120,028	205,000
2007 School Bonds-MMS	18,388,554	210,576	1,278,011
Total General Bonds & Notes**	\$32,553,984	\$892,102	\$3,171,447
2010 Water Works Bonds	1,385,000	57,471	72,450
Total Enterprise Funds	\$1,385,000	\$57,471	\$72,450

**Note: Unspent bond proceeds were used to pay principal payments on several bonds. The amounts were \$144,588 for City related bonds and \$135,512 for School related bonds.

The Water Works' general obligation bonds bear the full faith and credit of the City, but it is the intention of the Water Works to pay principal and interest on these bonds.

With the New Hampshire Bond Bank in place, the City finances the majority of its debt through the NH Municipal Bank. It sells under their Moody's rating of Aa3, Standard & Poors rating of

AA and Fitch rating of AA-, except for state guarantee sewer bonds which have a state bond rating.

Cash Management

The City of Laconia has incorporated financial policies for conducting the financial management of the City. The long-range policies regarding financial management are to exercise a discipline which allows the City to retain a sound financial condition, strive to retain the best possible rating on bonds, provide future generations with the ability to borrow capital without severe financial burden for construction of facilities and give recognition to the community's needs and ability to pay.

The City strives to keep abreast of current trends and procedures for cash management and forecasting so as to ensure efficient and profitable use of the City's cash resources. The City Council reviews and adopts an investment policy annually. Cash temporarily idle during the year is invested in commercial bank and saving bank certificates of deposits, and in U. S. Treasuries. During fiscal year 2009-2010, the majority of the deposits were either insured by federal depository insurance, collateralized at the Federal Reserve or covered by Federal Home Loan Bank lines of credit. The City also participates in the New Hampshire Public Deposit Investment Pool established in accordance with RSA 383:22-24.

OTHER INFORMATION

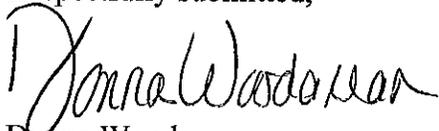
Independent Audit

The financial records and transactions of the City of Laconia have been audited by the independent public accounting firm of Melanson Heath & Company, PC as required by New Hampshire State Statute. In addition to meeting the requirements set forth in state statutes, the audit was also conducted in accordance with generally accepted auditing standards; the standards issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations and was used by the auditors in conducting the engagement. The auditor's report on the government-wide, governmental, proprietary and fiduciary fund statements and schedules are included in the financial section of this report.

Acknowledgements

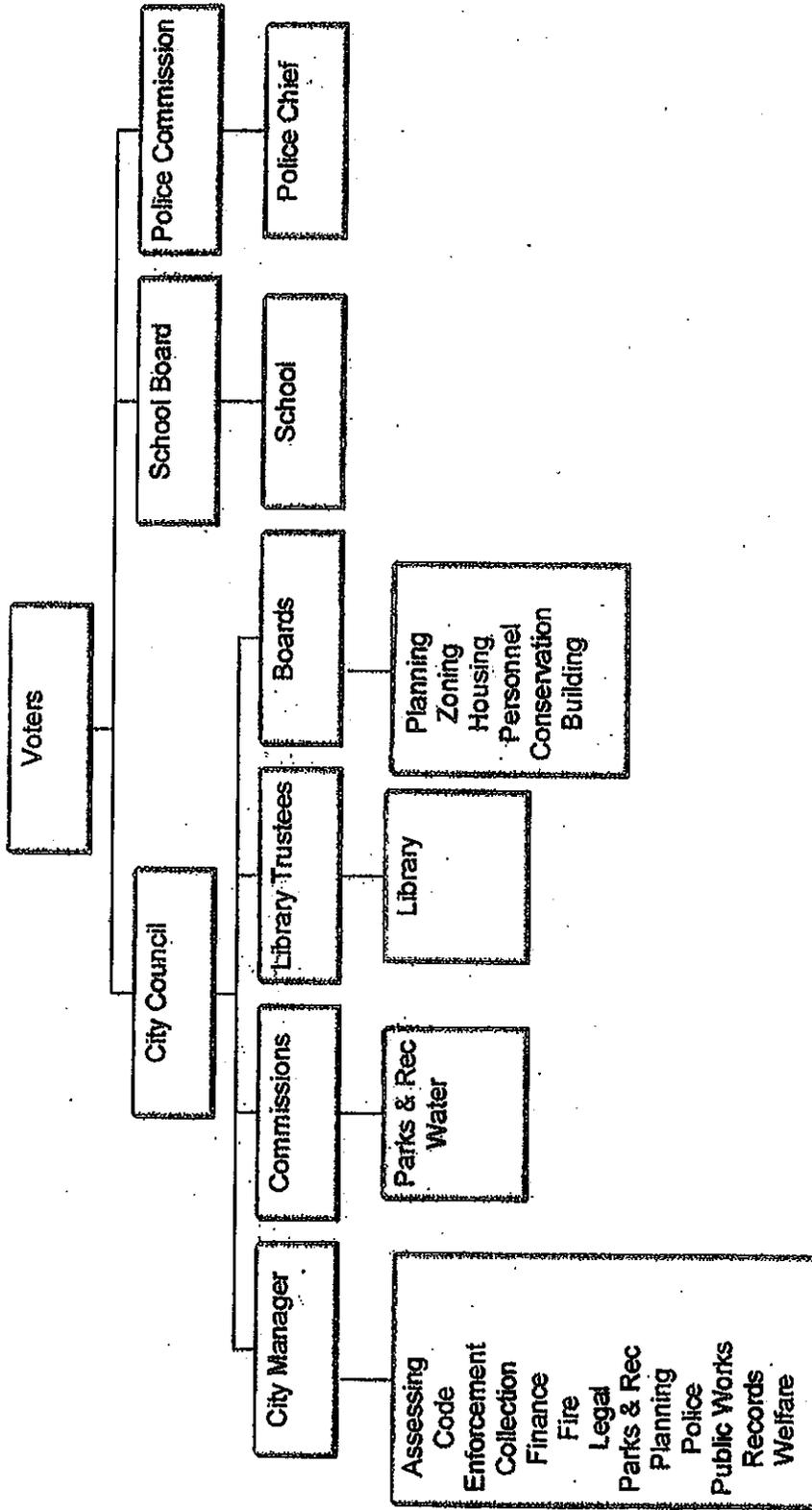
Our appreciation is extended to the various elected officials, department heads and employees responsible for the sound financial position of the City of Laconia and for their help in the preparation of this report. The City of Laconia encompasses a group of individuals who appreciate and respect the principles of fiscal restraint, and support planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Donna Woodaman
Finance Director

City of Laconia



**CITY OF LACONIA, NEW HAMPSHIRE
COUNCIL - MANAGER FORM OF GOVERNMENT
CITY MANAGER AND APPOINTED DEPARTMENT HEADS**

ACTING CITY MANAGER:	Pamela Reynolds
ASSESSOR:	Jon Duhamel
CITY CLERK:	Mary Reynolds
CODE ENFORCEMENT OFFICER:	Vacant
FIRE CHIEF:	Kenneth Erickson
FINANCE DIRECTOR:	Pamela Reynolds
LIBRARY DIRECTOR:	Randy Brough
PUBLIC WORKS DIRECTOR:	Paul Moynihan
PLANNER/CD DIRECTOR:	Shanna Saunders
POLICE CHIEF:	Chris Adams
REC. & FAC. DIRECTOR:	Kevin Dunleavy
TAX COLLECTOR:	Lindsey Allen
WELFARE DIRECTOR:	Pamela Reynolds
WATER WORKS:	Seth Nuttelman

**CITY OF LACONIA, NEW HAMPSHIRE
COUNCIL-MANAGER FORM OF GOVERNMENT
LISTING OF ELECTED CITY OFFICIALS**

City Council

Elected: November 3, 2009

Term: January 11, 2010- December 31, 2011

Mayor: Michael Seymour

Council Members:

Ward 1 - Ava Doyle **
Ward 2 - Matthew Lahey
Ward 3 - Henry Lipman
Ward 4 - Brenda Baer
Ward 5 - Robert Hamel
Ward 6 - Armand Bolduc

**Appointed 7/12/2010

School Board

Scott Vachon, Chair, Term 2010-2013
Beth Arsenaault, Vice Chair, Term 2010-2013
Stacie Sirors, Term 2011-2014
Chris Guilmett, Term 2011-2014
Robert Dassati (AT LARGE), Term 2009-2012
Malcolm Murray, Term 2009-2012
Joseph Cormier, Term 2009-2012

FINANCIAL SECTION

CITY OF LACONIA, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2011



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

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Nashua, NH 03063-1301
Tel (603) 882-1111 • Fax (603) 882-9456
www.melansonheath.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Laconia, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laconia, New Hampshire, as of and for the year ended June 30, 2011, 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 Laconia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laconia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, on page 50, 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

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2012 on our consideration of the City'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 should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Laconia, we offer readers this narrative overview and analysis of the financial activities of the City of Laconia for the fiscal year ended June 30, 2011. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to 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 our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all 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 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 vacation leave).

Both of the government-wide financial statements distinguish functions 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 include general government, public safety, highways and streets, solid waste, economic development, and culture and recreation. The business-type activities include water and sewer activities.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for capital acquisitions of vehicles and required maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in 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.

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 statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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 which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 89,392,306 (i.e., net assets), a change of \$ (994,707) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,983,835, a change of \$ (365,769) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 6,340,681, a change of \$ 29,097 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 33,938,984, a change of \$ (2,678,897) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

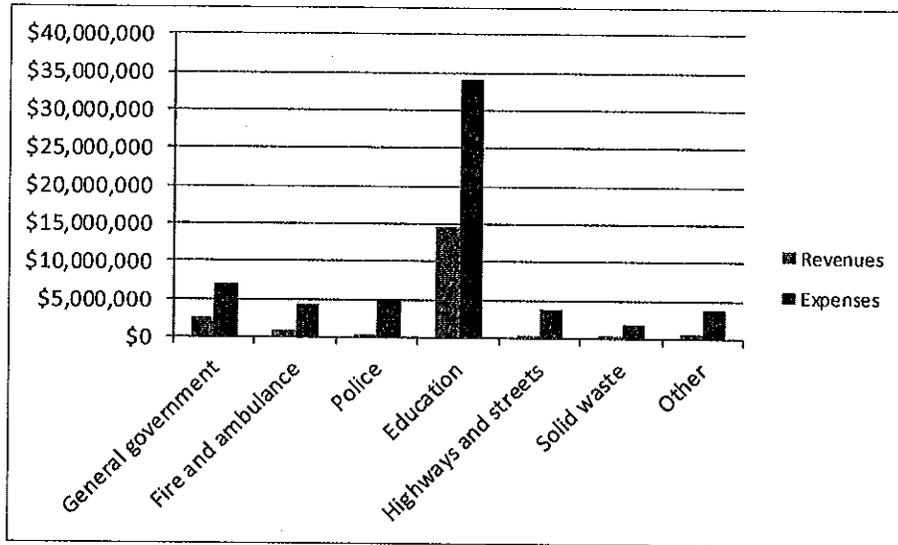
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 32,666	\$ 34,821	\$ 6,751	\$ 7,011	\$ 39,417	\$ 41,832
Capital assets	<u>90,996</u>	<u>93,642</u>	<u>19,356</u>	<u>19,524</u>	<u>110,352</u>	<u>113,166</u>
Total assets	<u>123,662</u>	<u>128,463</u>	<u>26,107</u>	<u>26,535</u>	<u>149,769</u>	<u>154,998</u>
Long-term liabilities outstanding	33,086	35,173	1,475	1,586	34,561	36,759
Other liabilities	<u>25,320</u>	<u>27,366</u>	<u>494</u>	<u>487</u>	<u>25,814</u>	<u>27,853</u>
Total liabilities	<u>58,406</u>	<u>62,539</u>	<u>1,969</u>	<u>2,073</u>	<u>60,375</u>	<u>64,612</u>
Net assets:						
Invested in capital assets, net	58,604	58,797	17,971	18,066	76,575	76,863
Restricted	2,476	2,410	-	-	2,476	2,410
Unrestricted	<u>4,176</u>	<u>4,717</u>	<u>6,167</u>	<u>6,396</u>	<u>10,343</u>	<u>11,113</u>
Total net assets	<u>\$ 65,256</u>	<u>\$ 65,924</u>	<u>\$ 24,138</u>	<u>\$ 24,462</u>	<u>\$ 89,394</u>	<u>\$ 90,386</u>



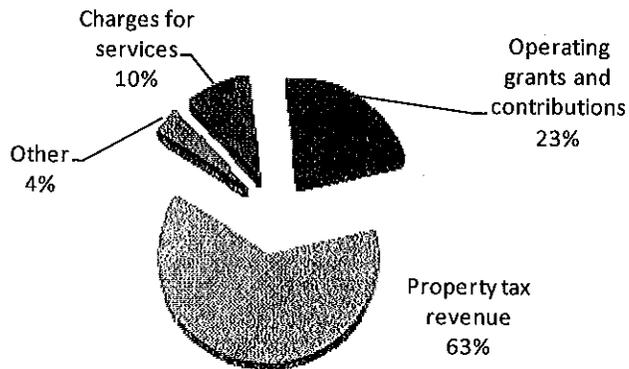
CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,765	\$ 5,931	\$ 4,855	\$ 4,813	\$ 10,620	\$ 10,744
Operating grants and contributions	13,846	15,050	-	4	13,846	15,054
Capital grants and contributions	507	4,519	-	-	507	4,519
General revenues:						
Property taxes	37,415	37,609	-	-	37,415	37,609
Penalties and interest on taxes	681	722	-	-	681	722
Grants and contributions not restricted to specific programs	775	772	-	-	775	772
Investment income	350	417	48	65	398	482
Other	511	349	-	523	511	872
Total revenues	59,850	65,369	4,903	5,405	64,753	70,774
Expenses:						
General government	7,072	8,676	-	-	7,072	8,676
Fire and ambulance	4,380	4,397	-	-	4,380	4,397
Police	5,103	5,055	-	-	5,103	5,055
Education	34,152	33,672	-	-	34,152	33,672
Highway and streets	3,924	2,789	-	-	3,924	2,789
Solid waste	1,794	1,724	-	-	1,794	1,724
Health and welfare	110	173	-	-	110	173
Parks and recreation	664	715	-	-	664	715
Library	934	944	-	-	934	944
Conservation	4	5	-	-	4	5
Airport	1,138	1,078	-	-	1,138	1,078
Interest expense	951	902	-	-	951	902
Water	-	-	2,361	2,299	2,361	2,299
Sewer	-	-	3,158	3,366	3,158	3,366
Total expenses	60,226	60,130	5,519	5,665	65,745	65,795
Change in net assets before permanent funds and transfers	(376)	5,239	(616)	(260)	(992)	4,979
Permanent fund contributions	-	38	-	-	-	38
Transfers in (out)	(292)	-	292	-	-	-
Change in net assets	(668)	5,277	(324)	(260)	(992)	5,017
Net assets - beginning of	65,924	60,647	24,462	24,722	90,386	85,369
Net assets - end of year	\$ 65,256	\$ 65,924	\$ 24,138	\$ 24,462	\$ 89,394	\$ 90,386

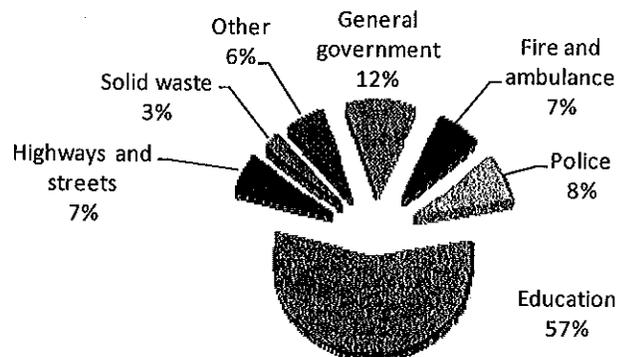
Governmental Activities - Revenue v. Expenditure Comparison For the Year Ended June 30, 2011



Governmental Activities - Revenues For the Year Ended June 30, 2011



Governmental Activities - Expenses For the Year Ended June 30, 2011



As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 89,392,306, a change of \$ (994,707) from the prior year.

The largest portion of net assets \$ 76,574,594 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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.

An additional portion of net assets \$ 2,475,621 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 10,342,091 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (669,426). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (529,612)
Capital assets acquired in the general fund	1,055,970
Internal service fund operations	(86,319)
Non major funds on accrual basis	38,788
Depreciation expense in excess of principal debt service payments	(1,310,265)
Other	<u>162,012</u>
Total	<u>\$ (669,426)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (325,281). Key elements of this change are as follows:

Water operations	\$ 104,312
Sewer operations	<u>(429,593)</u>
Total	<u>\$ (325,281)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned 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 end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,983,835 , a change of \$ (365,769) in comparison to the prior year. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (529,612)
Nonmajor fund activity	<u>163,843</u>
Total	<u>\$ (365,769)</u>

In fiscal year 2011, the City implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in capital reserve funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,340,681, while total fund balance was \$ 7,051,505. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,340,681	\$ 6,311,584	\$ 29,097	12.0%
Total fund balance ¹	7,051,505	7,581,117	(529,612)	13.4%

¹Now includes capital reserve funds. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by \$ (529,612) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 48,127
Expenditures less than budget	650,492
Use of fund balance as a funding source	(1,025,000)
Tax collections of prior year plus current year tax levies in excess of current year tax assessment	(12,543)
Expenditures of prior year encumbrances, net of current year encumbrances	(307,045)
Capital reserves	663
Other	<u>115,694</u>
Total	<u>\$ (529,612)</u>

Included in the total general fund balance are the City's capital reserve accounts with the following balances:

	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
Capital reserves	\$ <u>87,906</u>	\$ <u>87,243</u>	\$ <u>663</u>
Total	\$ <u><u>87,906</u></u>	\$ <u><u>87,243</u></u>	\$ <u><u>663</u></u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 6,166,271, a change of \$ (229,753) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget are the result of City Council orders transferring funds between departmental line items.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 110,351,747 (net of accumulated depreciation), a change of \$ (2,814,122) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Weirs Boardwalk	\$ 1,653,174
Wow Trial	876,425
Highland Street	831,769
Anthony Drive Drianage	453,178
Stewart Park	136,048
Cedar Street - Reconstruction	80,604

Additional information on capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 33,938,984, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Laconia'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:

City's Finance Department
City of Laconia
45 Beacon Street East
Laconia, New Hampshire 03246

CITY OF LACONIA, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 13,213,243	\$ 1,779,367	\$ 14,992,610
Investments	8,143,119	3,605,119	11,748,238
Receivables, net of allowance for uncollectibles:			
Property taxes	8,158,948	-	8,158,948
User fees	636,780	929,775	1,566,555
Special assessments	-	14,408	14,408
Intergovernmental	1,526,298	-	1,526,298
Internal balances	(266,978)	269,303	2,325
Inventories and prepaids	103,248	114,772	218,020
Other assets	7,004	36,715	43,719
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,143,861	-	1,143,861
Intergovernmental	-	1,583	1,583
Capital assets:			
Land and construction in progress	8,430,594	149,920	8,580,514
Other capital assets, net of accumulated depreciation	<u>82,565,312</u>	<u>19,205,921</u>	<u>101,771,233</u>
TOTAL ASSETS	123,661,429	26,106,883	149,768,312
LIABILITIES			
Current:			
Accounts payable	1,763,325	73,822	1,837,147
Retainage payable	91,551	6,721	98,272
Accrued liabilities	784,763	50,812	835,575
Deferred revenues	19,193,978	38,296	19,232,274
Tax refunds payable	246,258	-	246,258
Other current liabilities	10,405	236,553	246,958
Current portion of long-term liabilities:			
Bonds payable	2,647,170	75,000	2,722,170
Other liabilities	582,688	13,859	596,547
Noncurrent:			
Bonds payable, net of current portion	29,906,814	1,310,000	31,216,814
Other liabilities, net of current portion	<u>3,179,283</u>	<u>164,708</u>	<u>3,343,991</u>
TOTAL LIABILITIES	58,406,235	1,969,771	60,376,006
NET ASSETS			
Invested in capital assets, net of related debt	58,603,753	17,970,841	76,574,594
Restricted for:			
Grants	1,379,503	-	1,379,503
Permanent funds:			
Nonexpendable	190,514	-	190,514
Expendable	905,604	-	905,604
Unrestricted	<u>4,175,820</u>	<u>6,166,271</u>	<u>10,342,091</u>
TOTAL NET ASSETS	\$ <u>65,255,194</u>	\$ <u>24,137,112</u>	\$ <u>89,392,306</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 7,072,469	\$ 3,714	\$ -	\$ (4,509,856)	\$ -	\$ (4,509,856)
Fire and ambulance	4,380,465	156,995	-	(3,390,924)	-	(3,390,924)
Police	5,103,017	207,691	-	(4,678,233)	-	(4,678,233)
Education	34,152,007	13,417,557	-	(19,493,698)	-	(19,493,698)
Highways and streets	3,923,727	25,336	349,653	(3,540,962)	-	(3,540,962)
Solid waste	1,793,889	-	-	(1,258,764)	-	(1,258,764)
Health and welfare	109,803	-	-	(110,848)	-	(110,848)
Parks and recreation	664,503	22,138	-	(570,683)	-	(570,683)
Library	934,351	12,650	129,001	(773,704)	-	(773,704)
Conservation	4,309	-	-	(4,309)	-	(4,309)
Airport	1,138,428	-	-	(827,374)	-	(827,374)
Interest expense	951,432	-	-	(951,432)	-	(951,432)
Total Governmental Activities	60,228,400	13,846,081	506,966	(40,110,787)	-	(40,110,787)
Business-Type Activities:						
Water services	2,360,696	-	-	-	(206,008)	(206,008)
Sewer services	3,158,402	-	-	-	(458,669)	(458,669)
Total Business-Type Activities	5,519,098	-	-	-	(664,677)	(664,677)
Total	\$ 65,747,498	\$ 13,846,081	\$ 506,966	(40,110,787)	(664,677)	(40,775,464)
General Revenues and Interfund Transfers:						
Property taxes				37,414,734	-	37,414,734
Penalties, interest, and other taxes				681,382	-	681,382
Grants and contributions not restricted to specific programs				775,126	-	775,126
Investment income				350,309	47,740	398,049
Miscellaneous				511,466	-	511,466
Interfund				(291,656)	291,656	-
Total general revenues and interfund transfers				39,441,361	339,396	39,780,757
Change in Net Assets				(669,426)	(325,281)	(994,707)
Net Assets:						
Beginning of year				65,924,620	24,462,393	90,387,013
End of year				\$ 65,255,194	\$ 24,137,112	\$ 89,392,306

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

ASSETS	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 12,309,313	\$ 903,930	\$ 13,213,243
Investments	7,045,191	1,097,928	8,143,119
Receivables:			
Property taxes	9,346,309	-	9,346,309
Departmental and other	498,196	138,584	636,780
Intergovernmental	-	1,518,598	1,518,598
Due from other funds	2,096,663	1,084,462	3,181,125
Inventories and prepaids	53,182	30,705	83,887
Other assets	<u>7,004</u>	<u>-</u>	<u>7,004</u>
TOTAL ASSETS	\$ <u>31,355,858</u>	\$ <u>4,774,207</u>	\$ <u>36,130,065</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,647,117	\$ 69,764	\$ 1,716,881
Retainage payable	78,884	12,867	91,551
Accrued liabilities	396,425	3,152	399,577
Deferred revenues	19,633,539	75,236	19,708,775
Tax refunds payable	246,258	-	246,258
Due to other funds	2,300,679	1,672,104	3,972,783
Other liabilities	<u>1,651</u>	<u>8,754</u>	<u>10,405</u>
TOTAL LIABILITIES	24,304,353	1,841,877	26,146,230
Fund Balances:			
Nonspendable	53,182	190,514	243,696
Restricted	-	2,456,206	2,456,206
Committed	87,906	285,610	373,516
Assigned	569,736	-	569,736
Unassigned	<u>6,340,681</u>	<u>-</u>	<u>6,340,681</u>
TOTAL FUND BALANCES	<u>7,051,505</u>	<u>2,932,330</u>	<u>9,983,835</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>31,355,858</u>	\$ <u>4,774,207</u>	\$ <u>36,130,065</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total governmental fund balances	\$ 9,983,835
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	90,995,906
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	
Elimination of deferred revenue	514,797
Recording allowance for doubtful accounts	(43,500)
<ul style="list-style-type: none">• Internal service funds are used by management to account for vehicle management and related activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	497,939
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(377,828)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(36,315,955)</u>
Net assets of governmental activities	<u>\$ 65,255,194</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 37,325,653	\$ 117,124	\$ 37,442,777
Penalties, interest, and other taxes	681,382	-	681,382
Charges for services	1,335,082	2,130,238	3,465,320
Intergovernmental	10,073,181	5,143,640	15,216,821
Licenses and permits	2,266,268	1	2,266,269
Fines and forfeitures	35,229	-	35,229
Investment income	151,991	198,318	350,309
Miscellaneous	485,530	8,820	494,350
Total Revenues	<u>52,354,316</u>	<u>7,598,141</u>	<u>59,952,457</u>
Expenditures:			
Current:			
General government	6,705,903	287,150	6,993,053
Fire and ambulance	3,526,805	776,584	4,303,189
Police	4,844,915	196,585	5,041,500
Education	27,110,507	5,507,933	32,618,440
Highways and streets	2,257,663	292,860	2,550,523
Solid waste	1,721,939	-	1,721,939
Health and welfare	110,814	-	110,814
Parks and recreation	644,716	61,532	706,248
Library	756,093	43,341	799,434
Conservation	4,309	-	4,309
Capital outlay	1,296,490	-	1,296,490
Airport	-	319,998	319,998
Debt service	3,783,461	342,172	4,125,633
Total Expenditures	<u>52,763,415</u>	<u>7,828,155</u>	<u>60,591,570</u>
Excess (deficiency) of revenues over expenditures	(409,099)	(230,014)	(639,113)
Other Financing Sources (Uses):			
Proceeds of bonds	-	565,000	565,000
Transfers in	-	120,513	120,513
Transfers out	(120,513)	(291,656)	(412,169)
Total Other Financing Sources (Uses)	<u>(120,513)</u>	<u>393,857</u>	<u>273,344</u>
Change in fund balance	(529,612)	163,843	(365,769)
Fund Equity, at Beginning of Year, as restated	<u>7,581,117</u>	<u>2,768,487</u>	<u>10,349,604</u>
Fund Equity, at End of Year	<u>\$ 7,051,505</u>	<u>\$ 2,932,330</u>	<u>\$ 9,983,835</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (365,769)																								
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">1,901,698</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,530,525)</td> </tr> <tr> <td>Loss on disposal of assets</td> <td style="text-align: right;">(17,317)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property tax, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(30,295)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(565,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,171,447</td> </tr> <tr> <td>Current year capitalization of bond premium</td> <td style="text-align: right;">34,434</td> </tr> <tr> <td>Repayment of capital lease</td> <td style="text-align: right;">48,813</td> </tr> <tr> <td>State revolving loan proceeds</td> <td style="text-align: right;">(217,649)</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">7,042</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(19,986)</td> </tr> </table> • Internal service funds are used by management to account for vehicle management services and related activities. The net activity of internal service funds is reported with Governmental Activities. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(86,319)</u></td> </tr> </table> 		Capital outlay purchases	1,901,698	Depreciation	(4,530,525)	Loss on disposal of assets	(17,317)		(30,295)	Issuance of debt	(565,000)	Repayments of debt	3,171,447	Current year capitalization of bond premium	34,434	Repayment of capital lease	48,813	State revolving loan proceeds	(217,649)		7,042		(19,986)		<u>(86,319)</u>
Capital outlay purchases	1,901,698																								
Depreciation	(4,530,525)																								
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	7,042																								
	(19,986)																								
	<u>(86,319)</u>																								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(669,426)</u>																								

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Amounts	Final Budget Positive (Negative)
Revenues and Other Sources:				
Taxes	\$ 37,338,196	\$ 37,338,196	\$ 37,338,196	\$ -
Penalties, interest, and other taxes	475,111	475,111	681,382	206,271
Charges for services	1,226,052	1,226,052	1,219,388	(6,664)
Intergovernmental	9,464,764	9,464,764	9,456,603	(8,161)
Licenses and permits	2,291,000	2,291,000	2,266,268	(24,732)
Fines and forfeits	60,000	60,000	35,229	(24,771)
Investment income	300,000	300,000	151,328	(148,672)
Miscellaneous	430,674	430,674	485,530	54,856
Other sources	1,025,000	1,025,000	1,025,000	-
Total Revenues and Other Sources	52,610,797	52,610,797	52,658,924	48,127
Expenditures and Other Uses:				
General government	6,618,876	6,672,037	6,550,702	121,335
Fire and ambulance	3,423,233	3,412,976	3,404,932	8,044
Police	4,730,810	4,787,486	4,703,152	84,334
Education	26,804,351	26,804,351	26,757,365	46,986
Highways and streets	2,388,405	2,414,345	2,257,663	156,682
Solid waste	1,890,520	1,830,372	1,671,939	158,433
Health and welfare	204,067	151,860	135,814	16,046
Parks and recreation	687,810	682,732	671,933	10,799
Library	771,388	763,301	756,093	7,208
Conservation	3,970	3,970	3,970	-
Capital outlay	1,150,000	1,150,000	1,142,768	7,232
Debt service	3,816,854	3,816,854	3,783,461	33,393
Transfers out	120,513	120,513	120,513	-
Total Expenditures and Other Uses	52,610,797	52,610,797	51,960,305	650,492
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 698,619	\$ 698,619

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
<u>ASSETS</u>				
Current:				
Cash and short-term investments	\$ 749,964	\$ 1,029,403	\$ 1,779,367	\$ -
Investments	1,549,540	2,055,579	3,605,119	-
User fees, net of allowance for uncollectibles	370,480	559,295	929,775	-
Special assessments	-	14,408	14,408	-
Intergovernmental receivables	-	-	-	7,700
Due from other funds	409,561	-	409,561	524,680
Inventory	114,772	-	114,772	19,361
Other assets	36,715	-	36,715	-
Total current assets	3,231,032	3,658,685	6,889,717	551,741
Noncurrent:				
Intergovernmental receivables, net of current portion	-	1,583	1,583	-
Capital assets:				
Land and construction in progress	49,055	100,865	149,920	-
Other capital assets, net of accumulated depreciation	13,408,147	5,797,774	19,205,921	2,645,511
Total noncurrent assets	13,457,202	5,900,222	19,357,424	2,645,511
TOTAL ASSETS	16,688,234	9,558,907	26,247,141	3,197,252
<u>LIABILITIES</u>				
Current:				
Accounts payable	60,330	13,492	73,822	46,444
Retainage payable	-	6,721	6,721	-
Accrued liabilities	41,757	9,055	50,812	7,358
Due to other funds	-	140,258	140,258	-
Other current liabilities	236,553	-	236,553	-
Deferred revenues	38,296	-	38,296	-
Current portion of long-term liabilities:				
Bonds payable	75,000	-	75,000	-
Other liabilities	8,992	4,867	13,859	2,877
Total current liabilities	460,928	174,393	635,321	56,679
Noncurrent:				
Bonds payable, net of current portion	1,310,000	-	1,310,000	-
Other liabilities, net of current portion	80,330	84,378	164,708	25,888
Total noncurrent liabilities	1,390,330	84,378	1,474,708	25,888
TOTAL LIABILITIES	1,851,258	258,771	2,110,029	82,567
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	12,072,202	5,898,639	17,970,841	2,645,511
Unrestricted	2,764,774	3,401,497	6,166,271	469,174
TOTAL NET ASSETS	\$ 14,836,976	\$ 9,300,136	\$ 24,137,112	\$ 3,114,685

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 1,877,967	\$ 2,683,984	\$ 4,561,951	\$ 707,931
Other	<u>276,721</u>	<u>15,749</u>	<u>292,470</u>	<u>(17,318)</u>
Total Operating Revenues	2,154,688	2,699,733	4,854,421	690,613
Operating Expenses:				
Operating expenses	1,567,818	2,715,403	4,283,221	539,044
Depreciation	<u>739,460</u>	<u>442,999</u>	<u>1,182,459</u>	<u>285,345</u>
Total Operating Expenses	<u>2,307,278</u>	<u>3,158,402</u>	<u>5,465,680</u>	<u>824,389</u>
Operating Income (Loss)	(152,590)	(458,669)	(611,259)	(133,776)
Nonoperating Revenues (Expenses):				
Contributions	-	-	-	47,457
Investment income	18,664	29,076	47,740	-
Interest expense	<u>(53,418)</u>	<u>-</u>	<u>(53,418)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	(34,754)	29,076	(5,678)	47,457
Transfers:				
Transfers in	<u>291,656</u>	<u>-</u>	<u>291,656</u>	<u>-</u>
Change in Net Assets	104,312	(429,593)	(325,281)	(86,319)
Net Assets at Beginning of Year	<u>14,732,664</u>	<u>9,729,729</u>	<u>24,462,393</u>	<u>3,201,004</u>
Net Assets at End of Year	\$ <u>14,836,976</u>	\$ <u>9,300,136</u>	\$ <u>24,137,112</u>	\$ <u>3,114,685</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 2,174,212	\$ 2,729,159	\$ 4,903,371	\$ -
Receipts from interfund service provided	-	-	-	659,035
Payments to vendors and employees	<u>(1,585,014)</u>	<u>(2,747,261)</u>	<u>(4,332,275)</u>	<u>(475,608)</u>
Net Cash Provided By Operating Activities	589,198	(18,102)	571,096	183,427
Cash Flows From Noncapital Financing Activities:				
Interfund borrowing	-	83,377	83,377	28,778
Net Cash (Used For) Capital and Related Financing Activities	-	83,377	83,377	28,778
Cash Flows From Capital and Related Financing Activities:				
Contributions toward capital assets	(4,970)	-	(4,970)	47,457
Acquisition and construction of capital assets, net of disposals	(913,714)	(100,767)	(1,014,481)	(259,662)
Principal payments on bonds and notes	(72,450)	-	(72,450)	-
Bond premium	(2,127)	-	(2,127)	-
Interest expense	(53,418)	-	(53,418)	-
Other financing sources	291,656	-	291,656	-
Intergovernmental subsidy	96,567	-	96,567	-
Net Cash (Used For) Capital and Related Financing Activities	(658,456)	(100,767)	(759,223)	(212,205)
Cash Flows From Investing Activities:				
Purchase of investments	(66,925)	160,908	93,983	-
Investment income	18,664	29,076	47,740	-
Net Cash Provided By Investing Activities	<u>(48,261)</u>	<u>189,984</u>	<u>141,723</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	(117,519)	154,492	36,973	-
Cash and Short-Term Investments, Beginning of Year	867,483	874,911	1,742,394	-
Cash and Short-Term Investments, End of Year	<u>\$ 749,964</u>	<u>\$ 1,029,403</u>	<u>\$ 1,779,367</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Operating income (loss)	\$ (152,590)	\$ (458,669)	\$ (611,259)	\$ (133,776)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	739,460	442,999	1,182,459	285,345
Changes in assets and liabilities:				
User fees	19,524	7,222	26,746	(1,439)
Special assessments	-	23,787	23,787	-
Inventory	(14,284)	-	(14,284)	-
Other assets	(11,752)	66	(11,686)	4,116
Accounts payable	18,261	(817)	17,444	30,329
Accrued liabilities	32	(2,613)	(2,581)	3,048
Retainage payable	-	3,111	3,111	-
Other liabilities	<u>(9,453)</u>	<u>(33,188)</u>	<u>(42,641)</u>	<u>(4,196)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 589,198</u>	<u>\$ (18,102)</u>	<u>\$ 571,096</u>	<u>\$ 183,427</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 107,263	\$ 1,133,405
Investments	3,159,787	-
Accounts receivable	-	3,429
Due from other funds	<u>1,104</u>	<u>-</u>
Total Assets	3,268,154	1,136,834
<u>LIABILITIES AND NET ASSETS</u>		
Due to other funds	-	3,429
Other liabilities	<u>10,500</u>	<u>1,133,405</u>
Total Liabilities	<u>10,500</u>	<u>1,136,834</u>
<u>NET ASSETS</u>		
Total net assets held for other purposes	<u>\$ 3,257,654</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 10,685
Investment Income (Loss):	
Interest earnings	71,039
Increase (decrease) in fair value of investments	366,895
Gain (Loss) on sale	96,926
Net investment income (loss)	<u>545,545</u>
Total additions	545,545
Deductions:	
General government	59,852
Education	10,502
Parks and recreation	-
Total deductions	<u>70,354</u>
Net increase (decrease)	475,191
Net assets:	
Beginning of year	<u>2,782,463</u>
End of year	<u>\$ 3,257,654</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Laconia, New Hampshire (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2011, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund 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 non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- The *Water (Enterprise) Fund* is to account for the operation of a water treatment plant, water lines and pumping stations.
- The *Sewer (Enterprise) Fund* is to account for the operation of pumping stations and sewer lines.

The internal service fund accounts for vehicle management services provided to other departments of the City on a cost reimbursement basis.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

In November 2005, the voters approved a Charter Amendment (Tax Cap) to limit the increases in proposed budgets going forward. This Tax Cap limits increases in net spending for the City, School, and County budgets as follows:

- 1) Increases limited to changes in the Federal National Consumer Price Index (urban).
- 2) New building permits (between April 1st and March 31st) less total dollar value of demolition permits issued times the prior year's tax rate.

This Charter Amendment can be overridden by a 2/3 vote of the City Council.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

H. Inventories and Prepaid

Inventories are valued at cost using the first-in/first-out (FIFO) method. Prepaid represent expenses that have been capitalized and will be expensed when consumed.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated

useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10 - 20
Building improvements	15 - 40
Infrastructure:	
Sewer system	50
Water system	5 - 40
Roads	15 - 30
Bridges	50
Furniture, equipment, and vehicles	4 - 25

J. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-Term Obligations

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

L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund 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. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

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.

M. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates

and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The City observes the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) At such time as may be requested by the City Manager or specified by the administrative code, each director of a department submits an itemized estimate of the expenditures for the next fiscal year for the departments or activities under his control. The Manager submits the proposed budget to the Council at least one month before the start of the fiscal year, which begins July 1.
- 2) A public hearing on the budget is held before its final adoption by the Council. Notice of the public hearing, together with a summary of the budget as submitted, is published at least one week in advance by the City Clerk.
- 3) The budget must be legally adopted no later than July 27. Should the Council take no final action on or prior to that date, the budget as submitted, is deemed to have been finally adopted by the Council.
- 4) No appropriation is made for any purpose not included in the annual budget as adopted unless voted by a two-thirds majority of the Council after a public hearing held to discuss the appropriation. The Council may by resolution, designate the source of any money so appropriated.
- 5) At the beginning of each quarterly period during the fiscal year and more often if required by the Council, the City Manager submits data to the Council showing a comparison of the estimated and actual revenues and expenditures to date. If it appears that the revenues are less than anticipated, the Council or City Manager may reduce the appropriation for any item or items, except amounts required for debt and interest charges, to such a degree as may be necessary to keep expenditures within the City's revenues. The City Manager may provide for monthly or quarterly allotments of appropriations to departments, funds or agencies under such rules as he may prescribe.
- 6) After the budget has been adopted, no expenditure may be incurred, except pursuant to a budget appropriation, unless there is a specific additional appropriation therefore. The head of any department, with

the approval of the manager, may transfer any unencumbered balance or any portion thereof from one fund or agency within the department to another fund or agency within the department; the manager, with the approval of the Council, may transfer any unencumbered appropriation balance or any portion thereof from one department to another. Council approval is required before total actual expenditures may exceed the total appropriation for the year.

- 7) Formal budgetary integration is employed as a management control device during the year only for the General Fund and the following Special Revenue Funds: School Lunch and Breakfast Programs and School Federal Projects.
- 8) The City legally adopts one inclusive budget for the General and two of the Special Revenue Funds (as defined above). The budget is adopted on a basis consistent with generally accepted accounting principles.
- 9) Budget appropriations lapse at the end of the fiscal year except for any appropriations approved by City Council to be carried forward.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 52,354,316	\$ 52,763,415
Other financing sources/uses (GAAP basis)	-	120,513
Subtotal (GAAP Basis)	52,354,316	52,883,928
Adjust tax revenue to accrual basis	12,543	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(876,781)
Add end of year appropriation carryforwards from expenditures	-	569,736
To reverse the effect of non- budgeted State contributions for police, fire, and teachers retirement	(616,578)	(616,578)
To eliminate capital reserve activity	(663)	-
Recognize use of fund balance as funding source	1,025,000	-
Other GAAP adjustments	(115,694)	-
Budgetary basis	<u>\$ 52,658,924</u>	<u>\$ 51,960,305</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a City with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The City's policy is to require full collateralization on all demand deposit accounts, savings, now accounts, money market accounts and non-negotiable certificates of deposit. The underlying securities of the City's deposit in repurchase agreements of \$ 10,740,390 are held by the investment's counterparty, not in the name of the City.

As of June 30, 2011, none of the City's bank balance of \$ 17,365,106 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below (in thousands) is the actual rating as of year end for each investment of the City (All federal agency securities have an implied credit rating of AAA):

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End							Not Rated	
				AAA	A1	AA1	A2	A3	AA3	CAA1		
Debt Related Securities:												
Certificates of deposits	\$ 10,650	N/A	\$ 10,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	704	N/A	-	-	186	-	212	56	78	47	125	
Corporate equities	1,878	N/A	1,878	-	-	-	-	-	-	-	-	
Municipal obligations	51	N/A	-	-	-	51	-	-	-	-	-	
Mutual funds	1,434	N/A	1,434	-	-	-	-	-	-	-	-	
Federal agency securities	191	N/A	-	191	-	-	-	-	-	-	-	
Total investments	\$ 14,908		\$ 13,962	\$ 191	\$ 186	\$ 51	\$ 212	\$ 56	\$ 78	\$ 47	\$ 125	

B. 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. The City does not have policies for custodial credit risk.

Of the City's investment of \$ 14,908,025, the government has a custodial credit risk exposure of \$ 4,257,716 because the related securities are uninsured, unregistered, and held by the City's brokerage firm, which is also the counterparty to these securities.

C. Concentration of Credit Risk

The City's policy is to diversify investments to avoid over-concentration in securities from a specific issuer (excluding U.S. Treasury securities). The City does have investments in one issuer greater than 5% of total investments, as follows (in thousands):

	<u>Controlling Agency</u>			<u>Total Amount</u>	<u>Percent of Investment</u>
	<u>City</u>	<u>Water</u>	<u>Sewer</u>		
Certificates of Deposit:					
Laconia Savings Bank	\$ 2,008	\$ 1,085	\$ 2,056	\$ 5,149	35%
Meredith Village Savings Bank	3,031	206	-	3,237	22%
Franklin Savings Bank	<u>2,006</u>	<u>258</u>	<u>-</u>	<u>2,264</u>	15%
Total	<u>\$ 7,045</u>	<u>\$ 1,549</u>	<u>\$ 2,056</u>	<u>\$ 10,650</u>	

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's policy is to invest in securities with varying maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
Certificates of deposit	\$ 10,650	\$ 10,392	\$ 258	\$ -
Corporate bonds	704	-	606	98
Municipal obligations	51	-	-	51
Federal agency securities	<u>191</u>	<u>50</u>	<u>111</u>	<u>30</u>
Total	<u>\$ 11,596</u>	<u>\$ 10,442</u>	<u>\$ 975</u>	<u>\$ 179</u>

E. Foreign Currency Risks

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City does not have policies for foreign currency risk.

5. Taxes Receivable

The City bills property taxes on a semiannual basis and they are due in July and January. Property tax revenues are recognized in the fiscal year for which taxes have been levied to the extent that they become available, i.e., due or receivable, within the current fiscal year and collected within the current period or within 60 days of year end.

Property taxes collected before the due date, and in advance of the year for which they are levied, are recorded as a prepaid tax liability as they are intended to finance the subsequent year's budget.

At the time of the tax lien, which the City usually places within 60 to 90 days after the due date, a lien is recorded on the property at the Registry of Deeds. If the property taxes (redemptions) are not paid within two years and one day of the tax lien date, the property could be conveyed to the City by deed and subsequently sold at public sale held in November of each year. Property taxes collected before the due date, and in advance of the year for which they are levied, are recorded as a prepaid tax liability as they are intended to finance the subsequent year's operations.

The City annually raises through tax levy an amount (overlay for abatements) for property tax abatements and interest refunds. All abatements and interest refunds are charged to overlay.

Taxes receivable at June 30, 2011 consist of the following (in thousands):

Real Estate		
2011		\$ 8,016
Unredeemed Taxes		
2010	751	
2009	354	
2008	35	
Prior	<u>1</u>	
		1,141
Tax Deeded		1
Land Use		143
Elderly Tax Liens		29
Welfare Tax Liens		<u>16</u>
Total		<u>\$ 9,346</u>

Taxes Collected for Others

The City collects property taxes for the State of New Hampshire and the County of Belknap. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the City.

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 44	\$ -
Water	-	50
Sewer	-	63

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011.

8. Interfund Fund Receivables/Payables and Interfund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$ 2,096,663	\$ 2,300,679
Nonmajor Funds:		
Tax Increment Finance (TIF) District	77,038	-
Airport fund	-	85,224
Park houses fund	32,713	-
Community development fund	103,657	-
Weirs/Endicott Water Line	22,098	-
City Grants fund	126,671	-
Special revenue fund	502,785	-
School lunch and breakfast fund	-	78,748
School grants fund	-	1,342,865
Ambulance fund	-	126,978
Fire truck fund	5,000	-
Parking garage/Davis Place fund	12,409	-
Bond Water/Revaluation	194,228	-
MMS Project	7,863	-
Permanent funds	-	38,289
Total Governmental Funds	<u>3,181,125</u>	<u>3,972,783</u>
Enterprise Funds:		
Water fund	409,561	-
Sewer fund	-	140,258
Total Enterprise Funds	<u>409,561</u>	<u>140,258</u>
Internal Service Funds	524,680	-
Private Purpose Funds	1,104	-
Agency Funds	-	3,429
Total	<u>\$ 4,116,470</u>	<u>\$ 4,116,470</u>

Interfund transfers and their purposes during the year ended June 30, 2011 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ -	\$ 120,513
Nonmajor Funds:		
Airport fund	10,000	-
Weirs/Endicott Water Line	-	291,656
Permanent funds	<u>110,513</u>	<u>-</u>
Total Governmental Funds	120,513	412,169
Enterprise Funds:		
Water fund	<u>291,656</u>	<u>-</u>
Total Enterprise Funds	<u>291,656</u>	<u>-</u>
Total	<u>\$ 412,169</u>	<u>\$ 412,169</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 23,551,346	\$ 2,690,513	\$ -	\$ 26,241,859
Buildings and improvements	61,721,246	99,133	-	61,820,379
Furniture, equipment, and vehicles	11,538,864	345,367	(260,280)	11,623,951
Infrastructure	<u>24,522,834</u>	<u>1,412,848</u>	<u>(51,573)</u>	<u>25,884,109</u>
Total capital assets, being depreciated	121,334,290	4,547,861	(311,853)	125,570,298
Less accumulated depreciation for:				
Land improvements	(6,259,809)	(1,101,996)	-	(7,361,805)
Buildings and improvements	(18,233,915)	(1,664,521)	-	(19,898,436)
Furniture, equipment, and vehicles	(5,068,483)	(776,728)	242,963	(5,602,248)
Infrastructure	<u>(9,206,790)</u>	<u>(987,280)</u>	<u>51,573</u>	<u>(10,142,497)</u>
Total accumulated depreciation	<u>(38,768,997)</u>	<u>(4,530,525)</u>	<u>294,536</u>	<u>(43,004,986)</u>
Total capital assets, being depreciated, net	82,565,293	17,336	(17,317)	82,565,312
Capital assets, not being depreciated:				
Land	8,017,713	212,166	-	8,229,879
Construction in progress	<u>3,059,044</u>	<u>693,438</u>	<u>(3,551,767)</u>	<u>200,715</u>
Total capital assets, not being depreciated	<u>11,076,757</u>	<u>905,604</u>	<u>(3,551,767)</u>	<u>8,430,594</u>
Governmental activities capital assets, net	<u>\$ 93,642,050</u>	<u>\$ 922,940</u>	<u>\$ (3,569,084)</u>	<u>\$ 90,995,906</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,449,901	\$ 455,798	\$ (14,905)	\$ 8,890,794
Furniture, equipment, and vehicles	2,605,268	91,987	-	2,697,255
Infrastructure	<u>29,736,392</u>	<u>773,575</u>	<u>(1,519)</u>	<u>30,508,448</u>
Total capital assets, being depreciated	40,791,561	1,321,360	(16,424)	42,096,497
Less accumulated depreciation for:				
Buildings and improvements	(3,297,519)	(307,146)	7,452	(3,597,213)
Furniture, equipment, and vehicles	(1,412,137)	(198,045)	1,517	(1,608,665)
Infrastructure	<u>(17,007,430)</u>	<u>(677,268)</u>	<u>-</u>	<u>(17,684,698)</u>
Total accumulated depreciation	<u>(21,717,086)</u>	<u>(1,182,459)</u>	<u>8,969</u>	<u>(22,890,576)</u>
Total capital assets, being depreciated, net	19,074,475	138,901	(7,455)	19,205,921
Capital assets, not being depreciated:				
Land	38,503	-	-	38,503
Construction in progress	<u>410,841</u>	<u>15,073</u>	<u>(314,497)</u>	<u>111,417</u>
Total capital assets, not being depreciated	<u>449,344</u>	<u>15,073</u>	<u>(314,497)</u>	<u>149,920</u>
Business-type activities capital assets, net	<u>\$ 19,523,819</u>	<u>\$ 153,974</u>	<u>\$ (321,952)</u>	<u>\$ 19,355,841</u>

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:

General government	\$ 178,478
Fire and ambulance	196,915
Police	167,909
Education	1,516,677
Highway and streets	1,162,234
Solid waste	96,868
Parks and recreation	249,282
Library	138,432
Airport	<u>823,730</u>

Total depreciation expense - governmental activities \$ 4,530,525

Business-Type Activities:

Water	\$ 739,460
Sanitary sewer	<u>442,999</u>

Total depreciation expense - business-type activities \$ 1,182,459

10. Accounts Payable and Accrued Expenses

Accounts payable represent 2011 expenditures paid after June 30, 2011.

11. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2011 receivable balances, except property taxes that are accrued for subsequent 60 day collections and property taxes billed or collected in advance of the fiscal year for which they are levied.

Deferred revenue at June 30, 2011 consists of the following (in thousands):

Real Estate			
2011	\$	8,016	
Advance Collections		<u>10,585</u>	
			18,601
Unredeemed Taxes			
2010		547	
2009		320	
2008		7	
Prior		<u>1</u>	
			875
Welfare Tax Liens			16
Other			<u>142</u>
			\$ <u>19,634</u>
Total			

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

13. Capital Lease Obligations

The City is the lessee of certain equipment under a capital lease expiring in 2012. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2011:

	Fiscal	Capital
	<u>Year</u>	<u>Leases</u>
	2012	<u>53,101</u>
Total minimum lease payments		53,101
Less amounts representing interest		<u>2,189</u>
Present Value of Minimum Lease Payments		\$ <u>50,912</u>

14. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/11</u>
Public improvement	01/15/16	5.30-5.65%	\$ 275,000
Capital improvement	08/15/21	4.38-5.00%	1,945,000
Capital improvement	08/15/22	4.00-5.00%	1,350,000
Library bond	01/15/24	5.00-4.75%	1,440,000
Capital improvement	09/07/15	4.00%	205,430
Fire truck - general obligation bond	05/09/18	3.08%	665,000
Transfer station	08/15/18	3.68%	780,000
Revaluation	08/15/14	2.26%	275,000
Weirs boardwalk	01/15/30	3.56%	720,000
School improvement bonds	01/15/16	5.40-5.65%	55,000
School bonds - Elm/Pleasant	08/15/21	4.125-5.00%	3,430,000
School bonds - Woodland Heights	01/15/23	4.25-4.90%	2,460,000
School bond - MMS Capital Project	02/15/36	4.76%	18,388,554
Weirs Boardwalk/Endicott Water Line	09/28/30	3.63%	565,000
Total Governmental Activities:			\$ 32,553,984

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/11</u>
Treatment plant	08/15/29	3.97%	\$ 1,385,000
Total Business-Type Activities:			\$ 1,385,000

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,647,170	\$ 860,152	\$ 3,507,322
2013	2,587,778	854,978	3,442,756
2014	2,454,782	848,185	3,302,967
2015	2,398,585	839,417	3,238,002
2016	2,281,232	830,120	3,111,352
2017 - 2021	9,732,083	4,095,523	13,827,606
2022 - 2026	5,141,471	4,208,990	9,350,461
Thereafter	<u>5,310,883</u>	<u>11,360,746</u>	<u>16,671,629</u>
Total	\$ <u>32,553,984</u>	\$ <u>23,898,111</u>	\$ <u>56,452,095</u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2011:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 75,000	\$ 55,245	\$ 130,245
2013	75,000	52,980	127,980
2014	75,000	50,714	125,714
2015	75,000	48,450	123,450
2016	75,000	46,090	121,090
2017 - 2021	375,000	188,791	563,791
2022 - 2026	355,000	103,306	458,306
Thereafter	<u>280,000</u>	<u>25,924</u>	<u>305,924</u>
Total	\$ <u>1,385,000</u>	\$ <u>571,500</u>	\$ <u>1,956,500</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/10	Additions	Reductions	Total Balance 6/30/11	Less Current Portion	Equals Long-Term Portion 6/30/11
<u>Governmental Activities</u>						
Bonds payable	\$ 35,160	\$ 565	\$ (3,171)	\$ 32,554	\$ (2,647)	\$ 29,907
Other:						
Landfill closure	152	-	(19)	133	(19)	114
Compensated absences	2,703	-	(11)	2,692	(295)	2,397
Capital lease	101	-	(50)	51	(51)	-
SRF loan proceeds	-	218	-	218	(218)	-
OPEB obligation	500	168	-	668	-	668
Totals	\$ <u>38,616</u>	\$ <u>951</u>	\$ <u>(3,251)</u>	\$ <u>36,316</u>	\$ <u>(3,230)</u>	\$ <u>33,086</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,457	\$ -	\$ (72)	\$ 1,385	\$ (75)	\$ 1,310
Other:						
Compensated absences	181	-	(42)	139	(14)	125
OPEB obligation	22	18	-	40	-	40
Totals	\$ <u>1,660</u>	\$ <u>18</u>	\$ <u>(114)</u>	\$ <u>1,564</u>	\$ <u>(89)</u>	\$ <u>1,475</u>

15. Landfill Closure and Postclosure Care Costs

This liability reported is based on what it would cost to perform postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

16. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Subsequent Events

A. Debt

Subsequent to June 30, 2011, the City has incurred the following debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
State Revolving Loan	\$ 217,649	2.86%	11/01/11	11/01/30
QZAB First Issue	\$ 2,103,000	0.00%	12/15/11	12/15/30

State Revolving Loan - The City signed a loan agreement with the State of New Hampshire Water Pollution Control Revolving Fund Program in order to finance the Anthony Drive Storm Water Improvements Project. The agreement states that a total of \$ 216,589 of principal will be forgiven at the time of the initial payment, leaving the City to repay \$ 217,649.

QZAB (Qualified Zone Academy Bond) – The City issued a zero-interest bond in the amount of \$ 2,103,000 in order to finance the initial costs of the Huot Career & Technical Center and Laconia High School renovation project. The projected costs of the renovations total \$ 13,625,000; the remainder of the financing will be State of New Hampshire Building Aid, \$ 7,125,000 and an additional bond issue in the amount of \$ 4,397,000.

18. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Pollution Remediation Obligation - The City received a Request for Response Actions, dated July 28, 2010, from the New Hampshire Environmental Services describing conditions on several properties in Laconia identified as the former Burn Dump and the former Morin Road Landfill alleging each may have been used in the past by the City for landfill operations and directs that additional investigation and remediation be undertaken at these sites to determine the source, nature, location and extent of waste and contamination. The liability of the City has not been established because it is not reasonably possible to estimate the actual costs of undertaking any such response action at the present time.

**19. Post-Employment Healthcare and Life Insurance Benefits
Other Post-Employment Benefits**

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

A. Plan Description

The City provides its eligible retirees, including in some cases their beneficiaries (as govern by RSA 100-A:50), the ability to purchase health and prescription insurance at the City's group rates. Although the City does not supplement the cost of these plans, GASB Statement 45 requires the City to recognize the liability for the inclusion of any implicit rate subsidies

afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of June 30, 2011, there were approximately 230 retiree subscribers, including eligible spouses and dependents, and 300 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees of the City contribute 100% and teacher retirees of the School Department contribute 0% of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of May 16, 2011.

	Governmental Activities		Business-Type Activities		Total
	City	School	Water	Sewer	
Annual Required Contribution (ARC)	\$ 380,169	\$ 535,907	\$ 28,144	\$ 17,275	\$ 961,495
Interest on net OPEB obligation	13,318	9,186	(148)	1,148	23,504
Adjustment to ARC	<u>(12,614)</u>	<u>(12,194)</u>	<u>140</u>	<u>(1,087)</u>	<u>(25,755)</u>
Annual OPEB cost	380,873	532,899	28,136	17,336	959,244
Contributions made	<u>(266,600)</u>	<u>(479,553)</u>	<u>(25,505)</u>	<u>(2,258)</u>	<u>(773,916)</u>
Increase in net OPEB obligation	114,273	53,346	2,631	15,078	185,328
Net OPEB obligation - beginning of year*	<u>295,963</u>	<u>204,133</u>	<u>(3,294)</u>	<u>25,499</u>	<u>522,301</u>
Net OPEB obligation - end of year	<u>\$ 410,236</u>	<u>\$ 257,479</u>	<u>\$ (663)</u>	<u>\$ 40,577</u>	<u>\$ 707,629</u>

*The beginning balances were modified due to changes of prior year assumptions and corrections by the actuarial study.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 959,244	19.3%	\$ 707,629
2010	\$ 748,568	42.0%	\$ 635,219
2009	\$ 716,003	42.1%	\$ 321,073

The City's net OPEB obligation as of June 30, 2011 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of May 16, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 10,148,334
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 10,148,334</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 23,551,634</u>
UAAL as a percentage of covered payroll	<u>43%</u>

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

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include

techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 16, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

20. Retirement System

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a 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. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Funding Policy

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 5% for employees and teachers and 9.3% for police and fire. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 8.02% for teachers, 14.63% for police, 18.52% for fire and 9.16% for all other covered employees. The City contributions to the System for the years ended June 30, 2011, 2010, and 2009 were \$ 2,505,699, \$ 2,413,154 and \$ 2,060,661, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended June 30, 2011, was \$ 8,326,205 for the City and \$ 16,547,401 for the School Department. Contribution requirements for the year ended June 30, 2011, were as follows:

	<u>City</u>	<u>School</u>	<u>Total</u>
State of New Hampshire	\$ 263,436	\$ 353,141	\$ 616,577
Employer's Contributions	1,136,627	1,369,072	2,505,699
Employees' Contributions	<u>632,337</u>	<u>827,374</u>	<u>1,459,711</u>
Total	<u>\$ 2,032,400</u>	<u>\$ 2,549,587</u>	<u>\$ 4,581,987</u>

21. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

22. Tax Increment Financing District

The following represents the Downtown Tax Increment Financing District's fiscal year 2011 financial report, which is required by NH RSA 162-K:11. This District is reported as a special revenue fund of the City.

	<u>Phase 1 Riverwalk</u>
Revenues:	
Tax Increment FY2011	\$ 117,124
Expenditures:	
General Government	105,448
Principal and interest on Debt	<u>-</u>
Total Expenditures	<u>105,448</u>
Excess (deficiency) of revenues over expenditures	11,676
Fund Equity, at Beginning of Year	<u>61,191</u>
Fund Equity, at End of Year	<u>\$ 72,867</u>
Assessment Information	
Base Value	<u>\$ 72,637,787</u>
Captured Value*	<u>\$ 7,450,650</u>

* = As of October 2, 2008

23. **Beginning Fund Balance Reclassification**

The City's major governmental funds for fiscal year 2011, as defined by GASB Statement 54, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/10 (as previously reported)	<u>Reclassification</u>	Fund Equity 6/30/10 (as restated)
General Fund	\$ 7,493,874	\$ 87,243	\$ 7,581,117
Major Funds	143,376	(143,376)	-
Non Major Funds	<u>2,712,354</u>	<u>56,133</u>	<u>2,768,487</u>
Total	<u>\$ 10,349,604</u>	<u>\$ -</u>	<u>\$ 10,349,604</u>

The reclassification was due to reclassifying Capital Reserve Funds from the Major and Non Major Funds into the General Fund per GASB 54. Accordingly, the following table is provided to reflect a bridge of the ending balances of the current year under GASB 54:

	<u>Non Spendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General Fund						
Reserve for:						
Encumbrance	\$ -	\$ -	\$ -	\$ 569,736	\$ -	\$ 569,736
Inventory/prepaid expense	53,182	-	-	-	-	53,182
Capital Reserve	-	-	87,906	-	-	87,906
Undesignated	-	-	-	-	6,340,681	6,340,681
sub total	<u>53,182</u>	<u>-</u>	<u>87,906</u>	<u>569,736</u>	<u>6,340,681</u>	<u>7,051,505</u>
Non Major						
Special Revenue	-	1,306,636	-	-	-	1,306,636
Downtown TIF (SRF)	-	-	72,867	-	-	72,867
Capital Projects	-	-	212,743	-	-	212,743
Permanent Funds	190,514	1,149,570	-	-	-	1,340,084
sub total	<u>190,514</u>	<u>2,456,206</u>	<u>285,610</u>	<u>-</u>	<u>-</u>	<u>2,932,330</u>
Grand Total	<u>\$ 243,696</u>	<u>\$ 2,456,206</u>	<u>\$ 373,516</u>	<u>\$ 569,736</u>	<u>\$ 6,340,681</u>	<u>\$ 9,983,835</u>

**CITY OF LACONIA, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2011

(Unaudited)
(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 7,557	\$ 7,557	0.0%	\$ 22,651	33.4%
06/29/10	\$ -	\$ 7,887	\$ 7,887	0.0%	\$ 23,330	33.8%
05/16/11	\$ -	\$ 10,148	\$ 10,148	0.0%	\$ 23,552	43.1%

See Independent Auditors' Report.

STATISTICAL SECTION

CITY OF LACONIA
NET ASSETS BY COMPONENT UNIT
LAST TEN FISCAL YEARS (1)
 (accrual basis of accounting)
 (amounts expressed in thousands)

	<u>2011</u>	<u>2010*</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities									
Invested in capital assets, net of related debt	58,604	58,797	55,566	\$33,091	\$42,731	\$33,470	\$30,756	\$24,245	\$16,337
Restricted for:			1,716	1,040	980	996	1,332	1,662	7,396
Grants	1,379	1,314	-	-	-	-	-	-	-
Permanent funds:									
Nonexpendable	278	162	-	-	-	-	-	-	-
Expendable	906	934	-	-	-	-	-	-	-
Unrestricted	4,088	4,718	3,365	24,624	7,215	7,379	5,859	5,942	4,581
Total governmental activities net assets	\$65,255	\$65,925	\$60,647	\$68,755	\$50,926	\$41,845	\$37,947	\$31,849	\$28,314
Business-type activities									
Invested in capital assets, net of related debt	17,971	18,066	18,559	\$18,418	\$17,294	\$16,974	\$16,824	\$14,802	\$14,865
Restricted	-	-	-	-	392	67	178	187	250
Unrestricted	6,166	6,396	6,163	6,226	5,363	5,279	5,266	7,464	7,516
Total business-type activities net assets	\$24,137	\$24,462	\$24,722	\$24,644	\$23,049	\$22,320	\$22,268	\$22,453	\$22,631
Primary government									
Invested in capital assets, net of related debt	\$76,575	\$76,863	\$74,125	\$51,509	\$60,025	\$50,444	\$47,580	\$39,047	\$31,202
Restricted for:			1,716	1,040	1,372	1,063	1,510	1,849	7,646
Grants	1,379	1,314	-	-	-	-	-	-	-
Permanent funds:									
Nonexpendable	278	162	-	-	-	-	-	-	-
Expendable	906	934	-	-	-	-	-	-	-
Unrestricted	10,254	11,114	9,528	30,850	12,578	12,658	11,125	13,406	12,097
Total primary governmental net assets	\$89,392	\$90,387	\$85,369	\$83,399	\$73,975	\$64,165	\$60,215	\$54,302	\$50,945

* Net assets have been reclassified in FY10 to reflect new accounting standards under GASB 54

Note: (1) The City will continue to annually report information until this schedule includes 10 fiscal years

CITY OF LACONIA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Expenses										
Governmental activities:										
General government*	\$8,325	\$9,931	\$8,687	\$8,526	\$6,821	\$7,409	\$6,701	\$6,440	\$6,136	
Public safety	9,483	9,453	9,188	8,611	7,757	7,621	6,894	6,051	6,268	
Highways and streets	3,924	2,789	3,702	2,146	3,175	2,896	3,799	2,906	1,475	
Solid Waste	1,794	1,723	1,699	1,683	1,738	1,663	1,461	1,410	1,408	
Education	34,152	33,673	31,556	25,312	28,211	26,965	25,438	25,039	22,166	
Culture and recreation	1,599	1,658	1,506	1,457	1,586	1,565	1,217	1,222	1,141	
Interest on long-term debt	951	903	925	847	935	1,028	1,128	1,220	1,128	
Total governmental activities expenses	60,228	60,130	57,263	48,582	50,223	49,147	46,638	44,288	39,722	
Business-type activities:										
Water	2,361	2,299	2,281	2,016	1,977	1,931	1,826	1,754	1,651	
Sewer	3,158	3,366	3,051	2,962	2,752	2,634	2,488	2,353	2,164	
Total business-type activities expenses	5,519	5,665	5,332	4,978	4,729	4,565	4,315	4,107	3,815	
Total primary government expenses	\$65,747	\$65,795	\$62,595	\$53,560	\$54,952	\$53,712	\$50,953	\$48,395	\$43,537	
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$2,841	\$2,858	\$2,981	\$3,262	\$3,153	\$3,202	\$3,209	\$3,039	\$2,834	
Culture and recreation	91	88	59	65	80	64	100	86	54	
Other activities	2,832	2,986	2,862	3,036	2,940	2,608	2,617	2,696	2,466	
Operating grants and contributions	13,846	15,050	11,479	7,751	9,862	10,894	9,829	11,352	9,361	
Capital grants and contributions	506	4,518	1,583	3,794	7,022	1,292	5,723	2,208	419	
Total governmental activities program revenues	20,116	25,500	18,964	17,908	23,057	18,060	21,478	19,381	15,134	
Business-type activities:										
Charges for services:										
Water	2,155	2,159	2,183	1,901	1,965	1,914	1,808	1,628	1,631	
Sewer	2,700	2,654	2,709	2,741	2,343	2,061	2,062	2,040	2,070	
Operating grants and contributions	-	3	3	1,441	754	590	132	104	177	
Capital grants and contributions	-	-	-	6,083	5,062	4,565	4,002	3,772	3,878	
Total business-type activities program revenues	4,855	4,816	4,895	\$23,991	\$28,119	\$22,625	\$25,480	\$23,153	\$19,012	
Total primary government program revenues										
Net (expense)/revenues	(\$40,112)	(\$34,630)	(\$38,299)	(\$30,674)	(\$27,166)	(\$31,087)	(\$25,160)	(\$24,907)	(\$24,588)	
Business-type activities	(664)	(849)	(437)	1,105	333	-	(313)	(335)	63	
Total primary government net expense	(\$40,776)	(\$35,479)	(\$38,736)	(\$29,569)	(\$26,833)	(\$31,087)	(\$25,473)	(\$25,242)	(\$24,525)	

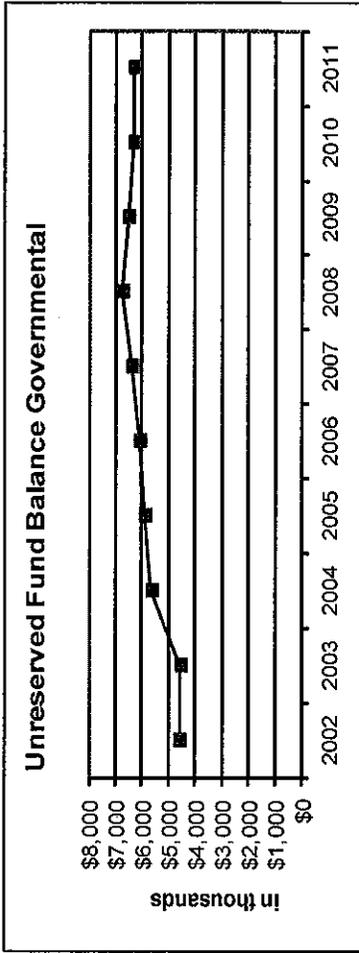
* Includes Welfare, conservation and airport expenses

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$37,415	\$37,609	\$36,474	\$33,298	\$32,811	\$31,327	\$29,010	\$26,213	\$25,240	
Franchise taxes	269	262	259	248	232	220	206	194	188	
Payment in lieu of taxes	431	347	351	304	263	241	245	244	252	
Other taxes	251	113	160	469	549	681	261	335	275	
Unrestricted grants and contributions	775	772	2,167	2,099	1,310	1,261	1,202	1,145	1,124	
Investment earnings	350	417	576	1,645	1,128	677	288	283	322	
Miscellaneous	242	387	393	454	89	453	301	219	439	
Transfers	(291)	-	-	-	(133)	124	46	(47)	(54)	
Total governmental activities	<u>39,442</u>	<u>39,907</u>	<u>40,380</u>	<u>38,517</u>	<u>36,249</u>	<u>34,984</u>	<u>31,559</u>	<u>28,586</u>	<u>27,786</u>	
Business-type activities:										
Investment earnings	48	64	87	183	213	160	159	96	239	
Miscellaneous	-	524	428	268	49	17	15	14	27	
Transfers	291	-	-	-	133	(124)	(46)	47	54	
Total business-type activities	<u>339</u>	<u>588</u>	<u>515</u>	<u>451</u>	<u>395</u>	<u>53</u>	<u>128</u>	<u>157</u>	<u>320</u>	
Total primary government	<u>\$39,781</u>	<u>\$40,495</u>	<u>\$40,895</u>	<u>\$38,968</u>	<u>\$36,644</u>	<u>\$35,037</u>	<u>\$31,687</u>	<u>\$28,743</u>	<u>\$28,106</u>	
Changes in Net Assets										
Governmental activities										
Business-type activities	(\$670)	\$5,277	\$2,081	\$7,843	\$9,083	\$3,897	\$6,399	\$3,679	\$3,198	
Total primary government	<u>(\$995)</u>	<u>\$5,016</u>	<u>\$2,159</u>	<u>\$9,398</u>	<u>\$9,811</u>	<u>\$3,950</u>	<u>\$6,214</u>	<u>\$3,501</u>	<u>\$3,581</u>	

Notes: (1) The City will continue to annually report information until this schedule includes 10 fiscal years.

CITY OF LACONIA
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General fund										
Reserved	\$623	\$1,182	\$675	\$760	\$507	\$1,219	\$349	\$311	\$753	\$564
Capital Reserve *	88	-	-	-	-	-	-	-	-	-
Unreserved	6,341	6,312	6,322	6,524	6,766	6,383	6,097	5,897	5,637	4,548
Total general fund	\$7,052	\$7,494	\$6,997	\$7,284	\$7,273	\$7,602	\$6,446	\$6,208	\$6,390	\$5,112
All other governmental funds										
Reserved	\$191	\$162	\$145	\$145	\$162	\$162	\$162	\$614	\$148	\$15
Unreserved, reported in:										
Special revenue funds	1,380	1,344	1,314	1,114	1,246	1,498	1,167	989	696	632
Capital projects funds	213	415	735	9,227	865	1,056	1,168	3,872	5,318	5,078
Permanent funds	1,150	934	883	894	783	669	1,134	1,061	1,227	905
Total all other governmental funds	\$2,934	\$2,855	\$3,077	\$11,380	\$3,056	\$3,385	\$3,631	\$6,536	\$7,389	\$6,630



* City implemented GASB 54 in FY11

CITY OF LACONIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Taxes	\$38,007	\$38,103	\$36,515	\$34,547	\$32,908	\$31,876	\$29,326	\$26,557	\$25,650	\$23,417
Licenses and permits	2,266	2,364	2,493	2,632	2,247	2,321	2,272	2,250	2,111	2,018
Intergovernmental	10,073	10,326	9,811	9,392	8,506	8,132	12,868	14,397	10,819	11,403
Charges for services	1,335	1,314	1,466	1,488	602	458	1,686	1,701	1,585	1,478
Fines	35	65	56	75	29	36	87	47	23	27
Investment earnings	152	306	610	1,576	849	594	281	283	304	464
Miscellaneous	485	335	443	457	1,812	2,261	2,950	2,816	2,539	1,839
Total revenues	52,353	52,813	51,394	50,167	46,953	45,678	49,470	48,051	43,031	40,646
Expenditures										
General government	6,821	6,558	6,711	6,498	5,973	5,674	7,465	6,739	5,486	6,260
Public safety	8,371	8,253	8,047	7,660	7,017	6,720	6,920	6,549	5,567	5,252
Education	27,110	26,986	25,669	24,936	23,443	22,234	24,788	23,631	22,046	20,905
Highways and streets	2,257	2,131	2,342	2,306	2,046	1,994	1,946	3,520	2,394	1,677
Solid Waste	1,722	1,671	1,712	1,796	1,743	1,662	1,461	1,410	1,409	1,338
Library	756	780	755	713	681	637	576	607	524	535
Parks & Recreation	645	572	651	581	563	551	533	664	504	371
Capital outlay	1,296	1,151	1,592	1,973	2,752	1,489	4,989	4,803	7,409	9,460
Debt service	2,892	3,232	3,238	2,855	2,305	2,314	2,313	2,261	1,927	1,440
Principal **	892	883	878	901	977	1,072	1,190	1,202	1,060	895
Interest	-	-	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	52,762	52,217	51,595	50,219	47,500	44,347	52,181	51,386	48,326	48,133
Excess of revenues over (under) expenditures	(409)	596	(201)	(52)	(547)	1,331	(2,711)	(3,335)	(5,295)	(7,487)
Other financing sources (uses)										
Transfers in	-	-	-	93	36	35	1,836	315	778	754
Transfers out	(120)	(100)	(85)	(30)	(60)	(210)	(1,790)	(362)	(832)	(507)
Capital leases	-	-	-	-	242	-	-	-	-	-
Bonds issued	-	-	-	-	-	-	-	2,347	6,907	9,788
Total other financing sources (uses)	(120)	(100)	(85)	63	218	(175)	46	2,300	6,853	10,035
Net change in fund balances	(\$529)	\$496	(\$286)	\$11	(\$329)	\$1,156	(\$2,665)	(\$1,035)	\$1,558	\$2,548

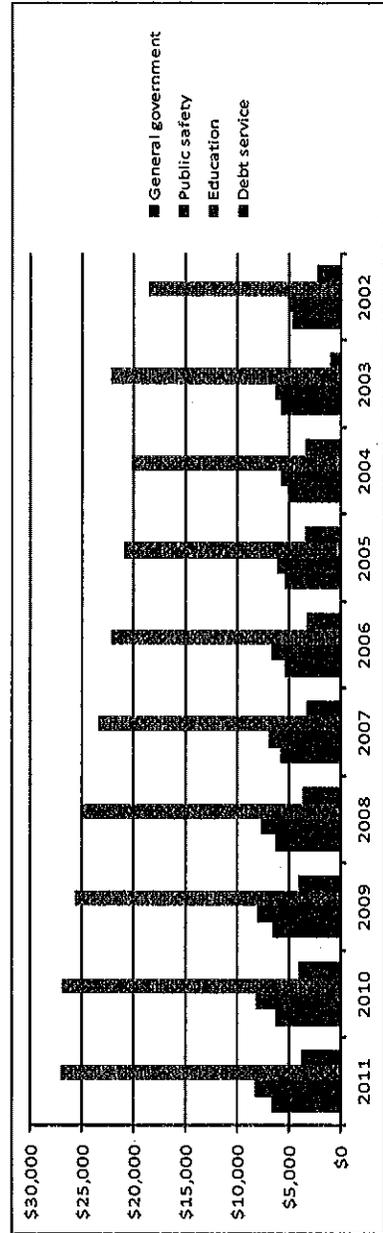
** This number has been reduced to reflect the use of unspent bond proceeds to pay principal payments on several bonds for the City - \$144,588 and the School - \$135,512.

CITY OF LACONIA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION-GENERAL FUND
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government	\$6,710	\$6,384	\$6,557	\$6,380	\$5,846	\$5,460	\$5,452	\$4,925	\$5,860	\$4,730
Public safety	8,371	8,253	8,048	7,661	7,017	6,720	6,160	5,795	6,268	4,943
Education	27,111	26,986	25,669	24,936	23,443	22,234	20,937	20,175	22,166	18,639
Highways/streets/sanitation	3,980	3,802	4,054	4,102	3,789	3,656	3,382	4,915	2,883	2,939
Welfare	111	173	157	117	126	213	319	312	276	259
Parks & Recreation	645	572	651	581	563	551	506	531	609	366
Library	756	780	754	713	681	637	558	549	532	535
Capital outlay	1,296	1,151	1,591	1,973	2,752	1,489	1,583	**0	**0	859
Debt service	3,783	4,115	4,115	3,756	3,282	3,386	3,503	3,463	1,128	2,335
TOTALS	52,763	52,216	51,596	50,219	47,499	44,346	42,400	40,665	39,722	35,605

Percent of Total	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government	13.4%	12.7%	13.1%	12.7%	12.3%	12.3%	12.9%	12.1%	14.8%	13.3%
Public safety	16.7%	16.4%	16.0%	15.3%	14.8%	15.2%	14.5%	14.3%	15.8%	13.9%
Education	54.0%	53.7%	51.1%	49.7%	49.4%	50.1%	49.4%	49.6%	55.8%	52.3%
Highways/streets/sanitation	7.9%	7.6%	8.1%	8.2%	8.0%	8.2%	8.0%	12.1%	7.3%	8.3%
Welfare	0.2%	0.3%	0.3%	0.2%	0.3%	0.5%	0.8%	0.8%	0.7%	0.7%
Parks & Recreation	1.3%	1.1%	1.3%	1.2%	1.2%	1.2%	1.2%	1.3%	1.5%	1.0%
Library	1.5%	1.6%	1.5%	1.4%	1.4%	1.4%	1.3%	1.4%	1.3%	1.5%
Capital outlay	2.6%	2.3%	3.2%	3.9%	5.8%	3.5%	3.7%	n/a*	n/a	2.4%
Debt service	7.5%	8.2%	8.2%	7.5%	6.9%	7.6%	8.3%	8.5%	2.8%	6.6%

*Capital Outlay was reported in the functions



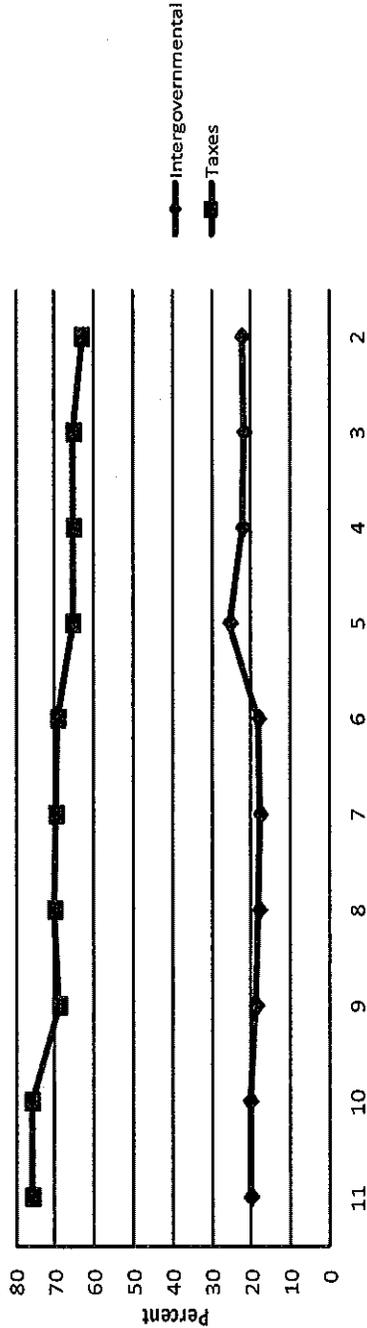
City of Laconia
 General Revenues by Source-General Fund
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Taxes	\$38,007	\$38,103	\$36,515	\$34,546	\$32,908	\$31,875	\$29,327	\$26,508	\$24,508	\$23,417
Licenses and permits	2,266	2,364	2,493	2,632	2,247	2,321	2,272	2,250	2,111	2,018
Intergovernmental	10,073	10,326	9,811	9,392	8,507	8,133	7,697	9,056	8,304	7,791
Charges for services	1,335	1,314	1,466	1,488	602	458	559	584	625	633
Interest and Dividends	152	306	610	1,576	849	594	230	190	264	486
Other	521	400	499	533	1,841	2,296	2,205	1,929	1,697	1,492
Total revenues	\$52,354	\$52,813	\$51,394	\$50,167	\$46,954	\$45,677	\$42,290	\$40,517	\$37,509	\$35,837

Percent of Total Revenue

Taxes	75.8%	76.0%	72.8%	68.9%	70.1%	69.8%	69.3%	65.4%	65.3%	65.3%
Licenses and permits	4.5%	4.7%	5.0%	5.2%	4.8%	5.1%	5.4%	5.6%	5.6%	5.6%
Intergovernmental	20.1%	20.6%	19.6%	18.7%	18.1%	17.8%	18.2%	22.4%	22.1%	21.7%
Charges for services	2.7%	2.6%	2.9%	3.0%	1.3%	1.0%	1.3%	1.4%	1.7%	1.8%
Interest and Dividends	0.3%	0.6%	1.2%	3.1%	1.8%	1.3%	0.5%	0.5%	0.7%	1.4%
Other	1.0%	0.8%	1.0%	1.1%	3.9%	5.0%	5.2%	4.8%	4.5%	4.2%

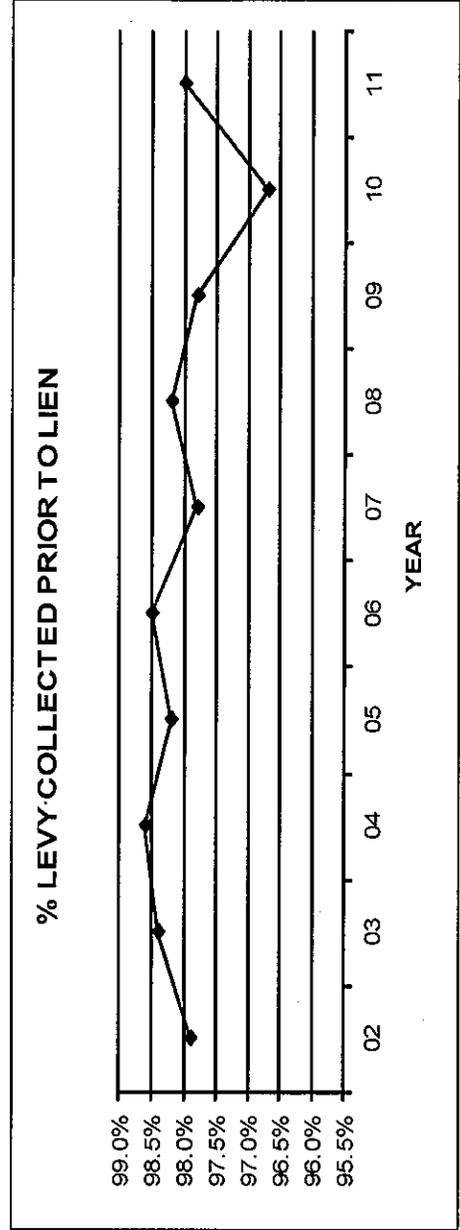
Percent of Total Revenues



CITY OF LACONIA
PROPERTY TAX LIEVS AND COLLECTIONS
LAST TEN FISCAL YEARS
 (Amounts expressed in thousands)

Fiscal Year Ended 30-Jun	Total Property Tax Levy	Current Fiscal Year Tax Collections	Percent of Levy Collected Prior to Tax Lien	Property Taxes Liened(1)	Current Fiscal Liened Collections	Total Tax Collections For Current Fiscal Year	Collections as Percent of Total Tax Levy	Outstanding Liened Taxes For Current at Fiscal Year End	Outstanding Liened Taxes as Percent of Tax Levy
2002	23,586	23,094	97.9%	492	492	23,586	100.0%	-	0.0%
2003	24,305	23,910	98.4%	395	395	24,305	100.0%	-	0.0%
2004	26,324	25,949	98.6%	375	375	26,324	100.0%	-	0.0%
2005	29,089	28,570	98.2%	519	519	29,089	100.0%	-	0.0%
2006	31,335	30,871	98.5%	464	464	31,335	100.0%	-	0.0%
2007	32,997	32,244	97.8%	753	751	32,995	100.0%	11	0.0%
2008	34,409	33,803	98.2%	774	720	34,523	100.0%	213	0.6%
2009	36,062	35,253	97.8%	1,394	1,078	36,331	100.0%	473	1.3%
2010	37,602	36,344	96.7%	1,258	357	36,701	97.6%	901	2.4%
2011	38,113	37,139	97.4%	974	221	37,360	98.0%	753	2.0%

(1) Annually, the City places a lien on properties for which taxes are unpaid.



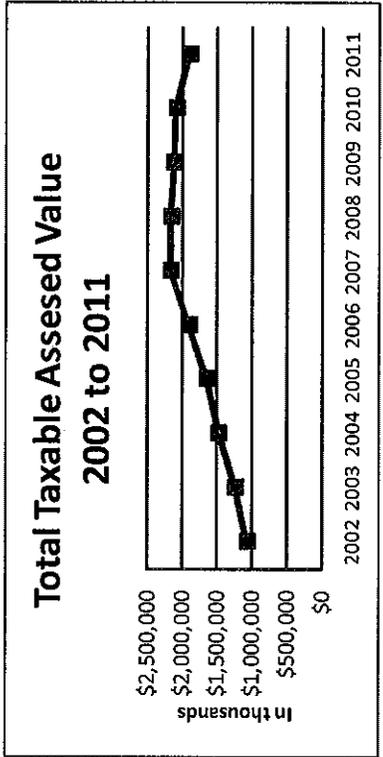
CITY OF LACONIA
ASSESSED VALUE AND ESTIMATED FULL VALUE OF REAL PROPERTY
 Last Ten Fiscal Years
 (in thousands of dollars)

Fiscal Year End	Local Assessed Value (1)			Total Assessed Value*	Exemptions to Assessed Value (1)	Total Taxable Assessed Value (1)	Total Direct Tax Rate (per \$1,000)	Estimated Full Value (2)	Ratio of Total Assessed Value to Total Estimated Full Value	COD	PDR
	Residential Property	Commercial Property	Utilities								
2002	875,068	181,486	19,054	\$1,075,608	4,543	\$1,071,065	\$21.83	1,119,023	96.1%		
2003	983,942	246,033	19,181	\$1,249,156	6,048	\$1,243,108	\$19.74	1,335,628	93.5%		
2004	1,238,126	230,249	21,428	\$1,489,803	7,146	\$1,482,657	\$17.89	1,561,740	95.4%	11.9	1
2005	1,390,738	238,891	22,890	\$1,652,519	7,280	\$1,645,239	\$17.84	1,808,174	91.4%	13.8	1.01
2006	1,598,527	287,132	22,964	\$1,908,623	9,475	\$1,899,148	\$16.72	2,088,694	91.4%	10.8	1.01
2007	1,804,316	348,509	21,711	\$2,174,536	9,250	\$2,165,286	\$15.51	2,255,023	96.4%	12.9	1.01
2008	1,816,321	329,897	23,115	\$2,169,333	8,610	\$2,160,723	\$16.20	2,290,486	94.7%	11.3	1.02
2009	1,782,228	328,711	23,999	\$2,134,938	7,580	\$2,127,358	\$16.97	2,174,544	98.2%	13.2	1.04
2010	1,747,771	327,153	23,530	\$2,098,454	7,710	\$2,090,744	\$18.04	2,047,623	102.5%	12.0	1.02
2011	1,560,739	320,342	22,424	\$1,903,505	6,655	\$1,896,850	\$19.81	2,006,065	94.9%	13.7	1.04

COD is Coefficient of Dispersion - The average deviation of a group of numbers from the median expressed as a percentage of the median. In ratio studies, the average percentage deviation from the median.

PDR is Price-related Differential - The mean divided by the weighted mean. The statistic has a slight bias upward. Price-related differentials above 1.03 tend to indicate assessment regressivity; price-related differentials below .98 ten to indicate assessment progressivity.

	Percentages	
	Commercial	Utilities
2002	16.9%	1.8%
2003	19.7%	1.5%
2004	15.5%	1.4%
2005	14.5%	1.4%
2006	15.0%	1.2%
2007	16.0%	1.0%
2008	15.2%	1.1%
2009	15.2%	1.1%
2010*	15.6%	1.1%
2011	15.3%	1.1%



Source: (1) MS 1 reports on Assessed Value
 (2) NH Department of Revenue Administration's Equalization Survey

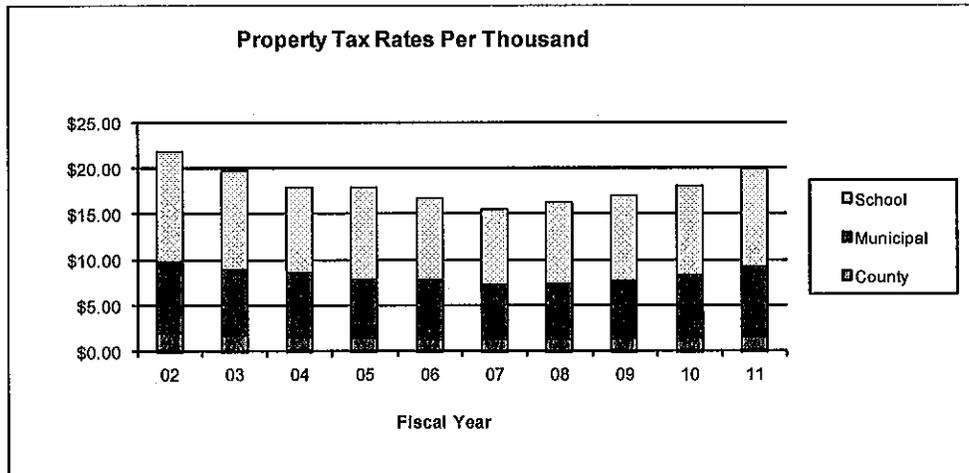
*Corrected after publication.

**CITY OF LACONIA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING
Last Ten Fiscal Years**

City Direct Rates

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>State Education</u>	<u>Total School</u>	<u>Total Direct</u>	<u>Overlapping Rate County</u>	<u>Total Direct & Overlapping Rates</u>
2002	\$7.78	\$6.29	\$5.82	\$12.11	\$19.89	\$1.94	\$21.83
2003	\$7.25	\$5.93	\$4.90	\$10.83	\$18.08	\$1.66	\$19.74
2004	\$7.10	\$5.64	\$3.72	\$9.36	\$16.46	\$1.43	\$17.89
2005	\$6.40	\$7.37	\$2.71	\$10.08	\$16.48	\$1.36	\$17.84
2006	\$6.55	\$6.63	\$2.34	\$8.97	\$15.52	\$1.20	\$16.72
2007	\$6.06	\$6.22	\$2.11	\$8.33	\$14.39	\$1.12	\$15.51
2008	\$6.09	\$6.73	\$2.17	\$8.90	\$14.99	\$1.21	\$16.20
2009	\$6.35	\$7.07	\$2.25	\$9.32	\$15.67	\$1.30	\$16.97
2010	\$6.95	\$7.45	\$2.32	\$9.77	\$16.72	\$1.32	\$18.04
2011	\$7.69	\$8.20	\$2.49	\$10.69	\$18.38	\$1.43	\$19.81

Source:
NH State Department of Revenue Administration

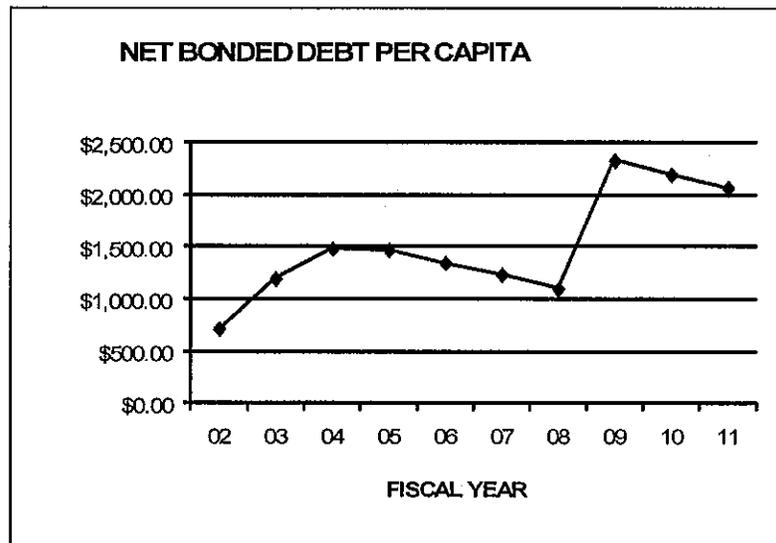


CITY OF LACONIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed thousands, except per capita amount)

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business Activities</u>		<u>Total Primary Government</u>	<u>Per Capita*</u>
	<u>General Obligation Bonds</u>	<u>General Obligation Bonds</u>			
2002	20,371	1,146	▼	\$21,517	\$1,216.11
2003	25,352	990	▼	\$26,342	\$1,491.38
2004	25,335	834	▼	\$26,169	\$1,484.10
2005	23,021	679	▼	\$23,700	\$1,339.75
2006	21,118	523	▼	\$21,641	\$1,238.96
2007	18,813	367	▼	\$19,180	\$1,102.75
2008	39,552	211	▼	\$39,763	\$2,333.45
2009	37,290	56	▼	\$37,346	\$2,200.00
2010	35,160	1,457	▼	\$36,617	\$2,074.34
2011	32,553	1,385	▼	\$33,938	\$2,040.81

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements

*General Obligation bonds only based on demographic information included in this report. Population numbers have been revised.



CITY OF LACONIA
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (amounts expressed in thousands)

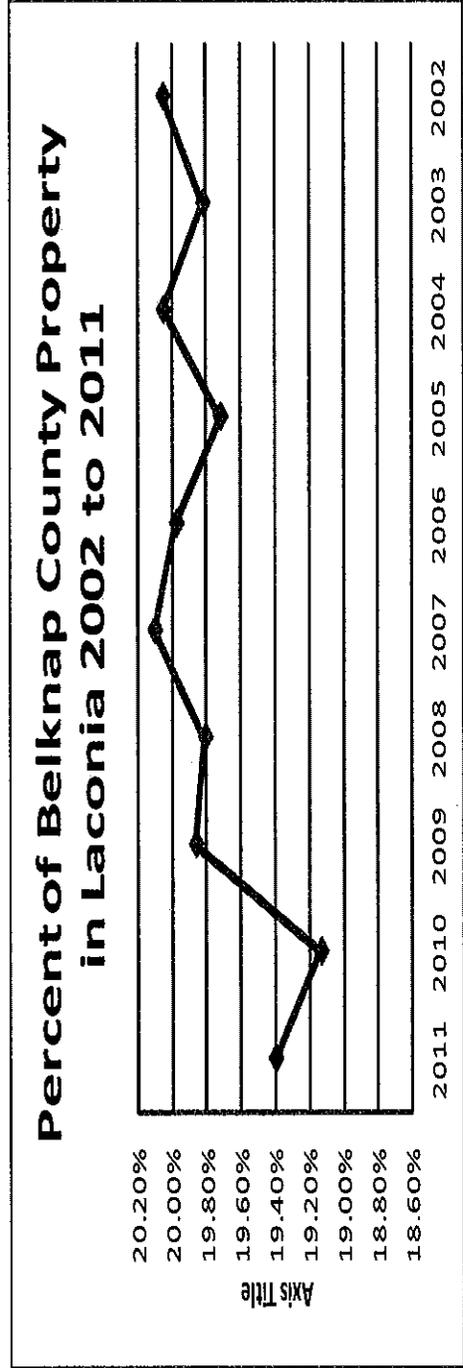
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Legal Debt Limits										
City 3%	\$59,643	\$60,899	\$65,841	\$69,367	\$68,514	\$63,477	\$54,960	\$47,575	\$40,990	\$34,391
School 7%	\$139,166	\$142,098	\$153,630	\$161,855	\$159,865	\$148,114	\$128,240	\$111,007	\$95,644	\$80,246
Debt Against Legal Debt Limits										
City	10,873	8,801	8,790	9,173	9,541	10,910	11,876	13,253	12,330	10,683
School	24,287	26,359	28,500	30,379	9,271	10,208	11,145	12,082	13,022	9,688
Total City & School Debt June 30	\$35,160	\$35,160	\$37,290	\$39,552	\$18,812	\$21,118	\$23,021	\$25,335	\$25,352	\$20,371
Unused Capacity of Legal Debt Limits										
City*	\$48,770	\$52,098	\$57,051	\$60,194	\$58,973	\$52,567	\$43,084	\$34,322	\$28,660	\$23,708
School	114,879	115,739	125,130	131,476	150,594	137,906	117,095	98,925	82,622	70,558
% of Legal Debt Limits Used										
City	18.2%	14.5%	13.4%	13.2%	13.9%	17.2%	21.6%	27.9%	30.1%	31.1%
School	17.5%	18.5%	18.6%	18.8%	5.8%	6.9%	8.7%	10.9%	13.6%	12.1%

*Reductions in this number need to be made to reflect authorized debt, not yet issued of \$400,000 for the Weirs Boardwalk Supplement and \$315,000 for Anthony Drive Drainage project.

Data Source
 Annual Financial Statements
 NH Department of Revenue Administration

**Computation of Overlapping Debt
Belknap County
Last Ten Years**

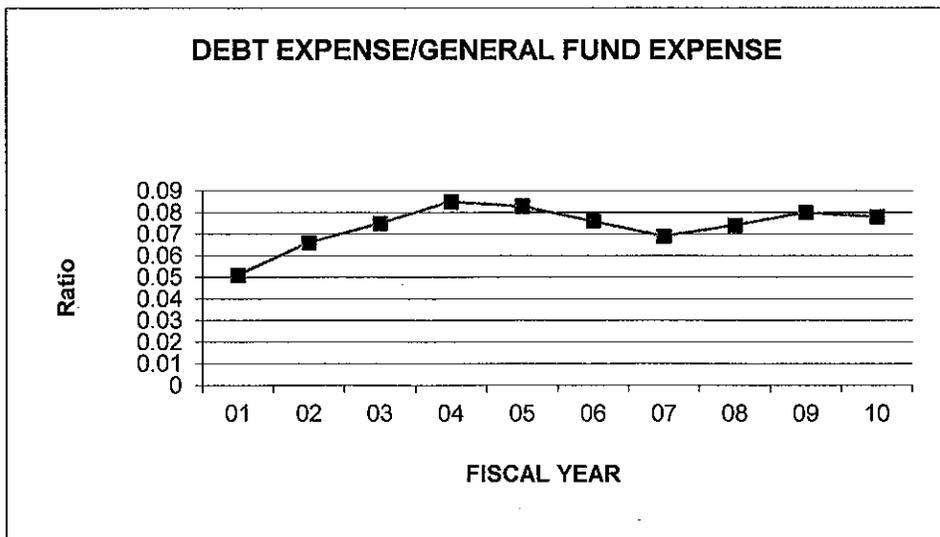
End of Year	Net Debt Outstanding	Percentage Applicable to Laconia	Amount Applicable to Laconia
2011	\$3,945,000	19.40%	\$765,330
2010	\$4,350,000	19.13%	\$832,342
2009	\$4,845,000	19.86%	\$962,416
2008	\$5,420,000	19.81%	\$1,073,718
2007	\$5,864,600	20.10%	\$1,178,919
2006	\$6,579,200	19.98%	\$1,314,254
2005	\$7,323,800	19.72%	\$1,444,268
2004	\$8,398,400	20.05%	\$1,683,988
2003	\$5,443,000	19.82%	\$1,078,835
2002	\$5,937,600	20.05%	\$1,190,578
2001	\$6,432,200	21.55%	\$1,385,817



CITY OF LACONIA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Principal and Interest Payments	Total General Fund Expenditures	% *
2011	\$3,167,717	\$892,102	\$4,059,819	\$52,763,415	7.7%
2010	\$3,231,704	\$883,673	\$4,115,377	\$52,216,815	7.9%
2009	\$3,238,389	\$877,394	\$4,115,783	\$51,595,864	8.0%
2008	\$2,854,710	\$881,502	\$3,736,212	\$50,219,571	7.4%
2007	\$2,305,366	\$976,916	\$3,282,282	\$47,499,904	6.9%
2006	\$2,314,280	\$1,071,710	\$3,385,990	\$44,346,839	7.6%
2005	\$2,314,280	\$1,190,045	\$3,504,325	\$42,400,226	8.3%
2004	\$2,260,955	\$1,202,005	\$3,462,960	\$40,665,483	8.5%
2003	\$1,927,280	\$1,059,673	\$2,986,953	\$39,722,363	7.5%
2002	\$1,440,280	\$895,102	\$2,335,382	\$35,605,196	6.6%
2001	\$1,069,280	\$630,521	\$1,699,801	\$33,341,076	5.1%

*Ratio of General Fund Principal and Interest Payments to General Fund Expenditures.



**CITY OF LACONIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

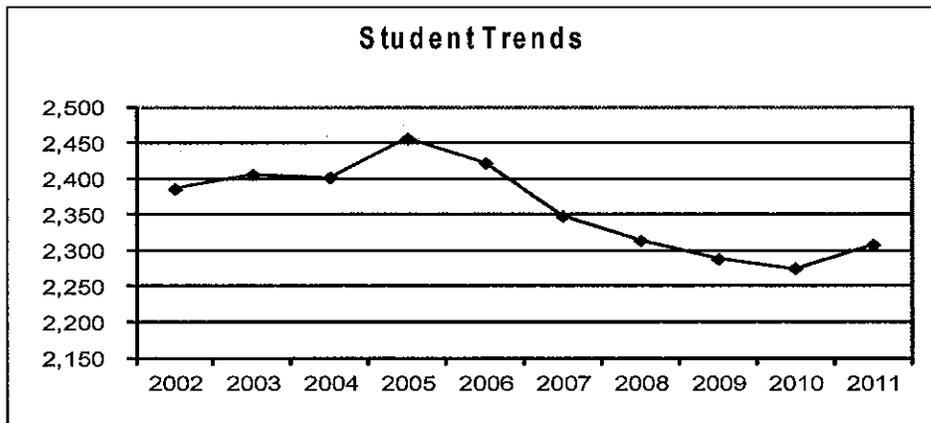
Fiscal Year	Population*	Personal Income*	Per Capita Personal Income*	Median Age*	School Enrollment**	Unemployment Rate***
2002	16,751	37,796	19,540	38.8	2,402	4.8%
2003	16,999	37,796	19,540	38.8	2,456	2.9%
2004	17,071	37,796	19,540	38.8	2,422	2.9%
2005	17,183	37,796	19,540	38.8	2,348	2.9%
2006	17,045	37,796	19,540	38.8	2,314	2.9%
2007	17,060	37,796	19,540	38.1	2,288	3.5%
2008	16,950	37,796	19,540	38.8	2,275	4.0%
2009	16,950	37,796	19,540	38.8	2,308	6.8%
2010	16,950	37,796	19,540	38.8	2,278	8.5%
2011	15,951	46,748	25,159	43.0	2,093	6.3%

Data Source

*Bureau of Census/County Regional Planning Commission, city-data.com

**City annual reports, school district (excludes voc tech students)

*** State of NH reports



CITY OF LACONIA
PRINCIPAL PROPERTY TAXPAYERS
 June 30, 2011
 (amounts expressed in thousands)

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Public Service of NH	\$12,955	1	0.69%	\$13,695	1	1.10%
Keyspan Energy Delivery	7,075	2	0.38%	5,099	4	0.41%
Clearview Realty Ventures	6,235	3	0.33%	-	-	0.00%
Irwin James R & Sons Inc	6,189	4	0.33%	-	-	0.00%
Gilford Route 11 Realty Trust	5,744	5	0.31%	4,632	6	0.37%
Remington John & Jacqueline	5,644	6	0.30%	-	-	-
Summit at Four Season Owners	4,752	7	0.25%	5,225	3	0.42%
Laconia Country Club	4,693	8	0.25%	-	-	0.00%
Aavid Thermal Products	4,650	9	0.25%	4,674	5	0.37%
Margate Motel Inc	4,335	10	0.23%	6,167	2	0.49%
Lakeshore Estates	-	-	-	4,133	7	0.33%
NH Ball Bearing	-	-	-	3,695	9	0.30%
Wingate Associates LTD	-	-	-	4,069	8	0.33%
Totals	\$62,272		3.33%	\$51,389		4.11%

Total Net Assessed Taxable Value \$1,870,057

\$1,249,156

Source:
 City of Laconia, Assessing Records and Tax Records

CITY OF LACONIA
CITY GOVERNMENT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

Function**	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	33	33	32	31	27	26	28	26	26	27
Public safety										
Police										
Officers	10	10	10	10	9	11	11	10	10	10
Civilians	35	35	35	36	34	33	38	39	39	39
Fire										
Firefighters and officers	31	31	31	31	35	35	36	36	36	36
Civilians	1	1	1	1	1	1	1	1	1	1
Call firefighters	10	10	10	10	8	10	17	13	0	0
Highway and streets										
Engineering	2	2	2	2	2	2	2	2	1	1
Maintenance	15	15	15	15	14	13	14	13	16	16
Solid Waste	1	1	1	1	1	1	1	1	1	1
Library	13	12	12	12	11	11	11	11	10	10
Parks & Recreation	6	7	7	7	7	7	7	7	7	7
Water	16	16	16	16	16	16	16	16	16	16
Sewer	8	8	8	8	7	7	7	8	8	8
ISF*	3	3	3	3	3	2	3	3	2	2
Total	184	184	183	183	175	175	192	186	173	174

Source: City Budget Reports

Open position not included

CITY OF LACONIA
PROFESSIONAL
FULL-TIME EQUIVALENT SCHOOL EMPLOYEES BY POSITION
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Position										
Administrators	18	18	18	18	18	18	18	18	18	18
Guidance Counselors	10	10	10	10	10	10	10	11	12	11
Classroom Teachers	150	156	156	158	161	160	160	158	160	159
Special Education Teachers	22	25	28	29	29	32	28	31	31	33
Librarians	2	2	2	2	2	2	2	2	2	2
Vocational Education Teachers	13	14	14	14	13	13	12	12	12	12
Nurses	5	5	5	5	5	5	5	5	5	5
Itinerant Staff	<u>19</u>	<u>20</u>	<u>19</u>	<u>20</u>	<u>19</u>	<u>21</u>	<u>22</u>	<u>24</u>	<u>27</u>	<u>26</u>
Total	239	250	251	255	257	261	257	261	267	266

Source: City Annual reports
School District

City of Laconia NH
Operating Indicators by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Calls for service	16,306	16,715	17,863	19,498	18,721	18,364	18,841	18,870	19,335	17,964
Criminal arrests	1,283	1,422	1,553	1,923	1,913	1,911	1,697	1,600	1,690	1,524
Parking violations	3,140	4,569	4,491	4,608	5,035	4,765	4,017	4,042	3,259	1,805
Traffic violations	1,383	1,496	2,110	1,445	1,149	1,021	730	694	525	464
Fire										
Number of calls answered	2,534	2,925	2,987	3,089	3,017	3,186	3,315	3,394	3,173	3,303
Inspections	250	990	1,518	2,017	2,028	2,112	1,800	2,387	2,963	2,468
Highways and streets										
Street resurfacing (miles)	5.4	7.99	6.75	6.41	3.00	3.43	2.95	2.21	3.17	3.17
Code										
Building permits issued	306	457	702	542	341	439	310	254	273	245
Estimated construction value** (in thousands)	\$21,974	\$28,611	\$35,928	\$65,287	\$40,352	\$34,765	\$52,115	\$27,021	\$53,975	\$14,312
Library										
Volumes	n/a	41,054	37,289	40,431	42,763	45,920	48,330	53,882	55,384	58,230
Circulation	n/a	110,238	100,459	104,988	93,509	111,571	120,508	129,583	135,602	127,711
Solid Waste										
Refuse collected (tons per year)	18,378	18,067	17,688	17,536	16,974	16,366	15,030	14,471	13,495	14,221
Recyclables collected (tons per year)	357	338	315	342	483	536	593	768	918	1,090
Parks & Recreation										
Field Use Requests	37	37	43	35	58	57	72	66	69	75
School Enrollment										
Laconia HS	724	749	749	779	747	784	785	763	750	660
Laconia Middle School	609	621	632	605	561	511	452	484	489	505
Woodland Heights	451	436	416	386	415	414	417	424	422	381
Pleasant Street	302	323	307	281	290	284	303	309	302	288
Elm Street	316	327	318	297	301	295	318	328	315	259
Area 8	326	326	326	336	384	335	360	397	420	443
Water										
New connections	62	16	92	143	93	74	85	56	61	55
Water main breaks	9	7	16	5	4	6	8	11	4	4
Average daily consumption-MGD	1.9	1.97	1.85	1.78	1.81	1.75	1.65	1.49	1.44	1.54

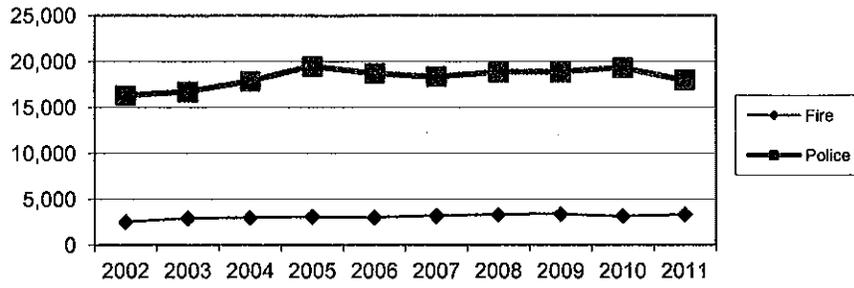
Sources: Various government departments

**2008 permits included \$19.8 million school project

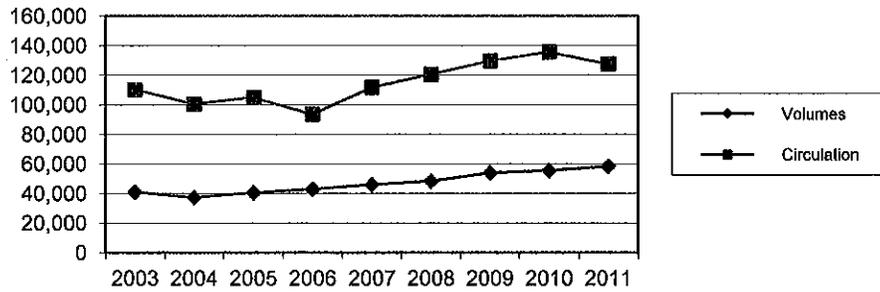
**2010 permits included \$36 million for LRGH project

**2011 permits included \$743,279 for LWW Maintenance Building

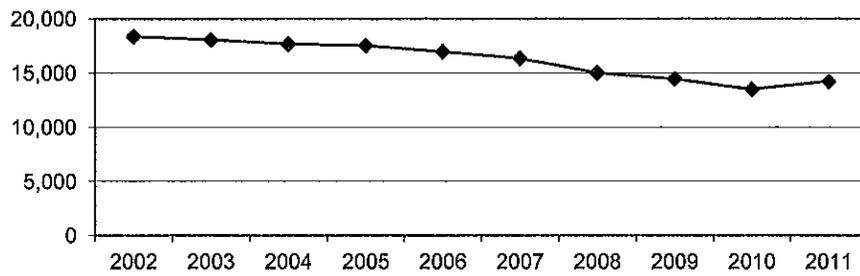
Calls for Service



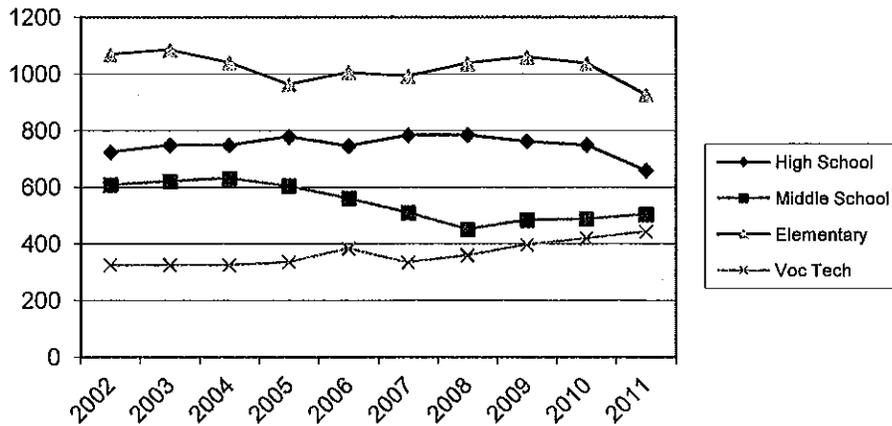
Library Statistics



Refuse Collected (tons per year)



School Enrollment



City of Laconia NH
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets										
Streets (miles)-paved	104.72	104.72	104.72	104.72	105.12	105.12	105.21	105.21	105.21	105.21
Streets (miles)-unpaved	7.24	7.24	7.24	7.24	7.24	7.24	7.24	7.24	7.24	7.24
Traffic intersections	7	7	7	7	7	7	7	7	7	7
Street lights	1,297	1,297	1,297	1,297	1,341	1,341	1,341	1,344	1,344	1,344
Culture and recreation										
Parks acreage	202.7	202.7	202.7	208.7	208.7	208.7	208.7	208.7	208.7	208.7
Parks	13	13	14	14	14	14	14	14	14	14
Tennis courts	9	9	9	9	9	9	9	9	9	9
Community centers	8	8	8	8	8	8	8	8	8	8
Water										
Water mains (miles)	96.81	96.95	96.95	96.95	97.55	99.38	99.87	100.97	102.39	102.39
Fire hydrants	460	461	461	461	461	482	482	515	517	523
Maximum daily capacity (MGD)	6	6	6	6	6	6	6	6	6	6
Service connections	5,726	5,742	5,846	6,005	6,103	6,177	6,262	6,318	6,379	6,434
Sewer										
Sanitary sewers (miles)	103.82	103.82	103.82	103.82	104.69	104.69	104.69	104.69	104.69	104.69
Service connections	10,013	10,104	10,221	10,366	10,440	10,531	10,604	10,655	10,700	10,741
Maximum daily capacity -MGD	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Pump Stations	17	17	17	17	19	19	19	19	19	19

Sources: various city departments
Note: No capital asset indicators are available for the general government function.