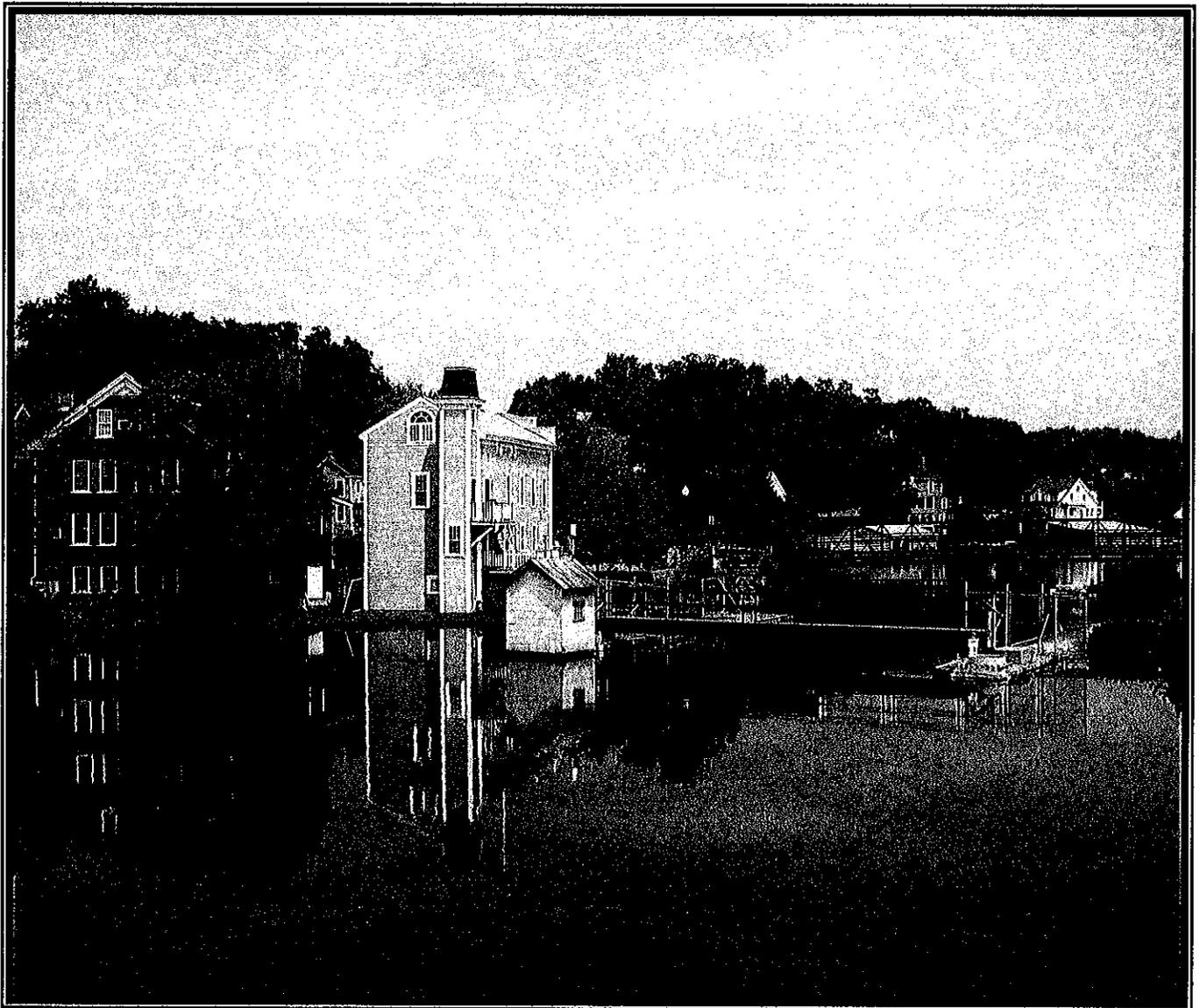


**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
CITY OF LACONIA, NEW HAMPSHIRE**

Fiscal Year Ended June 30, 2008



CITY OF LACONIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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INTRODUCTORY SECTION

May 19, 2009

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, 2008 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.

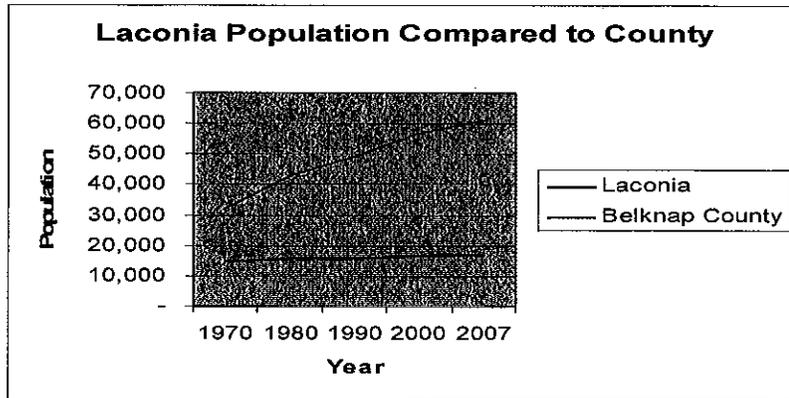
Economic Condition and Outlook

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 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 June, 2008, the unemployment rate in this area is well below the National and Northeast averages and slightly below the State average. At March, 2009, unemployment in Belknap County was at 6.2% (up 2.5% from March, 2008) while New England recorded unemployment at 7.8% (up 3 % over the last year) and the National rate increased to 8.5% for the same period. New Hampshire currently has the lowest unemployment rate (6.2%) of all of the New England States with Rhode Island the highest at 10.5%. The other New England States are recording unemployment as follows: Vermont 7.2%; Massachusetts at 7.8%; Connecticut 7.5% and Maine 8.1% (reported in the NH Economic Conditions, May 2009 edition).

Statistical information available at the NH Employment website shows the labor force decreasing 8.6% over the last 10 years in Laconia. The primary cause of this decrease is due to a loss of 940 jobs in the goods producing industries (manufacturing). Service providing jobs stayed about the same, while there was some growth in both Private Industry and Government jobs in the City.

Estimated population is current at 16,950. Over the last 37 years Laconia's population as a % of the entire county has constantly decreased from a high of 46% in 1970 to the current 27.7% in 2007. The graph below illustrates these



changes.

As of this writing the Real Estate Market still isn't showing any signs of bouncing back. In the region, based on the last 12 months of sales, there is 21 months worth of inventory currently available for resale. Lakefront property appears to be selling at a much higher pace. The number of sales in the calendar year are off 20% to last year. (per Roy Sanborn, Lakes Region Home)

Major Initiatives

Infrastructure:

The City continues to make cash investments in the roads in the City. Again this year over \$1 million was put into resurfacing or reconstructing the roads. A like amount is in the fiscal year 2009 budget and it is anticipated that we will continue this commitment into fiscal year 2010.

Several improvements were made this year on Elm Street totaling over \$600,000. It included replacing and resizing a culvert (80% funding provided by the State); building sidewalks and reconstructing/ repaving the road. Academy Street was also reconstructed this year as well as Scenic Drive in the Weirs.

Sidewalks were also built or upgraded this year including a 215 lineal feet from Endicott St East to White Oaks Rod and 1595 lineal feet on Route 3 from Lakeside Avenue to Warner Ave in the Weirs. These Weirs sidewalk was built by the State with Federal Funds (TE money) as part of a past agreement with the State when the prison was brought to the City in 1991.

The LTREC (Laconia Trails with Rails) started the long awaited plan of building the WOW (Winnisquam, Opechee, Winnepesaukee) trail in our community. This year as part of the Fair St bridge project, the grant, city and private funds paid for the widening

of the sidewalk in this area. The next phase will be to construct the trail from the library to Lakeport. This project will begin this summer and will be paid for with American Recovery and Reinvestment Act (ARRA) funds.

Properties Purchased/Sold:

The City purchased a few properties in the City as part of its long range planning. The first was a conservation easement on the Harrington Property. This property was purchased thru the use of current use revenues. A property on Dewey Street was purchased next to the High School and another on North Main Street next to the fire station.

Lot #11 in the Business Park was sold this year. An office building was constructed and has already began conducting business from this location.

Airport

Improvements in the airport continued this year with 95% funding coming from the Federal government.

Transfer Station upgrade:

A major upgrade is underway at the transfer station with Waste Management paying 55% and Gilford paying 13.5% of the cost of the project. As of this date the project is near completion with the final enhancements to be completed in the spring of 2009.

School and Parks:

This year the City borrowed funds (\$23 million) to rebuild the Laconia Middle School. The academic portion of the building was completed in the summer of 2008. The second phase, the building of a new gym, kitchen and meeting rooms was completed in April. This project will receive building aide at the rate of 43%. Along with this school construction the City has paid to upgrade the fields at Opechee and Leavitt parks.

FINANCIAL INFORMATION-GENERAL GOVERNMENTAL FUNCTIONS

Internal Control

Management is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are 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 an 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 \$50.1 million in fiscal year 2007-2008, an increase of 6.8% over fiscal year 2006-2007. The following schedule presents a summary of General Fund revenues for the fiscal year ended June 30, 2008 and the amount and percentage increases and decreases in relation to prior year revenues.

<u>Revenue Sources</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2006-2007</u>
Taxes	\$34,547,425	68.9%	\$1,639,498
Licenses and Permits	\$2,631,478	5.2%	\$384,817
Intergovernmental	\$9,392,391	18.7%	\$885,419
Charges for Services	\$1,487,900	3.0%	\$886,262
Interest on Investments	\$1,575,481	3.1%	\$726,306
Other Revenues	<u>\$532,754</u>	1.1%	(\$1,308,284)
TOTALS	\$50,167,429	100.0%	\$3,214,018

The most significant change in the distribution of revenues occurred again this year in the Taxes category. Increases in License/Permits and Charges for Services are offset for the most part by reclassification of revenues from the Other Revenue category. The major

difference in the Intergovernmental category is due to a change in accounting practice where the State share of the NH retirement contributions for Group II and teachers are shown as revenue (\$726,313). Investment income increased since bonds funds for the Memorial Middle School project (original amount of \$23 million) were on hand for investment while the school was constructed. The rate of return on these funds for the FY08 was 4.11%.

Expenditures

Expenditures for the General Fund functions totaled \$48.1 million in fiscal year 2007-2008 (excluding capital outlay), an increase of \$3.4 million or 7.6 % over last year. Since the NH Retirement contributions by the State are included in the City’s expenditures the actual increase in City’s expenses is 6%.

The composition of most expenditures stayed consistent with prior year’s expenses with the exception of Education (from 52.4% to 51.8%) and debt service (from 7.3% to 7.8%). The change in debt service was the primarily the result of new debt service related to the bond for the construction of the new Memorial Middle School.

<u>Expenditure Sources</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2006-2007</u>
General Government	\$6,378,501	13.2%	\$532,214
Public Safety	\$7,660,894	15.9%	\$643,607
Education	\$24,936,242	51.7%	\$1,493,194
Highway and Streets	\$4,102,401	8.5%	\$313,035
Health and Welfare	\$117,304	0.2%	(\$8,726)
Parks and Recreation	\$581,122	1.2%	\$18,333
Library	\$713,449	1.5%	\$32,506
Debt Service	<u>\$3,756,193</u>	7.8%	\$473,911
TOTALS	\$48,246,106	100.0%	\$3,498,074

Fund Balance

Unreserved General Fund Balance increased from \$6,766,170 to \$6,524,099 a net decrease of \$242 thousand 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: Existing cash reserves will be used for a portion of the \$10.4 million Capital Improvements Plan for the Sanitary Sewer System. The next major project to be addressed will be the design and planning of a sewer system in the Woodvale/Pendleton area. To date we have spent \$99,700 on this project. Unrestricted fund balance increased \$229,220 this year and now stands at \$4 million dollars. This

year the financial statements reflect the removal of Winnepesaukee River Basin project from the City's books along with the offsetting Debt.

Water Works: The Water Works continues replacing various water mains in conjunction with the City's road capital improvement projects.

Fiduciary Operations

Fiduciary Fund's net assets decreased this year by \$311,117 due to a decrease in market value of \$322,102 and the remaining \$10,985 from revenues coming in higher than expenses.

Assessed Valuation

Total assessment valuations were at the same levels (\$2.1 billion) as reported in 2007. 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:

	<u>Balance Due</u> <u>June 30, 2008</u>	<u>Interest</u> <u>Paid</u>	<u>Principal</u> <u>Paid</u>
1988 Landfill Bonds	100,000	11,745	100,000
1988 Miscellaneous	16,000	1,880	16,000
1989 City Bonds	9,240	785	4,620
1990 Public Works/Parks Bonds	345,000	31,050	115,000
1993 Public Improvement Bonds	163,800	15,528	163,800
1996 Capital Project Bonds	432,384	26,432	56,050
1997 Capital Project Bonds	-	2,508	54,525
1999 Capital Project Bonds	70,000	5,775	70,000
2000 Capital Improvement	120,000	9,900	60,000
2000 Capital Improvement #2	487,500	29,270	162,500
2001 Capital Improvement	2,485,000	120,520	180,000
2002 Capital Improvement	1,880,000	84,501	180,000
2004 City Library Bonds	1,785,000	89,774	115,000
2006 Capital Improvement	328,688	14,791	41,086
2008 Fire Truck Bond	950,000	-	-
1988 School Bonds	34,000	3,993	34,000
1989 School Bonds	19,320	1,642	9,660
1993 School Bonds	16,200	1,536	16,200
1996 School Bonds	107,616	6,578	13,950

1997 School Bonds	-	3,672	80,475
1999 School Bonds	80,000	6,600	40,000
2001 School Bonds	652,500	39,177	217,500
2001 School Bonds	4,360,000	211,501	310,000
2001 School Bonds	3,075,000	146,165	205,000
2008 School Bonds	22,034,656	16,179	609,344
Total General Bonds & Notes	\$39,551,904	\$881,502	\$2,817,810
1988 Water Works Bonds	100,000	11,745	100,000
1989 Water Works Bonds	111,440	9,472	55,720
Total Enterprise Funds	\$211,440	\$21,217	\$155,720

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 Aa2, 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 approves depositories and 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 2007-2008, the majority of the deposits were either insured by federal depository insurance, collateralized at the Federal Reserve or covered by surety bonds. The City also participates in the New Hampshire Public Deposit Investment Pool established in accordance with RSA 383:22-24.

OTHER INFORMATION

Independent Audit

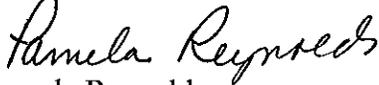
The financial records and transactions of the City of Laconia have been audited by the independent public accounting firm of Melanson Heath & Company, PC as required by New Hampshire State Statute. In addition to meeting the requirements set forth in state statutes, the audit was also conducted in accordance 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

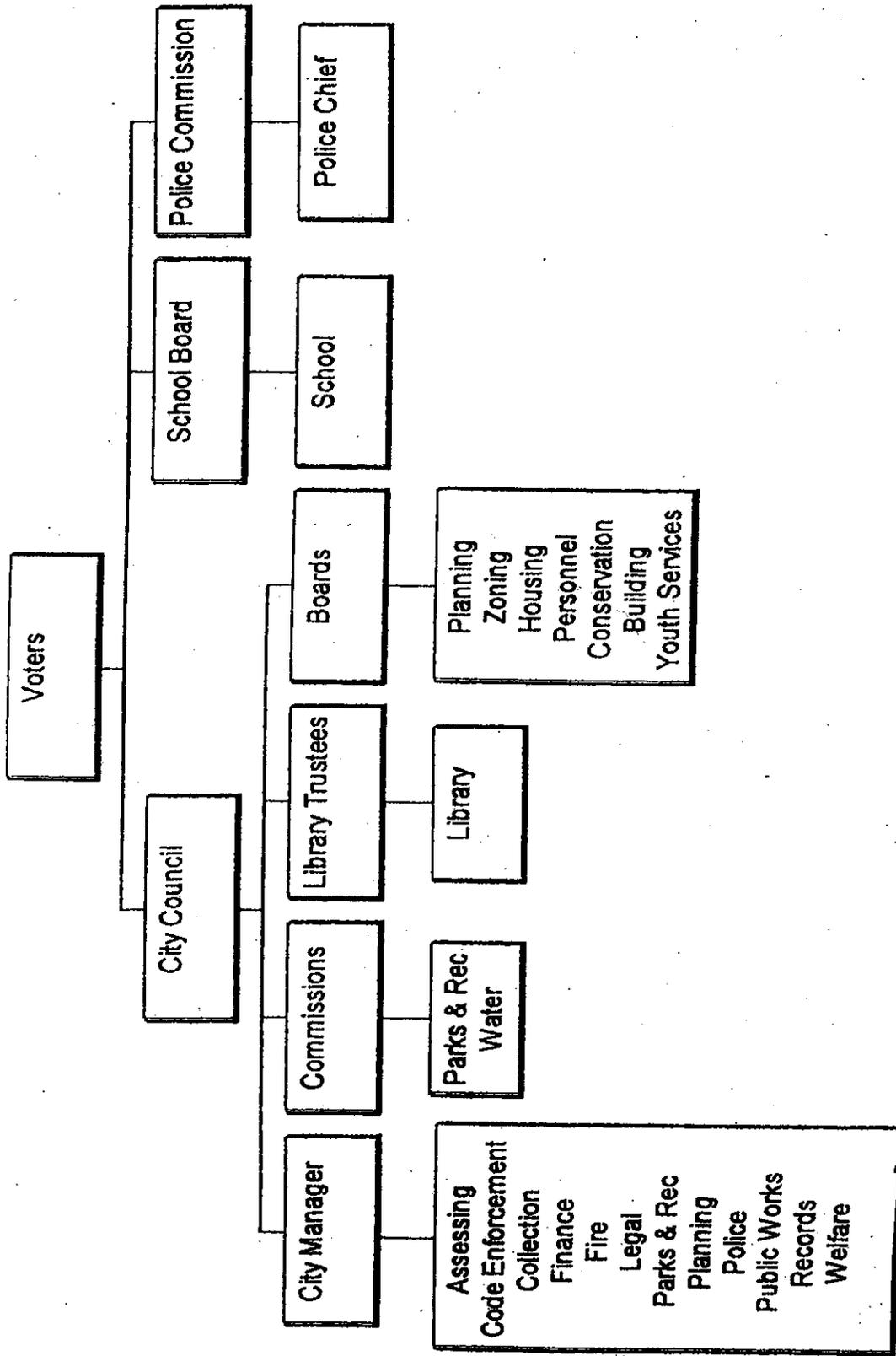
Our appreciation is extended to the various elected officials, department heads and employees responsible for the sound financial position of the City of Laconia and for their help in the preparation of this report. The City of Laconia, encompasses a group of individuals who appreciate and respect the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

Respectfully submitted,



Pamela Reynolds
Finance Director

City of Laconia



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

City Council

Elected: November 6, 2007

Term: January 14, 2008- December 31, 2009

Mayor: Matthew Lahey

Council Members:

Ward 1 - Greg Knytych

Ward 2 - Robert Luther

Ward 3 - Henry Lipman

Ward 4 - Brenda Baer

Ward 5 - Robert Hamel

Ward 6 - Armand Bolduc

School Board

Joseph Cormier, Chair-Term 2006-2009

Chris Guilmett, Vice Chair-Term 2008-2011

Stacie Sirors-Term 2008-2011

Charles Tucker –Term 2006-2009

Marge Kerns (AT LARGE) – Term 2006-2009

Scott Vachon –Term 2007-2010

Beth Arsenault –Term 2007-2010

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

CITY MANAGER	Eileen Cabanel
ASSESSOR:	Jon Duhamel
CITY CLERK:	Vacant
CODE ENFORCEMENT OFFICER:	Carroll Seigers
FIRE CHIEF:	Kenneth Erickson
FINANCE DIRECTOR:	Pamela Reynolds
LIBRARY DIRECTOR:	Randy Brough
PUBLIC WORKS DIRECTOR:	Paul Moynihan
PLANNER/CD DIRECTOR:	Shanna Saunders
POLICE CHIEF:	Michael Moyer
REC. & FAC. DIRECTOR:	Philip Rowley
TAX COLLECTOR:	Cynthia Beede
WELFARE DIRECTOR:	Pamela Reynolds
WATER WORKS:	Seth Nuttleman
YOUTH SERVICES DIRECTOR:	Alicia Morey

FINANCIAL SECTION

MH&Co

MELANSON HEATH & COMPANY, PC

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MANAGEMENT ADVISORS

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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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2008 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, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presenta

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Laconia, New Hampshire's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 26, 2009 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
May 26, 2009

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, 2008. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal. Unless otherwise noted, all amounts are expressed in thousands.

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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of 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, fire and ambulance, police, education, highways and streets, sanitation, health and welfare, parks and recreation, library, conservation and airport. 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 are 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 \$ 83,399,290 (i.e., net assets), a change of \$ 9,398,346 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 18,644,432, a change of \$ 8,367,844 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 6,524,099, a change of \$ (242,071) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 39,763,344, a change of \$ 20,583,570 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 year. Comparative information will be provided in future years. All amounts are presented in thousands.

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
	<u>2008</u>	<u>2008</u>	<u>2008</u>
Current and other assets	\$ 42,058	\$ 6,707	\$ 48,765
Capital assets	<u>81,958</u>	<u>18,629</u>	<u>100,587</u>
Total assets	124,016	25,336	149,352
Long-term liabilities outstanding	38,685	196	38,881
Other liabilities	<u>26,576</u>	<u>496</u>	<u>27,072</u>
Total liabilities	65,261	692	65,953
Net assets:			
Invested in capital assets, net	33,091	18,418	51,509
Restricted	1,040	-	1,040
Unrestricted	<u>24,624</u>	<u>6,226</u>	<u>30,850</u>
Total net assets	\$ <u>58,755</u>	\$ <u>24,644</u>	\$ <u>83,399</u>

CHANGES IN NET ASSETS

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
	<u>2008</u>	<u>2008</u>	<u>2008</u>
Revenues:			
Program revenues:			
Charges for services	\$ 6,363	\$ 4,642	\$ 11,005
Operating grants and contributions	7,751	-	7,751
Capital grants and contributions	3,794	1,441	5,235
General revenues:			
Property taxes	33,850	-	33,850
Penalties and interest on taxes	469	-	469
Grants and contributions not restricted to specific programs	2,099	-	2,099
Investment income	1,645	182	1,827
Other	<u>454</u>	<u>269</u>	<u>723</u>
Total revenues	56,425	6,534	62,959

(continued)

(continued)	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
	<u>2008</u>	<u>2008</u>	<u>2008</u>
Expenses:			
General government	7,543	-	7,543
Fire and ambulance	3,949	-	3,949
Police	4,661	-	4,661
Education	25,312	-	25,312
Highways and streets	2,146	-	2,146
Sanitation	1,683	-	1,683
Health and welfare	118	-	118
Parks and recreation	558	-	558
Library	899	-	899
Conservation	3	-	3
Airport	863	-	863
Interest expense	847	-	847
Water services	-	2,017	2,017
Sewer services	-	<u>2,962</u>	<u>2,962</u>
Total expenses	<u>48,582</u>	<u>4,979</u>	<u>53,561</u>
Change in net assets	7,843	1,555	9,398
Net assets - beginning of year	<u>50,912</u>	<u>23,089</u>	<u>74,001</u>
Net assets - end of year	<u>\$ 58,755</u>	<u>\$ 24,644</u>	<u>\$ 83,399</u>

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 \$ 83,399,290, a change of \$ 9,398,346 from the prior year.

The largest portion of net assets \$ 51,509,009 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), 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 \$ 1,040,115 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 30,850,166 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 \$ 7,843,182. Key elements of this change are as follows:

General fund operating results as discussed further in section D	\$ 10,858
Nonmajor funds operating results - accrual basis	4,213,768
Internal service fund deficit	(44,267)
Excess depreciation, which is not budgeted or funded, over principal maturities, a budgeted expense	(94,244)
MMS Capital Project bond premium capitalized	356,000
Prior year outstanding note for MMS capital project paid down with current revenues	1,500,000
Other GAAP accruals	<u>1,901,067</u>
Total	<u>\$ 7,843,182</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 1,555,164. Key elements of this change are as follows:

Water operations	\$ 1,625,882
Sewer operations	(<u>70,718</u>)
Total	<u>\$ 1,555,164</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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 18,644,432, a change of \$ 8,387,844 in comparison with the prior year. Key elements of this change are as follows:

General fund operating results as discussed further in section D	\$ 10,858
MMS Capital Project revenues exceeding expenditures	8,091,163 ⁽¹⁾
Nonmajor funds operating results revenue sources exceeding expenditures	<u>285,823</u>
Total	<u>\$ 8,387,844</u>

(1) In the current period, the City issued a bond for the construction of the Memorial Middle School, (MMS), the revenue exceeding expenditures primarily consists of the unspent bond proceeds.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 6,524,099, while total fund balance was \$ 7,284,151. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.99 percent of total general fund expenditures, while total fund balance represents 14.50 percent of that same amount.

The fund balance of the general fund changed by \$ 10,858 during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 767,319
Budgetary appropriation underspent by departments	488,334
Excess (shortfall) of tax collections over budget	(232,798)
Use of fund balance as a funding source	(1,314,303)
Excess of current year encumbered appropriations to be spent in the subsequent year over current year encumbrances spent in current year	<u>302,306</u>
Total	\$ <u>10,858</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 \$ 6,226,253, a change of \$ 901,083 in comparison with 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 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 \$ 100,587,760 (net of accumulated depreciation), a change of \$ 20,368,859 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 (in thousands):

- Construction of MMS capital project \$ 14,907
- Airport renovations 3,294
- Road reconstruction 1,220
- Transfer station upgrade 239

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 39,763,344, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and 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, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 19,909,332	\$ 5,511,344	\$ 25,420,676
Investments	9,992,126	-	9,992,126
Receivables, net of allowance for uncollectibles:			
Property taxes	8,738,395	-	8,738,395
User fees	-	955,457	955,457
Departmental and other	1,413,872	-	1,413,872
Special assessments	-	17,165	17,165
Intergovernmental	1,052,555	33,221	1,085,776
Internal balances	199,809	(187,352)	12,457
Inventories and prepaids	107,244	144,844	252,088
Other assets	-	179,875	179,875
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	644,699	-	644,699
Special assessments	-	43,224	43,224
Intergovernmental	-	8,376	8,376
Capital assets:			
Land and construction in progress	27,845,564	139,703	27,985,267
Other capital assets, net of accumulated depreciation	54,112,784	18,489,709	72,602,493
TOTAL ASSETS	124,016,380	25,335,566	149,351,946
LIABILITIES			
Current:			
Accounts payable	2,887,171	63,394	2,950,565
Retainage payable	612,555	-	612,555
Accrued liabilities	1,465,564	24,171	1,489,735
Deferred revenues	17,671,901	-	17,671,901
Tax refunds payable	376,726	-	376,726
Other current liabilities	30,149	236,605	266,754
Current portion of long-term liabilities:			
Bonds payable	3,238,389	155,720	3,394,109
Other liabilities	293,719	15,590	309,309
Noncurrent:			
Bonds payable, net of current portion	36,313,515	55,720	36,369,235
Other liabilities, net of current portion	2,371,626	140,141	2,511,767
TOTAL LIABILITIES	65,261,315	691,341	65,952,656
NET ASSETS			
Invested in capital assets, net of related debt	33,091,037	18,417,972	51,509,009
Restricted for:			
Permanent funds:			
Nonexpendable	145,453	-	145,453
Expendable	894,662	-	894,662
Unrestricted	24,623,913	6,226,253	30,850,166
TOTAL NET ASSETS	\$ 58,755,065	\$ 24,644,225	\$ 83,399,290

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	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	\$ 7,542,730	\$ 22,408	-	(4,563,887)	-	\$ (4,563,887)
Fire and ambulance	3,948,838	150,303	-	(3,060,545)	-	(3,060,545)
Police	4,661,628	74,944	-	(4,239,388)	-	(4,239,388)
Education	25,311,683	7,421,511	-	(16,710,191)	-	(16,710,191)
Highways and streets	2,145,906	2,500	292,411	(1,764,159)	-	(1,764,159)
Sanitation	1,682,806	11,468	-	(987,423)	-	(987,423)
Health and welfare	118,522	-	-	(116,397)	-	(116,397)
Parks and recreation	558,036	62,696	-	(430,534)	-	(430,534)
Library	898,901	5,525	-	(893,376)	-	(893,376)
Conservation	3,542	-	-	(3,542)	-	(3,542)
Airport	862,711	-	3,501,895	2,942,909	-	2,942,909
Interest expense	847,212	-	-	(847,212)	-	(847,212)
Total Governmental Activities	48,582,515	7,751,355	3,794,306	(30,673,745)	-	(30,673,745)
Business-Type Activities:						
Water services	2,016,498	-	1,440,702	-	1,324,921	1,324,921
Sewer services	2,961,527	-	-	-	(220,903)	(220,903)
Total Business-Type Activities	4,978,025	-	1,440,702	-	1,104,018	1,104,018
Total	\$ 53,560,540	\$ 7,751,355	\$ 5,235,008	(30,673,745)	1,104,018	(29,569,727)
General Revenues:						
Property taxes				33,849,670	-	33,849,670
Penalties, interest and other taxes				469,038	-	469,038
Grants and contributions not restricted to specific programs				2,099,003	-	2,099,003
Investment income				1,644,964	182,596	1,827,560
Miscellaneous				454,252	268,550	722,802
Total general revenues				38,516,927	451,146	38,968,073
Change in Net Assets				7,843,182	1,555,164	9,398,346
Net Assets:						
Beginning of year, as restated				50,911,883	23,089,061	74,000,944
End of year				\$ 58,755,065	\$ 24,644,225	\$ 83,399,290

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

ASSETS	General	MMS Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 18,893,145	-	\$ 1,016,187	\$ 19,909,332
Investments	9,192,974	-	799,152	9,992,126
Receivables:				
Property taxes	9,591,093	-	-	9,591,093
Departmental and other	622,277	-	791,595	1,413,872
Intergovernmental	-	-	1,031,148	1,031,148
Due from other funds	1,987,934	8,627,013	1,679,259	12,294,206
Inventories and prepaids	55,776	3,728	29,681	89,185
TOTAL ASSETS	\$ 40,343,199	\$ 8,630,741	\$ 5,347,022	\$ 54,320,962

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 2,635,393	\$ 23,984	\$ 179,950	\$ 2,839,327
Retainage	86,527	389,093	136,935	612,555
Accrued liabilities	1,130,963	-	2,443	1,133,406
Deferred revenues	17,919,699	-	34,198	17,953,897
Tax refunds payable	376,726	-	-	376,726
Due to other funds	10,891,126	-	1,819,344	12,710,470
Other liabilities	18,614	-	11,535	30,149
TOTAL LIABILITIES	33,059,048	413,077	2,184,405	35,656,530
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	760,052	-	-	760,052
Perpetual (nonexpendable) permanent funds	-	-	145,453	145,453
Unreserved:				
Undesignated, reported in:				
General fund	6,524,099	-	-	6,524,099
Special revenue funds	-	-	1,113,532	1,113,532
Capital project funds	-	8,217,664	1,008,970	9,226,634
Permanent funds	-	-	894,662	894,662
TOTAL FUND BALANCES	7,284,151	8,217,664	3,162,617	18,664,432
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,343,199	\$ 8,630,741	\$ 5,347,022	\$ 54,320,962

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, 2008

Total governmental fund balances	\$ 18,664,432
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	81,958,348
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.<ul style="list-style-type: none">Elimination of deferred revenue	726,612
<ul style="list-style-type: none"><ul style="list-style-type: none">Recording allowance for doubtful accounts	(207,999)
<ul style="list-style-type: none"><ul style="list-style-type: none">Recording of Intergovernmental receivable	21,407
<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.	583,224
<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.	(329,093)
<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>(42,661,866)</u>
Net assets of governmental activities	<u>\$ 58,755,065</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, 2008

	General	MMS Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 34,078,387	-	-	\$ 34,078,387
Penalties, interest and other taxes	469,038	-	-	469,038
Charges for services	1,487,900	-	1,962,421	3,450,321
Intergovernmental	9,392,391	-	4,275,292	13,667,683
Licenses and permits	2,631,478	-	-	2,631,478
Fines and forfeitures	75,427	-	-	75,427
Investment income	1,575,481	-	20,354	1,595,835
Miscellaneous	457,327	356,000	214,237	1,027,564
Total Revenues	<u>50,167,429</u>	<u>356,000</u>	<u>6,472,304</u>	<u>56,995,733</u>
Expenditures:				
Current:				
General government	6,374,959	-	615,685	6,990,644
Fire and ambulance	3,245,862	-	762,816	4,008,678
Police	4,415,032	-	65,179	4,480,211
Education	24,936,242	14,908,837	1,240,110	41,085,189
Highways and streets	2,306,123	-	131,140	2,437,263
Sanitation	1,796,278	-	121,477	1,917,755
Health and welfare	117,304	-	-	117,304
Parks and recreation	581,122	-	77,311	658,433
Library	713,449	-	-	713,449
Conservation	3,542	-	38,943	42,485
Capital outlay	1,973,465	-	233,813	2,207,278
Airport	-	-	3,787,007	3,787,007
Debt service	3,756,193	-	-	3,756,193
Total Expenditures	<u>50,219,571</u>	<u>14,908,837</u>	<u>7,073,481</u>	<u>72,201,889</u>
Excess (deficiency) of revenues over expenditures	(52,142)	(14,552,837)	(601,177)	(15,206,156)
Other Financing Sources (Uses):				
Proceeds of bonds	-	22,644,000	950,000	23,594,000
Transfers in	93,000	-	30,000	123,000
Transfers out	(30,000)	-	(93,000)	(123,000)
Total Other Financing Sources (Uses)	<u>63,000</u>	<u>22,644,000</u>	<u>887,000</u>	<u>23,594,000</u>
Change in fund balance	10,858	8,091,163	285,823	8,387,844
Fund Equity, at Beginning of Year, as restated	7,273,293	126,501	2,876,794	10,276,588
Fund Equity, at End of Year	<u>\$ 7,284,151</u>	<u>\$ 8,217,664</u>	<u>\$ 3,162,617</u>	<u>\$ 18,664,432</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, 2008

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 8,387,844																								
<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;">22,419,913</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,948,954)</td> </tr> <tr> <td>Loss on disposal of assets</td> <td style="text-align: right;">(70,453)</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., real estate and personal property, motor vehicle excise, 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;">(387,098)</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;">(23,594,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">2,854,710</td> </tr> <tr> <td>Repayment of note</td> <td style="text-align: right;">1,500,000</td> </tr> <tr> <td>Current year capitalization of bond premium</td> <td style="text-align: right;">(356,000)</td> </tr> <tr> <td>Repayment of capital lease</td> <td style="text-align: right;">45,386</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;">46,101</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;">(10,000)</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;">(44,267)</td> </tr> </table> 		Capital outlay purchases	22,419,913	Depreciation	(2,948,954)	Loss on disposal of assets	(70,453)		(387,098)	Issuance of debt	(23,594,000)	Repayments of debt	2,854,710	Repayment of note	1,500,000	Current year capitalization of bond premium	(356,000)	Repayment of capital lease	45,386		46,101		(10,000)		(44,267)
Capital outlay purchases	22,419,913																								
Depreciation	(2,948,954)																								
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	46,101																								
	(10,000)																								
	(44,267)																								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>7,843,182</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, 2008

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Amounts	Final Budget Positive (Negative)
Revenues and Other Sources:				
Taxes	\$ 34,311,185	\$ 34,311,185	\$ 34,311,185	\$ -
Penalties, interest and other taxes	401,074	401,074	469,038	67,964
Charges for services	1,239,600	1,239,600	1,265,584	25,984
Intergovernmental	8,575,146	8,575,146	8,666,077	90,931
Licenses and permits	2,708,000	2,708,000	2,631,478	(76,522)
Fines and forfeits	85,000	85,000	75,427	(9,573)
Investment income	943,936	943,936	1,575,481	631,545
Miscellaneous	513,338	513,338	550,328	36,990
Other sources	1,314,303	1,314,303	1,314,303	-
Total Revenues and Other Sources	50,091,582	50,091,582	50,858,901	767,319
Expenditures and Other Uses:				
General government	6,857,716	6,618,671	6,274,792	343,879
Fire and ambulance	3,170,591	3,084,123	3,082,505	1,618
Police	4,108,009	4,178,009	4,134,225	43,784
Education	24,520,699	24,553,699	24,540,114	13,585
Highways and streets	2,180,293	2,341,293	2,314,368	26,925
Sanitation	1,891,080	1,805,080	1,716,278	88,802
Health and welfare	224,634	143,634	143,304	330
Parks and recreation	614,097	584,097	581,122	2,975
Library	713,449	713,449	713,449	-
Conservation	3,630	3,630	3,592	38
Capital outlay	2,050,493	2,342,756	2,313,306	29,450
Debt service	3,726,891	3,693,141	3,756,193	(63,052)
Transfers out	30,000	30,000	30,000	-
Total Expenditures and Other Uses	50,091,582	50,091,582	49,603,248	488,334
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,255,653	\$ 1,255,653

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
<u>ASSETS</u>				
Current:				
Cash and short-term investments	\$ 1,812,216	\$ 3,699,128	\$ 5,511,344	\$ -
User fees, net of allowance for uncollectibles	384,047	571,410	955,457	-
Special assessments	-	17,165	17,165	-
Intergovernmental receivables	33,221	-	33,221	-
Due from other funds	-	-	-	616,073
Inventory	144,844	-	144,844	18,059
Other assets	179,875	-	179,875	-
Total current assets	2,554,203	4,287,703	6,841,906	634,132
Noncurrent:				
Special assessments, net of current portion	-	43,224	43,224	-
Intergovernmental receivables, net of current portion	8,376	-	8,376	-
Capital assets:				
Land and construction in progress	40,003	99,700	139,703	-
Other capital assets, net of accumulated depreciation	11,939,696	6,550,013	18,489,709	1,830,216
Total noncurrent assets	11,988,075	6,692,937	18,681,012	1,830,216
TOTAL ASSETS	14,542,278	10,980,640	25,522,918	2,464,348
<u>LIABILITIES</u>				
Current:				
Accounts payable	52,477	10,917	63,394	47,844
Accrued liabilities	18,126	6,045	24,171	3,064
Due to other funds	-	187,352	187,352	-
Other current liabilities	236,605	-	236,605	-
Current portion of long-term liabilities:				
Bonds payable	155,720	-	155,720	-
Other liabilities	7,070	8,520	15,590	-
Total current liabilities	469,998	212,834	682,832	50,908
Noncurrent:				
Bonds payable, net of current portion	55,720	-	55,720	-
Other liabilities, net of current portion	63,633	76,508	140,141	-
Total noncurrent liabilities	119,353	76,508	195,861	-
TOTAL LIABILITIES	589,351	289,342	878,693	50,908
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	11,768,259	6,649,713	18,417,972	1,830,216
Unrestricted	2,184,668	4,041,585	6,226,253	583,224
TOTAL NET ASSETS	\$ 13,952,927	\$ 10,691,298	\$ 24,644,225	\$ 2,413,440

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, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 1,900,717	\$ 2,740,624	\$ 4,641,341	\$ 808,172
Other	232,825	35,725	268,550	55,716
Total Operating Revenues	2,133,542	2,776,349	4,909,891	863,888
Operating Expenses:				
Operating expenses	1,415,685	2,514,629	3,930,314	620,388
Depreciation	578,343	446,898	1,025,241	287,767
Total Operating Expenses	1,994,028	2,961,527	4,955,555	908,155
Operating Income (Loss)	139,514	(185,178)	(45,664)	(44,267)
Nonoperating Revenues (Expenses):				
Contributions	1,440,702	-	1,440,702	-
Investment income	68,136	114,460	182,596	-
Interest expense	(22,470)	-	(22,470)	-
Total Nonoperating Revenues (Expenses), Net	1,486,368	114,460	1,600,828	-
Change in Net Assets	1,625,882	(70,718)	1,555,164	(44,267)
Net Assets at Beginning of Year, as restated	12,327,045	10,762,016	23,089,061	2,457,707
Net Assets at End of Year	\$ 13,952,927	\$ 10,691,298	\$ 24,644,225	\$ 2,413,440

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 2,151,437	\$ 2,850,583	\$ 5,002,020	\$ -
Receipts from interfund service provided	-	-	-	863,888
Payments to vendors and employees	<u>(1,406,656)</u>	<u>(2,290,580)</u>	<u>(3,697,236)</u>	<u>(560,222)</u>
Net Cash Provided By Operating Activities	744,781	560,003	1,304,784	303,666
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Contributions toward capital assets	1,181,693	-	1,181,693	-
Acquisition and construction of capital assets	(1,898,178)	(95,417)	(1,993,595)	(303,666)
Principal payments on bonds and notes	(155,720)	-	(155,720)	-
Interest expense	(22,470)	-	(22,470)	-
Intergovernmental subsidy	<u>35,555</u>	<u>-</u>	<u>35,555</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(859,120)	(95,417)	(954,537)	(303,666)
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>68,136</u>	<u>114,460</u>	<u>182,596</u>	<u>-</u>
Net Cash Provided By Investing Activities	<u>68,136</u>	<u>114,460</u>	<u>182,596</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	(46,203)	579,046	532,843	-
Cash and Short-Term Investments, Beginning of Year	<u>1,858,419</u>	<u>3,120,082</u>	<u>4,978,501</u>	<u>-</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,812,216</u>	<u>\$ 3,699,128</u>	<u>\$ 5,511,344</u>	<u>\$ -</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income (loss)	\$ 139,514	\$ (185,178)	\$ (45,664)	\$ (44,267)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	578,343	446,898	1,025,241	287,767
Changes in assets and liabilities:				
User fees	17,895	60,202	78,097	-
Inventory	(2,770)	-	(2,770)	379
Other assets	23,728	40,188	63,916	11,004
Accounts payable	20,627	10,917	31,544	47,744
Accrued liabilities	9,055	1,699	10,754	1,039
Other liabilities	<u>(41,611)</u>	<u>185,277</u>	<u>143,666</u>	<u>-</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 744,781</u>	<u>\$ 560,003</u>	<u>\$ 1,304,784</u>	<u>\$ 303,666</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2008

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 67,466	\$ 1,469,177
Investments	3,134,257	-
Accounts receivable	-	2,875
	<hr/>	<hr/>
Total Assets	3,201,723	1,472,052
 <u>LIABILITIES AND NET ASSETS</u>		
Due to other funds	9,582	2,875
Other liabilities	9,000	1,469,177
	<hr/>	<hr/>
Total Liabilities	18,582	1,472,052
 <u>NET ASSETS</u>		
Total net assets held for other purposes	\$ <u>3,183,141</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, 2008

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment Income (Loss):	
Interest earnings	107,384
Increase (decrease) in fair value of investments	(251,242)
Gain (Loss) on sale	<u>30,402</u>
Net investment income (loss)	<u>(113,456)</u>
 Total additions	 (113,456)
Deductions:	
General government	133,836
Education	6,800
Parks and recreation	<u>8,141</u>
Total deductions	<u>148,777</u>
 Net increase (decrease)	 (262,233)
Net assets:	
Beginning of year	<u>3,445,374</u>
 End of year	 <u>\$ 3,183,141</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Laconia 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 2008, 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 nonfiduciary 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 govern-

mental 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 are 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 and excises.

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.
- *MMS Capital Project fund* is used to report construction costs and related financing of a major capital project.

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:

- Water (Enterprise) Fund: To account for the operation of a water treatment plant, water lines and pumping stations.
- Sewer (Enterprise) Fund: To account for the operation of pumping stations and sewer lines.

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 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 is 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), and
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 "due from/to other funds" (i.e., the current portion of interfund loans).

H. Inventories and Prepaids

Inventories are valued at cost using the first-in/first-out (FIFO) method. Prepaids 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 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 and 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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

N. Material Changes in Classifications

The accompanying financial statements reflect various changes in classification from the prior year. Specifically, beginning fund balance has been restated from prior year.

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 transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general 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 with 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)	\$ 50,167,429	\$ 50,219,571
Other financing sources/uses (GAAP basis)	<u>93,000</u>	<u>30,000</u>
Subtotal (GAAP Basis)	50,260,429	50,249,571
Adjust tax revenue to accrual basis	232,798	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(457,746)
To book current year appropriation carryforwards	-	760,052
To record use of unreserved fund balance	1,314,303	-
To reverse the effect of non-budgeted State contributions for teachers, police and fire retirement	(726,313)	(726,313)
To record timing difference	<u>(222,316)</u>	<u>(222,316)</u>
Budgetary basis	<u>\$ 50,858,901</u>	<u>\$ 49,603,248</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2008:

Private Purpose Trust Funds
Putnam fund

\$ (33,250)

The trustees of the trust funds have acknowledged the deficit in this fund and are finding a means to fund the deficit.

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 City's deposit in repurchase agreements, \$ 8,562,593 of underlying securities are held by the investment's counterparty, not in the name of the City.

As of June 30, 2008, \$ 75,107 of the City's bank balance of \$ 26,246,452 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City 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 is the actual rating as of year end for each investment of the City (in thousands):

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End					Not Rated
				AAA	AA1	AA3	A2	A3	
U.S. Treasury notes	\$ 290	N/A	\$ -	\$ 290	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	9,203	N/A	9,203	-	-	-	-	-	-
Corporate bonds	427	N/A	-	-	75	99	101	76	76
Corporate equities	1,866	N/A	1,866	-	-	-	-	-	-
Bond mutual funds	562	N/A	562	-	-	-	-	-	-
Mutual funds	513	N/A	513	-	-	-	-	-	-
Federal agency securities	124	N/A	-	124	-	-	-	-	-
Mortgage-backed securities	<u>141</u>	N/A	-	<u>141</u>	-	-	-	-	-
Total investments	\$ <u>13,126</u>		\$ <u>12,144</u>	\$ <u>555</u>	\$ <u>75</u>	\$ <u>99</u>	\$ <u>101</u>	\$ <u>76</u>	\$ <u>76</u>

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 investment in Corporate bonds of \$ 427,299, the government has a custodial credit risk exposure of \$ 427,299 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 not have an investment in one issuer greater than 5% of total investments.

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 investments to market interest rate fluctuations is as follows:

<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>	<u>More Than 10</u>
Debt Related Securities:					
U.S. Treasury notes	\$ 290	\$ 101	\$ 104	\$ 85	\$ -
Corporate bonds	427	151	202	74	-
Federal agency securities	124	124	-	-	-
Mortgage-backed securities	141	-	141	-	-
Total	\$ <u>982</u>	\$ <u>376</u>	\$ <u>447</u>	\$ <u>159</u>	\$ <u>-</u>

E. Foreign Currency Risk

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 December. 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 deferred revenue 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.

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

Taxes receivable at June 30, 2008 consist of the following (in thousands):

Real Estate		
2008	\$ <u>8,738</u>	\$ 8,738
Unredeemed Taxes		
2007	604	
2006	203	
2005	8	
Prior	<u>1</u>	816
Elderly Tax Liens		7
Welfare Tax Liens		13
Civil Tax Liens		<u>17</u>
Total		\$ <u>9,591</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	\$ 208	\$ -
Water	-	29
Sewer	-	30

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008.

8. Interfund Fund Receivables/Payables and 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, 2008 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	\$ 1,987,934	\$ 10,891,126
MMS Capital Project	8,627,013	-
Nonmajor Funds:		
Airport Fund	-	743,804
Park houses Fund	22,447	-
Community Development Fund	103,659	-
City Grants Fund	164,066	-
Special Revenue Fund	248,121	-
School Lunch and Breakfast Fund	-	56,550
School Grants fund	-	943,733
Ambulance Fund	-	72,997
Fire Truck Fund	946,190	-
01-02 Bond Issue Fund	714	-
02-03 Bond Issue Fund	23,127	-
Downtown Improvement Fund	4,195	-
Parking Garage/Davis Place Fund	166,740	-
Library Fund	-	2,260
Total Governmental Funds	<u>12,294,206</u>	<u>12,710,470</u>

(continued)

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<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Enterprise Funds:		
Sewer fund	-	187,352
Total Enterprise Funds	-	187,352
Internal Service Fund	616,073	-
Private Purpose Funds	-	9,582
Agency Funds	-	2,875
Total All Funds	<u>\$ 12,910,279</u>	<u>\$ 12,910,279</u>

Transfers and their purposes during the year ended June 30, 2008 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 93,000	\$ 30,000
Nonmajor Funds:		
Special Education Trust	-	93,000
Airport	10,000	-
Laconia Trails with Rails	<u>20,000</u>	<u>-</u>
Total Governmental Funds	<u>\$ 123,000</u>	<u>\$ 123,000</u>

9. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,477,125	\$ 302,756	\$ (29,950)	\$ 7,749,931
Construction in progress	<u>11,323,643</u>	<u>20,856,921</u>	<u>(12,084,931)</u>	<u>20,095,633</u>
Total capital assets, not being depreciated	18,800,768	21,159,677	(12,114,881)	27,845,564
Capital assets, being depreciated:				
Land improvements	7,203,920	10,054,108	-	17,258,028
Buildings and improvements	39,628,303	858,766	-	40,487,069
Furniture, equipment and vehicles	7,491,141	303,666	(134,157)	7,660,650
Infrastructure	<u>19,482,036</u>	<u>2,128,627</u>	<u>(117,406)</u>	<u>21,493,257</u>
Total capital assets, being depreciated	73,805,400	13,345,167	(251,563)	86,899,004
Less accumulated depreciation for:				
Land improvements	(3,721,353)	(598,096)	-	(4,319,449)
Buildings and improvements	(15,589,855)	(1,010,515)	-	(16,600,370)
Furniture, equipment and vehicles	(4,007,509)	(556,169)	131,275	(4,432,403)
Infrastructure	<u>(6,729,608)</u>	<u>(784,174)</u>	<u>79,785</u>	<u>(7,433,997)</u>
Total accumulated depreciation	<u>(30,048,325)</u>	<u>(2,948,954)</u>	<u>211,060</u>	<u>(32,786,219)</u>
Total capital assets, being depreciated, net	<u>43,757,075</u>	<u>10,396,213</u>	<u>(40,503)</u>	<u>54,112,785</u>
Total governmental activities capital assets, net	<u>\$ 62,557,843</u>	<u>\$ 31,555,890</u>	<u>\$ (12,155,384)</u>	<u>\$ 81,958,349</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Land	\$ 38,503	\$ -	\$ -	\$ 38,503
Construction in progress	<u>99,700</u>	<u>1,500</u>	<u>-</u>	<u>101,200</u>
Total capital assets, not being depreciated	138,203	1,500	-	139,703
Capital assets, being depreciated:				
Buildings and improvements	6,116,425	976,357	(14,857)	7,077,925
Furniture, equipment and vehicles	1,990,299	316,804	(48,137)	2,258,966
Infrastructure	<u>27,945,730</u>	<u>698,933</u>	<u>(63,015)</u>	<u>28,581,648</u>
Total capital assets, being depreciated	36,052,454	1,992,094	(126,009)	37,918,539
Less accumulated depreciation for:				
Buildings and improvements	(2,665,440)	(140,731)	14,857	(2,791,314)
Furniture, equipment and vehicles	(869,359)	(176,135)	48,137	(997,357)
Infrastructure	<u>(14,994,800)</u>	<u>(708,375)</u>	<u>63,015</u>	<u>(15,640,160)</u>
Total accumulated depreciation	<u>(18,529,599)</u>	<u>(1,025,241)</u>	<u>126,009</u>	<u>(19,428,831)</u>
Total capital assets, being depreciated, net	<u>17,522,855</u>	<u>966,853</u>	<u>-</u>	<u>18,489,708</u>
Total governmental activities capital assets, net	\$ <u>17,661,058</u>	\$ <u>968,353</u>	\$ <u>-</u>	\$ <u>18,629,411</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

Governmental Activities:	
General government	\$ 188
Fire and ambulance	176
Police	196
Education	673
Highway and streets	1,037
Sanitation	2
Parks and recreation	166
Library	141
Airport	<u>370</u>
Total depreciation expense - governmental activities	\$ <u>2,949</u>
Business-Type Activities:	
Water	\$ 578
Sewer	<u>447</u>
Total depreciation expense - business-type activities	\$ <u>1,025</u>

10. Accounts Payable and Accrued Expenses

Accounts payable represent additional 2008 expenditures paid after July 15, 2008.

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, 2008 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, 2008 consist of the following (in thousands):

Real Estate			
2008 Property Tax			\$ 8,738
Advance Collections			8,446
Unredeemed Taxes			
2007	\$ 501		
2006	190		
2005	5		
Prior	<u>1</u>		
			697
Welfare Tax Liens			13
Civil Tax Liens			17
Other:			
School Revenues			<u>9</u>
Total			\$ <u>17,920</u>

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. Anticipation Notes Payable

The City did not have any notes outstanding at year end.

The following summarizes activity in notes payable during fiscal year 2008 (in thousands):

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
MMS Capital Project	\$ <u>1,500</u>	\$ <u>-</u>	\$ <u>(1,500)</u>	\$ <u>-</u>
Total	\$ <u>1,500</u>	\$ <u>-</u>	\$ <u>(1,500)</u>	\$ <u>-</u>

14. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2012. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2008:

2009	\$ 53,101
2010	53,101
2010	53,101
2012	<u>53,101</u>
Total minimum lease payments	212,404
Less amount representing interest	<u>(15,915)</u>
Present Value of Minimum Lease Payments	\$ <u>196,489</u>

15. 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 June 30, 2008</u>
Landfill	07/15/08	7.83%	\$ 100,000
City miscellaneous bonds	07/15/08	7.83%	16,000
City revaluation	07/15/09	6.80%	9,240
Public Works & Parks bonds	01/15/11	6.75%	345,000
Public improvement	11/01/08	4.74%	163,800
Public improvement	01/15/16	5.20 - 5.65%	432,384
Equipment bond - fire trucks	01/15/09	4.13%	70,000
Public improvement	01/15/10	5.50%	120,000
Public improvement	08/15/10	5.13 - 5.20%	487,500
Capital improvement	08/15/21	4.30 - 5.00%	2,485,000
Capital improvement	08/15/22	4.00 - 5.00%	1,880,000
Library bond	01/15/24	5.00 - 4.75%	1,785,000
Capital improvement	09/07/15	4.00%	328,688
Fire truck-general obligation bond	05/09/18	3.08%	950,000
School bonds	07/15/08	7.83%	34,000
School bonds	07/15/09	6.80%	19,320
School improvement bonds	01/15/16	5.20 - 5.65%	107,616
School improvement bonds	11/01/08	4.74%	16,200
School bonds	01/15/10	5.50%	80,000

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<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2008</u>
School bonds - Elm/Pleasant	08/15/10	5.12 - 5.20%	652,500
School bonds - Elm/Pleasant	08/15/21	4.30 - 5.00%	4,360,000
School bonds - Woodland Heights	01/15/23	4.25 - 4.90%	3,075,000
School bond - MMS Capital Project	02/15/36	4.76%	<u>22,034,656</u>
Total Governmental Activities			\$ <u>39,551,904</u>

<u>Business Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2008</u>
Treatment Plant	07/15/09	7.73 - 7.83%	\$ 100,000
Treatment Plant	07/15/09	6.80%	<u>111,440</u>
Total Business Activities			\$ <u>211,440</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,238,389	\$ 865,718	\$ 4,104,107
2010	3,135,434	839,302	3,974,736
2011	2,964,097	814,145	3,778,242
2012	2,408,920	771,067	3,179,987
2013	2,349,528	803,736	3,153,264
2014 - 2018	10,388,298	4,010,149	14,398,447
2019 - 2023	8,016,999	3,939,675	11,956,674
2024 - 2028	3,147,367	4,402,983	7,550,350
Thereafter	<u>3,902,872</u>	<u>9,482,627</u>	<u>13,385,499</u>
Total	\$ <u>39,551,904</u>	\$ <u>25,929,402</u>	\$ <u>65,481,306</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, 2008.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 155,720	\$ 9,599	\$ 165,319
2010	<u>55,720</u>	<u>1,895</u>	<u>57,615</u>
Total	\$ <u>211,440</u>	\$ <u>11,494</u>	\$ <u>222,934</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2008, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/07</u>	Additions	Reductions	Total Balance <u>6/30/08</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/08</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 18,813	\$ 23,594	\$ (2,855)	\$ 39,552	\$ (3,238)	\$ 36,314
Other:						
Accrued employee benefits	2,459	9	-	2,468	(247)	2,221
Capital lease	<u>242</u>	<u>-</u>	<u>(45)</u>	<u>197</u>	<u>(47)</u>	<u>150</u>
Totals	\$ <u>21,514</u>	\$ <u>23,603</u>	\$ <u>(2,900)</u>	\$ <u>42,217</u>	\$ <u>(3,532)</u>	\$ <u>38,685</u>

	Total Balance <u>7/1/07</u>	Additions	Reductions	Total Balance <u>6/30/08</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/08</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 367	\$ -	\$ (156)	\$ 211	\$ (156)	\$ 55
Other:						
Accrued employee benefits	<u>197</u>	<u>-</u>	<u>(41)</u>	<u>156</u>	<u>(16)</u>	<u>140</u>
Totals	\$ <u>564</u>	\$ <u>-</u>	\$ <u>(197)</u>	\$ <u>367</u>	\$ <u>(172)</u>	\$ <u>195</u>

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. **Reserves and Designations of Fund Equity**

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2008:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

18. Subsequent Events

Investments

Since September, 2008, the stock market has suffered significant losses. As a result, there may be a substantial depreciation in the value of the organization's investments.

Capital Assets

Subsequent to June 30, 2008 the City purchased property adjacent to the central fire station for future renovations and additions to the fire station, the purchase price including settlement costs totaled \$ 170,326.

Debt

Subsequent to June 30, 2008, the City incurred the following bond:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bonds	\$ 1,045,000	3.68%	07/17/09	8/15/18

The bond proceeds were used to fund significant renovations and improvements to the Transfer Station.

19. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits 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.

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 4 Chenell Drive, Concord, New Hampshire 03301-8509.

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 5.8% for teachers, 11.84% for police, 15.92% for fire and 8.74% for all other covered employees. The City contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$ 1,630,359, \$ 1,496,234 and \$ 1,430,055, 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, 2008, was \$ 12,321,284 and \$ 3,544,138 for teachers and school department employees and \$ 2,550,169 for police, \$ 1,939,673 for fire and 3,659,225 for all other covered city and public work employees.

21. Post Employment Health Care

The City (thru the School District), in accordance with an agreement with the teachers' union, provides postretirement health care insurance (single person) for certain retired teachers. Teachers with fifteen years of services with the Laconia School District are eligible for the benefit if they are 55 years of age or older by September of the year in which they retire and if they also have filed a written notice of their pending retirement with the School District's administration two years prior to their actual retirement date. The School District restricts the number of new retirees eligible for the benefit to five annually.

The School District receives from the New Hampshire Retirement System a health subsidy payment for eligible retired employees. A retired employee's eligibility to receive the health subsidy from the New Hampshire Retirement System depends upon RSA 100-A:52-a(1)(a), "any person, who was eligible to retire as of July 1, 2008 with at least 20 years of creditable service as a group I member (teachers) if age 60 or older, or who was eligible to retire as of July 1, 2009 with at least 30 years of creditable service as a group 1 member if age 55-59, and retire on or before July 1, 2009 as a group I teacher member or political subdivision employee member of the New Hampshire retirement system on service or ordinary disability retirement, provided that such person shall be entitled to retirement on the basis of group I creditable service, or any person retired on or before July 1, 2009, as a group I member whose service retirement benefit is based upon the provisions of RSA 100-A:19-c and who as of July 1, 2008 was eligible to retire with a minimum of 20 years of creditable service as a group I member."

Presently the School District finances these benefits on the pay-as-you-go basis and does not contribute to a qualified plan (trust) as defined by *GASB Statement No. 43 Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. The pay-as-you-go amount for fiscal year 2008 is as follows:

Actual costs of medical insurance coverage for retired employees	\$ 260,262
New Hampshire Retirement System health subsidy payment for eligible retirees	(180,269)
Retiree medical insurance cost to the School District	\$ <u>79,993</u>

GASB Statement No. 45, Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions is effective June 30, 2009. The estimated OPEB has not been determined at this time.

22. 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.

23. Beginning Fund Balance and Net Asset Reclassification and Restatement

The City's major governmental funds for fiscal year 2008, as defined by GASB Statement 34, have changed from the previous fiscal year.

Additionally, the beginning (July 1, 2007) fund balances of the City have been restated:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
As previously reported	\$ 50,927,221	\$ 23,048,114	\$ 73,975,335
To reclassify water capital reserve	(52,695)	52,695	-
To record State subsidy	-	77,152	77,152
To reverse prior year Internal Service fund adjustment	37,357	(37,357)	-
To remove Winnepesaukee River Basin Investment	-	(51,543)	(51,543)
As restated	<u>\$ 50,911,883</u>	<u>\$ 23,089,061</u>	<u>\$ 74,000,944</u>

Fund Basis Financial Statements:

	<u>Governmental Funds</u>			
	Aeronautical <u>Fund</u>	MMS Capital <u>Project</u>	Nonmajor <u>Funds</u>	<u>Total</u>
As previously reported	\$ 337,404	\$ -	\$ 2,718,587	\$ 3,055,991
GASB 34 Reclassifications:				
To reclassify Aeronautical fund to nonmajor fund	(337,404)	-	337,404	-
To reclassify MMS Capital Project to major fund	-	126,501	(126,501)	-
Prior period adjustments:				
To reclassify Water Capital Reserve fund	-	-	(52,696)	(52,696)
As restated	<u>\$ -</u>	<u>\$ 126,501</u>	<u>\$ 2,876,794</u>	<u>\$ 3,003,295</u>

Fund Basis Financial Statements:

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
As previously reported	\$ 12,197,198	\$ 10,813,559	\$ 23,010,757
Prior period adjustments:			
To reclassify Water Capital Reserve fund	52,695	-	52,695
To record State subsidy	77,152	-	77,152
To remove Winnepesaukee River Basin investment	-	(51,543)	(51,543)
As restated	<u>\$ 12,327,045</u>	<u>\$ 10,762,016</u>	<u>\$ 23,089,061</u>

STATISTICAL SECTION

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

	<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	\$33,091	\$42,731	\$33,470	\$30,756	\$24,245	\$16,337
Restricted	1,040	980	996	1,332	1,662	7,396
Unrestricted	<u>24,624</u>	<u>7,215</u>	<u>7,379</u>	<u>5,859</u>	<u>5,942</u>	<u>4,581</u>
Total governmental activities net assets	<u>\$58,755</u>	<u>\$50,926</u>	<u>\$41,845</u>	<u>\$37,947</u>	<u>\$31,849</u>	<u>\$28,314</u>
Business-type activities						
Invested in capital assets, net of related debt	\$18,418	\$17,294	\$16,974	\$16,824	\$14,802	\$14,865
Restricted	-	392	67	178	187	250
Unrestricted	<u>6,226</u>	<u>5,363</u>	<u>5,279</u>	<u>5,266</u>	<u>7,464</u>	<u>7,516</u>
Total business-type activities net assets	<u>\$24,644</u>	<u>\$23,049</u>	<u>\$22,320</u>	<u>\$22,268</u>	<u>\$22,453</u>	<u>\$22,631</u>
Primary government						
Invested in capital assets, net of related debt	\$51,509	\$60,025	\$50,444	\$47,580	\$39,047	\$31,202
Restricted	1,040	1,372	1,063	1,510	1,849	7,646
Unrestricted	<u>30,850</u>	<u>12,578</u>	<u>12,658</u>	<u>11,125</u>	<u>13,406</u>	<u>12,097</u>
Total primary governmental net assets	<u>\$83,399</u>	<u>\$73,975</u>	<u>\$64,165</u>	<u>\$60,215</u>	<u>\$54,302</u>	<u>\$50,945</u>

Notes: (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					
	2008	2007	2006	2005	2004	2003
Expenses						
Governmental activities:						
General government	\$8,526	\$6,821	\$7,409	\$6,701	\$6,440	\$6,136
Public safety	8,611	7,757	7,621	6,894	6,051	6,268
Highways and streets	2,146	3,175	2,896	3,799	2,906	1,475
Sanitation	1,683	1,738	1,663	1,461	1,410	1,408
Education	25,312	28,211	26,965	25,438	25,039	22,166
Culture and recreation	1,457	1,586	1,565	1,217	1,222	1,141
Interest on long-term debt	847	935	1,028	1,128	1,220	1,128
Total governmental activities expenses	<u>48,582</u>	<u>50,223</u>	<u>49,147</u>	<u>46,638</u>	<u>44,288</u>	<u>39,722</u>
Business-type activities:						
Water	2,016	1,977	1,931	1,826	1,754	1,651
Sewer	<u>2,962</u>	<u>2,752</u>	<u>2,634</u>	<u>2,489</u>	<u>2,353</u>	<u>2,164</u>
Total business-type activities expenses	4,978	4,729	4,565	4,315	4,107	3,815
Total primary government expenses	<u>\$53,560</u>	<u>\$54,952</u>	<u>\$53,712</u>	<u>\$50,953</u>	<u>\$48,395</u>	<u>\$43,537</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$3,262	\$3,153	\$3,202	\$3,209	\$3,039	\$2,834
Culture and recreation	65	80	64	100	86	54
Other activities	3,036	2,940	2,608	2,617	2,696	2,466
Operating grants and contributions	7,751	9,862	10,894	9,829	11,352	9,361
Capital grants and contributions	3,794	7,022	1,292	5,723	2,208	419
Total governmental activities program revenues	<u>17,908</u>	<u>23,057</u>	<u>18,060</u>	<u>21,478</u>	<u>19,381</u>	<u>15,134</u>
Business-type activities:						
Charges for services:						
Water	1,901	1,965	1,914	1,808	1,628	1,631
Sewer	2,741	2,343	2,061	2,062	2,040	2,070
Operating grants and contributions	1,441	754	590	132	104	177
Capital grants and contributions	<u>6,083</u>	<u>5,062</u>	<u>4,565</u>	<u>4,002</u>	<u>3,772</u>	<u>3,878</u>
Total business-type activities program revenues	<u>\$23,991</u>	<u>\$28,119</u>	<u>\$22,625</u>	<u>\$25,480</u>	<u>\$23,153</u>	<u>\$19,012</u>
Net (expense)/revenues						
Governmental activities	(\$30,674)	(\$27,166)	(\$31,087)	(\$25,160)	(\$24,907)	(\$24,588)
Business-type activities	1,105	333	(313)	(313)	(335)	63
Total primary government net expense	<u>(\$29,569)</u>	<u>(\$26,833)</u>	<u>(\$31,087)</u>	<u>(\$25,473)</u>	<u>(\$25,242)</u>	<u>(\$24,525)</u>

General Revenues and Other Changes in

Net Assets

Governmental activities:

Taxes

Property taxes	\$33,298	\$32,811	\$31,327	\$29,010	\$26,213	\$25,240
Franchise taxes	248	232	220	206	194	188
Payment in lieu of taxes	304	263	241	245	244	252
Other taxes	469	549	681	261	335	275
Unrestricted grants and contributions	2,099	1,310	1,261	1,202	1,145	1,124
Investment earnings	1,645	1,128	677	288	283	322
Miscellaneous	454	89	453	301	219	439
Transfers		(133)	124	46	(47)	(54)
Total governmental activities	<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	183	213	160	159	96	239
Miscellaneous	268	49	17	15	14	27
Transfers	-	133	(124)	(46)	47	54
Total business-type activities	451	395	53	128	157	320
Total primary government	<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

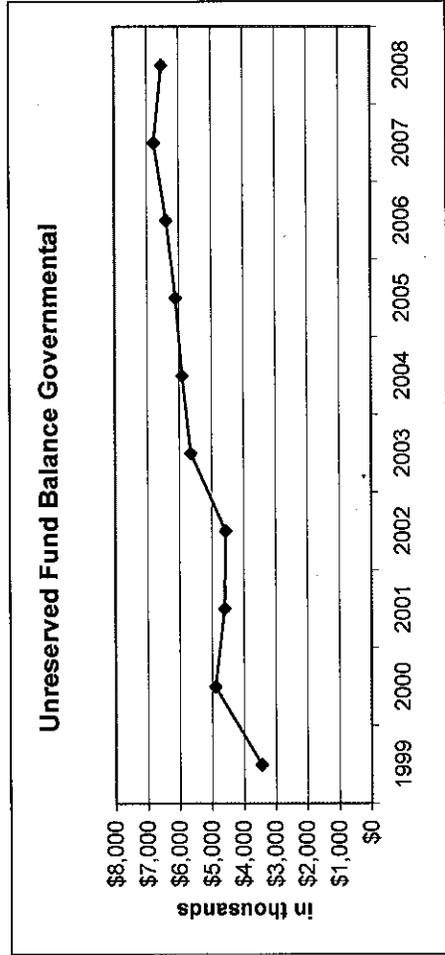
Total primary government

Governmental activities	\$7,843	\$9,083	\$3,897	\$6,399	\$3,679	\$3,198
Business-type activities	1,555	728	53	(185)	(178)	383
Total primary government	<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)

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General fund										
Reserved	\$760	\$507	\$1,219	\$349	\$311	\$753	\$564	\$503	\$250	\$709
Unreserved	6,524	6,766	6,383	6,097	5,897	5,637	4,548	4,595	4,887	3,450
Total general fund	<u>\$7,284</u>	<u>\$7,273</u>	<u>\$7,602</u>	<u>\$6,446</u>	<u>\$6,208</u>	<u>\$6,390</u>	<u>\$5,112</u>	<u>\$5,098</u>	<u>\$5,137</u>	<u>\$4,159</u>
All other governmental funds										
Reserved	\$145	\$162	\$162	\$162	\$614	\$148	\$15	\$13	\$12	\$34
Unreserved, reported in:										
Special revenue funds	1,114	1,246	1,498	1,167	989	696	632	459	484	544
Capital projects funds	9,227	865	1,056	1,168	3,872	5,318	5,078	2,606	861	847
Permanent funds	894	763	669	1,134	1,061	1,227	905	1,088	1,198	1,178
Total all other governmental funds	<u>\$11,380</u>	<u>\$3,056</u>	<u>\$3,385</u>	<u>\$3,631</u>	<u>\$6,536</u>	<u>\$7,389</u>	<u>\$6,630</u>	<u>\$4,166</u>	<u>\$2,555</u>	<u>\$2,603</u>



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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Taxes	\$34,547	\$32,908	\$31,876	\$29,326	\$26,557	\$25,650	\$23,417	\$21,008	\$19,279	\$21,951
Licenses and permits	2,632	2,247	2,321	2,272	2,250	2,111	2,018	1,867	1,781	1,628
Intergovernmental	9,392	8,506	8,132	12,868	14,397	10,819	11,403	9,284	8,993	3,578
Charges for services	1,488	602	458	1,686	1,701	1,585	1,478	1,432	1,327	1,269
Fines	75	29	36	87	47	23	27	21	21	17
Investment earnings	1,576	849	594	281	283	304	464	921	809	736
Miscellaneous	457	1,812	2,261	2,950	2,816	2,539	1,839	1,816	1,976	1,685
Total revenues	50,167	46,953	45,678	49,470	48,051	43,031	40,646	36,349	34,186	30,864
Expenditures										
General government	6,498	5,973	5,674	7,465	6,739	5,486	6,260	4,999	4,438	4,218
Public safety	7,660	7,017	6,720	6,920	6,549	5,567	5,252	5,080	4,846	4,241
Education	24,936	23,443	22,234	24,788	23,631	22,046	20,905	20,036	17,835	16,347
Highways and streets	2,306	2,046	1,994	1,946	3,320	2,394	1,677	1,800	1,541	1,516
Sanitation	1,796	1,743	1,662	1,461	1,410	1,409	1,338	1,181	1,151	1,142
Library	713	681	637	576	607	524	535	541	449	407
Parks & Recreation	581	563	551	533	664	504	371	343	321	321
Capital outlay	1,973	2,752	1,489	4,989	4,803	7,409	9,460	2,948	2,320	2,185
Debt service										
Principal	2,855	2,305	2,314	2,313	2,261	1,927	1,440	1,069	965	889
Interest	901	977	1,072	1,190	1,202	1,060	895	642	509	537
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	50,219	47,500	44,347	52,181	51,386	48,326	48,133	38,639	34,375	31,803
Excess of revenues over (under) expenditures	(52)	(547)	1,331	(2,711)	(3,335)	(5,295)	(7,487)	(2,290)	(189)	(939)
Other financing sources (uses)										
Transfers in	93	36	35	1,836	315	778	754	414	713	368
Transfers out	(30)	(60)	(210)	(1,790)	(362)	(832)	(507)	(633)	(270)	(408)
Capital leases		242								
Refunding bonds issued					2,347	6,907	9,788	3,801	1,020	700
Bonds issued										
Total other financing sources (uses)	63	218	(175)	46	2,300	6,853	10,035	3,582	1,463	660
Net change in fund balances	\$11	(\$329)	\$1,156	(\$2,665)	(\$1,035)	\$1,558	\$2,548	\$1,292	\$1,274	(\$279)

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

Function	Fiscal Year									
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General government	6,380	5,846	5,460	5,452	4,925	5,860	4,730	4,247	3,801	3,728
Public safety	7,661	7,017	6,720	6,160	5,795	6,268	4,943	4,718	4,474	3,922
Education	24,936	23,443	22,234	20,937	20,175	22,166	18,639	17,902	15,808	14,745
Highways/streets/sanitation	4,102	3,789	3,656	3,382	4,915	2,883	2,939	2,904	2,693	2,658
Welfare	117	126	213	319	312	276	259	133	173	181
Parks & Recreation	581	563	551	506	531	609	366	339	321	321
Library	713	681	637	558	549	532	535	542	449	407
Capital outlay	1,973	2,752	1,489	1,583	**0	**0	859	845	827	665
Debt service	3,756	3,282	3,386	3,503	3,463	1,128	2,335	1,711	1,474	1,426
TOTALS	50,219	47,499	44,346	42,400	40,665	39,722	35,605	33,341	30,020	28,053
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Percent of Total										
General government	12.7%	12.3%	12.3%	12.9%	12.1%	14.8%	13.3%	12.7%	12.7%	13.3%
Public safety	15.3%	14.8%	15.2%	14.5%	14.3%	15.8%	13.9%	14.2%	14.9%	14.0%
Education	49.7%	49.4%	50.1%	49.4%	49.6%	55.8%	52.3%	53.7%	52.7%	52.6%
Highways and streets	8.2%	8.0%	8.2%	8.0%	12.1%	7.3%	8.3%	8.7%	9.0%	9.5%
Welfare	0.2%	0.3%	0.5%	0.8%	0.8%	0.7%	0.7%	0.4%	0.6%	0.6%
Parks & Recreation	1.2%	1.2%	1.2%	1.2%	1.3%	1.5%	1.0%	1.0%	1.1%	1.1%
Library	1.4%	1.4%	1.4%	1.3%	1.4%	1.3%	1.5%	1.6%	1.5%	1.5%
Capital outlay	3.9%	5.8%	3.5%	3.7%	n/a	n/a	2.4%	2.5%	2.8%	2.4%
Debt service	7.5%	6.9%	7.6%	8.3%	8.5%	2.8%	6.6%	5.1%	4.9%	5.1%

*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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Taxes	\$34,546	\$32,908	\$31,875	\$29,327	\$26,508	\$24,508	\$23,417	\$21,008	\$19,278	\$21,951
Licenses and permits	2,632	2,247	2,321	2,272	2,250	2,111	2,018	1,867	1,781	1,628
Integovernmental	1,688	1,969	1,572	1,523	1,447	1,431	1,381	1,343	1,305	1,577
Integovernmental-School	7,704	6,538	6,561	6,174	7,609	6,873	6,410	6,121	6,103	914
Charges for services	1,488	602	458	559	584	625	633	573	485	513
Rents and Royalties	43	75	104	98	91	87	88	79	78	88
Interest and Dividends	1,576	849	594	230	190	264	486	937	732	677
Other	490	1,766	2,192	2,107	1,838	1,610	1,404	1,391	1,317	1,220
Total revenues	50,167	46,954	45,677	42,290	40,517	37,509	35,837	33,319	31,079	28,568

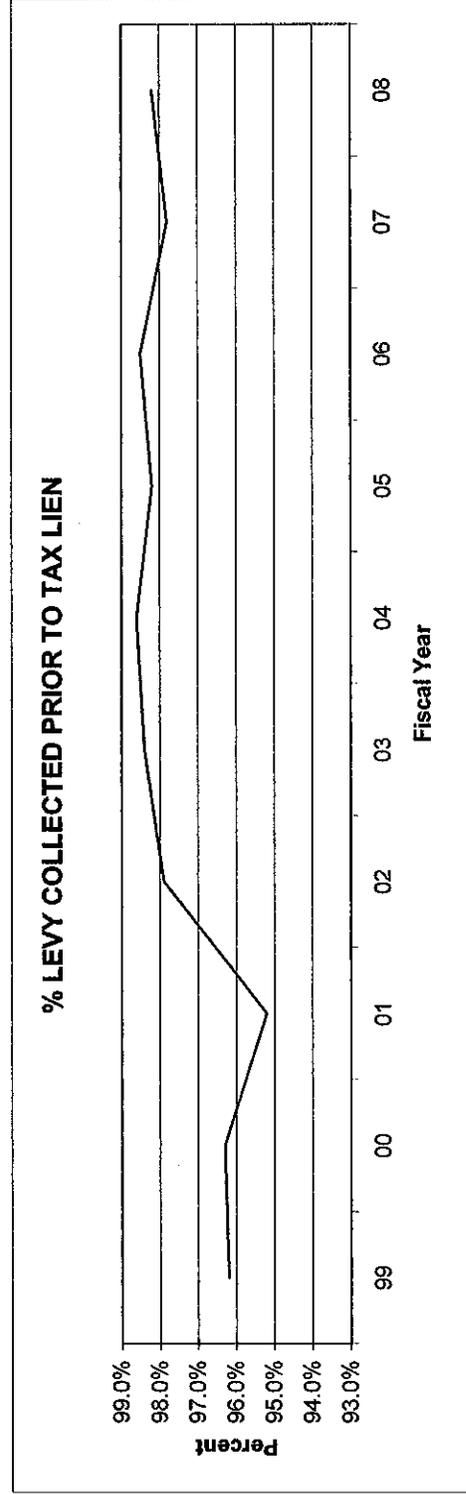
Percent of Total Revenue

Taxes	68.9%	70.1%	69.8%	69.3%	65.4%	65.3%	65.3%	63.1%	62.0%	76.8%
Licenses and permits	5.2%	4.8%	5.1%	5.4%	5.6%	5.6%	5.6%	5.6%	5.7%	5.7%
Integovernmental	3.4%	4.2%	3.4%	3.6%	3.6%	3.8%	3.9%	4.0%	4.2%	5.5%
Integovernmental-School	15.4%	13.9%	14.4%	14.6%	18.8%	18.3%	17.9%	18.4%	19.6%	3.2%
Charges for services	3.0%	1.3%	1.0%	1.3%	1.4%	1.7%	1.8%	1.7%	1.6%	1.8%
Rents and Royalties	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%
Interest and Dividends	3.1%	1.8%	1.3%	0.5%	0.5%	0.7%	1.4%	2.8%	2.4%	2.4%
Other	1.0%	3.8%	4.8%	5.0%	4.5%	4.3%	3.9%	4.2%	4.2%	4.3%

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

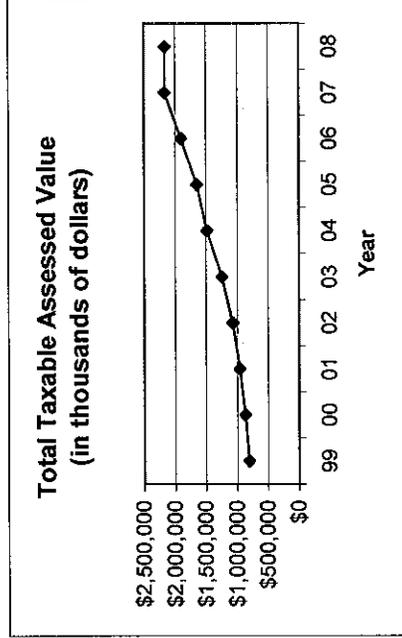
Fiscal Year Ended 30-Jun	Total Property Tax Levy	Current Fiscal Year Tax Collections	Percent of Levy Collected Prior to Tax Lien	Property Taxes Liened(1)	Current Fiscal Liened Collections	Total Tax Collections For Current Fiscal Year	Collections as Percent of Total Tax Levy	Outstanding Liened Taxes For Current Year End	Outstanding Liened Taxes as Percent of Tax Levy
1999	22,171	21,325	96.2%	846	846	22,171	100.0%	-	0.0%
2000	18,931	18,240	96.3%	691	691	18,931	100.0%	-	0.0%
2001	21,510	20,472	95.2%	1,038	1,038	21,510	100.0%	-	0.0%
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	518	29,088	100.0%	1	0.0%
2006	31,335	30,871	98.5%	464	280	31,151	99.4%	184	0.6%
2007	32,997	32,244	97.8%	753	158	32,402	98.2%	595	1.8%
2008	34,409	33,803	98.2%	774	174	33,997	98.7%	603	1.8%

(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*	Less: 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
	Residential Property	Commercial Property						
1999	624,543	169,947	\$811,864	4,485	\$807,379	\$27.54	854,057	92.8%
2000	674,458	183,155	\$875,282	4,515	\$870,767	\$22.01	942,792	91.9%
2001	771,467	177,952	\$967,633	4,500	\$963,133	\$22.52	1,047,463	96.1%
2002	875,068	181,486	\$1,075,608	4,543	\$1,071,065	\$21.83	1,119,023	93.5%
2003	983,942	246,033	\$1,249,156	6,048	\$1,243,108	\$19.74	1,335,628	95.4%
2004	1,238,126	230,249	\$1,489,803	7,146	\$1,482,657	\$17.89	1,561,740	91.4%
2005	1,390,738	238,891	\$1,652,519	7,280	\$1,645,239	\$17.84	1,808,174	91.4%
2006	1,598,527	287,132	\$1,908,623	9,475	\$1,899,148	\$16.72	2,088,694	96.3%
2007	1,804,316	348,509	\$2,174,536	9,250	\$2,165,286	\$15.51	2,255,023	94.7%
2008	1,816,321	329,897	\$2,169,333	8,610	\$2,160,723	\$16.20	2,290,486	96.2%



Fiscal Year End	Percentages	
	Residential Property	Commercial Property
1999	76.9%	20.9%
2000	77.1%	20.9%
2001	79.7%	18.4%
2002	81.4%	16.9%
2003	78.8%	19.7%
2004	83.1%	15.5%
2005	84.2%	14.5%
2006	83.8%	15.0%
2007	83.0%	16.0%
2008	83.7%	15.2%

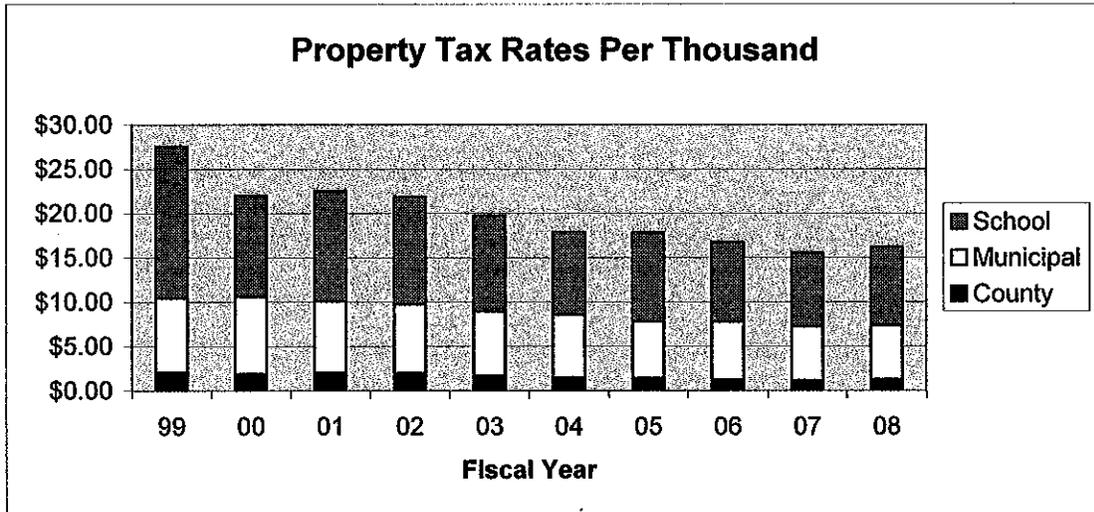
Source: (1) MS 1 reports on Assessed Value
 (2) NH Department of Revenue Administration's Equalization Survey

**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>
1999	\$8.41	\$17.13	-	\$17.13	\$25.54	\$2.00	\$27.54
2000	\$8.71	\$4.90	\$6.53	\$11.43	\$20.14	\$1.87	\$22.01
2001	\$8.07	\$6.58	\$5.89	\$12.47	\$20.54	\$1.98	\$22.52
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

Source:
NH State Department of Revenue Administration

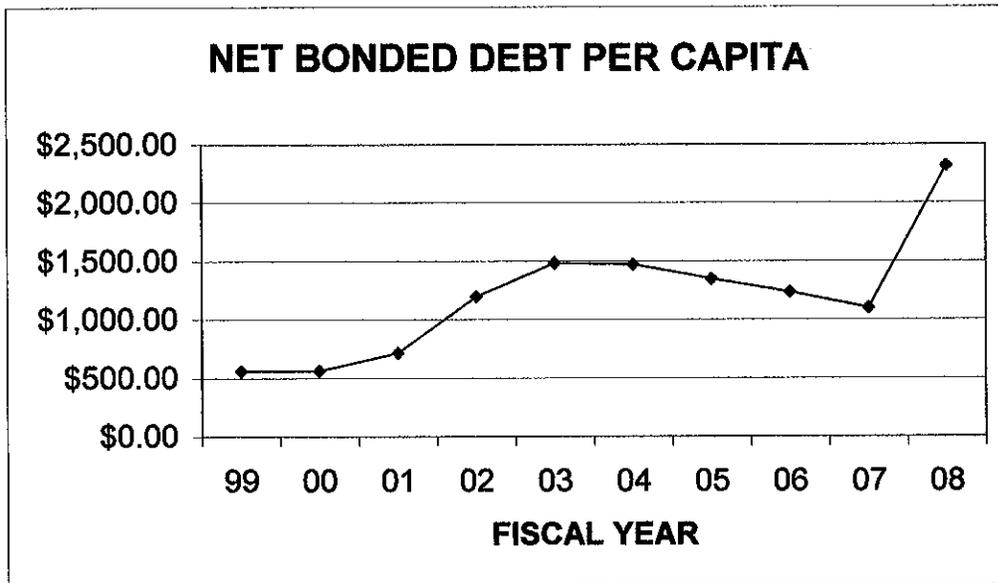


CITY OF LACONIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed thousands, except per capita amount)

<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>		
1999	9,238	1,617	\$10,855	\$586.80
2000	9,293	1,457	\$10,750	\$566.27
2001	12,024	1,301	\$13,325	\$728.77
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

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
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2008**

Base Valuation for Debt Limit (1)		<u>\$ 2,312,221,163</u>
Bonded Debt Limit - 3.00% of Base		\$ 69,366,635
Gross Bonded Debt, June 30, 2008	\$ 39,763,344	
Less: Water Bonds	\$ (211,440)	
School Bonds	\$ (30,379,292)	
		<u>\$9,172,612</u>
Debt Margin		<u>\$60,194,023</u>

(1) The equalization of all taxable property in the State of New Hampshire is conducted annually by the New Hampshire Department of Revenue Administration under the provisions of RSA 21-J:3 (XIII):

"Equalize annually the valuation of the property in the several towns, cities and unincorporated places in the state by adding or deducting from the aggregate valuation of the property as assessed in towns, cities and unincorporated places such sums as will bring such valuations to the true and market value of the property, including the equalized value of property formerly taxed pursuant to the provisions of RSA 72:7; 72:15, I, V, VII, VIII, IX, X and XI: 72:16; 72:17; 73:26; 73:27; and 73:11 through 16 inclusive, which were relieved from taxation by the laws of 1970, 5:3; 5:8; 57:12; and 57:15, the equalized valuation of which is to be determined by the amount of revenue returned in such year in accordance with RSA 31-A, and by making such adjustments in the value of other property from which the towns, cities, and unincorporated places receive taxes as may be equitable and just, so that any public taxes that may be apportioned among them shall be equal and just."

(2) Net Local Assessed Valuation		\$ 2,169,332,703
Department of Revenue Administration Inventory Adjustment		<u>\$ 100,939,995</u>
Equalized Assessed Valuation		\$ 2,270,272,698
Adjustment: RSA 31-A		\$ 41,948,465
Base Valuation for Debt Limit		<u>\$ 2,312,221,163</u>

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Legal Debt Limits										
City 3%	\$69,367	\$68,514	\$63,477	\$54,960	\$47,575	\$40,990	\$34,391	\$31,320	\$28,178	\$25,222
School 7%	\$161,855	\$159,865	\$148,114	\$128,240	\$111,007	\$95,644	\$80,246	\$73,081	\$65,750	\$58,851
Debt Against Legal Debt Limits										
City	9,173	9,541	10,910	11,876	13,253	12,330	10,683	8,081	7,261	7,383
School	30,379	9,271	10,208	11,145	12,082	13,022	9,688	3,943	2,032	1,855
Total City & School Debt June 30	\$39,552	\$18,812	\$21,118	\$23,021	\$25,335	\$25,352	\$20,371	\$12,024	\$9,293	\$9,238
Unused Capacity of Legal Debt Limits										
City	\$60,194	\$58,973	\$52,567	\$43,084	\$34,322	\$28,660	\$23,708	\$23,239	\$20,917	\$17,839
School	131,476	150,594	137,906	117,095	98,925	82,622	70,558	69,138	63,718	56,996
% of Legal Debt Limits Used										
City	13.2%	13.9%	17.2%	21.6%	27.9%	30.1%	31.1%	25.8%	25.8%	29.3%
School	18.8%	5.8%	6.9%	8.7%	10.9%	13.6%	12.1%	5.4%	3.1%	3.2%

Data Source
 Annual Financial Statements
 NH Department of Revenue Administration

Note: The City was in the process of settling a bond in the amount of \$1 million for the renovation of the transfer station

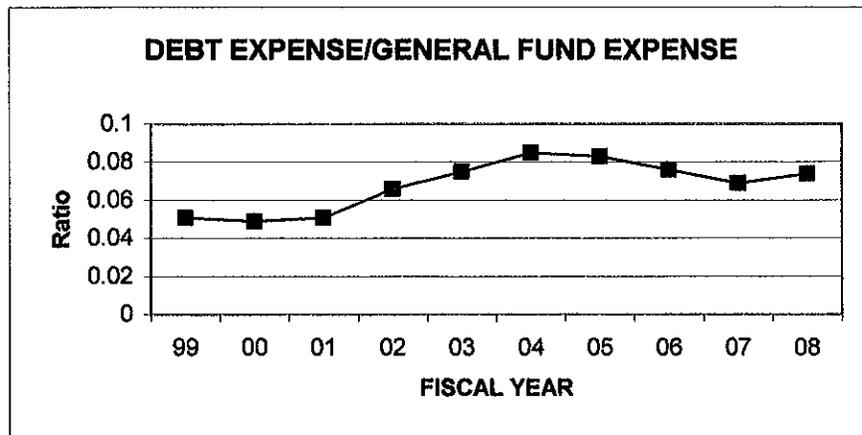
**Computation of Overlapping Debt
Belknap County
Last Ten Years**

End of Year	Net Debt Outstanding	Percentage Applicable to Laconia	Amount Applicable to Laconia
2008	\$5,420,000	19.8103%	\$1,073,718
2007	\$5,864,600	20.1023%	\$1,178,919
2006	\$6,579,200	19.9759%	\$1,314,254
2005	\$7,323,800	19.7202%	\$1,444,268
2004	\$8,398,400	20.0513%	\$1,683,988
2003	\$5,443,000	19.8206%	\$1,078,835
2002	\$5,937,600	20.0515%	\$1,190,578
2001	\$6,432,200	21.5450%	\$1,385,817
2000	\$6,926,800	22.3919%	\$1,551,042
1999	\$7,436,000	21.6037%	\$1,606,451

**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	% *
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%
2000	\$965,300	\$508,690	\$1,473,990	\$30,019,767	4.9%
1999	\$889,300	\$536,620	\$1,425,920	\$28,053,463	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**

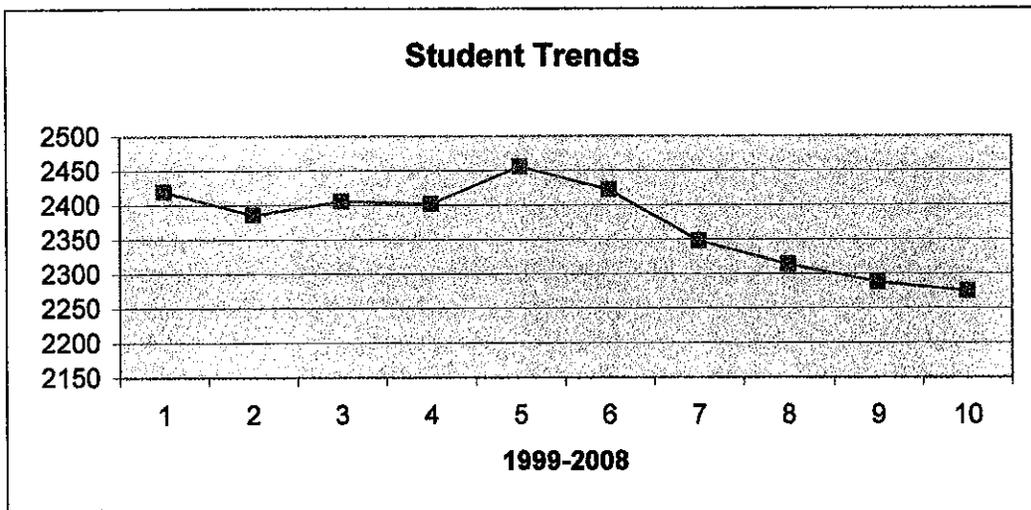
Fiscal Year	Population*	Personal Income*	Per Capita Personal Income*	Median Age*	School Enrollment**	Unemployment Rate***
1999	15,743	35,658	14,824	34.4	2,420	2.2%
2000	16,411	37,796	19,540	38.8	2,386	2.3%
2001	16,499	37,796	19,540	38.8	2,406	2.6%
2002	16,751	37,796	19,540	38.8	2,402	4.8%
2003	16,999	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	47,895	19,540	38.8	2,275	4.0%

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, 2008
 (amounts expressed in thousands)

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Public Service of NH	\$17,622	1	0.82%	\$13,000	2	1.61%
Gifford Route 11 Realty Trust	7,430	2	0.35%	3,757	5	0.46%
Clearview Realty Ventures	6,241	3	0.29%	-	-	-
Mason Lakes Lmt'd Partnership	5,480	4	0.25%	-	-	-
Energy North (Keyspan)	5,401	5	0.25%	4,410	3	0.55%
Margate Motel	5,400	6	0.25%	3,194	7	0.40%
Summit at Four Seasons	5,280	7	0.25%	2,992	8	0.37%
Laconia Country Club	5,213	8	0.24%	-	-	-
Aavid Engineering	4,962	9	0.23%	4,400	4	0.55%
Lakeshore Estates Assoc	4,743	10	0.22%	-	-	-
Laconia Savings Bank	-	-	-	2,564	10	0.31%
NH Ball Bearing	-	-	-	3,466	6	0.43%
Taylor Home	-	-	-	16,345	1	2.02%
Wingate Associates LTD	-	-	-	2,708	9	0.34%
Totals	\$67,772		3.15%	\$56,836		7.04%

Total Net Assessed Taxable Value \$2,151,357,301

\$807,379,243

Source:
 City of Laconia, Assessing Records

**CITY OF LACONIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	2008			1999		
	Employees	Rank	Percentage Of Total City Employment	Employees	Rank	Percentage Of Total City Employment
Lakes Region General Hospital	1200	1	14.2%	645	1	8.7%
New Hampshire Ball Bearings, Inc.	448	2	5.3%	478	3	6.5%
Smith Tubular	350	3	4.1%	130	7	1.8%
City of Laconia - School Dept.	257	4	3.0%	206	5	2.8%
Belknap County	250	5	3.0%	230	4	3.1%
City of Laconia - City	175	6	2.1%	150	6	2.0%
Aavid Engineering	n/a			620	2	8.4%
				150	6	2.0%
				120	8	1.6%
						7406

Source:
Laconia/Weirs Chamber of Commerce
NH Economic & Labor Market Information Bureau

Note: Smith Tubular formerly Lewis & Saunders

PB - 7/29/08

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

Function**	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government*	33	33	33	33	33	32	31	27	26	28
Public safety	10	10	10	10	10	10	10	9	11	11
Police	34	34	35	35	35	35	36	34	33	38
Fire	31	31	31	31	31	31	31	35	35	36
Firefighters and officers	1	1	1	1	1	1	1	1	1	1
Civilians*	16	16	14	10	10	10	10	8	10	17
Call firefighters										
Highway and streets										
Engineering	2	2	2	2	2	2	2	2	2	2
Maintenance*	15	15	15	15	15	15	15	14	13	14
Sanitation	1	1	1	1	1	1	1	1	1	1
Library	14	14	14	13	12	12	12	11	11	11
Parks & Recreation	6	6	6	6	7	7	7	7	7	7
Water	16	16	16	16	16	16	16	16	16	16
Sewer	8	8	8	8	8	8	8	7	7	7
ISF*	3	3	3	3	3	3	3	3	2	3
Total	190	190	189	184	184	183	183	175	175	192

Source: City Budget Reports

* General gov decreased in 1999 due to 3 FTEs moving from Public Works (2) and Fire (1) to Internal Service
 **Open position not included

Note: Call firefighters increased 7 during FY08

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

Position	Full-time Equivalent Employees as of June 30										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administrators	17	17	17	17	18	18	18	18	18	18	18
Guidance Counselors	9	10	10	10	10	10	10	10	10	10	10
Classroom Teachers	135	133	147	147	150	156	156	158	161	160	160
Special Education Teachers	15	17	20	21	22	25	28	29	29	32	28
Librarians	3	3	2	2	2	2	2	2	2	2	2
Vocational Education Teachers	13	13	13	13	13	14	14	14	13	13	12
Nurses	5	5	5	5	5	5	5	5	5	5	5
Itinerant Staff	17	13	15	18	19	20	19	20	19	21	22
Total	214	211	229	233	239	250	251	255	257	261	257

Source: City Annual reports
School District

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

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police	13,154	15,163	15,768	16,306	16,715	17,863	19,498	18,721	18,364	18,841
Calls for service	827	753	1,295	1,283	1,422	1,553	1,923	1,913	1,911	1,697
Criminal arrests	2,817	3,184	4,018	3,140	4,569	4,491	4,608	5,035	4,765	4,017
Parking violations	2,046	1,924	988	1,383	1,496	2,110	1,445	1,149	1,021	730
Traffic violations										
Fire	2,365	2,336	2,663	2,534	2,925	2,987	3,089	3,017	3,186	3,315
Number of calls answered	n/a	n/a	n/a	250	990	1,518	2,017	2,028	2,112	1,800
Inspections										
Highways and streets										
Street resurfacing (miles)	3.22	2.78	2.24	5.4	7.99	6.75	6.41	3.00	3.43	2.95
Code										
Building permits issued	245	284	268	306	457	702	542	341	439	310
Estimated construction value* (in thousands)	\$9,682	\$18,723	\$14,081	\$21,974	\$28,611	\$35,928	\$65,287	\$40,352	\$34,765	\$52,115
Library	n/a	n/a	n/a	n/a	41,054	37,289	40,431	42,763	45,920	48,330
Volumes	n/a	n/a	n/a	n/a	110,238	100,459	104,988	93,509	111,571	120,508
Circulation										
Sanitation										
Refuse collected (tons per year)	16,306	17,678	18,091	18,378	18,067	17,688	17,536	16,974	16,366	15,030
Recyclables collected (tons per year)	278	383	363	357	338	315	342	463	536	593
Parks & Recreation	36	48	36	37	37	43	35	58	57	72
Field Use Requests										
School Enrollment										
Laconia HS	668	689	708	724	749	749	779	747	784	785
Memorial Middle School	582	562	590	609	621	632	605	561	511	452
Woodland Heights	506	496	475	451	436	416	386	415	414	417
Pleasant Street	315	318	317	302	323	307	281	290	284	303
Elm Street	349	321	316	316	327	318	297	301	295	318
Area 8	301	253	253	326	326	326	336	384	335	360
Water										
New connections	-	106	63	62	16	92	143	93	74	85
Water main breaks	n/a	n/a	8	9	7	16	5	4	6	8
Average daily consumption-MGD	1.72	1.84	1.89	1.9	1.97	1.85	1.78	1.81	1.75	1.65

Sources: Various government departments
Note: Indicators are not available for the general government function.
*2008 permits included \$19.8 million school project

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	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	102.57	103.83	104.72	104.72	104.72	104.72	104.72	105.12	105.12	105.21
Streets (miles)-unpaved	8.5	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	1,297	1,297	1,297	1,341	1,341	1,341
Culture and recreation										
Parks acreage	203.45	202.7	202.7	202.7	202.7	202.7	208.7	208.7	208.7	208.7
Parks	13	13	13	13	13	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)	94.26	94.49	95.2	96.81	96.95	96.95	96.95	97.55	99.38	99.87
Fire hydrants	433	473	475	460	461	461	461	461	482	482
Maximum daily capacity (MGD)	6	6	6	6	6	6	6	6	6	6
Service connections	5,495	5,601	5,664	5,726	5,742	5,846	6,005	6,103	6,177	6,262
Sewer										
Sanitary sewers (miles)	103.25	103.82	103.82	103.82	103.82	103.82	103.82	104.69	104.69	104.69
Service connections	9,770	9,850	9,913	10,013	10,104	10,221	10,366	10,440	10,531	10,604
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	13	17	17	17	17	17	17	19	19	19

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