

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

Fiscal Year Ended June 30, 2010



Behind the Mill – photo provided by Cherrie Durgin

CITY OF LACONIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	i
Organization Chart	ix
Listing of Elected City Officials	x
Listing of Appointed City Officials	xi

FINANCIAL SECTION

Independent Auditor's Report	1
City Managements Discussion & Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Governmental Fund Financial Statements	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures And Other Uses-Budget and Actual-General Fund	18

CITY OF LACONIA
Table of Contents

(Continued)

Proprietary Fund Financial Statements	
Statement of Net Assets	19
Statement of Revenues, Expenses and Changes in Net Assets	20
Statement of Cash Flows	21
Fiduciary Financial Statements	
Statement of Net Assets	22
Statement of Changes in Fiduciary Net Assets	23
Notes to the Basic Financial Statements	24
Required Supplementary Information	
Schedule of Funding Progress	48

STATISTICAL SECTION

Net Assets by Component Unit	50
Changes in Net Assets	51
Fund Balances of Governmental Funds	53
Changes in Fund Balances of Governmental Funds	54
General Governmental Expenditures by Function	55
General Governmental Revenues by Source	56
Property Tax Levies and Collections	57
Assessed Value and Estimated Full Value of Real Property	58
Property Tax Rates	59
Ratios of Outstanding Debt by Type	60
Computation of Legal Debt Margin	61
Legal Debt Margin Information	62
Computation of Overlapping Debt-Belknap County	63

CITY OF LACONIA
Table of Contents

(Continued)

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures	64
Demographic and Economic Statistics	65
Principal Property Taxpayers	66
City Government Employees by Function	67
Full-time Equivalent School Employees by Position	68
Operating Indicators by Function	69
Capital Asset Statistics by Function	71

INTRODUCTORY SECTION

January 14, 2011

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, 2010 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, 2010, the unemployment rate in this area is well below the National (9.7%) and Northeast averages (8.5%). However, the unemployment rate in our area, compared to a year ago, has decreased slightly to 5.9%

October, 2010, unemployment in Laconia area stands at 5.5% compared to 7.2% last November. State unemployment was at 5.4% with New Hampshire recording the fourth lowest jobless rate among all states.

We have seen many more people either unemployed or underemployed visiting our welfare office requesting assistance with their rents or house payments. Most of these

individuals have very few work skills and are limited on the types of work they can perform. Those that are unemployed are staying unemployed longer.

As of this writing the Real Estate Market still isn't showing any signs of improvement. In a recent release of homes sold in the Lakes Region during the month of October (68 in all) every town's or city's selling price was below the listed price by 1-11%.

Major Initiatives

Infrastructure:

The City continues to make cash investments in the roads in the City. This year \$900 thousand was appropriated for resurfacing or reconstructing the roads and another \$187,000 for improvement in the lights at N Main St and Oak.

The LTREC (Laconia Trails with Rails) completed the long awaited build out of Phase 1 of the WOW (Winnisquam, Opechee, Winnepesaukee) trail in our community. The trail from the library to Lakeport was completed late fall 2009. Much of the funding for this project came from the American Recovery and Reinvestment Act (ARRA) funds.

The Weirs Boardwalk reconstruction project was completed before Memorial Day this year.

Fire:

The City sold a bond this year to purchase an aerial ladder truck. ARRA funds in the amount of \$100,000 were received to help pay for this apparatus.

Parks:

In the spring of 2010, the City along with generous funding from Laconia Savings Bank and a private party, were able to enhance the Robbie Mills Complex by adding more bleachers, better dug outs, lengthening the field and moving the fence. This field became the home field for a collegiate baseball league this year. The team was named the Muskrats. It is hoped this is the first of many seasons this team will play in Laconia.

Tax Increment Finance District-Downtown:

Again this year, a little over \$100 thousand was set aside in this fund for the development of the downtown area. Board members determined the first improvement to be made was along the river in the City parking lot. Plans are underway to renovate and improve the section of the riverwalk near Stewart Park. Balance in the TIF district account is as of June 30, 2010 was \$61,191.

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 \$52.8 million in fiscal year 2009-2010, an increase of 2.7% over fiscal year 2008-2009. The following schedule presents a summary of General Fund revenues for the fiscal year ended June 30, 2010 and the amount and percentage increases and decreases in relation to prior year revenues.

Revenue Source	Amount	% of Total	Increase (Decrease) from Prior Year
Taxes	\$37,380,755	70.8%	\$865,688
Penalties, interest and other taxes	\$722,227	1.4%	\$722,227
Licenses & Permits	\$2,363,699	4.5%	(\$129,357)
Intergovernmental	\$10,325,661	19.6%	\$514,305
Charges for Services	\$1,314,219	2.5%	(\$151,470)
Interest on Investments	\$306,145	0.6%	(\$303,762)
Other Revenues	\$400,176	0.8%	(\$99,271)
TOTALS	\$52,812,882		\$1,418,360

The most significant change in the distribution of revenues, again this year, is in the Taxes category, increasing \$865,688 from the prior year. This year a new line has been added for Penalties, interest and other taxes. This line includes about \$150,000 in one time penalties paid on deeded property, as the City disposes of deeded properties on the City's books. Interest income continues to drop (a mere 50% of last year's earnings) as money available to invest has dropped and interest rates have hit rock bottom. Motor vehicle Registrations (found under licenses and permits) continue to trickle downward again this year. Over the last four years we have seen these revenues shrink 17% from a high of \$2.3 million in 2006 to \$1.9 million in 2010.

Expenditures

Expenditures for the General Fund functions totaled \$51.1 million in fiscal year 2009-2010 (excluding capital outlay), an increase of 2.2 % over last year.

The composition of most expenditures stayed consistent with prior year's expenses. Highway, which includes Solid Waste dropped from 8.1% in the prior year to 7.4% in FY 2010 as a result of the mild winter where savings were realized in the cost of salt and overtime. This, along with the other reductions in General Government offset the increase in the school spending.

<u>Expenditure Sources</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) From Prior Year</u>
General Government	\$6,384,342	12.5%	(\$165,104)
Public Safety	\$8,252,800	16.2%	\$200,517
Education	\$26,985,957	52.9%	\$1,316,485
Highway and Solid Waste	\$3,801,837	7.4%	(\$251,843)
Health and Welfare	\$173,419	0.3%	\$15,982
Parks and Recreation	\$572,429	1.1%	(\$78,627)
Library	\$779,770	1.5%	\$24,890
Debt Service	\$4,115,377	8.1%	(\$407)
TOTALS	\$51,065,931	100.0%	\$1,061,893

Fund Balance

Unreserved General Fund Balance decreased from \$6,321,897 to \$6,311,584 a net decrease of \$11 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: Operating losses increased from \$321,796 in FY09 to \$615,583 in FY10 as revenues decreased by \$57,000 while interest income dropped \$19 thousand and expenses grew \$317,000. The majority of the increase in expenditures was paid out to the Winnepesaukee River Basin (WRB) for treatment at the State plant in Franklin. Other contributors to the deficit this year were the increase in interest expense of \$76,000 as the debt for the WRB increased to pay for replacement costs of various infrastructure.

Water Works: The Water Works continues replacing various water mains in conjunction with the City's road capital improvement projects. This fund showed a slight loss of \$85 thousand in the current fiscal year compared to last fiscal year's loss of \$96 thousand.

Fiduciary Operations

Fiduciary Fund's net assets increased this year reflecting a favorable change in market conditions.

Assessed Valuation

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

Debt Administration

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

	Balance Due June 30, 2010	Interest Paid	Principal Paid
1989 City Bonds-Reval	-	157	4,620
1990 Public Works/Parks Bonds	115,000	15,526	115,000
1996 Capital Project Bonds	320,284	20,658	56,050
2000 Capital Improvement	-	3,300	60,000
2000 Capital Improvement #2	162,500	12,614	162,500
2001 Capital Improvement	2,125,000	105,130	180,000
2002 Capital Improvement	1,525,000	70,650	175,000
2004 City Library Bonds	1,555,000	78,275	115,000
2006 Capital Improvement	246,516	11,504	41,086
2008 Fire Truck	760,000	26,334	95,000
2009 Transfer Station	880,000	46,375	96,270
2010 Revaluation	342,350	6,002	-
2010 Weirs Boardwalk	760,000	-	-
1989 School Bonds	-	328	9,660
1996 School Bonds	79,716	5,142	13,950
1999 School Bonds	-	2,200	40,000
2001 School Bonds	217,500	16,883	217,500
2001 School Bonds- Elm/Pleasant	3,740,000	184,997	310,000
2001 School Bonds-WH	2,665,000	128,740	205,000
2007 School Bonds-MMS	19,666,565	148,898	1,335,068
Total General Bonds & Notes	\$35,160,431	\$883,713	\$3,231,704
1989 Water Works Bonds	-	\$1,895	\$55,720
2010 Water Works Bonds	1,457,450	34,000	-
Total Enterprise Funds	\$1,457,450	\$35,895	\$55,720

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 Aa3, Standard & Poors rating of AA and Fitch rating of AA-, except for state guarantee sewer bonds which have a state bond rating.

Cash Management

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

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

OTHER INFORMATION

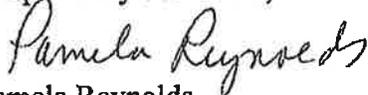
Independent Audit

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

Acknowledgements

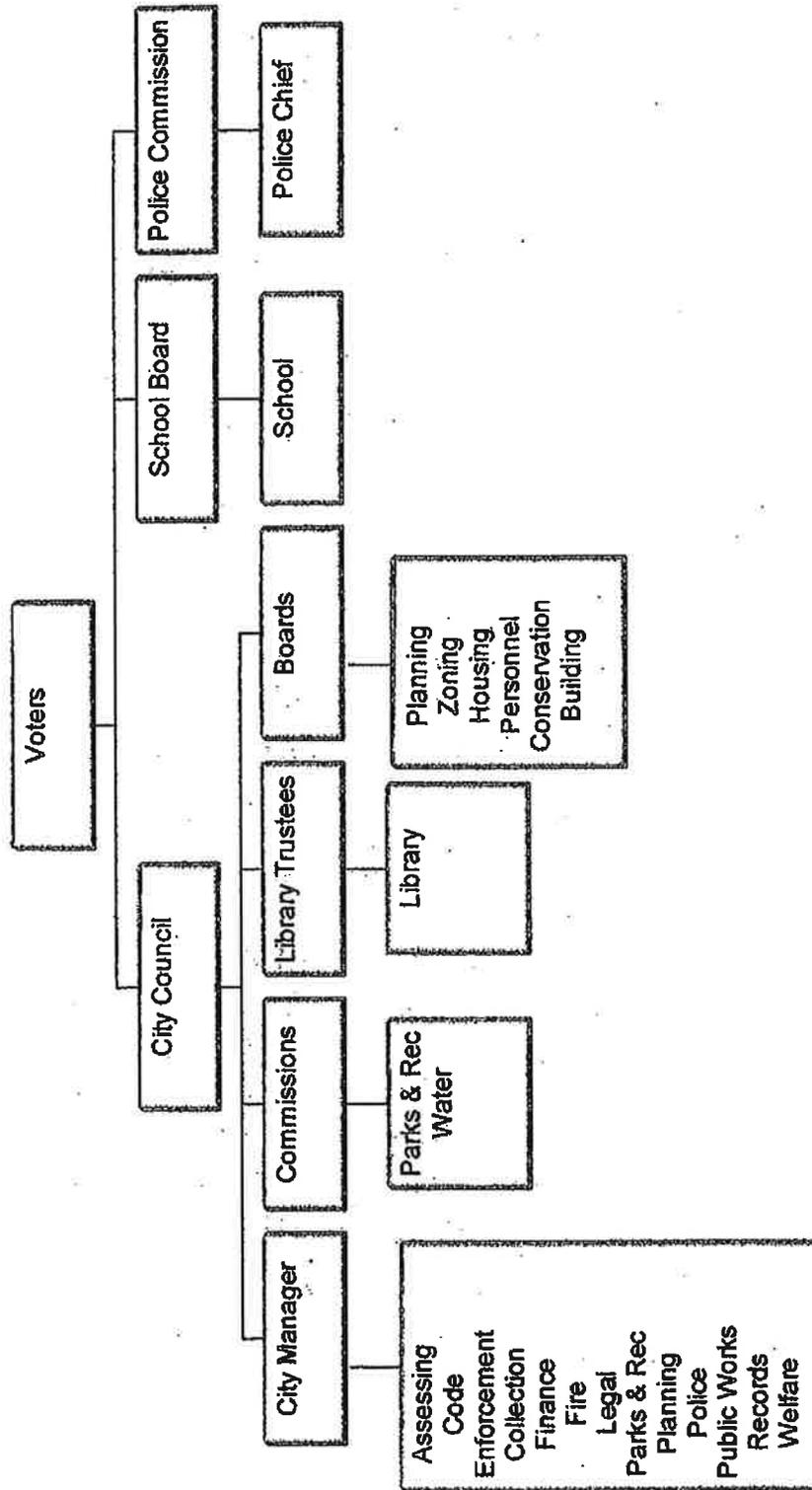
Our appreciation is extended to the various elected officials, department heads and employees responsible for the sound financial position of the City of Laconia and for their help in the preparation of this report. The City of Laconia, encompasses a group of individuals who appreciate and respect the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

Respectfully submitted,



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 3, 2009

Term: January 11, 2010- December 31, 2011

Mayor: Michael Seymour

Council Members:

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

School Board

Scott Vachon, Chair, Term 2007-2010
Beth Arsenault, Vice Chair, Term 2007-2010
Stacie Sirors, Term 2008-2011
Chris Guilmett, Term 2008-2011
Robert Dassati (AT LARGE), Term 2009-2012
Malcolm Murray, Term 2009-2012
Joseph Cormier, Term 2009-2012

**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:	Mary Cote
CODE ENFORCEMENT OFFICER:	Vacant
FIRE CHIEF:	Kenneth Erickson
FINANCE DIRECTOR:	Pamela Reynolds
LIBRARY DIRECTOR:	Randy Brough
PUBLIC WORKS DIRECTOR:	Paul Moynihan
PLANNER/CD DIRECTOR:	Shanna Saunders
POLICE CHIEF:	Michael Moyer
REC. & FAC. DIRECTOR:	Kevin Dunleavy
TAX COLLECTOR:	Lindsey Allen
WELFARE DIRECTOR:	Pamela Reynolds
WATER WORKS:	Seth Nuttelman

FINANCIAL SECTION

CITY OF LACONIA, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2010



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, on page 48, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2011 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
January 6, 2011

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, 2010. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

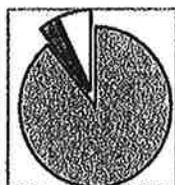
- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 90,387,013 (i.e., net assets), a change of \$ 5,016,351 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 10,349,604, a change of \$ 274,364 in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 6,311,584, a change of \$ (10,313) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 36,617,881, a change of \$ (727,624) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 34,821	\$ 34,481	\$ 7,011	\$ 6,691	\$ 41,832	\$ 41,172
Capital assets	93,642	90,480	19,524	18,620	113,166	109,100
Total assets	<u>128,463</u>	<u>124,961</u>	<u>26,535</u>	<u>25,311</u>	<u>154,998</u>	<u>150,272</u>
Long-term liabilities outstanding	35,173	36,941	1,586	174	36,759	37,115
Other liabilities	27,366	27,373	486	415	27,852	27,788
Total liabilities	<u>62,539</u>	<u>64,314</u>	<u>2,072</u>	<u>589</u>	<u>64,611</u>	<u>64,903</u>
Net assets:						
Invested in capital assets, net	58,797	55,565	18,066	18,559	76,863	74,124
Restricted	2,410	1,716	-	-	2,410	1,716
Unrestricted	4,717	3,366	6,396	6,163	11,113	9,529
Total net assets	<u>\$ 65,924</u>	<u>\$ 60,647</u>	<u>\$ 24,462</u>	<u>\$ 24,722</u>	<u>\$ 90,386</u>	<u>\$ 85,369</u>

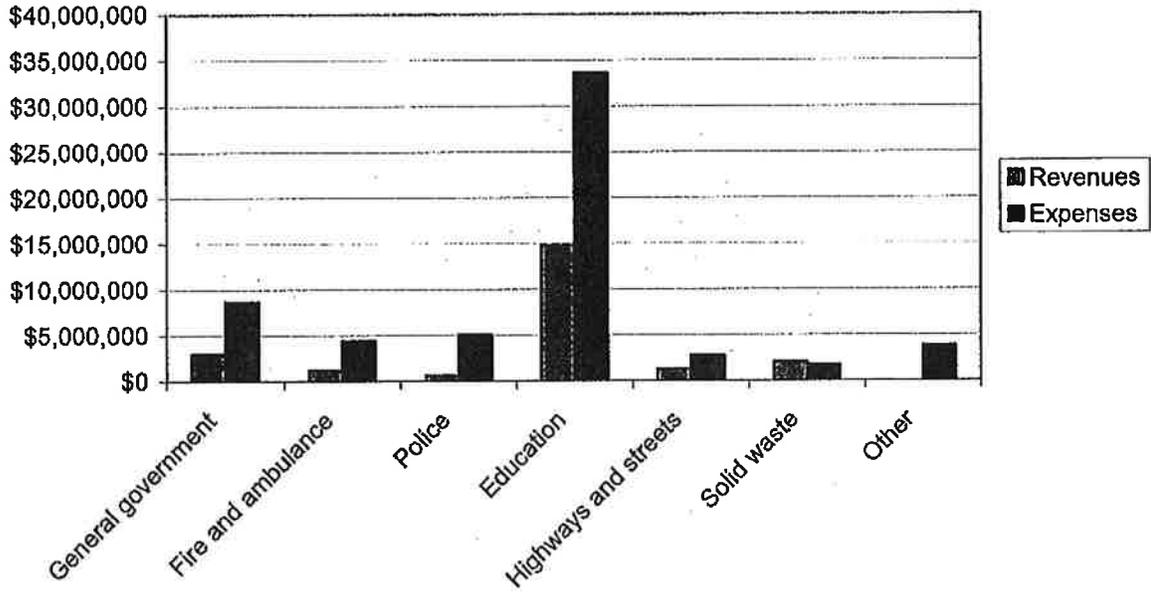
Governmental Activity Net Assets
June 30, 2010



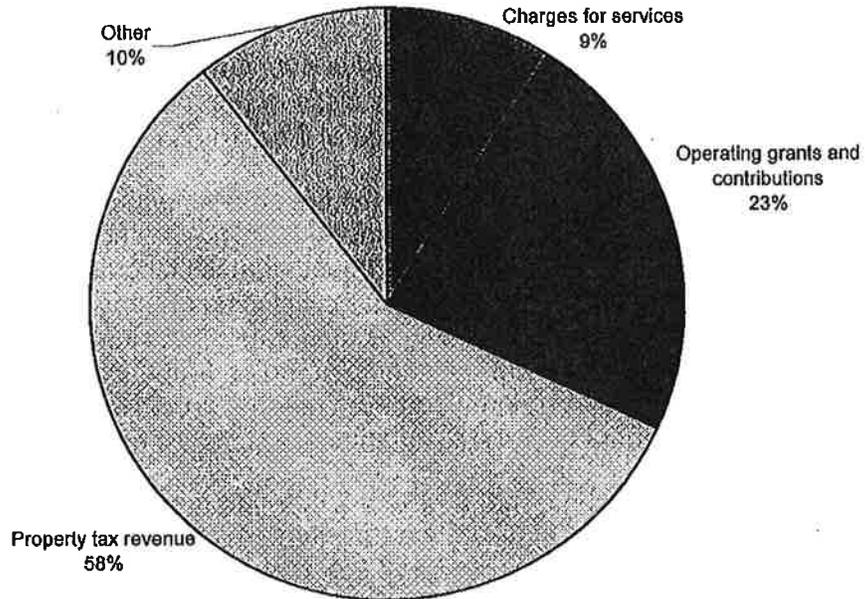
Invested in capital assets, net
 Restricted
 Unrestricted

	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,931	\$ 5,902	\$ 4,813	\$ 4,892	\$ 10,744	\$ 10,794
Operating grants and contributions	15,050	11,478	4	4	15,054	11,482
Capital grants and contributions	4,519	1,584	-	-	4,519	1,584
General revenues:						
Property taxes	37,809	36,473	-	-	37,609	36,473
Penalties, interest, and other taxes	722	512	-	-	722	512
Grants and contributions not restricted to specific programs	772	2,167	-	-	772	2,167
Investment income	417	576	64	86	481	662
Miscellaneous	349	494	523	428	872	922
Total revenues	65,389	59,186	5,404	5,410	70,773	64,596
Expenses:						
General government	8,676	7,496	-	-	8,676	7,496
Fire and ambulance	4,397	4,282	-	-	4,397	4,282
Police	5,055	4,908	-	-	5,055	4,908
Education	33,872	31,558	-	-	33,872	31,558
Highways and streets	2,789	3,702	-	-	2,789	3,702
Solid waste	1,724	1,699	-	-	1,724	1,699
Health and welfare	173	160	-	-	173	160
Parks and recreation	715	561	-	-	715	561
Library	944	945	-	-	944	945
Conservation	5	8	-	-	5	8
Airport	1,078	1,023	-	-	1,078	1,023
Interest expense	902	925	-	-	902	925
Water	-	-	2,299	2,281	2,299	2,281
Sewer	-	-	3,366	3,051	3,366	3,051
Total expenses	60,130	57,263	5,665	5,332	65,795	62,595
Change in net assets before permanent fund contributions	5,239	1,923	(261)	78	4,978	2,001
Permanent fund contributions	38	158	-	-	38	158
Increase in net assets	5,277	2,081	(261)	78	5,016	2,159
Net assets - beginning of year	60,647	58,566	24,722	24,644	85,369	83,210
Net assets - end of year	\$ 65,924	\$ 60,647	\$ 24,461	\$ 24,722	\$ 90,385	\$ 85,369

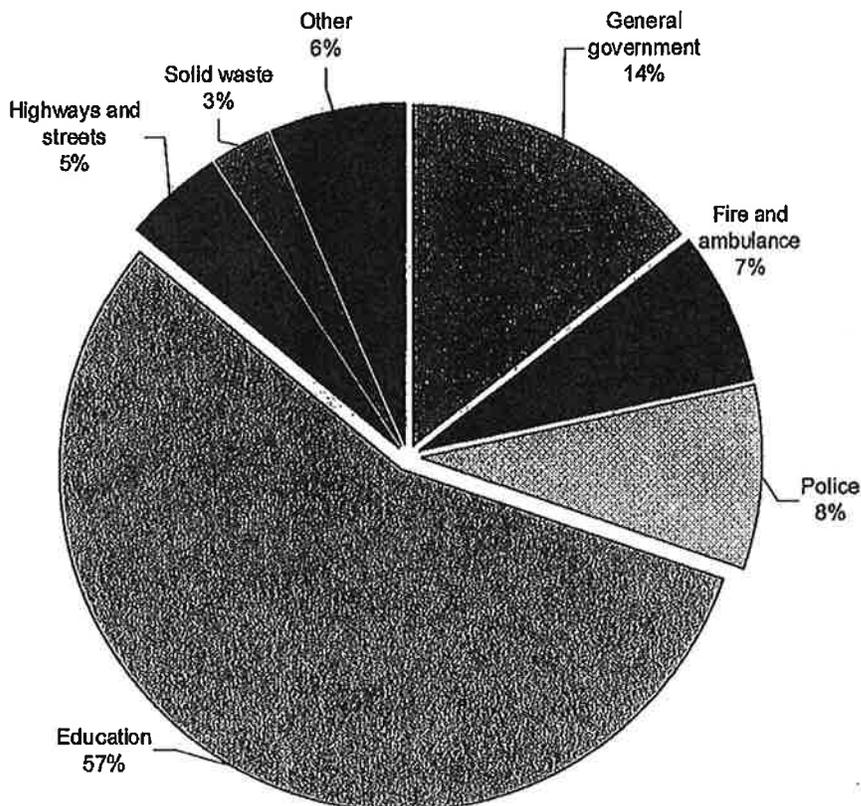
**Governmental Activities - Revenue v. Expenditure Comparison
For the Year Ended June 30, 2010**



**Governmental Activities Revenues
For the Year Ended June 30, 2010**



Governmental Activities Expenses
For the Year Ended June 30, 2010



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 \$ 90,387,013, a change of \$ 5,016,351 from the prior year.

The largest portion of net assets \$ 76,863,456 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 2,409,933 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 11,113,624 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 \$ 5,277,648. Key elements of this change are as follows:

General fund operations, as discussed further in section D	\$ 496,066	
Capital assets acquired in the general fund	842,385	
Memorial Middle School on accrual basis	118,033	
Internal service fund operations	880,936	1
Non major funds on accrual basis	3,157,298	2
Depreciation expense in excess of principal debt service payments	(1,065,824)	
Other	<u>848,754</u>	
Total	<u>\$ 5,277,648</u>	

1. Internal service fund operations surplus is the result of contributed capital from other funds associated with the purchase of vehicles and related equipment and capitalization of those assets in the Internal Service fund. The contribution from the Fire Truck Bond fund of \$ 893,626 constitutes the majority of the total contributions of \$ 932,023.
2. The surplus in the non major fund is the result of the capitalization of fixed assets in the amount of \$ 4.1 million and the re-class of bond proceeds of \$ 1.1 million and associated premiums of \$ 47,650.

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (261,297). Key elements of this change are as follows:

Water operations	\$ 413,997	3
Sewer operations	<u>(675,294)</u>	
Total	<u>\$ (261,297)</u>	

3. A major component of the water surplus is from contributions of contributed capital from outside developers.

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 \$ 10,349,604 , a change of \$ 274,364 in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ 496,066
Memorial Middle School activity, a major fund	(387,494)
Nonmajor fund activity	<u>165,792</u>
Total	<u>\$ 274,364</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 6,311,584, while total fund balance was \$ 7,493,874. 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 12.09 percent of total general fund expenditures, while total fund balance represents 14.35 percent of that same amount.

The fund balance of the general fund changed by \$ 496,066 during the current fiscal year. Key factors in this change are as follows:

Revenues in less than budget	\$ (242,860)
Expenditures less than budget	1,589,931
Use of fund balance as a funding source	(975,000)
Tax collections of prior year plus current year tax levies in excess of current year tax assessment	(76,875)
Expenditures of prior year encumbrances, net of current year encumbrances	<u>200,870</u>
Total	<u>\$ 496,066</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 \$ 6,396,024, a change of \$ 233,362 in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 113,165,869 (net of accumulated depreciation), a change of \$ 4,065,473 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Weirs boardwalk renovations	\$ 1,584,186
Transfer Station upgrades	1,370,018
WOW trails	640,883
Terminal apron rehab	626,649
Taxiway "C" design	632,780
Memorial Middle School additions	505,527
Robbie Mills expansion	205,851

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 36,617,881, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Laconia's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

CITY OF LACONIA, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 12,787,721	\$ 1,742,394	\$ 14,530,115
Investments	9,033,988	3,699,102	12,733,090
Receivables, net of allowance for uncollectibles:			
Property taxes	11,214,865	-	11,214,865
User fees	475,125	956,521	1,431,646
Special assessments	-	23,787	23,787
Intergovernmental	1,285,687	-	1,285,687
Internal balances	(448,749)	449,247	498
Inventories and prepaids	360,383	100,554	460,937
Other assets	-	24,963	24,963
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	112,225	-	112,225
Special assessments	-	14,408	14,408
Capital assets:			
Land and construction in progress	11,076,757	449,344	11,526,101
Other capital assets, net of accumulated depreciation	<u>82,565,293</u>	<u>19,074,475</u>	<u>101,639,768</u>
TOTAL ASSETS	128,463,295	26,534,795	154,998,090
LIABILITIES			
Current:			
Accounts payable	2,327,256	56,378	2,383,634
Retainage payable	219,365	3,610	222,975
Accrued liabilities	1,699,926	53,393	1,753,319
Deferred revenues	19,383,776	40,423	19,424,199
Tax refunds payable	118,894	-	118,894
Other current liabilities	77,365	241,523	318,888
Current portion of long-term liabilities:			
Bonds payable	3,171,447	72,450	3,243,897
Other liabilities	367,853	18,041	385,894
Noncurrent:			
Bonds payable, net of current portion	31,988,984	1,385,000	33,373,984
Other liabilities, net of current portion	<u>3,183,809</u>	<u>201,584</u>	<u>3,385,393</u>
TOTAL LIABILITIES	62,538,675	2,072,402	64,611,077
NET ASSETS			
Invested in capital assets, net of related debt	58,797,087	18,066,369	76,863,456
Restricted for:			
Grants	1,313,815	-	1,313,815
Permanent funds:			
Nonexpendable	161,874	-	161,874
Expendable	934,244	-	934,244
Unrestricted	<u>4,717,600</u>	<u>6,396,024</u>	<u>11,113,624</u>
TOTAL NET ASSETS	\$ <u>65,924,620</u>	\$ <u>24,462,393</u>	\$ <u>90,387,013</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 8,675,661	\$ 1,150	\$ 449,633	\$ (5,704,822)	\$ -	\$ (5,704,822)
Fire and ambulance	4,397,358	823,467	292,405	(3,181,486)	-	(3,181,486)
Police	5,055,775	259,754	341,353	(4,454,668)	-	(4,454,668)
Education	33,672,789	1,306,780	8,000	(18,882,401)	-	(18,882,401)
Highways and streets	2,788,703	12,039	597,485	(1,528,706)	-	(1,528,706)
Solid waste	1,723,717	584,278	1,418,616	279,175	-	279,175
Health and welfare	173,536	18,880	-	(154,656)	-	(154,656)
Parks and recreation	714,557	61,647	617,706	223,565	-	223,565
Library	943,787	26,198	80,888	(806,337)	-	(806,337)
Conservation	4,754	-	-	(4,754)	-	(4,754)
Airport	1,077,560	-	1,246,295	486,800	-	486,800
Interest expense	901,764	-	-	(901,764)	-	(901,764)
Total Governmental Activities	60,129,961	15,050,322	4,518,423	(34,630,054)	-	(34,630,054)
Business-Type Activities:						
Water services	2,289,006	3,500	-	-	(136,166)	(136,166)
Sewer services	3,366,154	-	-	-	(712,328)	(712,328)
Total Business-Type Activities	5,655,160	3,500	-	-	(848,494)	(848,494)
Total	\$ 65,795,121	\$ 15,053,822	\$ 4,518,423	(34,630,054)	(848,494)	(35,478,548)
General Revenues, Interfund Transfers, and Contributions:						
Property taxes				37,608,503	-	37,608,503
Penalties, interest, and other taxes				722,227	-	722,227
Grants and contributions not restricted to specific programs				772,285	-	772,285
Investment income				416,850	63,697	480,547
Miscellaneous				349,440	523,500	872,940
Permanent fund contributions				38,397	-	38,397
Total general revenues				39,907,702	587,197	40,494,899
Change in Net Assets				5,277,648	(261,297)	5,016,351
Net Assets:						
Beginning of year				60,646,972	24,723,690	85,370,662
End of year				\$ 65,924,620	\$ 24,462,393	\$ 90,387,013

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2010

ASSETS	General Fund	MMS Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 11,859,200	\$ -	\$ 928,521	\$ 12,787,721
Investments	8,179,933	-	854,055	9,033,988
Receivables:				
Property taxes	11,459,294	-	-	11,459,294
Departmental and other	319,293	7,863	147,969	475,125
Intergovernmental	-	-	1,279,426	1,279,426
Due from other funds	1,157,334	135,513	1,172,708	2,465,555
Inventories and prepaids	305,509	-	31,397	336,906
TOTAL ASSETS	\$ 33,280,563	\$ 143,376	\$ 4,414,076	\$ 37,838,015

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 2,002,012	\$ -	\$ 309,129	\$ 2,311,141
Retainage payable	55,380	-	163,985	219,365
Accrued liabilities	1,309,068	-	1,678	1,310,746
Deferred revenues	19,870,274	-	112,964	19,983,138
Tax refunds payable	118,894	-	-	118,894
Due to other funds	2,364,407	-	1,103,355	3,467,762
Other liabilities	66,554	-	10,711	77,265
TOTAL LIABILITIES	25,786,689	-	1,701,722	27,488,411

Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	876,781	-	-	876,781
Perpetual (nonexpendable) permanent funds	-	-	161,874	161,874
Prepaid items and inventory	305,509	-	-	305,509
Unreserved:				
Undesignated, reported in:				
General fund	6,311,584	-	-	6,311,584
Special revenue funds	-	-	1,344,419	1,344,419
Capital project funds	-	143,376	271,817	415,193
Permanent funds	-	-	934,244	934,244
TOTAL FUND BALANCES	7,493,874	143,376	2,712,354	10,349,604
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,280,563	\$ 143,376	\$ 4,414,076	\$ 37,838,015

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, 2010

Total governmental fund balances	\$ 10,349,604
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	93,642,050
<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	599,362
<ul style="list-style-type: none"><ul style="list-style-type: none">Recording allowance for doubtful accounts	(132,204)
<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.	562,771
<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.	(384,870)
<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>(38,712,093)</u>
Net assets of governmental activities	<u>\$ 65,924,620</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, 2010

	General Fund	MMS Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 37,380,755	-	\$ 109,674	\$ 37,490,429
Penalties, interest, and other taxes	722,227	-	-	722,227
Charges for services	1,314,219	127,171	2,047,134	3,488,524
Intergovernmental	10,325,661	-	8,242,201	18,567,862
Licenses and permits	2,363,689	-	-	2,363,689
Fines and forfeitures	65,496	-	-	65,496
Investment income	306,145	-	110,706	416,851
Miscellaneous	334,680	-	92,866	427,546
Total Revenues	<u>52,812,882</u>	<u>127,171</u>	<u>10,602,581</u>	<u>63,542,634</u>
Expenditures:				
Current:				
General government	6,379,588	-	1,926,780	8,306,368
Fire and ambulance	3,544,931	-	887,013	4,431,944
Police	4,707,669	-	254,126	4,961,995
Education	26,965,957	514,665	5,293,174	32,793,796
Highways and streets	2,131,199	-	761,668	2,892,867
Solid waste	1,670,638	-	27,266	1,697,906
Health and welfare	173,419	-	-	173,419
Parks and recreation	572,429	-	892,487	1,464,916
Library	779,770	-	49,485	829,255
Conservation	4,754	-	-	4,754
Capital outlay	1,150,884	-	-	1,150,884
Airport	-	-	1,547,138	1,547,138
Debt service	4,115,377	-	-	4,115,377
Total Expenditures	<u>52,216,815</u>	<u>514,665</u>	<u>11,639,139</u>	<u>64,370,619</u>
Excess (deficiency) of revenues over expenditures	596,067	(387,494)	(1,036,558)	(827,985)
Other Financing Sources (Uses):				
Proceeds of bonds	-	-	1,102,350	1,102,350
Transfers in	-	-	100,000	100,000
Transfers out	(100,001)	-	-	(100,001)
Total Other Financing Sources (Uses)	<u>(100,001)</u>	<u>-</u>	<u>1,202,350</u>	<u>1,102,349</u>
Change in fund balance	496,066	(387,494)	165,792	274,364
Fund Equity, at Beginning of Year	6,987,808	530,870	2,546,562	10,075,240
Fund Equity, at End of Year	<u>\$ 7,483,874</u>	<u>\$ 143,376</u>	<u>\$ 2,712,354</u>	<u>\$ 10,349,604</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, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 274,364								
<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;">7,526,643</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,347,459)</td> </tr> <tr> <td>Loss on disposal of assets</td> <td style="text-align: right;">(17,104)</td> </tr> </table> 		Capital outlay purchases	7,526,643	Depreciation	(4,347,459)	Loss on disposal of assets	(17,104)		
Capital outlay purchases	7,526,643								
Depreciation	(4,347,459)								
Loss on disposal of assets	(17,104)								
<ul style="list-style-type: none"> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property tax, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">113,073</td> </tr> </table> 			113,073						
	113,073								
<ul style="list-style-type: none"> • 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;">(1,102,350)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,231,704</td> </tr> <tr> <td>Current year capitalization of bond premium</td> <td style="text-align: right;">(47,650)</td> </tr> <tr> <td>Repayment of capital lease</td> <td style="text-align: right;">49,931</td> </tr> </table> 		Issuance of debt	(1,102,350)	Repayments of debt	3,231,704	Current year capitalization of bond premium	(47,650)	Repayment of capital lease	49,931
Issuance of debt	(1,102,350)								
Repayments of debt	3,231,704								
Current year capitalization of bond premium	(47,650)								
Repayment of capital lease	49,931								
<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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(14,921)</td> </tr> </table> 			(14,921)						
	(14,921)								
<ul style="list-style-type: none"> • 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;">(361,916)</td> </tr> </table> 			(361,916)						
	(361,916)								
<ul style="list-style-type: none"> • Internal service funds are used by management to account for vehicle management services and related activities. The net activity of internal service funds is reported with Governmental Activities. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(26,667)</u></td> </tr> </table> 			<u>(26,667)</u>						
	<u>(26,667)</u>								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>5,277,648</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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Amounts	
Revenues and Other Sources:				
Taxes	\$ 37,457,630	\$ 37,457,630	\$ 37,457,630	\$ -
Penalties, interest, and other taxes	432,568	432,568	722,227	289,659
Charges for services	1,258,656	1,258,656	1,153,018	(105,638)
Intergovernmental	9,420,680	9,420,680	9,583,457	162,777
Licenses and permits	2,535,000	2,535,000	2,363,699	(171,301)
Fines and forfeits	65,000	65,000	65,496	496
Investment income	569,105	569,105	308,145	(262,960)
Miscellaneous	490,573	490,573	334,680	(155,893)
Other sources	975,000	975,000	975,000	-
Total Revenues and Other Sources	53,204,212	53,204,212	52,961,352	(242,860)
Expenditures and Other Uses:				
General government	6,905,922	7,031,193	6,431,658	599,535
Fire and ambulance	3,395,360	3,395,360	3,394,358	1,002
Police	4,643,062	4,698,062	4,413,607	284,455
Education	26,737,347	26,737,347	26,562,979	174,368
Highways and streets	2,384,169	2,276,169	2,131,199	144,970
Solid waste	2,047,373	1,828,873	1,670,638	158,235
Health and welfare	206,035	206,035	158,419	47,616
Parks and recreation	673,542	673,542	603,043	70,499
Library	779,767	779,767	779,767	-
Conservation	3,970	3,970	3,970	-
Capital outlay	1,182,000	1,358,229	1,249,265	108,964
Debt service	4,145,664	4,115,664	4,115,377	287
Transfers out	100,001	100,001	100,001	-
Total Expenditures and Other Uses	53,204,212	53,204,212	51,614,281	1,589,931
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,347,071	\$ 1,347,071

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
<u>ASSETS</u>				
Current:				
Cash and short-term investments	\$ 867,483	\$ 874,911	\$ 1,742,394	\$ -
Investments	1,482,615	2,216,487	3,699,102	-
User fees, net of allowance for uncollectibles	390,004	566,517	956,521	-
Special assessments	-	23,787	23,787	-
Intergovernmental receivables	-	-	-	6,261
Due from other funds	506,128	-	506,128	553,458
Inventory	100,488	66	100,554	23,477
Other assets	24,963	-	24,963	-
Total current assets	3,371,681	3,681,768	7,053,449	583,196
Noncurrent:				
Special assessments, net of current portion	-	14,408	14,408	-
Capital assets:				
Land and construction in progress	41,053	408,291	449,344	-
Other capital assets, net of accumulated depreciation	13,241,895	5,832,580	19,074,475	2,671,194
Total noncurrent assets	13,282,948	6,255,279	19,538,227	2,671,194
TOTAL ASSETS	16,654,629	9,937,047	26,591,676	3,254,390
<u>LIABILITIES</u>				
Current:				
Accounts payable	42,069	14,309	56,378	16,115
Retainage payable	-	3,610	3,610	-
Accrued liabilities	41,725	11,668	53,393	4,310
Due to other funds	-	56,881	56,881	-
Other current liabilities	241,523	-	241,523	-
Deferred revenues	40,423	-	40,423	-
Current portion of long-term liabilities:				
Bonds payable	72,450	-	72,450	-
Other liabilities	8,506	9,535	18,041	32,961
Total current liabilities	446,696	96,003	542,699	53,386
Noncurrent:				
Bonds payable, net of current portion	1,385,000	-	1,385,000	-
Other liabilities, net of current portion	90,269	111,315	201,584	-
Total noncurrent liabilities	1,475,269	111,315	1,586,584	-
TOTAL LIABILITIES	1,921,965	207,318	2,129,283	53,386
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	11,825,498	6,240,871	18,066,369	2,671,194
Unrestricted	2,907,166	3,488,858	6,396,024	529,810
TOTAL NET ASSETS	\$ 14,732,664	\$ 9,729,729	\$ 24,462,393	\$ 3,201,004

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, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 1,844,270	\$ 2,636,013	\$ 4,480,283	\$ 692,328
Other	<u>315,070</u>	<u>17,813</u>	<u>332,883</u>	<u>-</u>
Total Operating Revenues	2,159,340	2,653,826	4,813,166	692,328
Operating Expenses:				
Operating expenses	1,529,620	2,820,594	4,350,214	472,453
Depreciation	<u>714,988</u>	<u>448,815</u>	<u>1,163,803</u>	<u>270,962</u>
Total Operating Expenses	<u>2,244,608</u>	<u>3,269,409</u>	<u>5,514,017</u>	<u>743,415</u>
Operating Income (Loss)	(85,268)	(615,583)	(700,851)	(51,087)
Nonoperating Revenues (Expenses):				
Contributions	523,500	-	523,500	932,023
Grant revenue	3,500	-	3,500	-
Investment income	26,663	37,034	63,697	-
Interest expense	<u>(54,398)</u>	<u>(96,745)</u>	<u>(151,143)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>499,265</u>	<u>(59,711)</u>	<u>439,554</u>	<u>932,023</u>
Change in Net Assets	413,997	(675,294)	(261,297)	880,936
Net Assets at Beginning of Year	<u>14,318,667</u>	<u>10,405,023</u>	<u>24,723,690</u>	<u>2,320,068</u>
Net Assets at End of Year	\$ <u>14,732,664</u>	\$ <u>9,729,729</u>	\$ <u>24,462,393</u>	\$ <u>3,201,004</u>

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	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	\$ 2,211,337	\$ 2,668,562	\$ 4,879,899	\$ -
Receipts from interfund service provided	-	-	-	698,579
Payments to vendors and employees	(1,370,983)	(2,904,965)	(4,275,948)	(515,696)
Net Cash Provided By Operating Activities	840,354	(236,403)	603,951	182,883
<u>Cash Flows From Noncapital Financing Activities:</u>				
Interfund borrowing	-	(4,233)	(4,233)	37,686
Grant revenue	3,500	-	3,500	-
Net Cash (Used For) Capital and Related Financing Activities	3,500	(4,233)	(733)	37,686
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Contributions toward capital assets	593,866	-	593,866	932,023
Acquisition and construction of capital assets	(1,751,433)	(315,765)	(2,067,198)	(1,152,592)
Principal payments on bonds and notes	(55,720)	-	(55,720)	-
Bond proceeds	1,457,450	-	1,457,450	-
Bond premium	40,423	-	40,423	-
Interest expense	(54,398)	(96,745)	(151,143)	-
Intergovernmental subsidy	(494,457)	-	(494,457)	-
Net Cash (Used For) Capital and Related Financing Activities	(264,269)	(412,510)	(676,779)	(220,569)
<u>Cash Flows From Investing Activities:</u>				
Purchase of investments	(522,824)	(1,166)	(523,990)	-
Investment Income	26,663	37,034	63,697	-
Net Cash Provided By Investing Activities	(496,161)	35,868	(460,293)	-
Net Change in Cash and Short-Term Investments	83,424	(617,278)	(533,854)	-
Cash and Short-Term Investments, Beginning of Year	784,059	1,492,189	2,276,248	-
Cash and Short-Term Investments, End of Year	\$ 867,483	\$ 874,911	\$ 1,742,394	\$ -
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income (loss)	\$ (85,268)	\$ (615,583)	\$ (700,851)	\$ (51,087)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	714,988	448,815	1,163,803	270,962
Changes in assets and liabilities:				
User fees	51,997	2,936	54,933	-
Special assessments	-	11,800	11,800	-
Inventory	35,005	-	35,005	-
Other assets	67,006	-	67,006	(7,457)
Accounts payable	17,072	(104,986)	(87,914)	(3,184)
Accrued liabilities	27,081	3,014	30,095	(378)
Retainage payable	-	1,586	1,586	-
Other liabilities	12,473	16,015	28,488	(25,973)
Net Cash Provided By (Used For) Operating Activities	\$ 840,354	\$ (236,403)	\$ 603,951	\$ 182,883

See notes to financial statements.

CITY OF LACONIA, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2010

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 125,357	\$ 1,329,735
Investments	2,663,676	-
Accounts receivable	-	2,945
Due from other funds	<u>2,430</u>	<u>-</u>
Total Assets	2,791,463	1,332,680
<u>LIABILITIES AND NET ASSETS</u>		
Due to other funds	-	2,928
Other liabilities	<u>9,000</u>	<u>1,329,752</u>
Total Liabilities	<u>9,000</u>	<u>1,332,680</u>
<u>NET ASSETS</u>		
Total net assets held for other purposes	<u>\$ 2,782,463</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, 2010

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 2,750
Investment Income (Loss):	
Interest earnings	70,324
Increase (decrease) in fair value of investments	284,108
Gain (Loss) on sale	<u>(121,704)</u>
Net investment income (loss)	<u>235,478</u>
Total additions	235,478
Deductions:	
General government	35,010
Education	8,375
Parks and recreation	<u>5,268</u>
Total deductions	<u>48,653</u>
Operating Transfers:	
Transfers in	<u>1</u>
Total operating transfers	<u>1</u>
Net increase (decrease)	186,826
Net assets:	
Beginning of year	<u>2,595,637</u>
End of year	<u><u>\$ 2,782,463</u></u>

CITY OF LACONIA, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2010, 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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

The government reports the following major proprietary funds:

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

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

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

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

F. Property Tax Limitations

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

- 1) Increases limited to changes in the Federal National Consumer Price Index (urban), 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 either "due from/to other funds" (i.e., the current portion of interfund loans).

H. Inventories and Prepaid

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

I. Capital Assets

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

cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

J. Compensated Absences

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

K. Long-Term Obligations

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

L. Fund Equity

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.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

- 6) After the budget has been adopted, no expenditure may be incurred, except pursuant to a budget appropriation, unless there is a specific additional appropriation therefore. The head of any department, with the approval of the manager, may transfer any unencumbered balance or any portion thereof from one fund or agency within the department to another fund or agency within the department; the manager, with the approval of the Council, may transfer any unencumbered appropriation balance or any portion thereof from one department to another. Council approval is required before total actual expenditures may exceed the total appropriation for the year.
- 7) Formal budgetary integration is employed as a management control device during the year only for the General Fund and the following Special Revenue Funds: School Lunch and Breakfast Programs and School Federal Projects.
- 8) The City legally adopts one inclusive budget for the General and two of the Special Revenue Funds (as defined above). The budget is adopted on a basis consistent with generally accepted accounting principles.
- 9) Budget appropriations lapse at the end of the fiscal year except for any appropriations approved by City Council to be carried forward.

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 52,812,882	\$ 52,216,815
Other financing sources/uses (GAAP basis)	<u>-</u>	<u>100,001</u>
Subtotal (GAAP Basis)	52,812,882	52,316,816
Adjust tax revenue to accrual basis	76,875	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(675,911)
Add end of year appropriation carryforwards to expenditures	-	876,781
To reverse the effect of non- budgeted State contributions for police, fire, and teachers retirement	(742,204)	(742,204)
Recognize use of fund balance as funding source	975,000	-
Other GAAP adjustments	<u>(161,201)</u>	<u>(161,201)</u>
Budgetary basis	<u>\$ 52,961,352</u>	<u>\$ 51,614,281</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2010:

Putnam Fund	\$ (7,397)
Weirs Boardwalk Renovation	(239,855)

The trustees of the trust funds have acknowledged the deficits in these funds and are finding a means to fund the deficit. The Weirs Boardwalk Renovation fund will be funded through future bond proceeds.

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, \$ 11,895,222 of underlying securities are held by the investment's counterparty, not in the name of the City.

As of June 30, 2010, none of the City's bank balance of \$ 17,160,484 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's name.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>								
				<u>AAA</u>	<u>A1</u>	<u>AA1</u>	<u>A2</u>	<u>A3</u>	<u>BAAA1</u>	<u>CAAA1</u>	<u>Not Rated</u>	
<u>Debt Related Securities:</u>												
U.S. Treasury notes	\$ 142	N/A	\$ -	\$ 142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	11,879	N/A	11,879	-	-	-	-	-	-	-	-	-
Corporate bonds	558	N/A	-	-	107	-	188	56	79	36	92	
Corporate equities	1,433	N/A	1,433	-	-	-	-	-	-	-	-	
Municipal obligations	49	N/A	-	-	-	49	-	-	-	-	-	
Bond mutual funds	468	N/A	468	-	-	-	-	-	-	-	-	
Mutual funds	626	N/A	626	-	-	-	-	-	-	-	-	
Federal agency securities	242	N/A	-	242	-	-	-	-	-	-	-	
Total investments	\$ 15,397		\$ 14,406	\$ 384	\$ 107	\$ 49	\$ 188	\$ 56	\$ 79	\$ 36	92	

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have policies for custodial credit risk.

Of the City's investment of \$ 15,396,766, the government has a custodial credit risk exposure of \$ 3,517,733 because the related securities are uninsured, unregistered, and held by the City's brokerage firm, which is also the counterparty to these securities.

C. Concentration of Credit Risk

The City's policy is to diversify investments to avoid over-concentration in securities from a specific issuer (excluding U.S. Treasury securities). The

City does have investments in one issuer greater than 5% of total investments, as follows (in thousands):

	<u>Controlling Agency</u>			<u>Total Amount</u>	<u>Percent of Investment</u>
	<u>City</u>	<u>Water</u>	<u>Sewer</u>		
Certificates of Deposit:					
Laconia Savings Bank	\$ 1,014	\$ 1,073	\$ 2,216	\$ 4,303	28.3%
Meredith Village Savings Bank	-	204	-	204	1.3%
Franklin Savings Bank	7,166	206	-	7,372	48.4%
	<u>\$ 8,180</u>	<u>\$ 1,483</u>	<u>\$ 2,216</u>	<u>\$ 11,879</u>	<u>78.0%</u>

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt Related Securities:					
U.S. Treasury notes	\$ 142	\$ 52	\$ 90	\$ -	\$ -
Certificates of deposit	11,879	11,879	-	-	-
Corporate bonds	558	51	451	56	-
Federal agency securities	242	-	103	139	-
Total	<u>\$ 12,821</u>	<u>\$ 11,982</u>	<u>\$ 644</u>	<u>\$ 195</u>	<u>\$ -</u>

E. Foreign Currency Risks

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

5. Taxes Receivable

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

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

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

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

Taxes receivable at June 30, 2010 consist of the following (in thousands):

Real Estate		
2010		\$ 10,106
Unredeemed Taxes		
2009	901	
2008	316	
2007	54	
Prior	<u>3</u>	
		1,274
Land Use		45
Elderly Tax Liens		17
Welfare Tax Liens		<u>17</u>
Total		<u>\$ 11,459</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	\$ 132	\$ -
Water	-	40
Sewer	-	50

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2010.

8. Interfund Fund Receivables/Payables and Interfund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2010 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	\$ 1,157,334	\$ 2,364,407
MMS capital project	135,513	-
Nonmajor Funds:		
Tax increment finance (TIF) district	63,745	-
Airport fund	65,262	-
Park houses fund	28,946	-
Community development fund	103,657	-
City grants fund	-	202,599
Special revenue fund	335,831	-
School lunch and breakfast fund	-	35,645
School grants fund	-	462,189
Ambulance fund	-	124,292
Fire truck fund	100,000	-
Transfer station	8,503	-
Parking garage/Davis place fund	162,264	-
Revaluation	306,500	-
Weirs boardwalk	-	179,553
Permanent funds	-	99,077
	<hr/>	<hr/>
Total Governmental Funds	2,465,555	3,467,762
Enterprise Funds:		
Water fund	506,128	-
Sewer fund	-	56,881
	<hr/>	<hr/>
Total Enterprise Funds	506,128	56,881
Internal Service Fund	553,458	-
Private Purpose Funds	2,430	-
Agency Funds:	-	2,928
	<hr/>	<hr/>
Total All Funds	\$ 3,527,571	\$ 3,527,571
	<hr/>	<hr/>

Interfund transfers and their purposes during the year ended June 30, 2010 were as follows:

Major Funds:		
General fund	\$ -	\$ 100,001
	<u> </u>	<u> </u>
Total Governmental Funds	-	100,001
Permanent Fund	100,000	-
Private Purpose Funds	<u>1</u>	<u>-</u>
Total All Funds	\$ <u>100,001</u>	\$ <u>100,001</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2010 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	\$ 8,017,713	\$ 1,063	\$ (1,063)	\$ 8,017,713
Construction in progress	4,258,608	4,742,128	(5,941,692)	3,059,044
Total capital assets, being depreciated, net	<u>12,276,321</u>	<u>4,743,191</u>	<u>(5,942,755)</u>	<u>11,076,757</u>
Capital assets, being depreciated:				
Land improvements	20,830,029	2,721,317	-	23,551,346
Buildings and improvements	58,635,081	3,088,423	(2,258)	61,721,246
Furniture, equipment, and vehicles	10,393,951	1,746,209	(601,296)	11,538,864
Infrastructure	23,391,519	1,170,256	(38,941)	24,522,834
Total capital assets, being depreciated	<u>113,250,580</u>	<u>8,726,205</u>	<u>(642,495)</u>	<u>121,334,290</u>
Less accumulated depreciation for:				
Land improvements	(5,239,220)	(1,020,589)	-	(6,259,809)
Buildings and improvements	(16,596,908)	(1,637,007)	-	(18,233,915)
Furniture, equipment, and vehicles	(4,906,606)	(750,274)	588,397	(5,068,483)
Infrastructure	(8,304,195)	(939,589)	36,994	(9,206,790)
Total accumulated depreciation	<u>(35,046,929)</u>	<u>(4,347,459)</u>	<u>625,391</u>	<u>(38,768,997)</u>
Total capital assets, being depreciated, net	<u>78,203,651</u>	<u>4,378,746</u>	<u>(17,104)</u>	<u>82,565,293</u>
Governmental activities capital assets, net	\$ <u>90,479,972</u>	\$ <u>9,121,937</u>	\$ <u>(5,959,859)</u>	\$ <u>93,642,050</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 38,503	\$ -	\$ -	\$ 38,503
Construction in progress	170,826	265,090	(25,075)	410,841
Total capital assets, being depreciated, net	<u>209,329</u>	<u>265,090</u>	<u>(25,075)</u>	<u>449,344</u>
Capital assets, being depreciated:				
Buildings and improvements	7,451,108	998,793	-	8,449,901
Furniture, equipment, and vehicles	2,440,540	184,728	-	2,605,268
Infrastructure	29,072,731	663,661	-	29,736,392
Total capital assets, being depreciated	<u>38,964,379</u>	<u>1,827,182</u>	<u>-</u>	<u>40,791,561</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,000,530)	(296,989)	-	(3,297,519)
Furniture, equipment, and vehicles	(1,201,698)	(210,439)	-	(1,412,137)
Infrastructure	(16,351,056)	(656,374)	-	(17,007,430)
Total accumulated depreciation	<u>(20,553,284)</u>	<u>(1,163,802)</u>	<u>-</u>	<u>(21,717,086)</u>
Total capital assets, being depreciated, net	<u>18,411,095</u>	<u>663,380</u>	<u>-</u>	<u>19,074,475</u>
Business-type activities capital assets, net	<u>\$ 18,620,424</u>	<u>\$ 928,470</u>	<u>\$ (25,075)</u>	<u>\$ 19,523,819</u>

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

Governmental Activities:	
General government	\$ 172,267
Fire and ambulance	174,161
Police	177,423
Education	1,495,415
Highway and streets	1,143,456 *
Solid waste	44,688
Parks and recreation	212,556
Library	137,641
Airport	<u>789,852</u>
Total depreciation expense - governmental activities	<u>\$ 4,347,459</u>
Water	\$ 714,988
Sanitary sewer	<u>448,815</u>
Total depreciation expense - business-type activities	<u>\$ 1,163,803</u>

* Highway and streets current period depreciation includes amounts associated with the Sanitary sewer fund vehicles accounted for in the Internal Service fund. The current period depreciation expense for those vehicles is \$ 5,676.

10. Accounts Payable and Accrued Expenses

Accounts payable represent additional 2010 expenditures paid after June 30, 2010.

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, 2010 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, 2010 consists of the following (in thousands):

Real Estate			
2010	\$	10,106	
Advance Collections		<u>8,605</u>	
			18,711
Unredeemed Taxes			
2009		783	
2008		285	
2007		19	
Prior		<u>3</u>	
			1,090
Welfare Tax Liens			17
Other:			45
School Revenues			<u>7</u>
Total			<u>\$ 19,870</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. Capital Lease Obligations

The City is the lessee of certain equipment under a capital lease expiring in 2012. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2010:

	2011	2012	Capital Leases
			\$ 53,101
			53,101
Total minimum lease payments			106,202
Less amounts representing interest			(6,477)
Present Value of Minimum Lease Payments			\$ <u>99,725</u>

14. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>as of 6/30/10</u>
Public works & parks bonds	01/15/11	6.75%	\$ 115,000
Public improvement	01/15/16	5.30 - 5.65%	330,000
Public improvement	08/15/10	5.20%	162,500
Capital improvement	08/15/21	4.38 - 5.00%	2,125,000
Capital improvement	08/15/22	4.00 - 5.00%	1,525,000
Library bond	01/15/24	5.00 - 4.75%	1,555,000
Capital improvement	09/07/15	4.00%	246,516
Fire truck - general obligation bond	05/09/18	3.08%	760,000
Transfer station	08/15/18	3.68%	880,000
Revaluation	08/15/14	2.26%	342,350
Weirs boardwalk	01/15/30	3.56%	760,000
School improvement bonds	01/15/16	5.40 - 5.65%	70,000
School bonds - Elm/Pleasant	08/15/10	5.20%	217,500
School bonds - Elm/Pleasant	08/15/21	4.125 - 5.00%	3,740,000
School bonds - Woodland Heights	01/15/23	4.25 - 4.90%	2,665,000
School bond - MMS Capital Project	02/15/36	4.76%	19,666,565
Total Governmental Activities:			\$ <u>35,160,431</u>
	Serial		Amount Outstanding
	Maturities	Interest	as of
<u>Business-type Activities:</u>	<u>Through</u>	<u>Rate(s) %</u>	<u>6/30/10</u>
Treatment plant	8/15/2029	3.97%	1,457,450
Total Business-type Activities			\$ <u>1,457,450</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2010 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,171,447	\$ 892,240	\$ 4,063,687
2012	2,618,920	870,617	3,489,537
2013	2,559,528	866,425	3,425,953
2014	2,426,532	860,727	3,287,259
2015	2,370,335	853,634	3,223,969
2016 - 2020	10,103,388	4,134,564	14,237,952
2021 - 2025	6,100,503	4,091,991	10,192,494
2026 - 2030	2,926,690	4,699,959	7,626,649
Thereafter	2,883,088	7,532,661	10,415,749
Total	<u>\$ 35,160,431</u>	<u>\$ 24,802,818</u>	<u>\$ 59,963,249</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, 2010:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 72,450	57,471	\$ 129,921
2012	75,000	55,245	130,245
2013	75,000	52,980	127,980
2014	75,000	50,715	125,715
2015	75,000	48,449	123,449
2016 - 2020	375,000	203,397	578,397
2021 - 2025	360,000	120,902	480,902
2026 - 2030	350,000	39,812	389,812
Total	<u>\$ 1,457,450</u>	<u>\$ 628,971</u>	<u>\$ 2,086,421</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/09	Additions	Reductions	Total Balance 6/30/10	Less Current Portion	Equals Long-Term Portion 6/30/10
Governmental Activities						
Bonds payable	\$ 37,290	\$ 1,102	\$ (3,232)	\$ 35,160	\$ (3,171)	\$ 31,989
Other:						
Landfill closure	171	-	(19)	152	(19)	133
Compensated absences	2,617	111	(25)	2,703	(299)	2,404
Capital lease	149	-	(48)	101	(50)	51
OPEB obligation	302	294	-	596	-	596
Totals	\$ 40,529	\$ 1,507	\$ (3,324)	\$ 38,712	\$ (3,539)	\$ 35,173

	Total Balance 7/1/09	Additions	Reductions	Total Balance 6/30/10	Less Current Portion	Equals Long-Term Portion 6/30/10
Business-Type Activities						
Bonds payable	\$ 56	\$ 1,457	\$ (56)	\$ 1,457	\$ (72)	\$ 1,385
Other:						
Compensated absences	172	9	-	181	(19)	162
OPEB obligation	19	20	-	39	-	39
Totals	\$ 247	\$ 1,486	\$ (56)	\$ 1,677	\$ (91)	\$ 1,586

15. Landfill Closure and Postclosure Care Costs

This liability reported is based on what it would cost to perform postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

16. Restricted Net Assets

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

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

17. 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, 2010:

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.

Reserved for Inventory - Represents the amount of inventory that will be recorded as an expenditure in the subsequent fiscal year.

18. Subsequent Events

A. Debt

Subsequent to June 30, 2010, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ 565,000	3.63%	09/28/10	09/28/30

Subsequent to June 30, 2010, the New Hampshire Municipal Bond Bank refinanced a portion of its outstanding debt. This refinancing resulted in a net debt service savings to the Bond Bank, this savings will be past to the City by revising the original debt service schedules. The following original issues have been revised for future periods:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>6/30/2010 Balance</u>	<u>Future Savings</u>
Capital Improvement	\$ 3,565,000	4.38-5.00%	08/15/01	08/15/21	\$ 2,125,000	\$ 37,517
School Bonds-Elm/Pleasant	6,223,000	4.13-5.00%	08/15/01	08/15/21	3,740,000	66,698
Capital Improvement	2,783,375	4.00-5.00%	08/15/02	08/15/22	1,525,000	26,133
School Bonds-Woodland Heights	4,123,000	4.25-4.90%	01/15/03	01/15/23	2,665,000	88,697
Library Bonds	2,244,000	5.00-4.75%	01/15/04	01/15/24	1,555,000	11,921
					<u>\$ 11,610,000</u>	<u>\$ 230,966</u>

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.

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

**20. Post-Employment Health Care and Life Insurance Benefits
Other Post-Employment Benefits**

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

A. Plan Description

The City provides its eligible retirees, including in some cases their beneficiaries (as govern by RSA 100-A:50), the ability to purchase health and prescription insurance at the City's group rates. Although the City does not supplement the cost of these plans, GASB Statement 45 requires the City to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of June 30, 2010, there were approximately 230 retiree subscribers, including eligible spouses and dependents, and 300 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2010 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2010, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 29, 2010.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>City</u>	<u>School</u>	<u>Water</u>	<u>Sewer</u>	
Annual Required Contribution (ARC)	\$ 305,804	\$ 408,459	\$ 20,142	\$ 13,400	\$ 747,805
Interest on net OPEB obligation	8,647	4,911	340	550	14,448
Adjustment to ARC	<u>(8,192)</u>	<u>(4,652)</u>	<u>(322)</u>	<u>(519)</u>	<u>(13,686)</u>
Annual OPEB cost	306,259	408,718	20,160	13,431	748,568
Contributions made	<u>(106,954)</u>	<u>(313,725)</u>	<u>(13,522)</u>	<u>(221)</u>	<u>(434,422)</u>
Increase in net OPEB obligation	199,305	94,993	6,638	13,210	314,146
Net OPEB obligation - beginning of year	<u>192,542</u>	<u>109,140</u>	<u>7,100</u>	<u>12,291</u>	<u>321,073</u>
Net OPEB obligation - end of year	<u>\$ 391,847</u>	<u>\$ 204,133</u>	<u>\$ 13,738</u>	<u>\$ 25,501</u>	<u>\$ 635,219</u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 748,568	42.0%	\$ 635,219

The City's net OPEB obligation as of June 30, 2010 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 7,887,342
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>7,887,342</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 23,330,246</u>
UAAL as a percentage of covered payroll	<u>34%</u>

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

F. Actuarial Methods and Assumptions

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

In the June 29, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed

basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

21. 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 7.49% for teachers, 13.66% for police, 17.28% for fire and 9.16% for all other covered employees. The City contributions to the System for the years ended June 30, 2010, 2009, and 2008 were \$ 2,413,154, \$ 2,060,661 and \$ 1,630,359, 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, 2010, was \$ 8,267,792 for the City and \$ 16,927,778 for the School Department. Contribution requirements for the year ended

June 30, 2010, were as follows:

	<u>City</u>	<u>School</u>	<u>Total</u>
State of New Hampshire	\$ 319,225	\$ 422,978	\$ 742,203
Employer's contributions	1,082,898	1,330,256	2,413,154
Employees' contributions	<u>632,337</u>	<u>846,241</u>	<u>1,478,578</u>
Total	<u>\$ 2,034,460</u>	<u>\$ 2,599,475</u>	<u>\$ 4,633,935</u>

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. Tax Increment Financing District

The following represents the Downtown Tax Increment Financing District's fiscal year 2010 financial report, which is required by NH RSA 162-K:11. This District is reported as a special revenue fund of the City.

	<u>Phase 1 Riverwalk</u>
Revenues:	
Tax Increment FY2010	\$ 109,674
Expenditures:	
General Government	149,340
Principal and interest on Debt	-
Total Expenditures	<u>149,340</u>
Excess (deficiency) of revenues over expenditures	(39,666)
Fund Equity, at Beginning of Year	<u>100,857</u>
Fund Equity, at End of Year	<u>\$ 61,191</u>
Assessment Information	
Base Value	<u>\$ 72,637,787</u>
Captured Value *	<u>\$ 7,450,650</u>

* = As of October 2, 2008

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

**June 30, 2010
(Unaudited)
(Amounts Expressed in thousands)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 7,557	\$ 7,557	0.0%	\$ 22,651	33%
06/29/10	-	\$ 7,887	\$ 7,887	0.0%	\$ 23,330	34%

See Independent Auditors' Report.

STATISTICAL SECTION

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

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

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

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

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

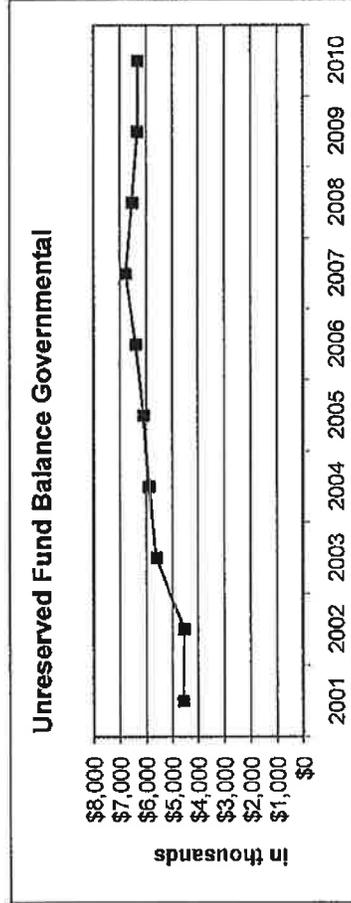
	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003		
Expenses										
Governmental activities:										
General government*	\$9,861	\$8,687	\$8,526	\$8,821	\$7,409	\$6,701	\$6,440	\$6,136		
Public safety	9,453	9,188	8,611	7,757	7,621	6,894	6,051	6,268		
Highways and streets	2,789	3,702	2,146	3,175	2,896	3,799	2,906	1,475		
Solid Waste	1,723	1,689	1,683	1,738	1,663	1,461	1,410	1,408		
Education	33,673	31,556	25,312	28,211	26,985	25,438	25,039	22,166		
Culture and recreation	1,658	1,506	1,457	1,566	1,565	1,217	1,222	1,141		
Interest on long-term debt	903	925	847	935	1,028	1,128	1,220	1,128		
Total governmental activities expenses	<u>60,130</u>	<u>57,263</u>	<u>48,582</u>	<u>50,223</u>	<u>49,147</u>	<u>46,538</u>	<u>44,288</u>	<u>39,722</u>		
Business-type activities:										
Water	2,239	2,281	2,016	1,977	1,931	1,826	1,754	1,651		
Sewer	3,956	3,051	2,962	2,634	2,634	2,469	2,353	2,164		
Total business-type activities expenses	<u>5,665</u>	<u>5,332</u>	<u>4,978</u>	<u>4,729</u>	<u>4,565</u>	<u>4,315</u>	<u>4,107</u>	<u>3,815</u>		
Total primary government expenses	<u>\$65,795</u>	<u>\$62,595</u>	<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	\$2,858	\$2,981	\$3,262	\$3,153	\$3,202	\$3,209	\$3,039	\$2,894		
Culture and recreation	88	59	65	60	64	100	86	54		
Other activities	2,886	2,862	3,036	2,940	2,608	2,617	2,696	2,466		
Operating grants and contributions	15,050	11,479	7,751	9,862	10,894	9,829	11,352	9,361		
Capital grants and contributions	4,518	1,963	3,794	7,072	1,292	5,223	2,208	419		
Total governmental activities program revenues	<u>25,500</u>	<u>18,964</u>	<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	2,159	2,183	1,901	1,965	1,914	1,808	1,628	1,631		
Sewer	2,654	2,709	2,741	2,343	2,061	2,052	2,040	2,070		
Operating grants and contributions	3	3	1,441	754	590	132	104	177		
Capital grants and contributions	4,816	4,895	5,053	5,062	4,565	4,002	3,772	3,878		
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>		
Total primary government program revenues			<u>(\$30,674)</u>	<u>(\$27,166)</u>	<u>(\$31,087)</u>	<u>(\$25,160)</u>	<u>(\$24,907)</u>	<u>(\$24,586)</u>		
Net (expense)/revenues	<u>(\$34,630)</u>	<u>(\$38,296)</u>	<u>(\$10,105)</u>	<u>(\$333)</u>	<u>(\$31,087)</u>	<u>(\$25,160)</u>	<u>(\$24,907)</u>	<u>(\$24,586)</u>		
Governmental activities	<u>(\$49)</u>	<u>(\$437)</u>	<u>(\$29,569)</u>	<u>(\$26,833)</u>	<u>(\$31,087)</u>	<u>(\$313)</u>	<u>(\$35)</u>	<u>53</u>		
Business-type activities	<u>(\$35,479)</u>	<u>(\$38,736)</u>	<u>(\$29,569)</u>	<u>(\$26,833)</u>	<u>(\$31,087)</u>	<u>(\$25,473)</u>	<u>(\$25,242)</u>	<u>(\$24,525)</u>		
Total primary government net expense										

* Includes Welfare, conservation and airport expenses

CITY OF LACONIA
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

(modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General fund										
Reserved	\$1,182	\$675	\$760	\$507	\$1,219	\$349	\$311	\$753	\$564	\$503
Unreserved	6,312	6,322	6,524	6,766	6,383	6,097	5,897	5,637	4,548	4,595
Total general fund	\$7,494	\$6,997	\$7,284	\$7,273	\$7,602	\$6,446	\$6,208	\$6,390	\$5,112	\$5,098
All other governmental funds										
Reserved	\$162	\$145	\$145	\$162	\$162	\$162	\$614	\$148	\$15	\$13
Unreserved, reported in:										
Special revenue funds	1,344	1,314	1,114	1,246	1,498	1,167	989	696	632	459
Capital projects funds	415	735	9,227	865	1,056	1,168	3,872	5,318	5,078	2,606
Permanent funds	934	883	894	783	669	1,134	1,061	1,227	905	1,088
Total all other governmental funds	\$2,855	\$3,077	\$11,380	\$3,056	\$3,385	\$3,631	\$6,536	\$7,389	\$6,630	\$4,166



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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Taxes	\$38,103	\$36,515	\$34,547	\$32,908	\$31,876	\$29,326	\$26,557	\$25,650	\$23,417	\$21,008
Licenses and permits	2,364	2,493	2,632	2,247	2,321	2,272	2,250	2,111	2,018	1,867
Intergovernmental	10,326	9,811	9,392	8,506	8,132	12,868	14,397	10,819	11,403	9,284
Charges for services	1,314	1,466	1,488	602	458	1,686	1,701	1,585	1,478	1,432
Fines	65	56	75	29	36	87	47	23	27	21
Investment earnings	306	610	1,576	849	594	281	283	304	464	921
Miscellaneous	335	443	457	1,812	2,261	2,950	2,816	2,539	1,839	1,816
Total revenues	<u>52,813</u>	<u>51,394</u>	<u>50,167</u>	<u>46,953</u>	<u>45,678</u>	<u>49,470</u>	<u>48,051</u>	<u>43,031</u>	<u>40,646</u>	<u>36,349</u>
Expenditures										
General government	6,558	6,711	6,498	5,973	5,674	7,465	6,739	5,486	6,260	4,999
Public safety	8,253	8,047	7,660	7,017	6,720	6,920	6,549	5,567	5,252	5,080
Education	26,986	25,669	24,936	23,443	22,234	24,788	23,631	22,046	20,905	20,036
Highways and streets	2,131	2,342	2,306	2,046	1,994	1,946	3,520	2,394	1,677	1,800
Solid Waste	1,671	1,712	1,796	1,743	1,662	1,461	1,410	1,409	1,338	1,181
Library	780	755	713	681	637	576	607	524	535	541
Parks & Recreation	572	651	581	563	551	533	664	504	371	343
Capital outlay	1,151	1,592	1,973	2,752	1,489	4,989	4,803	7,409	9,460	2,948
Debt service										
Principal	3,232	3,238	2,855	2,305	2,314	2,313	2,261	1,927	1,440	1,069
Interest	883	878	901	977	1,072	1,190	1,202	1,060	895	642
Other charges										
Total expenditures	<u>52,217</u>	<u>51,595</u>	<u>50,219</u>	<u>47,500</u>	<u>44,347</u>	<u>52,181</u>	<u>51,386</u>	<u>48,326</u>	<u>48,133</u>	<u>38,639</u>
Excess of revenues over (under) expenditures	596	(201)	(52)	(547)	1,331	(2,711)	(3,335)	(5,295)	(7,487)	(2,290)
Other financing sources (uses)										
Transfers in	-	-	93	36	35	1,836	315	778	754	414
Transfers out	(100)	(85)	(30)	(60)	(210)	(1,790)	(362)	(632)	(507)	(633)
Capital leases	-	-	-	242	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-	2,347	6,907	9,788	3,801
Total other financing sources (uses)	<u>(100)</u>	<u>(85)</u>	<u>63</u>	<u>218</u>	<u>(175)</u>	<u>46</u>	<u>2,300</u>	<u>6,853</u>	<u>10,035</u>	<u>3,582</u>
Net change in fund balances	<u>\$496</u>	<u>(\$286)</u>	<u>\$11</u>	<u>(\$329)</u>	<u>\$1,156</u>	<u>(\$2,665)</u>	<u>(\$1,035)</u>	<u>\$1,558</u>	<u>\$2,548</u>	<u>\$1,292</u>

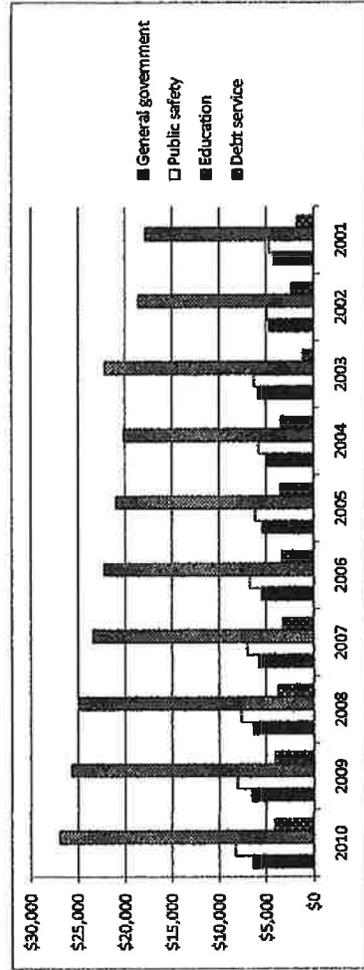
CITY OF LACONIA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION-GENERAL FUND
 Last Ten Fiscal Years

(amounts expressed in thousands)

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government	\$6,384	\$6,557	\$6,380	\$5,846	\$5,460	\$5,452	\$4,925	\$5,860	\$4,730	\$4,247
Public safety	8,253	8,048	7,661	7,017	6,720	6,160	5,795	6,268	4,943	4,718
Education	26,986	25,669	24,936	23,443	22,234	20,937	20,175	22,166	18,639	17,902
Highways/streets/sanitation	3,802	4,054	4,102	3,789	3,656	3,382	4,915	2,883	2,939	2,904
Welfare	173	157	117	126	213	319	312	276	259	133
Parks & Recreation	572	651	581	563	551	506	531	609	366	339
Library	780	754	713	681	637	558	549	532	535	542
Capital outlay	1,151	1,591	1,973	2,752	1,489	1,583	n/a	n/a	859	845
Debt service	4,115	4,115	3,256	3,282	3,386	3,503	3,463	1,128	2,335	1,711
TOTALS	52,216	51,696	50,219	47,499	44,346	42,400	40,665	39,722	35,605	33,341

Percent of Total	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government	12.7%	13.1%	12.7%	12.3%	12.3%	12.9%	12.1%	14.8%	13.3%	12.7%
Public safety	16.4%	16.0%	16.3%	14.8%	15.2%	14.5%	14.3%	15.8%	13.9%	14.2%
Education	53.7%	51.1%	49.7%	49.4%	50.1%	49.4%	49.6%	55.8%	52.3%	53.7%
Highways/streets/sanitation	7.6%	8.1%	8.2%	8.0%	8.2%	8.0%	12.1%	7.3%	8.3%	8.7%
Welfare	0.3%	0.3%	0.2%	0.3%	0.5%	0.8%	0.8%	0.7%	0.7%	0.4%
Parks & Recreation	1.1%	1.3%	1.2%	1.2%	1.2%	1.2%	1.3%	1.5%	1.0%	1.0%
Library	1.6%	1.8%	1.4%	1.4%	1.4%	1.4%	1.4%	1.3%	1.5%	1.6%
Capital outlay	2.3%	3.2%	3.9%	5.8%	3.5%	3.7%	n/a	n/a	2.4%	2.5%
Debt service	8.2%	8.2%	7.5%	6.9%	7.6%	8.3%	8.5%	2.8%	6.6%	5.1%

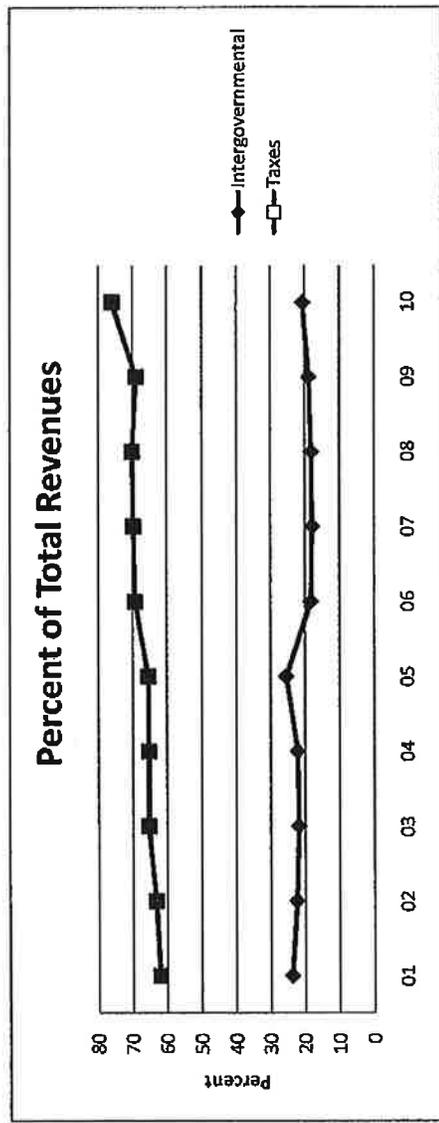
*Capital Outlay was reported in the functions



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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$21,008	\$23,417	\$24,508	\$26,508	\$29,327	\$31,875	\$32,908	\$34,546	\$36,515	\$38,103
Licenses and permits	1,867	2,018	2,111	2,250	2,272	2,321	2,247	2,632	2,493	2,364
Intergovernmental	7,464	7,791	8,304	9,056	7,697	8,133	8,507	9,392	9,811	10,326
Charges for services	573	633	625	584	559	458	602	1,488	1,466	1,314
Interest and Dividends	937	486	264	190	230	594	849	1,576	610	306
Other	1,470	1,492	1,697	1,929	2,205	2,296	1,841	533	499	400
Total revenues	\$33,319	\$35,837	\$37,509	\$40,517	\$42,290	\$45,677	\$46,954	\$50,167	\$51,394	\$52,813

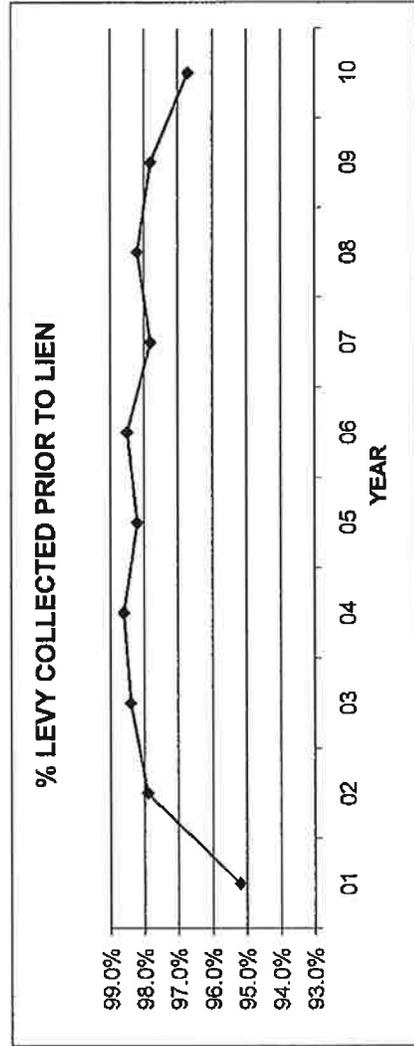
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Percent of Total Revenue										
Taxes	63.1%	65.3%	65.3%	65.4%	69.3%	69.8%	70.1%	68.9%	72.8%	76.0%
Licenses and permits	5.6%	5.6%	5.6%	5.6%	5.4%	5.1%	4.8%	5.2%	5.0%	4.7%
Intergovernmental	22.4%	21.7%	22.1%	22.4%	18.2%	17.8%	18.1%	18.7%	19.6%	20.6%
Charges for services	1.7%	1.8%	1.7%	1.4%	1.3%	1.0%	1.3%	3.0%	2.9%	2.6%
Interest and Dividends	2.8%	1.4%	0.7%	0.5%	0.5%	1.3%	1.8%	3.1%	1.2%	0.6%
Other	4.4%	4.2%	4.5%	4.8%	5.2%	5.0%	3.9%	1.1%	1.0%	0.8%



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

Fiscal Year Ended 30-Jun	Total Property Tax Levy	Current Fiscal Year Tax Collections	Percent of Levy Collected Prior to Tax Lien	Property Taxes Liened(1)	Current Fiscal Liened Collections	Total Tax Collections For Current Fiscal Year	Collections as Percent of Total Tax Levy	Outstanding Liened Taxes For Current at Fiscal Year End	Outstanding Liened Taxes as Percent of Tax Levy
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	519	29,089	100.0%	-	0.0%
2006	31,335	30,871	98.5%	464	464	31,335	100.0%	11	0.0%
2007	32,997	32,244	97.8%	753	751	32,995	100.0%	213	0.6%
2008	34,409	33,803	98.2%	774	720	34,523	100.0%	473	1.3%
2009	36,062	35,253	97.8%	1,394	1,078	36,331	100.0%	901	2.4%
2010	37,602	36,344	96.7%	1,258	357	36,701	97.6%		

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

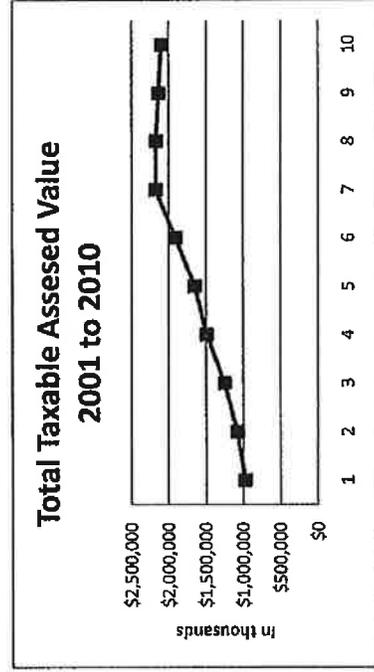


CITY OF LACONIA
ASSESSED VALUE AND ESTIMATED FULL VALUE OF REAL PROPERTY
 Last Ten Fiscal Years
 (in thousands of dollars)

Fiscal Year End	Local Assessed Value (1)		Total Assessed Value*	Less:		Total Taxable Assessed Value (1)	Total Direct Tax Rate (per \$1,000)	Estimated Full Value (2)	Ratio of Total Assessed Value to Total Estimated Full Value	COD	PDR
	Residential Property	Commercial Property		Utilities	Total Assessed Value*						
2000	674,458	183,155	17,669	\$875,282	4,515	\$870,767	\$22.01	942,792	92.8%		
2001	771,467	177,952	18,214	\$967,633	4,500	\$963,133	\$22.52	1,047,463	92.4%		
2002	875,068	181,486	19,054	\$1,075,608	4,543	\$1,071,065	\$21.83	1,119,023	96.1%		
2003	983,942	246,033	19,181	\$1,249,156	6,048	\$1,243,108	\$19.74	1,335,628	93.5%		
2004	1,238,126	230,249	21,428	\$1,489,803	7,146	\$1,482,657	\$17.89	1,561,740	95.4%	11.9	1
2005	1,390,738	238,891	22,890	\$1,652,519	7,280	\$1,645,239	\$17.84	1,808,174	91.4%	13.8	1.01
2006	1,598,527	287,132	22,964	\$1,908,623	9,475	\$1,899,148	\$16.72	2,088,694	91.4%	10.8	1.01
2007	1,804,316	348,509	21,711	\$2,174,536	9,250	\$2,165,286	\$15.51	2,255,023	96.4%	12.9	1.01
2008	1,816,321	329,897	23,115	\$2,169,333	8,610	\$2,160,723	\$16.20	2,290,486	94.7%	11.3	1.02
2009	1,782,228	328,711	23,999	\$2,134,936	7,580	\$2,127,358	\$16.97	2,174,544	98.2%	13.2	1.04
2010	1,747,771	327,153	23,530	\$2,098,454	7,710	\$2,090,744	\$18.04	2,047,623	102.5%	n/a	n/a

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

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



	Percentages	
	Commercial	Utilities
2000	20.9%	2.0%
2001	18.4%	1.9%
2002	16.9%	1.8%
2003	19.7%	1.5%
2004	15.5%	1.4%
2005	14.5%	1.4%
2006	15.0%	1.2%
2007	16.0%	1.0%
2008	15.2%	1.1%
2009	15.2%	1.1%
2010	15.1%	1.1%

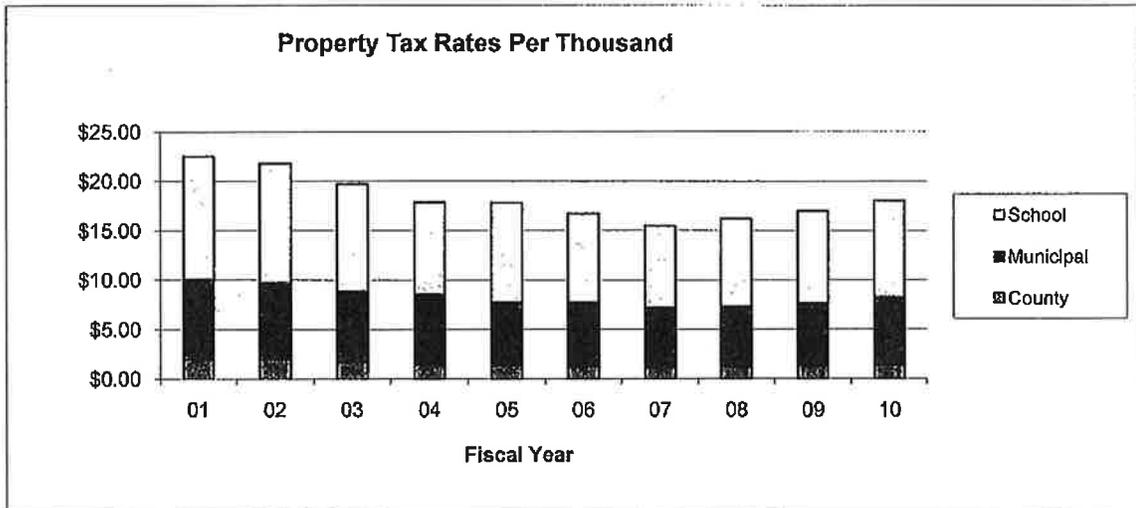
Source: (1) MS 1 reports on Assessed Value
 (2) NH Department of Revenue Administration's Equalization Survey

**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>
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
2009	\$6.35	\$7.07	\$2.25	\$9.32	\$15.67	\$1.30	\$16.97
2010	\$6.95	\$7.45	\$2.32	\$9.77	\$16.72	\$1.32	\$18.04

Source:
NH State Department of Revenue Administration

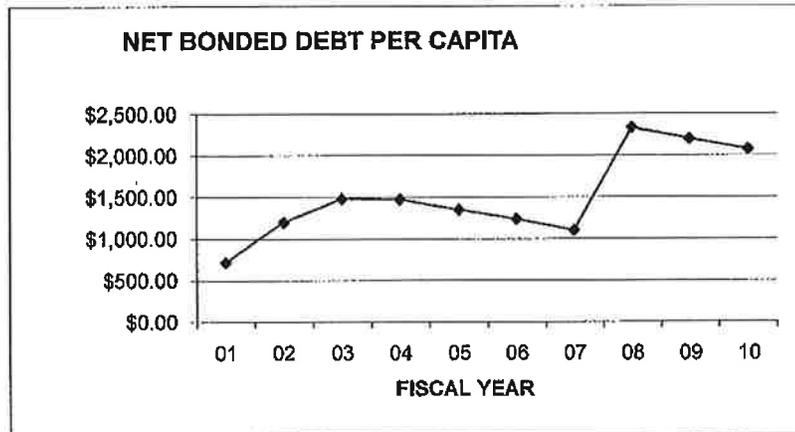


CITY OF LACONIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed thousands, except per capita amount)

<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>		
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
2009	37,290	56	\$37,346	\$2,200.00
2010	35,160	1,457	\$36,617	\$2,074.34

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, 2010**

Base Valuation for Debt Limit (1)		\$ 2,029,964,330	
Bonded Debt Limit - 3.00% of Base		\$ 60,898,930	
Gross Bonded Debt, June 30, 2009	\$ 36,617,881		
Less: Water Bonds	\$ (1,457,450)		
School Bonds	\$ (26,359,065)		
		<u>\$8,801,366</u>	
Debt Margin		<u>\$52,097,564</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		\$ 2,129,434,949	
Department of Revenue Administration Inventory Adjustment		\$ (99,470,619)	
Equalized Assessed Valuation		<u>\$ 2,029,964,330</u>	
Adjustment: RSA 31-A		\$ -	
Base Valuation for Debt Limit		<u>\$ 2,029,964,330</u>	

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

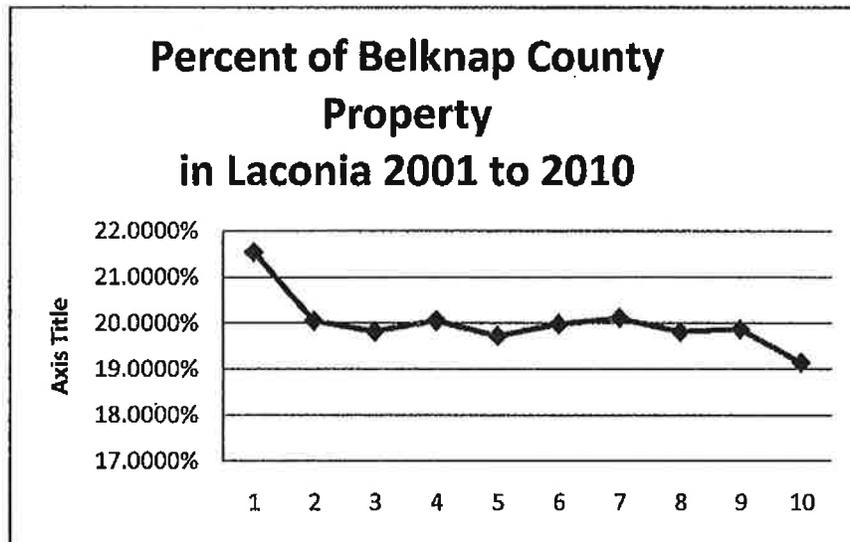
	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Legal Debt Limits										
City 3%	\$60,899	\$65,841	\$69,367	\$68,514	\$63,477	\$54,960	\$47,575	\$40,990	\$34,391	\$31,320
School 7%	\$142,098	\$153,630	\$161,855	\$159,865	\$148,114	\$128,240	\$111,007	\$95,644	\$80,246	\$73,081
Debt Against Legal Debt Limits										
City	8,801	8,790	9,173	9,541	10,910	11,876	13,253	12,330	10,683	8,081
School	26,359	28,500	30,379	9,271	10,208	11,145	12,082	13,022	9,688	3,943
Total City & School Debt June 30	\$35,160	\$37,290	\$39,552	\$18,812	\$21,118	\$23,021	\$25,335	\$25,352	\$20,371	\$12,024
Unused Capacity of Legal Debt Limits										
City*	\$52,098	\$57,051	\$60,194	\$58,973	\$52,567	\$43,084	\$34,322	\$28,660	\$23,708	\$23,239
School	115,739	125,130	131,476	150,594	137,906	117,095	98,925	82,622	70,558	69,138
% of Legal Debt Limits Used										
City	14.5%	13.4%	13.2%	13.9%	17.2%	21.6%	27.9%	30.1%	31.1%	25.8%
School	18.5%	18.6%	18.8%	5.8%	6.9%	8.7%	10.9%	13.6%	12.1%	5.4%

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

Data Source
 Annual Financial Statements
 NH Department of Revenue Administration

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

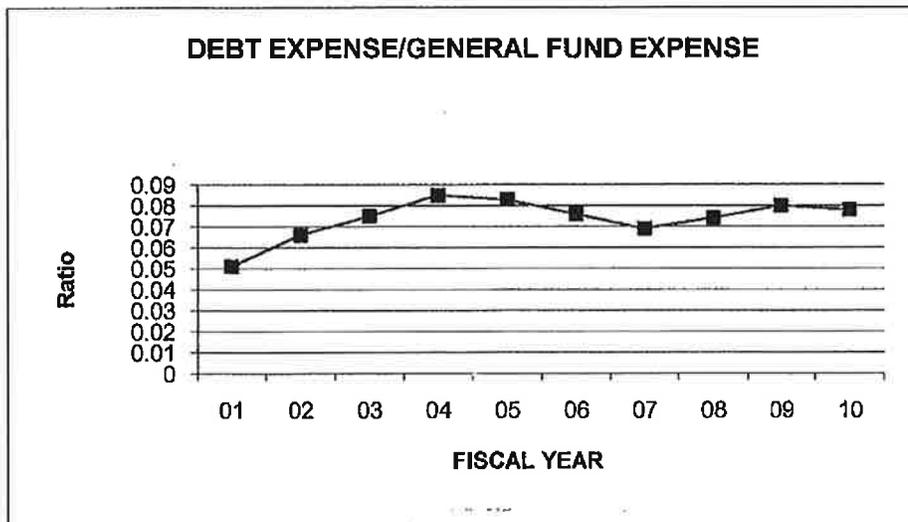
End of Year	Net Debt Outstanding	Percentage Applicable to Laconia	Amount Applicable to Laconia
2010	\$4,350,000	19.1343%	\$832,342
2009	\$4,845,000	19.8641%	\$962,416
2008	\$5,420,000	19.8103%	\$1,073,718
2007	\$5,864,600	20.1023%	\$1,178,919
2006	\$6,579,200	19.9759%	\$1,314,254
2005	\$7,323,800	19.7202%	\$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



**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	% *
2010	\$3,231,704	\$883,673	\$4,115,377	\$52,812,882	7.8%
2009	\$3,238,389	\$877,394	\$4,115,783	\$51,595,864	8.0%
2008	\$2,854,710	\$881,502	\$3,736,212	\$50,219,571	7.4%
2007	\$2,305,366	\$976,916	\$3,282,282	\$47,499,904	6.9%
2006	\$2,314,280	\$1,071,710	\$3,385,990	\$44,346,839	7.6%
2005	\$2,314,280	\$1,190,045	\$3,504,325	\$42,400,226	8.3%
2004	\$2,260,955	\$1,202,005	\$3,462,960	\$40,665,483	8.5%
2003	\$1,927,280	\$1,059,673	\$2,986,953	\$39,722,363	7.5%
2002	\$1,440,280	\$895,102	\$2,335,382	\$35,605,196	6.6%
2001	\$1,069,280	\$630,521	\$1,699,801	\$33,341,076	5.1%
2000	\$965,300	\$508,690	\$1,473,990	\$30,019,767	4.9%

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



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

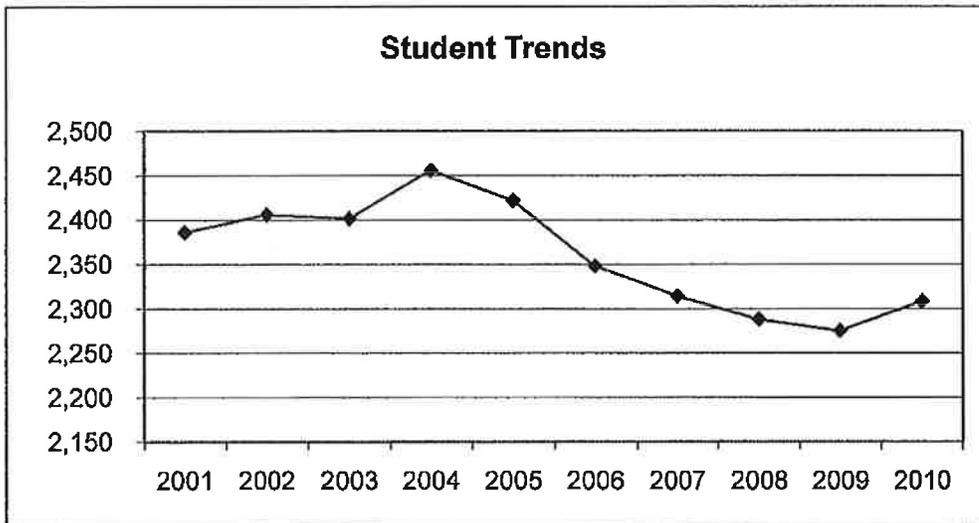
Fiscal Year	Population*	Personal Income*	Per Capita Personal Income*	Median Age*	School Enrollment**	Unemployment Rate***
2001	16,499	37,796	19,540	38.8	2,406	2.6%
2002	16,751	37,796	19,540	38.8	2,402	4.8%
2003	16,999	37,796	19,540	38.8	2,456	2.9%
2004	17,071	37,796	19,540	38.8	2,422	2.9%
2005	17,183	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	37,796	19,540	38.8	2,275	4.0%
2009	16,950	37,796	19,540	38.8	2,308	6.8%
2010	16,950	37,796	19,540	38.8	2,278	8.5%

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, 2010
 (amounts expressed in thousands)

Taxpayer	2010				2001				
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Public Service of NH	\$14,095	1	0.73%	\$13,513	1	1.26%			
Keyspan Energy Delivery	7,281	2	0.38%	5,099	2	0.48%			
Gilford Route 11 Realty Trust	7,190	3	0.37%	4,493	4	0.42%			
Irwin James R & Sons Inc	6,554	4	0.34%	-		0.00%			
Clearview Realty Ventures	6,528	5	0.34%	-		0.00%			
Margate Motel Inc	4,940	6	0.26%	4,191	6	0.39%			
Laconia Country Club	4,801	7	0.25%	3,584	8	0.33%			
Summit at Four Season Owners	4,752	8	0.25%	4,758	3	0.44%			
Remington John & Jacqueline	4,663	9	0.24%	-		0.40%			
Aavid Thermal Products	4,650	10	0.24%	4,309	5	0.40%			
Lakeshore Estates	-		-	3,703	8	0.35%			
NH Ball Beaming	-		-	3,549	9	0.33%			
Wingate Associates LTD	-		-	3,047	10	0.28%			
Totals	\$65,454		3.41%	\$50,246		4.69%			
Total Net Assessed Taxable Value	\$1,919,275			\$1,071,065					

Source:
 City of Laconia, Assessing Records and Tax Records

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Function**											
General government	33	33	33	33	32	31	27	26	28	26	26
Public safety											
Police											
Officers	10	10	10	10	10	10	9	11	11	10	10
Civilians	34	35	35	35	35	36	34	33	38	39	39
Fire											
Firefighters and officers	31	31	31	31	31	31	35	35	36	36	36
Civilians	1	1	1	1	1	1	1	1	1	1	1
Call firefighters	16	14	10	10	10	10	8	10	17	13	12
Highway and streets											
Engineering	2	2	2	2	2	2	2	2	2	2	1
Maintenance	15	15	15	15	15	15	14	13	14	13	16
Solid Waste	1	1	1	1	1	1	1	1	1	1	1
Library	14	14	13	12	12	12	11	11	11	11	10
Parks & Recreation	6	6	6	7	7	7	7	7	7	7	7
Water	16	16	16	16	16	16	16	16	16	16	16
Sewer	8	8	8	8	8	8	7	7	7	8	8
ISF*	3	3	3	3	3	3	3	2	3	3	2
Total	190	189	184	184	183	183	175	175	192	186	185

Source: City Budget Reports

Open position not included

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

	Full-time Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Position										
Administrators	17	18	18	18	18	18	18	18	18	18
Guidance Counselors	10	10	10	10	10	10	10	10	11	12
Classroom Teachers	147	150	156	156	158	161	160	160	158	160
Special Education Teachers	21	22	25	28	29	29	32	28	31	31
Librarians	2	2	2	2	2	2	2	2	2	2
Vocational Education Teachers	13	13	14	14	14	13	13	12	12	12
Nurses	5	5	5	5	5	5	5	5	5	5
Itinerant Staff	18	19	20	19	20	19	21	22	24	27
Total	233	239	250	251	255	257	261	257	261	267

Source: City Annual reports
School District

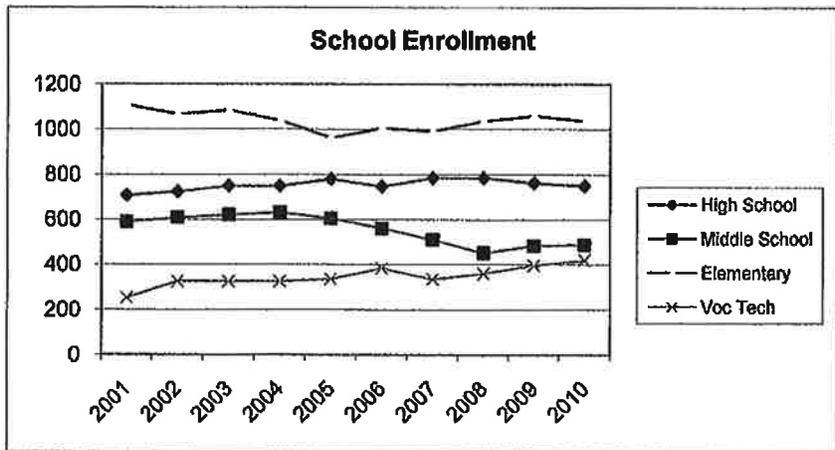
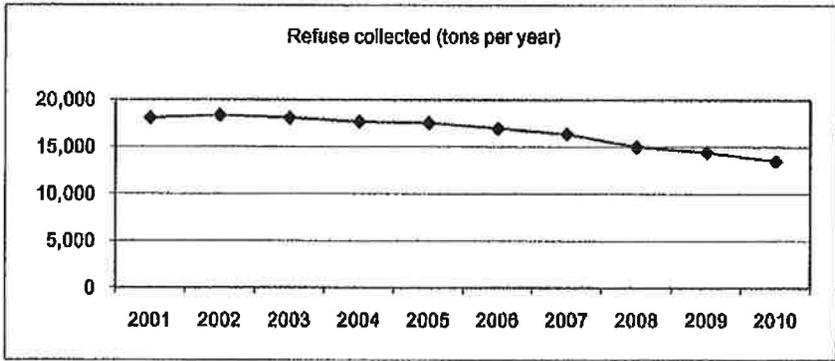
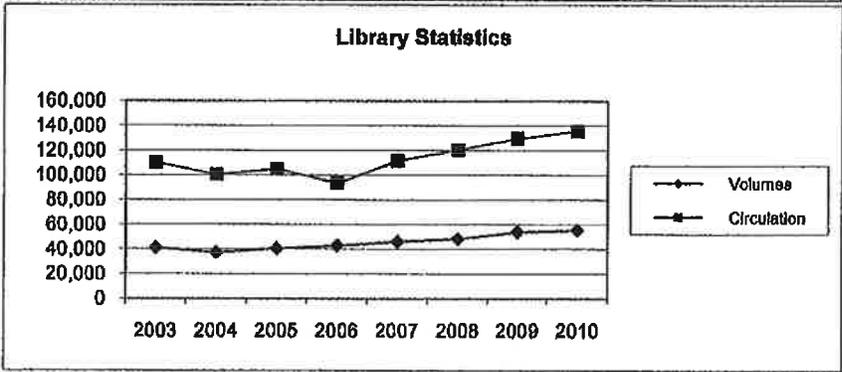
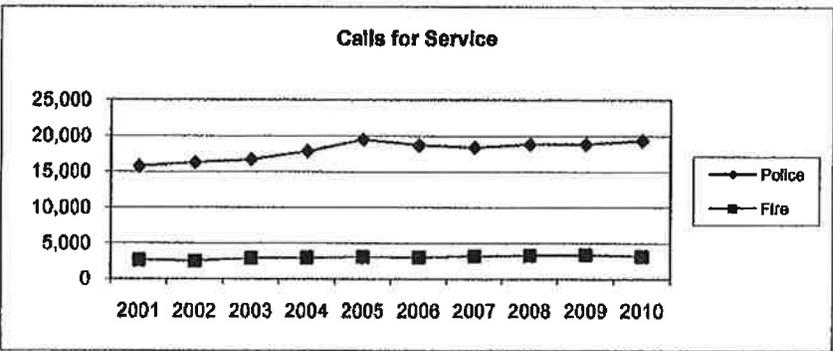
City of Laconia NH
Operating Indicators by Function
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function											
Police											
Calls for service	15,163	15,768	16,306	16,715	17,863	19,498	18,721	18,364	18,841	18,870	19,335
Criminal arrests	753	1,295	1,283	1,422	1,553	1,923	1,913	1,911	1,997	1,600	1,690
Parking violations	3,184	4,018	3,140	4,569	4,491	4,608	5,035	4,765	4,017	4,042	3,259
Traffic violations	1,924	988	1,383	1,496	2,110	1,445	1,149	1,021	730	694	525
Fire											
Number of calls answered	2,336	2,663	2,534	2,925	2,987	3,089	3,017	3,186	3,315	3,394	3,173
Inspections	n/a	n/a	250	990	1,518	2,017	2,028	2,112	1,800	2,387	2,963
Highways and streets											
Street resurfacing (miles)	2.78	2.24	5.4	7.99	6.75	6.41	3.00	3.43	2.95	2.21	3.17
Code											
Building permits issued	284	268	306	457	702	542	341	499	310	254	273
Estimated construction value* (in thousands)	\$18,723	\$14,081	\$21,974	\$28,611	\$35,928	\$65,287	\$40,352	\$34,765	\$52,115	\$27,021	\$53,975
Library											
Volumes	n/a	n/a	n/a	41,054	37,289	40,431	42,763	45,920	48,330	53,882	55,384
Circulation	n/a	n/a	n/a	110,238	100,459	104,988	93,509	111,571	120,508	129,583	135,602
Solid Waste											
Refuse collected (tons per year)	17,678	18,091	18,378	18,067	17,688	17,536	16,974	16,366	15,030	14,471	13,495
Recyclables collected (tons per year)	383	363	357	338	315	342	483	536	593	768	916
Parks & Recreation											
Field Use Requests	48	36	37	37	43	35	58	57	72	66	69
School Enrollment											
Laconia HS	689	708	724	749	749	779	747	784	785	763	750
Laconia Middle School	562	590	609	621	632	605	561	511	452	484	489
Woodland Heights	496	475	451	436	416	386	415	414	417	424	422
Pleasant Street	318	317	302	323	307	281	290	284	303	309	302
Elm Street	321	316	316	327	318	297	301	295	318	328	315
Area 8	253	253	326	326	326	336	384	335	360	397	420
Water											
New connections	106	63	62	16	92	143	93	74	85	56	61
Water main breaks	n/a	8	9	7	16	5	4	6	8	11	4
Average daily consumption-MGD	1.84	1.89	1.9	1.97	1.85	1.78	1.81	1.75	1.65	1.49	1.44

Sources: Various government departments

Note:

*2008 permits included \$19.8 million school project



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

Function	Fiscal Year										
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety											
Police:											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4	4
Fire stations	3	3	3	3	3	3	3	3	3	3	3
Highways and streets											
Streets (miles)-paved	103.83	103.83	104.72	104.72	104.72	104.72	105.12	105.12	105.21	105.21	105.21
Streets (miles)-unpaved	7.24	7.24	7.24	7.24	7.24	7.24	7.24	7.24	7.24	7.24	7.24
Traffic intersections	7	7	7	7	7	7	7	7	7	7	7
Street lights	1,297	1,297	1,297	1,297	1,297	1,297	1,341	1,341	1,341	1,344	1,344
Culture and recreation											
Parks acreage	202.7	202.7	202.7	202.7	202.7	208.7	208.7	208.7	208.7	208.7	208.7
Parks	13	13	13	13	14	14	14	14	14	14	14
Tennis courts	9	9	9	9	9	9	9	9	9	9	9
Community centers	8	8	8	8	8	8	8	8	8	8	8
Water											
Water mains (miles)	94.49	95.2	96.81	96.95	96.95	96.95	97.55	99.38	99.87	100.97	102.39
Fire hydrants	473	475	460	461	461	461	461	482	482	515	517
Maximum daily capacity (MGD)	6	6	6	6	6	6	6	6	6	6	6
Service connections	5,601	5,664	5,726	5,742	5,846	6,005	6,103	6,177	6,262	6,318	6,379
Sewer											
Sanitary sewers (miles)	103.82	103.82	103.82	103.82	103.82	103.82	104.69	104.69	104.69	104.69	104.69
Service connections	9,850	9,913	10,013	10,104	10,221	10,366	10,440	10,531	10,604	10,655	10,700
Maximum daily capacity -MGD	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Pump Stations	17	17	17	17	17	17	19	19	19	19	19

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

