

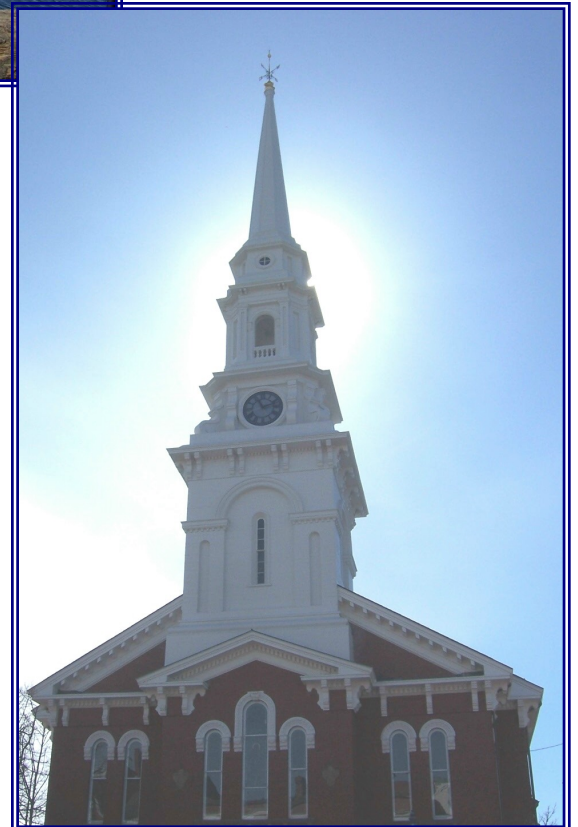
CITY OF PORTSMOUTH, NEW HAMPSHIRE



COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended
June 30, 2009**



CITY OF PORTSMOUTH, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2009



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City of Portsmouth, New Hampshire
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

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CITY OF PORTSMOUTH

Municipal Complex
1 Junkins Avenue
Portsmouth, New Hampshire 03801
(603) 431-2000

December 17, 2009

Mayor and City Council
City Of Portsmouth
One Junkins Avenue
Portsmouth, NH 03801

To the Citizens, Mayor and City Council of the City of Portsmouth:

The Comprehensive Annual Financial Report of the City of Portsmouth for the Fiscal Year ended June 30, 2009, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the following data, including financial statements, supporting schedules and statistical tables, is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. To provide a reasonable basis for making the representations, management has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with generally accepted accounting principles. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

City Charter, as well as State statutes require an annual audit by independent certified public accountants. The City's audit firm is Melanson Heath and Company, PC. In addition, the City is required to undergo an annual audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non Profit Organizations. Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are not included in this year's CAFR but are available in a separate report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it for additional narrative overview and analysis of the City's activities.

This report includes all funds of the City. This report does not report on the Portsmouth Housing Authority or Rockingham County. These governmental units are independent of the City and do not meet the criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

PROFILE OF THE GOVERNMENT

Originally settled in 1623, the City of Portsmouth was incorporated in 1849. It is located on New Hampshire's seacoast on the Piscataqua River midway between Portland, Maine, 50 miles to the north, and Boston, Massachusetts, 49 miles to the south. Portsmouth is the New Hampshire seacoast's trade and cultural center and a major distribution market for points in northern New England. Situated along Interstate 95, Portsmouth is served to the west by routes U.S. 4, N.H. 16 and 33 and to the north and south by the Spaulding Turnpike and U.S. Route 1.

The Organization of the Government

The City of Portsmouth has operated under the Council-Manager form of government since 1947. The City Council is comprised of the Mayor and 8 members, and is responsible for enacting ordinances, resolutions and regulations governing 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 enforcement of laws and ordinances. The City manager appoints and supervises the heads of the departments of the City organization with the exception of the School, Police, and Fire Departments.

The School Board consists of nine elected citizens of Portsmouth. The School Board sets policies and goals and has line item control over its annual budget, however, the City Council is responsible for the funding of the School Department.

There is a Police Commission which is composed of three elected citizens of Portsmouth. The Commission sets policies and goals, however, the City Council is responsible for the funding of the Police Department.

The Fire Commission, composed of three elected citizens of Portsmouth, is responsible for the policies and goals of the Fire Department. The Fire Department is also subject to funding by the City Council.

Services Provided

The City of Portsmouth provides the full range of municipal services normally associated with a municipality including police and fire protection, emergency medical services, public works operations, financial administration, planning and zoning, code enforcement, health and welfare services, parks operation and maintenance, recreation, library services, public education, parking and transportation, solid waste collection and disposal, 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.

Budget Process

As required by the City of Portsmouth's Charter, the City Manager submits a recommended six-year Capital Improvement Plan three months before the final submission date of the fiscal year recommended budget. The fiscal year recommended budget must be submitted to the City Council at least 45 days (May 15th) before the start of the fiscal year. The budget is prepared which includes the General Fund, Special Revenue Funds and Enterprise Funds and are presented by department and functions, which require an appropriation.

The City ensures compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body by use of budgetary controls. Activities of the General Fund, Special Revenue Funds, and Enterprise Funds are included in the annual appropriated budget. Project length financial plans are adopted for the Capital Project Funds. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control; encumbered amounts are carried over at year-end. The City Manager, with the approval of the Council, may transfer any unencumbered appropriation balance or any portion thereof from one department to another.

The City Council, by charter, must adopt a budget by June 30th. If the City Council takes no action on or prior to June 30th, the budget submitted by the City Manager is deemed to have been adopted by the City Council per the City Charter.

Once the budget is adopted, no appropriations shall be made for any purpose not included in the annual budget as adopted unless voted by a two-thirds majority of the City Council after a public hearing is held to discuss said appropriation.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITIONS

Local Economy

The FY09 unemployment rate for the City remained low with an average unemployment rate of 4.39% (seasonally adjusted). This figure is below the state's unemployment average of 5.18% and significantly below the national average of 7.63% during the same period.

As of June 2009, employment in the NH portion of the Portsmouth MetroNECTA was 55,800 for all non-farm employment sectors, reflecting a decrease of 1,500 jobs from June 2008. The largest loss (1,100) was in the leisure and hospitality sector. Significantly lower employment losses (100 each) were posted for the manufacturing, mining, logging and construction, transportation, warehousing and utilities, information, professional and business sectors. Both government and retail sectors gained 100 jobs, while the wholesale trade, financial activities, education and health, and trade transportation and utilities sectors remained the same as the previous year.

Local construction activity slowed throughout FY09, with the continuance of the trend toward building upgrades, additions and renovations, rather than new construction. During FY09 the City's Inspections Department issued 4 building permits for new industrial and business construction projects with a combined construction value of \$6.5 million. This compares to 9 non-residential permits with a construction value of \$31 million in the previous year. On the residential side, 11 permits for new dwelling units were issued with a total construction value of \$8.4 million. This represents a 14% decrease in residential construction value over the previous year.

Permits for renovations to existing structures remained the same as in the previous year with the majority being residential upgrades. During the reporting period, the City issued 331 permits for renovations to existing residential, business and industrial structures, for a combined construction value of \$42 million, compared to \$32 million in total construction value in FY08. Three quarters of the renovation permits were issued for residential upgrades with a total construction value of \$5.5 million -- down from \$6.3 million during the previous year.

In Fiscal Year 2009, the City's commercial and residential markets showed a nominal decline. As in the past, single-family homes continue to be desirable. Overall, commercial and residential values within the city have declined slightly by 1.2%. The median sale price for a single family home in the City of Portsmouth as of April 1, 2009, was \$324,000. Home foreclosures continued to be low compared to surrounding communities, with only 7 foreclosures in the first 6 months of 2009. Similarly, there were only 13 foreclosures in calendar year 2008 and 14 the previous year.

The most significant project in the City's Northern Tier is Portwalk, which includes a pedestrian boardwalk and roadway flanked by four mixed use buildings with 70,000 square feet of street level retail; 28 residential condominiums; 150,000 square feet of office space; and an extended stay hotel with 147 rooms. The first phase of the project -- the demolition of the existing Parade Mall building -- occurred in Spring 2009, followed by the start of hotel construction.

Portsmouth Regional Hospital is undertaking a \$63 million, 67,600 square foot expansion and 88,000 square foot renovation project, which includes creation of a cardiovascular surgery unit, expansion of the surgery/endoscopy operating suite, improvements to the hospital lobby, and upgrades to existing patient rooms.

A recent report for the first quarter of 2009 released by Grubb and Ellis, a commercial real estate advisory firm, indicates that there is continued demand for the commercial office and industrial markets in the City. According to Grubb and Ellis analysts, in the office market there continues to be a "flight to quality" as seen in 2008 and evidenced by the fact that there is more vacant Class C office space than vacant Class A & B space. Tenants are benefiting in this market through landlord concessions and tenant improvement packages.

Overall first quarter 2009 commercial office vacancy rates in the Portsmouth are 11%. Asking rates for the commercial Portsmouth office market for the first quarter of 2009 averaged \$21.81 per square foot for Class A space and \$17.23 for Class B space, and

\$16.50 for Class C. Downtown Portsmouth and Pease International Tradeport continue to be the most sought after real estate in the region. The industrial market for the first quarter of 2009 was flat. Vacancy rates in the industrial sector for the first quarter of 2009 are 11.6%, with average lease rates of \$6.88 per square foot.

Most of the new development in the city is at Pease Tradeport. It is currently home to 42% of all office space, but is responsible for 96% of the net growth. In FY09 development activity at Pease included completion of a new \$4 million office building at 180 International Drive and a \$1 million office building at 75 International Drive. Also, Ocean Properties received approval for construction of a 72,000 square foot office structure on International Drive. The Tradeport now employs 7,000 people. Development at the Tradeport is a significant contributor to the City, with \$233 million in assessed value from the airport district and \$174 million from the non-airport district.

The Portsmouth Naval Shipyard will add 405 jobs in 2009, more than tripling its number of expected hires. This workforce expansion will enable the facility to service the newer Virginia-class fast-attack submarines. In February 2009, the Shipyard released its annual economic impact report that indicates the facility employs 4,870 people in the region with a payroll of \$361 million and over \$2 million purchased in goods and services in New Hampshire in 2008.

The Shipyard announced in April that two new military operations are coming to the shipyard. In 2010, the U.S. Navy Survival, Evasion, Resistance and Escape school (SERE) – which will employ 100 military and civilian workers and train roughly 1,200 students per year – is expected to move into a new \$10.7 million building. By 2011, the U.S. Army New England Recruiting Battalion will move to the Shipyard. The Battalion, which employs eight military and 22 civilian workers, is responsible for all Army recruiting operations in Maine, New Hampshire, Massachusetts and Rhode Island. It provides planning, operations, administration and logistical support.

Another source of good news is announcement of nearly \$24.5 million for construction and repair projects coming to the Shipyard, via the American Recovery and Reinvestment Act (ARRA). ARRA funds will be used for concrete pile and structural system repairs to berths (\$11.2 million), roof and window repairs to the training facility building (\$4.7 million), HVAC system replacement and modernization of the waterfront building adjacent to the dry dock (\$4.6 million), and roof replacement and exterior repairs to the administrative building (\$3.7 million).

Finally, Portsmouth's reputation as an attractive place to do business and as tourist destination has garnered the attention of many business and travel writers. In the past year Portsmouth received the following recognitions and accolades:

- **Business Week** selects Portsmouth as the best place to start a business in New Hampshire (April 2009)
- The Music Hall receives award for "Excellence in Architecture" from the American Institute of Architects (AIA) New Hampshire (Feb. 2009)
- Portsmouth named to **National Geographic Traveler's** list of the globe's "Historic Places" - #26 in the world, #6 in the U.S. (Nov/Dec. 2008)

- *Design New England* features Portsmouth in “Second Cities: New England gems promise urban living without the hassle” (Nov/Dec. 2008)
- Portsmouth included in ForbesTraveler.com’s list of “**America’s Prettiest Towns**” (Oct. 2008) – coverage also picked up on Yahoo
- MSN/CareerBuilder.com ranks Portsmouth in the “**30 Best Markets to Find a Job**” (Oct. 2008)
- Portsmouth named #4 on Outside magazine’s “**Top 20 Towns in America**” (Aug. 2008)

Economic indicators for FY09 show that the economic downturn has resulted in a slower pace for new construction and development, a slight reduction in the cost of residential and commercial real estate and a loss of jobs in the hospitality sector. Despite these impacts, the City has remained resilient and a desirable community for investment with its low unemployment, job growth in the government and retail sectors, and stable employment in most other employment sectors (most notably finance, education and health). The City’s strong fiscal position has enabled it to fund infrastructure projects that continue to improve the high quality of life Portsmouth offers, and the City’s attractiveness to business.

Major Initiatives

Zoning Ordinance Revision Project - Over the course of the last three years Portsmouth has been carrying out a major revision of the City’s Zoning Ordinance and Site Plan Review Regulations. The built environment, which is driven in large part by the City’s land use regulations, impacts the community’s overall health. The new land use regulations, which implement the goals and policies outlined in the City’s 2005 Master Plan, will play a key role in positively shaping and managing future development and redevelopment in the City. The last major revision of the Zoning Ordinance was 14 years ago.

The Zoning Ordinance Revision Project is the product of extensive collaboration between City staff, the Planning Board, the Economic Development Commission, Historic District Commission, Conservation Commission, Blue Ribbon Committee on Housing, and Committee on Sustainable Practices. The City Council also provided important guidance on the development of the draft Zoning Ordinance via a half-day work session and additional question and answer work sessions with City staff.

The City’s land use boards and committees, and the City Council, play a key role in implementing zoning, regulations and policies that impact development, which in turn shapes Portsmouth’s economic vitality and tax base. Specifically, the City’s land use regulations implement the 2005 Master Plan’s economic development, land use, housing, sustainability and resource protection goals. Implementing these goals is essential to developing creative, well designed solutions to the complex range of planning and development issues in the City, and guiding the quality, type, scale and intensity of residential and non-residential development. Some important goals of the City’s land use regulations are to promote a healthy tax base, create opportunities for high quality economic development, and insure a vibrant economy and a vital down-

town, with Portsmouth businesses not only providing jobs, goods and services, but generating much of the City's overall vibrancy.

The Zoning Ordinance was finalized by the Planning Board in early October 2009 and City Council adoption is anticipated in Fall-Winter 2009.

Sustainability Initiatives -The City of Portsmouth has a longstanding commitment to the principles of sustainability. Designated an Ecomunicipality in November 2007 the City continues to work at decreasing our dependence on fossil fuels and synthetic chemicals, reducing negative impacts on our natural resources and to meeting the needs of our residents fairly and inclusively. Under the leadership of the City Council, City Manager and the guidance of its Committee on Sustainable Practices, as well as the expertise of City staff, Portsmouth has implemented numerous initiatives, which further these principles. Most of these initiatives have resulted in either immediate or long-term cost savings for municipal operations. Recent City accomplishments that further the goals of sustainability and have resulted in or will result in significant annual cost savings include:

- In February 2009 a lighting upgrade project was completed replacing 275 high pressure sodium light fixtures with compact fluorescent fixtures in the High-Hanover Parking Garage. The cost for the project was just over \$70,000 for which the City received a rebate of \$35,000 from Public Service of New Hampshire (PSNH). With an annual cost savings estimated at approximately \$21,000, the project will pay for itself in less than two years and save the City \$21,000 thereafter.
- The City is updating its 2006 greenhouse gas emissions inventory and has begun an EPA Energy Star audit of all municipal buildings. Both of these efforts will provide data that will be used to guide and prioritize facility upgrades to further reduce annual operating costs.
- Cost saving upgrades to the wastewater system including the recent installation of the Rye line pump station with premium efficiency motors and drives which will result in electricity use reductions and annual cost savings.
- The City recently improved the Public Works garage heating system with more efficient infrared heating units.
- The City is nearing completion of a new fire substation. This facility has followed LEED principles of design and will likely receive LEED certification. Key sustainable features include a superinsulated building envelope and high efficiency natural gas boilers for heat. These features will result in significant annual operating cost savings.
- In the spring of 2009 the City began construction of its new drinking water treatment plant where the energy use and cost is expected to be 30% lower than a conventional design. Solar hot water collectors, heat pumps and "daylight harvesting" are some of the features which will reduce both the carbon footprint of this new facility as well as annual operating costs.

- The Portsmouth Middle School is in the preliminary design phase. The final design will follow the standards of, and seek certification by, the Northeast Collaborative for High Performance Schools. High performance schools take advantage of recent advances in energy efficiency and incorporate heating, cooling, and lighting systems that produce the highest comfort levels for the least cost and insure that the annual operating costs will be lower than a conventionally designed school.

New Fire Station 2 - In FY09, the City completed the design and initiated construction of a new Fire Station to replace and relocate Fire Station 2 to land located at 3000 Lafayette Road. This site is suited to accommodate the new station, meet the requirements of the National Fire Protection Association (NFPA) and meet the City's desire to have the first LEED certified fire station in the State of New Hampshire. In addition, the new site allows for drive through bays, insures safe access to both US Route 1 and Ocean Road, and provides sufficient parking and room for future expansion. The City has issued bonds for \$6.45 million for site acquisition and construction related costs.

Streets and Sidewalk Improvements - In FY09, the City continued investment in the vital infrastructure of streets and sidewalks. Construction of the replacement of the B&M Railroad Bridge on Rte 33, along with safety improvements to the approaches, was started. This work includes not only the bridge replacement, but also drainage, paving, signage, landscaping, trees, sidewalks and signalized intersections from Peverly Hill Road to Borthwick Avenue. In the Downtown Business District, sidewalk improvements were completed on Market Street between Market Square and Bow Street. This work included widened brick sidewalks, storm drainage and historic period lighting. Construction of Phase 1 of the Raleigh Way Streetscape Improvement Project was completed with new concrete sidewalks, granite curbing, paving, signage, landscaping and trees in this historic neighborhood. Funding was approved to continue the Citywide Sidewalk Reconstruction Program as well as the Pavement Management and Rehabilitation Long Range Plan. Construction of the Woodbury Avenue traffic calming and safety improvement project from Bartlett Street to Market Street Extension was initiated. The primary purpose of this work is to reduce travel speeds, improve pedestrian safety and eliminate through truck travel by reduced width travel lanes, bump outs, curbing, signage and pavement markings. Commenced construction of the Gates Street Area reconstruction project to include curbing, brick sidewalks, drainage, sewer, water and landscaping. Completed pavement improvements to various streets citywide: Cass Street, Friend Street, Lovell Street, Chevrolet Avenue, Brewery Lane, Bartlett Street, Cate Street, North School Street, Prospect Street, Walker Street, Blossom Street, Brackett Lane, Foch Avenue, Barberry Lane, WBBX Road, Parrot Avenue and Sagamore Grove Road. Completed the design of the Middle Street Sidewalk Improvement Project Phase II from Union Street to Aldrich Road. Completed design and bidding of the Raleigh Way Streetscape Project Phase II. Completed the design and bidding process for the Market Street sidewalk and bike lane project between Michael Succi Drive and the NH Port Authority entrance. Initiated the design of various street projects including the Islington Street/Spinney Road intersection, South Street/Lafayette Road intersection and the Ceres Street/Park reconstruction.

Wastewater Treatment Master Plan - The Sewer Division completed the second year of the three year Wastewater Master Plan study. This study will provide the City an outline for upgrading the Peirce Island Treatment Plant from an Advanced Primary level of treatment to Secondary treatment with Biological Nutrient Removal (BNR) capabilities. The Study will also include an update of the Combined Sewer Overflow Long-term Control Plan. The work includes flow monitoring at selected locations in the collection system to provide data for the system wide hydraulic model, review of technologies for the new treatment plant, as well as preparation of several technical memorandums regarding the study. The City entered into a consent decree with the EPA and the State of New Hampshire which further outlines the time frame for completing the Master Plan.

Water Treatment Plant - The Water Division began construction of a new Dissolved Air Flootation treatment plant adjacent to the existing plant. The new plant was designed to replace the existing 50 year old facility with a technology that can better treat the source water from the Bellamy Reservoir to meet current as well as upcoming regulatory requirements. The new plant is being constructed using the Leadership in Energy and Environmental Design (LEED) principles to produce a sustainable and energy efficient plant.

Automated Meter Reading System - The Water and Sewer divisions continued the installation of the Automated Meter Reading (AMR) system. Approximately one half of the system was completed at the end of FY09. The new system allows for the monthly reading of all water meters in the system as recommended in the Water/Sewer Rate study completed in 2006. The meters are read through a radio transmission that is collected and sent to the billing office. The new system allows the water division to better track unaccounted for water through the balancing of the production and consumption of water in the system.

Rye Line Pump Station Upgrade - The City completed upgrades to the Rye Line Pump Station. The improvements included upgrades to the pumps and motor controls to new energy efficient pumps and variable frequency drives. Additionally, improvements were made to the building envelope to protect the station from flooding issues. The upgrades will both improve reliability as well as reduce energy consumption.

Long-Term Financial Planning

The City has embarked on several projects or legislative issues that will have a financial impact on the City of Portsmouth:

American Recovery and Reinvestment Act of 2009 - In February 2009, the President signed the American Recovery and Reinvestment Act (ARRA), which provided hundreds of billions of dollars in funding designed to stimulate economic recovery, promote jobs, and improve the nation's infrastructure. Throughout the spring and early summer municipal, police, fire, and school departments applied for competitive grant funding and received formula funding as a result of the Act. As of fall 2009,

City sponsored ARRA-funded construction projects include the State Street Improvement Project and the Raleigh Way Streetscape Improvement Project. The School Department received funding through various formulas for disadvantaged students as well as special education and career development programming among others. The Police Department received funding to continue its work as the statewide coordinator of the Internet Crimes Against Children Task Force as well as partial funding for a part-time DWI prosecutor. In many cases, this funding will be received over multiple-years. Several other funding requests have been submitted or are pending; the City expects to learn about the status of these opportunities in the coming months.

Statewide Property Tax - A 2008 law allows Portsmouth to continue to dedicate Statewide Property Taxes raised from local taxpayers to funding education within this city through June 30, 2011. A new education funding formula is expected to go into effect in FY2012 and initial calculations indicate the City of Portsmouth would then receive its first education funding grant - \$1.5 million - since the Statewide Property Tax was imposed in 1999 to fund education. Until FY06, Portsmouth was forced to raise an additional \$11,750,318 in Statewide Property Taxes for redistribution to other communities. Since that time, Portsmouth has been allowed to spend Statewide Property Taxes raised in excess of the State's changing cost of adequacy on local education, which resulted in a major positive impact. Although the New Hampshire Legislature may consider refinements to the education funding formula during the 2010-2011 session, legislative leadership has previously stated the Legislature's intent is to make no major changes until FY12. The City, with the help of the City Council's new four-member Legislative Subcommittee comprised of the Mayor and three City Councilors, will continue monitoring activities at the NH Legislature that could have an impact on Portsmouth. The City also will continue to watch the Legislature's future education funding discussions via the Coalition Communities office based at Portsmouth City Hall, which is funded by the City and contributions from Coalition-member towns.

Bond Rating - The City continues to work to maintain its strong position and improve its credit ratings. In June of 2009, Standard & Poor's Rating Group, one of the nation's largest bond rating agencies, upgraded the City of Portsmouth bond rating from AA to AA+. This is the second highest rating obtainable from Standard & Poor's. In increasing the rating, S&P cited the City's good management practices, consistent financial position and moderate-to-low debt burden as positive factors. In addition, Moody's Investors Service affirmed its Aa2 bond rating for the city, citing strong and stable financial operations, a sizable and diverse economic base and the low overall debt burden.

Lafayette School - In October 2008, the City of Portsmouth leased the former Lafayette School building to the Portsmouth Housing Authority to create 10 housing units for seniors 62 years of age and older who earn less than 60% of median income. Rehabilitation of the former school building began in FY 2009, and senior residents moved into their new apartments in August 2009. The lease term is for 98 years and the property is managed by the Portsmouth Housing Authority. The \$2.6 million construction project was funded in part with Low-Income Housing Tax Credits, Federal Home Loan Bank funds, and local Community Development Block Grant funds. The

redevelopment of this City-owned building was consistent with the City's efforts to successfully re-use vacant City buildings as recommended by the Building Reuse Committee. The Committee identified several guidelines for the disposition and reuse of City property including affordable housing reuses.

Blue Ribbon Committee on Housing - The Blue Ribbon Committee on Housing was appointed by City Council in May 2008. In November 2008, it presented its final report to the City Council. The Committee focused on the need to create additional units of workforce housing, which is defined as housing affordable to those who earn between 80% and 120% of median income. Several key issues were identified including the jobs-housing imbalance, housing cost-wage imbalance, and the City's limited developable land. The Committee also recognized the need to leverage private resources to create new units, encourage redevelopment of existing parcels, preserve existing affordable housing, and link future job growth to workforce housing. In FY 2009, in response to the Committee's recommendations, the City Council established a Workforce Housing Trust Fund to help facilitate development of new workforce housing in partnership with private and non-profit housing developers. In addition, the draft Zoning Ordinance under consideration by the City Council contains zoning changes, which were recommended by the Committee. These changes would promote the creation of housing (including workforce housing) in mixed-use developments along major corridors.

Relevant Financial Policies

Undesignated Fund Balance

The City's Undesignated Fund Balance ordinance states that the City shall maintain an undesignated fund balance of at least 7% of prior year's appropriation with a goal of 10%. Since this ordinance was adopted in 1997, the City has remained within this range and in FY09, exceeded the 10% goal. As of June 30, 2009, the undesignated fund balance is 11.98% of prior year appropriation.

Debt Service Planning

It is the policy of the City to keep operational net debt costs at no more than 10% of annual general fund expenditures toward net debt service payments. For FY09, the amount of net annual debt remains within the policy limits at 6%.

Cash Management

The City investment policy is to minimize credit and market risks while maintaining a competitive yield, as well as adhering to State of New Hampshire Investment Statutes (see notes to the financial statements). The majority of deposits are collateralized by securities issued by the United States Government or any agency thereof, held by the entity or by its agent in the entity's name.

Cash temporarily idle during the year was invested in Checking Accounts, Money Market Accounts, Certificates of Deposit and the State Investment Pool. Lock box

collections are utilized for collection of real estate property taxes, parking tickets, and water and sewer payments.

A computer based cash management system is utilized each month. The average yield on the City's operating cash account was .64 percent while various investments in money markets and Certificates of Deposits ranged from .9% to 3.4%. All investments held by the City (Excluding Trust Funds) are classified as Category 2 as defined by the Governmental Accounting Standards Board.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Portsmouth for its Comprehensive Annual Financial Report for the Fiscal Years ending June 30, 1988, 1989, and for fourteen consecutive years from 1995 to 2008.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Portsmouth also received the GFOA's Distinguished Budget Presentation Award for four consecutive years; fiscal year beginning July 1, 2006, 2007, 2008 and 2009. In order to receive this award, a governmental unit must publish a budget document judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This award is valid for one year only. For long-term planning, the City will continue to work to enhance the information provided in this document for its citizens, as well as continue to meet the national standard requirements established by GFOA.

The publication of the Comprehensive Annual Financial Report requires many staff hours to accomplish and would not have been possible without the dedication and professional efforts of the staff in the Finance Department and diligent efforts of the City Manager, Department Heads and other City staff. The significant amount of year-end closing procedures required prior to the audit and preparation of the CAFR, could not have been accomplished without much hard work and personal sacrifice. I wish to further express my sincere appreciation to Cynthia Hayden, Deputy City Manager, Andrew Purgiel, City Controller, Gail Cunningham, City Controller, and Nancy Carmer, Economic Development Manager, who assisted and contributed to the preparation of this report.

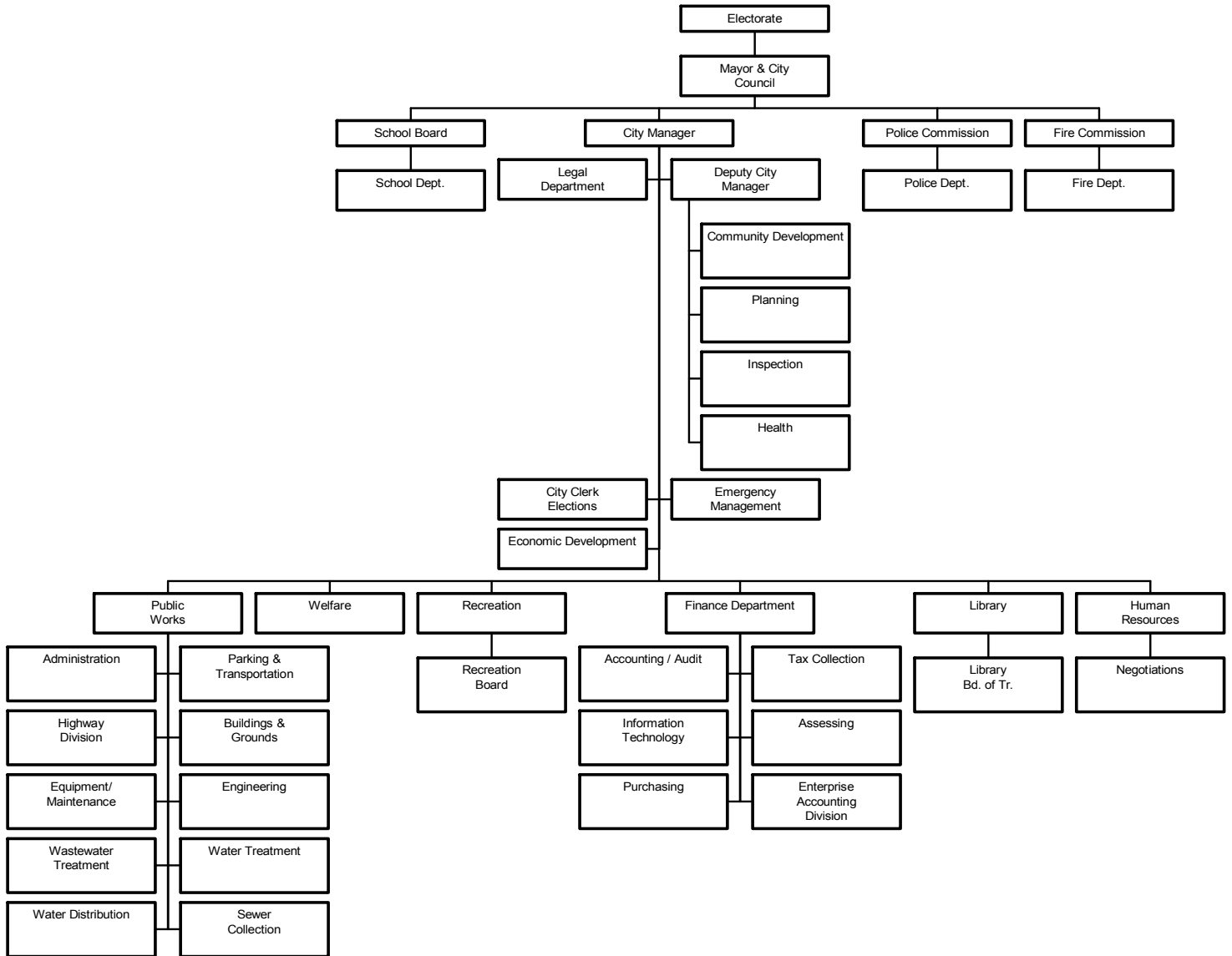
In closing, the strong financial position and excellent financial results reflected in this report, would not have been possible without the leadership, support, and fiscal policies established by the City Council and City Manager John P. Bohenko.

Sincerely,

A handwritten signature in black ink, appearing to read "Judith Belanger". The signature is written in a cursive, flowing style.

Judith A. Belanger
Finance Director

City of Portsmouth, NH Organizational Chart



DIRECTORY OF OFFICIALS

CITY COUNCIL

Thomas G. Ferrini, Mayor

John Blalock, Ass't Mayor

Nancy Noveline Clayburgh	M. Chris Dwyer
Kenneth E. Smith	Esther E. Kennedy
Eric Spear	Jerry Hejtmanek
Laura C. Pantelakos	

BOARD OF EDUCATION

Michell Shuldman, Chairman

Sheri Ham Garrity, Vice Chairman

Kent LaPage	Leslie Stevens
Patrick Ellis	Ann M. Walker
Rebecca Emerson	Elizabeth Sweet
Dexter R. Legg	

FIRE COMMISSION

Paul T. Wentworth, Chairman

Richard Gamester

Michael K. Hughes

Fire Chief Christopher LeClaire

POLICE COMMISSION

Gerald W. Howe, Chairman

John C. Russo

John F. Golumb

Police Chief Michael Magnant

PRINCIPAL EXECUTIVE OFFICERS

City Manager	John P. Bohenko
Deputy City Manager	Cynthia Hayden
Finance Director	Judith A. Belanger
City Controller	Gail Cunningham
City Controller	Andrew Purgiel
City Attorney	Robert Sullivan
City Clerk	Kelli L. Barnaby
Tax Collector	Dawn Dudo
Information Technology	Alan Brady
Purchasing Agent	Judith A. Belanger
Dir of Public Works	Steven F. Parkinson
City Assessor	Rosann Maurice-Lentz

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portsmouth,
New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. R.", written in a cursive style.

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", written in a cursive style.

Executive Director

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Portsmouth, 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 Portsmouth, New Hampshire, as of and for the year ended June 30, 2009, 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 Portsmouth'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 Portsmouth, as of June 30, 2009, 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, appearing on page 78 of this report, 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.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Portsmouth, New Hampshire's basic financial statements. The introductory section, supplementary statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
December 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Portsmouth's management offers readers this narrative overview and analysis of the financial activities of the City of Portsmouth for the fiscal year ended June 30, 2009. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

A. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of net assets exceeded liabilities by \$153,634,699, an increase of \$12,376,305 in comparison to the prior year.
- As of the close of the current fiscal year, total assets of governmental activities exceeded liabilities by \$105,492,808, an increase of \$11,478,139 in comparison with the prior year.
- At the end of the current year, total assets of business-type activities exceeded their liabilities by \$48,141,891, an increase of \$898,166 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$56,944,603, an increase of \$2,622,824 in comparison with the prior year.
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$9,875,900, an increase of \$2,119,846 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$104,486,707, an increase of \$21,345,866 in comparison to the prior year.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Portsmouth's basic financial statements. The basic financial statements comprise 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 the City of Portsmouth's 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 of the City of Portsmouth include general government, public safety, education, public works, health and human services, culture and recreation, and community development. The business-type activities include water and sewer activities.

The government-wide financial statements can be found on pages 35-37 of this report.

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.

The basic governmental fund financial statements can be found on pages 38-42 of this report.

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. The City of Portsmouth maintains two enterprise funds which are used to account for water and sewer operations.

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 of the City of Portsmouth.

The basic proprietary funds financial statements can be found on pages 43-45 of this report.

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.

The basic fiduciary fund financial statements can be found on pages 46-47 of this report.

Notes to the financial statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 of this report.

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 the accounting principals generally accepted in the United States of America.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

Financial Position- The following table provides a summary of the City's net assets at June 30 for the current and prior fiscal year.

Summary of Net Assets (000s)

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2009	2008	2009	2008	2009	2008		
Current and other assets	\$ 65,239	\$ 61,545	\$ 35,009	\$ 20,645	\$ 100,248	\$ 82,191	\$ 18,057	21.97%
Capital assets	114,209	108,105	66,246	62,516	180,455	170,621	9,834	5.76%
Total assets	<u>179,449</u>	<u>169,651</u>	<u>101,255</u>	<u>83,161</u>	<u>280,703</u>	<u>252,812</u>	<u>27,891</u>	<u>11.03%</u>
Long-term liabilities	68,933	71,024	46,999	24,316	115,932	95,340	20,592	21.60%
Other liabilities	5,023	4,612	6,114	11,601	11,136	16,214	(5,077)	-31.31%
Total liabilities	<u>73,956</u>	<u>75,636</u>	<u>53,113</u>	<u>35,918</u>	<u>127,069</u>	<u>111,554</u>	<u>15,515</u>	<u>13.91%</u>
Net assets:								
Invested in capital assets, net of related debt	64,658	59,571	35,326	29,978	99,984	89,549	10,435	11.65%
Restricted	14,104	14,515	1,788	1,951	15,892	16,465	(573)	-3.48%
Unrestricted	26,731	19,929	11,028	15,315	37,758	35,244	2,515	7.14%
Total net assets	<u>\$ 105,493</u>	<u>\$ 94,015</u>	<u>\$ 48,142</u>	<u>\$ 47,244</u>	<u>\$ 153,635</u>	<u>\$ 141,258</u>	<u>\$ 12,376</u>	<u>8.76%</u>

By far the largest portion of net assets reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. As of year-end, net assets invested in capital assets, net of related debt is \$99,984,306 or 65% of total net assets. 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 \$15,891,970 or 10% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$37,758,423 or 25% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Portsmouth is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

During the current fiscal year, the government's net assets increased by \$12,376,305. Approximately 84% of the increase is attributed to an increase in investments in capital assets net of related debt. The remaining 16% represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

The \$475,468 OPEB liability represents the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45. The purpose of the statement is to reflect the liability of health care or other post employment benefits provided to separated or retired employees. The City of Portsmouth does not pay a direct subsidy towards their retiree's health insurance premiums. In accordance with RSA 100-A:50, retired employees shall be deemed to be part of the same group as active employees for health insurance premium purposes, thereby resulting in a so called blended rate. The blended rate decreases the cost of insurance premiums for retirees and increases the cost for active employees, thereby resulting in the City paying an implicit subsidy.

Please refer to the Financial Statement footnote 22 for additional information on the OPEB liability.

Financial Results- The following is a summary of condensed government-wide financial data of changes in net assets for the current fiscal and prior fiscal year.

Summary of Changes in Net Assets (000s)									
	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change	
	2009	2008	2009	2008	2009	2008			
Revenues:									
Program revenues									
Charges for services	\$ 17,491	\$ 17,612	\$ 11,070	\$ 11,538	\$ 28,561	\$ 29,150	\$ (589)	-2.02%	
Operating grants and contributions	5,071	4,885	-	-	5,071	4,885	186	3.80%	
Capital grants and contributions	4,342	1,690	1,694	1,883	6,036	3,573	2,463	68.92%	
General revenues									
Property Taxes	63,042	59,058	-	-	63,042	59,058	3,984	6.75%	
Interest on taxes	136	131	-	-	136	131	5	3.87%	
Grants and contributions not restricted to specific programs	2,956	2,609	-	-	2,956	2,609	347	13.29%	
Investment income (loss)	(194)	973	118	364	(75)	1,336	(1,412)	-105.63%	
Other	1,348	1,557	-	-	1,348	1,557	(209)	-13.45%	
Total revenues	<u>94,191</u>	<u>88,515</u>	<u>12,883</u>	<u>13,785</u>	<u>107,074</u>	<u>102,300</u>	<u>4,775</u>	<u>4.67%</u>	
Expenses:									
General government	11,181	10,788	-	-	11,181	10,788	393	3.64%	
Public safety	16,042	15,834	-	-	16,042	15,834	208	1.31%	
Education	39,307	38,923	-	-	39,307	38,923	383	0.99%	
Public works	9,363	8,780	-	-	9,363	8,780	583	6.64%	
Health and human services	681	652	-	-	681	652	29	4.49%	
Culture and recreation	3,536	3,617	-	-	3,536	3,617	(81)	-2.24%	
Community development	1,151	1,241	-	-	1,151	1,241	(90)	-7.25%	
Interest on long-term debt	2,367	2,252	-	-	2,367	2,252	115	5.12%	
Water operations	-	-	4,292	3,921	4,292	3,921	371	9.46%	
Sewer operations	-	-	6,778	6,258	6,778	6,258	520	8.31%	
Total expenses	<u>83,627</u>	<u>82,086</u>	<u>11,071</u>	<u>10,180</u>	<u>94,698</u>	<u>92,266</u>	<u>2,432</u>	<u>2.64%</u>	
Change in net assets before permanent fund contributions and transfers	10,564	6,428	1,812	3,605	12,376	10,034	2,343	23.35%	
Contributions to permanent fund principal	-	2	-	-	-	2	(2)	100.00%	
Transfers in (out)	<u>914</u>	<u>905</u>	<u>(914)</u>	<u>(905)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>	
Change in net assets	11,478	7,335	898	2,701	12,376	10,036	2,340	23.32%	
Beginning net assets	94,015	86,679	47,244	44,543	141,258	131,222	10,036	7.65%	
Ending net assets	<u>\$ 105,493</u>	<u>\$ 94,015</u>	<u>\$ 48,142</u>	<u>\$ 47,244</u>	<u>\$ 153,635</u>	<u>\$ 141,258</u>	<u>\$ 12,376</u>	<u>8.76%</u>	

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$11,478,139. Governmental activities realized the following significant transactions:

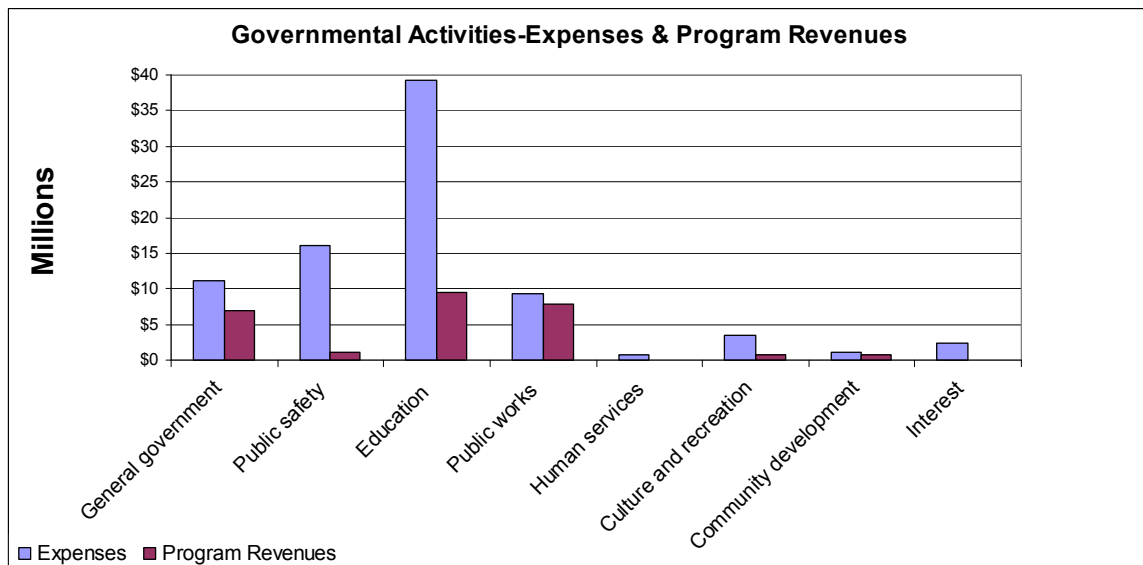
- General Fund excess of revenues over expenditures of \$3,369,435.
- General Fund transfer in from Enterprise Funds (water and sewer) for indirect costs of \$914,135.

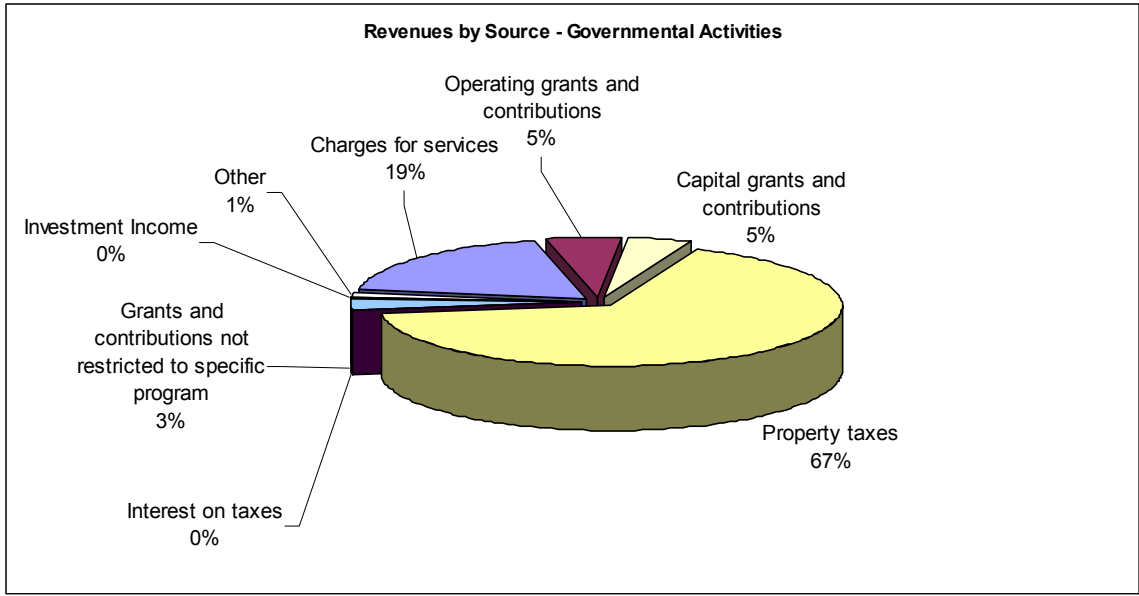
- Capital grants and contribution revenue used to acquire capital assets of \$4,341,738.
- Debt service principal payment in excess of depreciation expense of \$1,555,628.

Overall, the governmental activities experienced an increase of \$5,676,617 or 6.4% in revenues when compared to the prior fiscal year due largely to the following:

- Property tax, which is 67% of the total revenues, increased by \$3,984,431.
- A decrease in investment income of \$1,166,312 due to declining investment interest rates.
- An increase in capital grants and contributions of \$2,651,799 of which \$1,842,081 was due to the continuing Route 33 rehabilitation project.

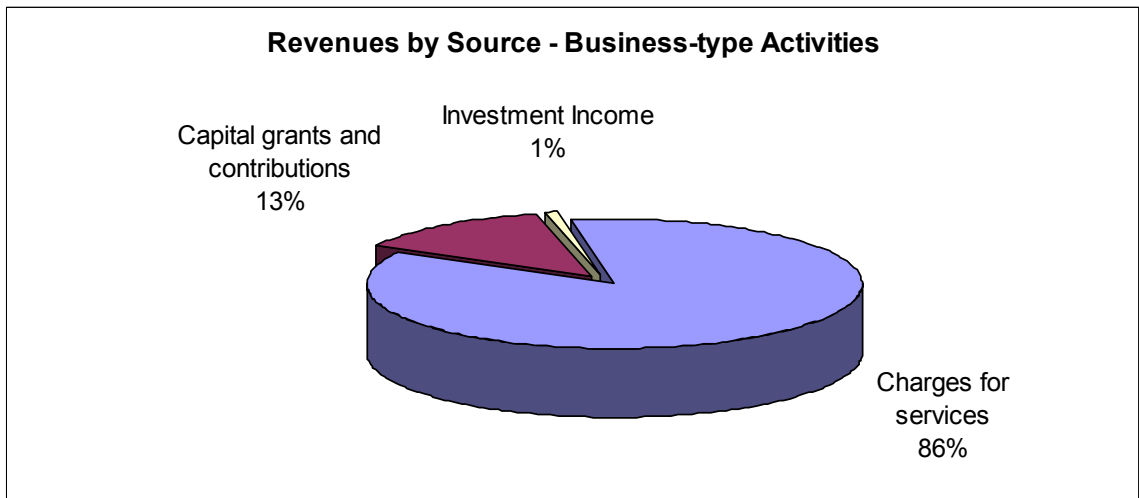
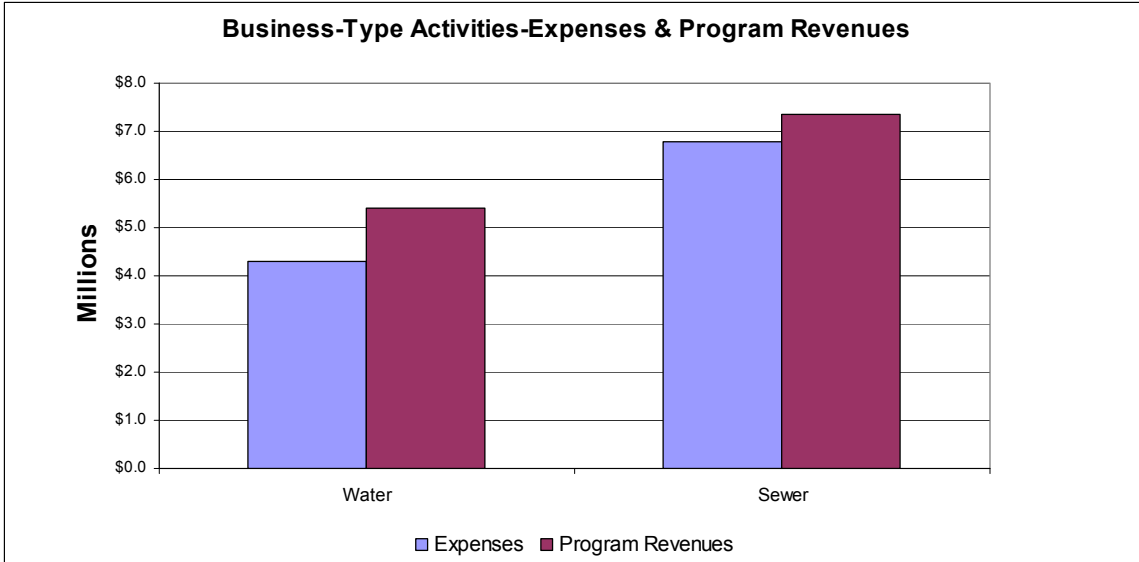
Overall governmental expenditures experienced an increase of \$1,541,059 or 1.9% from prior year. The City has fifteen (15) collective bargaining units, of which only three (3) contracts were settled before June 30, 2009 which accounts for approximately 50% of the City workforce. The increase in expenditures from prior year represents cost of living adjustments (COLA) paid to employees from the three settled contracts and other expenses increases as a result of inflation. The remaining twelve (12) collective bargaining units remain in negotiations and did not receive COLA adjustments





Business-Type activities. Business-type activities for the year resulted in an increase in net assets of \$898,166. The key elements of the changes are as follows:

- Operating revenues over operating expenditures of \$1,574,908
- Grants and Contributions had a decrease of \$189,203 from prior year due to the one-time capital contributions made from the Pleasant Point project that was received in FY08.
- Charges for services in the business-type activities experienced a slight decrease of \$501,862 from prior year. Although total billed units decreased in FY09 due to climate conditions, the water fund experienced an increase in revenue of \$377,147 as a result of rate increases. The sewer fund experienced a decrease of \$805,068 as a result of a slight rate increase coupled with the decrease in customer usage.
- A decrease in investment income of \$245,318 due to declining investment interest rates.



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.

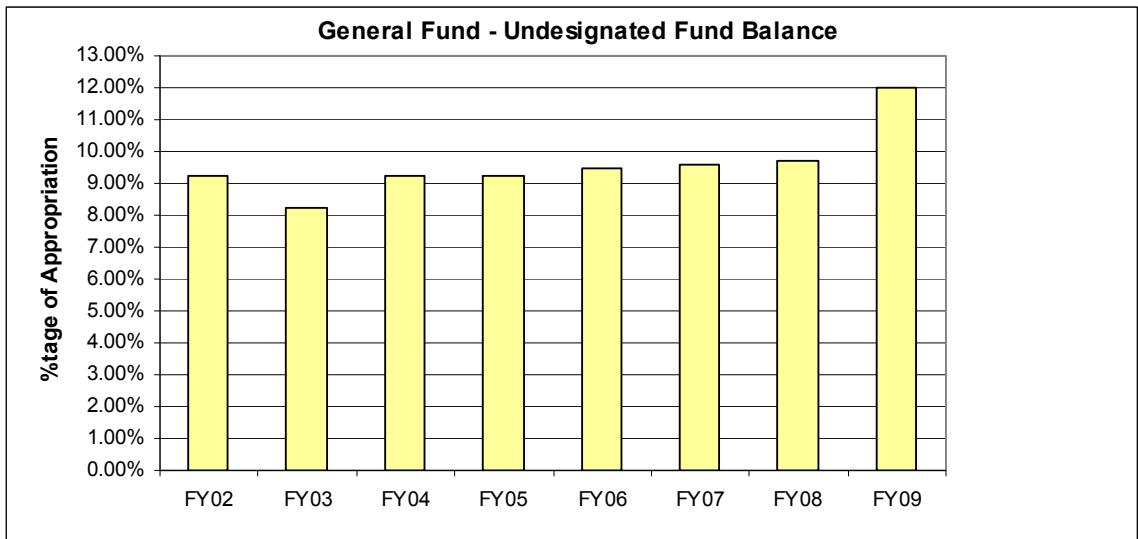
As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$56,944,603, an increase of \$2,622,824 in comparison with the prior year. This increase is attributable to strong results of general fund operations.

The general fund is the chief operating fund. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund budget.

City Council adopted in 1998 the "Undesignated Fund Balance Ordinance" which mandates that the city will maintain an undesignated fund balance of at least 7% of prior year's appropriation with an ultimate goal of 10%.

Undesignated fund balance at the end of the fiscal year was \$9,875,900 or 11.98% of the original general fund budget. This is an increase of \$2,119,846 from prior year.

The following table demonstrates that over the last several years, the undesignated fund balance has remained within the 7% - 10% range while FY09 exceed the ordinance goal of 10%.



Total fund balance for the general fund at the end of the current fiscal year, was \$32,190,359 or 39% of the final general fund budget. This is an increase of \$3,256,118 or 11% from prior year. The key factors in this change are as follows:

- A decrease of fund balance of \$1,573,500 from budgetary use of fund balance.
- An increase of fund balance of \$800,815 from appropriations exceeding expenditures in the Health Insurance Stabilization Account.
- An increase of fund balance of \$140,886 from appropriations exceeding expenditures in the Leave at Termination Account.
- A net increase to fund balance of \$1,458,311 from revenues and other financing sources exceeding final budget estimates (excluding tax adjustments).

- A net increase of \$1,294,291 from remaining departmental appropriations.
- A \$968,296 increase of fund balance from the excess of year end carry forwards over expenditures of prior year carry forwards.
- An increase of fund balance of \$167,018 due to a reduction in abatement liabilities from FY08.

At the end of the current fiscal year, total fund balance of non-major governmental funds was \$24,754,244, which is a decrease of \$633,294 from prior year. Key factors in this change are as follows:

- Net decrease of \$310,277 in capital project funds which was influenced mainly by the purchase of land for the new fire station 2.
- Net increase in special revenue funds of \$881,891 due largely from receipts of miscellaneous grants and contributions and operating surplus in the parking and transportation fund.
- A decrease of \$1,204,908 in unreserved permanent funds due largely to the City trust funds investment losses of \$983,677.

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 Water and Sewer funds at the end of the year amounted to \$11,027,529. This amount consists of the Water Fund of \$1,950,382, the Sewer Fund of \$9,077,147.

To provide adequate revenues to meet expenditures for operations, debt service, and capital improvements, the City implemented in FY08, a two-step, inclining block rate structure for both water and sewer usage. For water consumption, the first ten units (one unit equals 100 cubic feet or 748 gallons) water consumed per month will be charged at \$2.40 per unit; all units over ten units per month will be charged at a rate of \$2.85 per unit. For sewer, which is measured by water consumption, the first ten units will be charged at \$5.00 per unit; all units over ten units per month will be charged at a rate of \$5.50 per unit.

The implementation of the inclining block rate structure for both water and sewer is anticipated to have a larger impact on high volume users due to their significant impact on system production capacities, storage volume and pipe sizing.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes from the total original budget to the final amended budget.

The difference between the final amended budget and actual results is a positive variance of \$2,722,747 with revenues exceeding estimated budgets by \$1,428,456 and expenditures were less than the estimated budget by \$1,294,291. Significant variances include:

- Positive variance in Licenses and Permits of \$356,101 are mainly attributed an excess of \$587,667 in building, electrical and plumbing permits resulting from renovations and new construction citywide and a negative variance of \$231,566 in motor vehicle registrations.
- Positive variance in Charges for Services of \$346,778 consists of \$81,549 from an increase in the Pease Development Municipal Services Agreement payments, \$61,417 from ambulance fees, and \$139,537 from parking facility leases and usage and \$64,275 from other departmental services.
- Investment Income experienced a positive variance of \$84,356 resulting from changes in investment instruments and high cash balances.
- Current operating expenditures resulting in a positive variance of \$525,685 is mainly due to vacant positions.
- Non-operating expenditures resulting in a positive variance of \$768,606 is mainly due to unused portions of both overlay and debt service.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$180,455,278 (net of accumulated depreciation), an increase \$9,833,888 from the prior year. This investment in capital assets includes land, buildings, system improvements, and machinery and equipment.

	Governmental Activities		Business-type Activities		Totals		Amount Change	%
	2009	2008	2009	2008	2009	2008		
Land	\$ 15,529	\$ 14,244	\$ 1,931	\$ 1,931	\$ 17,460	\$ 16,175	\$ 1,285	7.94%
Building and improvements	67,656	68,447	16,286	16,784	83,942	85,231	(1,289)	-1.51%
Machinery and equipment	3,951	3,823	7,951	7,330	11,902	11,153	749	6.72%
Infrastructure	18,757	18,231	32,670	33,144	51,427	51,375	52	0.10%
Construction in Progress	8,316	3,360	7,408	3,328	15,724	6,688	9,036	135.11%
Total Assets	<u>\$ 114,209</u>	<u>\$ 108,105</u>	<u>\$ 66,246</u>	<u>\$ 62,517</u>	<u>\$ 180,455</u>	<u>\$ 170,622</u>	<u>\$ 9,833</u>	<u>5.76%</u>

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

- Construction in progress for governmental activities totaled \$8,315,515 at year end which included \$1,167,221 for the Preble/Crescent Way Streetscape, \$4,345,562 for the construction of the Rt. 33 Bridge, \$745,039 for rehabilitation of Woodbury Avenue and \$902,382 for construction of Fire Station 2.
- The purchase of land for the new Fire Station 2 in the amount of \$1,285,758.
- A variety of sidewalk and street construction contributed to capital assets of \$1,710,691.
- General government vehicles capitalized during the current year which included Public Works vehicles of \$226,900, Police vehicles of \$61,691 and a Fire vehicle of \$11,663.
- The Water Division recognized an increase of \$1,404,593 in capital assets from prior year. This resulted from several projects including the Madbury Water Treatment Plant Construction, Route 1A Bridge Waterline Replacement, and Gates Street Utilities Improvement.
- The Sewer Division recognized an increase of \$2,325,100 in capital assets from prior year. The completion of several projects included 201 Facilities Study, the Rye Line Pump Station Upgrade, Mechanic Street Electrical Upgrade, and the Gates Street Utilities Improvement.

Additional information on the City of Portsmouth's capital assets can be found in note 9 on pages 63-66 of this report.

Long-term debt. At the end of the current fiscal year, total bonded debt and State revolving fund loans outstanding, including business-type activities (water and sewer departments) was \$104,486,708 as shown in the table below, all of which was backed by the full faith and credit of the government.

State Revolving Fund Loan (SRF) program was created by the New Hampshire Legislature in 1987. This SRF program provides low-interest loans to help municipalities with projects such as wastewater treatment projects, landfill closures, and public water supply improvements.

The City of Portsmouth's General Obligation bonds have an AA+ rating from Standard and Poor's rating group and an Aa2 rating from Moody's Investors Service.

Outstanding Debt (000s)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 56,580	\$ 57,050	\$ 19,235	\$ 3,960	\$ 75,815	\$ 61,010
State Revolving Fund Loans	2,162	2,375	26,510	19,756	28,671	22,131
Total	\$ 58,742	\$ 59,425	\$ 45,745	\$ 23,716	\$ 104,487	\$ 83,141

The City of Portsmouth’s total debt increased by \$21,345,866 or 26% during the current fiscal year. The key factors in this net increase are:

- Reductions of outstanding debt in the amount of \$8,585,032.
- The issuance of a general obligation bond for \$3,500,000 for city street, sidewalk and facility improvements.
- Issuance of a general obligation bond for \$1,500,000 for the continued construction of Fire Station 2.
- Issuance of a general obligation bond for \$16,000,000 for the upgrades to the Madbury Water Treatment Facility.
- Issuance of state revolving fund loans for the Madbury Water Treatment Plan Design of \$2,000,000, \$5,508,137 for the Sewer Phase III Projects, and \$1,422,761 for a portion Lower Court Street project.

Under current state statutes, the City’s general obligation bonded debt issuances are subject to legal limitations based on various percentages of “base valuation”. The “base valuation” for computing debt limit is determined by adding the amount of taxable property lost to cities and towns as a result of the enactment of the State Business Profits Tax Law, to the equalized assessed valuation (full value) as determined by the State Department of Revenue Administration.

The general debt limit of the City is 3 percent of “base valuation”, (see below), except for landfill closures, school, water and sewer purposes, which have their own independent limits. The debt limit for school purposes is 7 percent, for water purposes is 10 percent of a base valuation, and debt for landfill closure and sewer purposes are exempt from the debt limit and are not counted toward the 3 percent limitation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes can also be excluded from the City’s debt limit. As of June 30, 2009, the City’s net general obligation bonded debt was well below the legal limits.

The base valuation for computing debt limit for the City of Portsmouth is \$4,244,939,572. The debt limit and outstanding debt is as follows:

Purpose	Percent of Allowable Debt Limit	Maximum Debt Limit	Bonds Outstanding as of June 30, 2009	Authorized Unissued as of June 30, 2009	Total Gross Debt as of June 30, 2009	% of Legal Debt Service Used
Municipal	3.00%	\$ 127,348,187	\$ 29,529,999	\$ 12,500,000	\$ 42,029,999	33%
Landfill closure (1)	0%	0	2,161,666	4,641,897	6,803,563	N/A
School	7.00%	297,145,770	27,050,000	-	27,050,000	9%
Water	10.00%	424,493,957	22,455,992	18,420,000	40,875,992	10%
Sewer (1)	0%	0	23,289,050	19,970,992	43,260,042	N/A
		<u>\$ 848,987,914</u>	<u>\$ 104,486,707</u>	<u>\$ 55,532,889</u>	<u>\$ 160,019,596</u>	
Total						

(1) Exempt from Debt Limit

Additional information on notes payable and long-term debt can be found in the footnotes to the financial statements on pages 67-72 of this report.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the City of Portsmouth remained low throughout the fiscal year, with an average of 4.4%. This compares to the state's unemployment average of 5.2% and the national average of 7.6% at June 30, 2009.
- The overall commercial office vacancy rate for the City of Portsmouth decreased slightly to 11.0% from 11.1% during FY09.

All of these factors were considered in preparing the City of Portsmouth's budget for fiscal year 2010.

The budget and tax rate for the General Fund for FY10 has been approved by the Department of Revenue Administration. The total budget is \$84,038,736, an increase of \$1,604,498 or 1.95% from prior year. The tax rate has been set at \$17.09 per \$1,000 of assessed value, an increase of \$.11 or .65% from prior year.

The City of Portsmouth has appropriated \$1,360,614 from fund balance reserve for debt service payments, \$73,500 from reserve for abatements and \$1,053,006 from undesignated fund balances in the fiscal year 2010 budget to maintain a moderate tax rate increase.

Both the Water and Sewer Division user rates are based on a two-tier inclining rate block structure based on units of water consumed. One unit is equal to 100 cubic feet or 748 gallons of water. This two-tier inclining rate block structure provided an equitable method of financing of water treatment and wastewater operations. The large volume users have a greater impact on system operations.

- The water rate increased from \$2.40 to \$3.30 per unit for the first 10 units of water consumed per month. The rate for consumption over 10 units per month increased from \$2.85 to \$3.90 per unit. The minimum charge rate for remained the same as FY09 and is based on the service meter size.

- The sewer rates will remain the same for FY10 at \$5.00 per unit for the first 10 units of water consumed per month, \$5.50 per unit over 10 units per month.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Portsmouth'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 can be found on the city's web page at www.cityofportsmouth.com or should be addressed to:

Office of Finance Director
City of Portsmouth
1 Junkins Avenue
Portsmouth, New Hampshire 03801

Basic Financial Statements

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 52,383,589	\$ 28,742,957	\$ 81,126,546
Investments	4,502,430	-	4,502,430
Receivables, net of allowance for uncollectibles:			
Property taxes	2,351,328	-	2,351,328
User fees	-	2,177,936	2,177,936
Departmental and other	719,245	366,488	1,085,733
Intergovernmental	2,590,460	361,432	2,951,892
Loans	90,054	-	90,054
Inventory	21,142	139,274	160,416
Other assets	46,250	57,244	103,494
Total current assets	<u>62,704,498</u>	<u>31,845,331</u>	<u>94,549,829</u>
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	451,052	-	451,052
Departmental and other	-	3,163,331	3,163,331
Loans	2,083,887	-	2,083,887
Capital assets:			
Land and construction in progress	23,845,137	9,338,093	33,183,230
Other capital assets, net of accumulated depreciation	<u>90,364,254</u>	<u>56,907,794</u>	<u>147,272,048</u>
Total non-current assets	<u>116,744,330</u>	<u>69,409,218</u>	<u>186,153,548</u>
TOTAL ASSETS	179,448,828	101,254,549	280,703,377
LIABILITIES			
Current:			
Accounts payable	1,976,513	1,923,870	3,900,383
Accrued liabilities	2,132,915	788,691	2,921,606
Retainage payable	237,711	325,399	563,110
Tax refunds payable	388,976	-	388,976
Notes payable	-	2,929,038	2,929,038
Other current liabilities	286,539	146,741	433,280
Current portion of long-term liabilities:			
Bonds payable	6,107,905	2,902,127	9,010,032
Other liabilities	<u>1,193,593</u>	<u>83,900</u>	<u>1,277,493</u>
Total current liabilities	<u>12,324,152</u>	<u>9,099,766</u>	<u>21,423,918</u>
Noncurrent:			
Bonds payable, net of current portion	52,633,761	42,842,915	95,476,676
OPEB liability	433,470	41,998	475,468
Other liabilities, net of current portion	<u>8,564,637</u>	<u>1,127,979</u>	<u>9,692,616</u>
Total noncurrent liabilities	<u>61,631,868</u>	<u>44,012,892</u>	<u>105,644,760</u>
TOTAL LIABILITIES	73,956,020	53,112,658	127,068,678
NET ASSETS			
Invested in capital assets, net of related debt	64,657,970	35,326,336	99,984,306
Restricted externally or constitutionally for:			
Grants	7,851,303	-	7,851,303
Debt	-	1,788,026	1,788,026
Permanent funds:			
Nonexpendable	1,588,492	-	1,588,492
Expendable	2,989,094	-	2,989,094
Restricted by enabling legislation	1,675,055	-	1,675,055
Unrestricted	<u>26,730,894</u>	<u>11,027,529</u>	<u>37,758,423</u>
TOTAL NET ASSETS	\$ <u>105,492,808</u>	\$ <u>48,141,891</u>	\$ <u>153,634,699</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 11,181,159	\$ 6,926,238	\$ 4,845	\$ -
Public safety	16,041,765	714,666	414,202	-
Education	39,306,880	5,358,926	4,140,764	21,106
Public works	9,363,174	3,813,473	417,883	3,643,568
Health and human services	680,790	25,711	-	-
Culture and recreation	3,535,606	651,610	8,693	8,960
Community development	1,150,573	-	84,194	668,104
Interest on long-term debt	<u>2,367,351</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>83,627,298</u>	<u>17,490,624</u>	<u>5,070,581</u>	<u>4,341,738</u>
Business-Type Activities:				
Water services	4,292,268	5,379,413	-	37,784
Sewer services	<u>6,778,486</u>	<u>5,691,064</u>	<u>-</u>	<u>1,656,317</u>
Total Business-Type Activities	<u>11,070,754</u>	<u>11,070,477</u>	<u>-</u>	<u>1,694,101</u>
Total	<u>\$ 94,698,052</u>	<u>\$ 28,561,101</u>	<u>\$ 5,070,581</u>	<u>\$ 6,035,839</u>

General Revenues:
 Property taxes
 Interest on taxes
 Grants and contributions not restricted
 to specific programs
 Investment income (loss)
 Other revenues
 Transfers, net

Total general revenues and transfers

Change in Net Assets

Net Assets:

Beginning of year

End of year

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
\$ (4,250,076)	\$ -	\$ (4,250,076)
(14,912,897)	-	(14,912,897)
(29,786,084)	-	(29,786,084)
(1,488,250)	-	(1,488,250)
(655,079)	-	(655,079)
(2,866,343)	-	(2,866,343)
(398,275)	-	(398,275)
(2,367,351)	-	(2,367,351)
(56,724,355)	-	(56,724,355)
-	1,124,929	1,124,929
-	568,895	568,895
-	1,693,824	1,693,824
(56,724,355)	1,693,824	(55,030,531)
63,041,949	-	63,041,949
136,306	-	136,306
2,956,184	-	2,956,184
(193,672)	118,477	(75,195)
1,347,592	-	1,347,592
914,135	(914,135)	-
68,202,494	(795,658)	67,406,836
11,478,139	898,166	12,376,305
94,014,669	47,243,725	141,258,394
\$ 105,492,808	\$ 48,141,891	\$ 153,634,699

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

ASSETS	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 32,390,048	\$ 19,993,543	\$ 52,383,591
Investments	-	4,502,429	4,502,429
Receivables:			
Property taxes	2,802,380	-	2,802,380
Departmental and other	663,608	55,636	719,244
Intergovernmental	6,609	2,583,851	2,590,460
Loans	50,000	2,123,941	2,173,941
Due from other funds	650,837	-	650,837
Advances to other funds	45,000	-	45,000
Inventory	-	21,142	21,142
Other assets	<u>46,250</u>	<u>-</u>	<u>46,250</u>
TOTAL ASSETS	\$ <u>36,654,732</u>	\$ <u>29,280,542</u>	\$ <u>65,935,274</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 597,806	\$ 1,378,706	\$ 1,976,512
Accrued liabilities	1,493,547	69,758	1,563,305
Retainage payable	-	237,710	237,710
Deferred revenues	1,697,505	2,144,287	3,841,792
Tax refunds liability	388,976	-	388,976
Due to other funds	-	650,837	650,837
Advances from other funds	-	45,000	45,000
Other liabilities	<u>286,539</u>	<u>-</u>	<u>286,539</u>
TOTAL LIABILITIES	4,464,373	4,526,298	8,990,671
Fund Balances:			
Reserved for:			
Encumbrances	5,710,359	-	5,710,359
Inventory	-	21,142	21,142
Advances and loans	95,000	-	95,000
Perpetual permanent funds	-	1,588,492	1,588,492
Unreserved:			
Designated	16,509,100	-	16,509,100
Undesignated, reported in:			
General fund	9,875,900	-	9,875,900
Special revenue funds	-	9,301,673	9,301,673
Capital project funds	-	10,853,843	10,853,843
Permanent funds	<u>-</u>	<u>2,989,094</u>	<u>2,989,094</u>
TOTAL FUND BALANCES	<u>32,190,359</u>	<u>24,754,244</u>	<u>56,944,603</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>36,654,732</u>	\$ <u>29,280,542</u>	\$ <u>65,935,274</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

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

JUNE 30, 2009

Total governmental fund balances	\$ 56,944,603
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,209,391
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,841,792
<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.	(569,612)
<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>(68,933,366)</u>
Net assets of governmental activities	<u>\$ 105,492,808</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 62,507,154	\$ -	\$ 62,507,154
Licenses and permits	4,736,101	-	4,736,101
Intergovernmental	3,401,759	9,004,336	12,406,095
Charges for services	8,410,180	3,360,139	11,770,319
Investment income (loss)	784,356	(978,029)	(193,673)
Interest on taxes	136,306	-	136,306
Fines and costs	953,548	16,732	970,280
Contributions	-	50,283	50,283
Other	<u>282,786</u>	<u>312,159</u>	<u>594,945</u>
Total Revenues	81,212,190	11,765,620	92,977,810
Expenditures:			
Current:			
General government	6,943,103	46,663	6,989,766
Public safety	14,926,816	441,717	15,368,533
Education	35,126,774	4,606,806	39,733,580
Public works	6,037,543	1,801,288	7,838,831
Health and human services	705,227	-	705,227
Culture and recreation	2,486,193	520,834	3,007,027
Community development	-	1,158,173	1,158,173
Debt service:			
Principal	5,232,906	450,000	5,682,906
Interest	2,375,057	45,900	2,420,957
Capital outlay	380,719	9,563,215	9,943,934
Intergovernmental	<u>3,628,417</u>	<u>-</u>	<u>3,628,417</u>
Total Expenditures	<u>77,842,755</u>	<u>18,634,596</u>	<u>96,477,351</u>
Excess (deficiency) of revenues over (under) expenditures	3,369,435	(6,868,976)	(3,499,541)
Other Financing Sources (Uses):			
Issuance of bonds	-	5,000,000	5,000,000
Premium on bond issuance	208,230	-	208,230
Transfers in	914,135	1,235,682	2,149,817
Transfers out	<u>(1,235,682)</u>	<u>-</u>	<u>(1,235,682)</u>
Total Other Financing Sources (Uses)	<u>(113,317)</u>	<u>6,235,682</u>	<u>6,122,365</u>
Net change in fund balances	3,256,118	(633,294)	2,622,824
Fund Balances, at Beginning of Year	<u>28,934,241</u>	<u>25,387,538</u>	<u>54,321,779</u>
Fund Balances, at End of Year	<u>\$ 32,190,359</u>	<u>\$ 24,754,244</u>	<u>\$ 56,944,603</u>

See notes to financial statements.

CITY OF PORTSMOUTH, 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, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,622,824								
<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;">10,298,895</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,127,278)</td> </tr> <tr> <td>Loss on disposal of capital assets</td> <td style="text-align: right;">(67,451)</td> </tr> </table> 		Capital outlay purchases	10,298,895	Depreciation	(4,127,278)	Loss on disposal of capital assets	(67,451)		
Capital outlay purchases	10,298,895								
Depreciation	(4,127,278)								
Loss on disposal of capital assets	(67,451)								
<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., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">607,023</td> </tr> </table> 			607,023						
	607,023								
<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;">(5,000,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">5,682,906</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">53,197</td> </tr> <tr> <td>OPEB liability</td> <td></td> </tr> </table> 		Issuance of debt	(5,000,000)	Repayments of debt	5,682,906	Bond premium amortization	53,197	OPEB liability	
Issuance of debt	(5,000,000)								
Repayments of debt	5,682,906								
Bond premium amortization	53,197								
OPEB liability									
<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;">53,606</td> </tr> </table> 			53,606						
	53,606								
<ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">1,787,887</td> </tr> <tr> <td>OPEB liability</td> <td style="text-align: right;">(433,470)</td> </tr> </table> 		Compensated absences	1,787,887	OPEB liability	(433,470)				
Compensated absences	1,787,887								
OPEB liability	(433,470)								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>11,478,139</u>								

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original Budget	Final Budget		
Revenues and other sources:				
Taxes	\$ 62,873,588	\$ 62,873,588	\$ 62,868,432	\$ (5,156)
Licenses and permits	4,380,000	4,380,000	4,736,101	356,101
Intergovernmental	7,467,688	7,467,688	7,856,511	388,823
Charges for services	3,202,011	3,202,011	3,548,789	346,778
Investment income	700,000	700,000	784,356	84,356
Interest and penalties	140,000	140,000	136,306	(3,694)
Fines and costs	959,000	959,000	953,548	(5,452)
Other revenues	220,042	220,042	282,786	62,744
Other financing sources	<u>2,491,909</u>	<u>2,491,909</u>	<u>2,695,865</u>	<u>203,956</u>
Total Revenues and Other Sources	82,434,238	82,434,238	83,862,694	1,428,456
Expenditures and other uses:				
Current:				
General government	4,789,805	4,848,877	4,783,197	65,680
Other general government	1,935,462	1,258,037	1,257,902	135
Public works	5,662,265	5,676,757	5,676,733	24
Community services	3,173,637	3,193,637	3,074,497	119,140
Regulatory services	978,030	1,000,781	971,506	29,275
Emergency management	10,000	10,000	8,226	1,774
Police department	8,613,059	8,621,631	8,411,945	209,686
Fire department	6,814,861	6,817,399	6,719,748	97,651
School department	34,955,754	35,505,754	35,503,434	2,320
Non-operating	<u>15,501,365</u>	<u>15,501,365</u>	<u>14,732,759</u>	<u>768,606</u>
Total Expenditures and Other Uses	<u>82,434,238</u>	<u>82,434,238</u>	<u>81,139,947</u>	<u>1,294,291</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,722,747</u>	\$ <u>2,722,747</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 19,909,257	\$ 8,833,700	\$ 28,742,957
Receivables, net of allowance for uncollectibles:			
User fees	1,149,946	1,027,990	2,177,936
Departmental and other	114,600	251,888	366,488
Intergovernmental	74,447	286,985	361,432
Inventory	123,272	16,002	139,274
Prepaid expenses	-	57,244	57,244
	<u>21,371,522</u>	<u>10,473,809</u>	<u>31,845,331</u>
Total current assets			
	21,371,522	10,473,809	31,845,331
Noncurrent:			
Departmental and other receivables, net of current portion	723,600	2,439,731	3,163,331
Capital assets:			
Land and construction in progress	4,481,618	4,856,475	9,338,093
Capital assets, net of accumulated depreciation	<u>21,531,062</u>	<u>35,376,732</u>	<u>56,907,794</u>
	<u>26,736,280</u>	<u>42,672,938</u>	<u>69,409,218</u>
Total noncurrent assets			
	26,736,280	42,672,938	69,409,218
TOTAL ASSETS	48,107,802	53,146,747	101,254,549
<u>LIABILITIES</u>			
Current:			
Accounts payable	1,397,353	526,517	1,923,870
Accrued liabilities	186,084	602,607	788,691
Retainage payable	178,442	146,957	325,399
Notes payable	1,007,995	1,921,043	2,929,038
Other current liabilities	115,618	31,123	146,741
Current portion of long-term liabilities:			
Bonds payable	427,528	2,474,599	2,902,127
Other liabilities	<u>60,275</u>	<u>23,625</u>	<u>83,900</u>
	<u>3,373,295</u>	<u>5,726,471</u>	<u>9,099,766</u>
Total current liabilities			
	3,373,295	5,726,471	9,099,766
Noncurrent:			
Bonds payable, net of current portion	22,028,464	20,814,451	42,842,915
OPEB liability	21,976	20,022	41,998
Other liabilities	<u>890,346</u>	<u>237,633</u>	<u>1,127,979</u>
	<u>22,940,786</u>	<u>21,072,106</u>	<u>44,012,892</u>
Total noncurrent liabilities			
	22,940,786	21,072,106	44,012,892
TOTAL LIABILITIES	26,314,081	26,798,577	53,112,658
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	19,843,339	15,482,997	35,326,336
Restricted	-	1,788,026	1,788,026
Unrestricted	<u>1,950,382</u>	<u>9,077,147</u>	<u>11,027,529</u>
TOTAL NET ASSETS	\$ <u>21,793,721</u>	\$ <u>26,348,170</u>	\$ <u>48,141,891</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 4,759,495	\$ 5,467,793	\$ 10,227,288
Licenses and permits	448,697	136,999	585,696
Departmental revenue	158,447	72,017	230,464
Other revenues	12,774	14,255	27,029
Total Operating Revenues	5,379,413	5,691,064	11,070,477
Operating Expenses:			
Personnel services	1,835,476	1,790,878	3,626,354
Non-personnel services	1,463,712	2,531,544	3,995,256
Depreciation	666,409	1,207,550	1,873,959
Total Operating Expenses	3,965,597	5,529,972	9,495,569
Operating Income	1,413,816	161,092	1,574,908
Nonoperating Revenues (Expenses):			
Grants income	17,269	1,431,113	1,448,382
Investment income	47,896	70,581	118,477
Interest expense	(326,671)	(1,248,514)	(1,575,185)
Total Nonoperating Revenues (Expenses)	(261,506)	253,180	(8,326)
Income Before Contributions and Transfers	1,152,310	414,272	1,566,582
Capital contributions	20,515	225,204	245,719
Transfers to other funds	(463,691)	(450,444)	(914,135)
Change in Net Assets	709,134	189,032	898,166
Net Assets at Beginning of Year	21,084,587	26,159,138	47,243,725
Net Assets at End of Year	\$ 21,793,721	\$ 26,348,170	\$ 48,141,891

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 5,366,227	\$ 6,400,054	\$ 11,766,281
Payments to employees for salaries and related benefits	(1,820,496)	(1,766,095)	(3,586,591)
Payments to suppliers for goods and services	<u>(497,450)</u>	<u>(2,494,832)</u>	<u>(2,992,282)</u>
Net Cash Provided By Operating Activities	3,048,281	2,139,127	5,187,408
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers to other funds	<u>(463,691)</u>	<u>(450,444)</u>	<u>(914,135)</u>
Net Cash (Used For) Noncapital Financing Activities	(463,691)	(450,444)	(914,135)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(2,071,003)	(3,532,650)	(5,603,653)
Proceeds from long-term debt	16,000,000	-	16,000,000
Bond premium	659,395	-	659,395
Principal payments on bonds	(427,528)	(2,531,843)	(2,959,371)
Proceeds from loans	1,124,918	1,552,254	2,677,172
Proceeds from state grant (aid)	17,269	1,431,113	1,448,382
Capital contributions	257,839	378,371	636,210
Interest expense	<u>(317,509)</u>	<u>(1,171,239)</u>	<u>(1,488,748)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	15,243,381	(3,873,994)	11,369,387
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>16,496</u>	<u>70,581</u>	<u>87,077</u>
Net Cash Provided by Investing Activities	<u>16,496</u>	<u>70,581</u>	<u>87,077</u>
Net Change in Cash and Short-Term Investments	17,844,467	(2,114,730)	15,729,737
Cash and Short-Term Investments, Beginning of Year	<u>2,064,790</u>	<u>10,948,430</u>	<u>13,013,220</u>
Cash and Short-Term Investments, End of Year	<u>\$ 19,909,257</u>	<u>\$ 8,833,700</u>	<u>\$ 28,742,957</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating income	\$ 1,413,816	\$ 161,092	\$ 1,574,908
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	666,409	1,207,550	1,873,959
Changes in assets and liabilities:			
User fees	113,077	712,927	826,004
Inventory	(13,544)	478	(13,066)
Accounts payable	824,398	65	824,463
Accrued liabilities	7,605	6,237	13,842
Retainage payable	155,408	36,169	191,577
OPEB liability	21,976	20,022	41,998
Compensated absences	(14,601)	(1,476)	(16,077)
Other liabilities	<u>(126,263)</u>	<u>(3,937)</u>	<u>(130,200)</u>
Net Cash Provided By Operating Activities	<u>\$ 3,048,281</u>	<u>\$ 2,139,127</u>	<u>\$ 5,187,408</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 268,186	\$ 492,593
Investments	<u>3,574,481</u>	<u>-</u>
Total Assets	3,842,667	492,593
<u>LIABILITIES</u>		
Other liabilities	<u>-</u>	<u>492,593</u>
Total Liabilities	<u>-</u>	<u>492,593</u>
<u>NET ASSETS</u>		
Total net assets held in trust	\$ <u><u>3,842,667</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment income (loss)	\$ (754,707)
Contributions	<u>4,785</u>
Total additions	<u>(749,922)</u>
Deductions:	
Payments to beneficiaries	<u>194,736</u>
Total deductions	<u>194,736</u>
Net decrease	(944,658)
Net assets:	
Beginning of year	<u>4,787,325</u>
End of year	<u>\$ 3,842,667</u>

See notes to financial statements.

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Portsmouth, 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 City Council, including a Mayor, eight members, and an appointed City Manager. 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 2009, 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. However, internal eliminations do not include services provided to city departments. *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 and excises.

Fund Financial Statements

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

The government reports the following major governmental funds:

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

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

- *Water Enterprise Fund* is used to account for the operation of a water treatment plant, City Wells and water system.
- *Sewer Enterprise Fund* is used to account for the operations of two sewer treatment plants, pumping stations and sewer lines.

Fiduciary Funds employ the same economic resources measurement focus and accrual basis of accounting as do proprietary funds. Agency Funds, however, only report assets and liabilities, and thus have no measurement focus. The government also reports the following fiduciary funds:

- *The Private-Purpose Trust Funds* are used to account for trust arrangements, under which principal and investment income exclusively benefit individuals, private organizations, or other governments. Private Purpose Trust Funds held by the City include trust arrangements for the Prescott Park Arts and Lower State Street Park, Scholarships, Worthy Poor, Memorials, and Commemorations.
- *Agency Funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. Agency Funds held by the City include the Claremont Coalition Fund and Student Activity Funds, and Art Speak Fund.

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. Each of those funds' portions of consolidated cash is displayed on its respective balance sheet as "cash and short-term investments". Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Cash and short-term investments are separately held and reflected in proprietary, permanent, fiduciary, and certain special revenue funds.

Under New Hampshire RSA 48:16, whenever the city treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the city treasurer shall invest the same in accordance with the investment policy adopted by the mayor and board of aldermen or city council under RSA 47:6, II. The treasurer may invest in participation units in the public deposit investment pool established pursuant to RSA 383:22, in deposits, including money market accounts or certificates of deposit, of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in obligations fully guaranteed as to principal and interest by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management-type investment company or investment trust registered under 15 U.S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and repurchase agreements fully collateralized by such obligations.

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.

Investments are considered holdings of greater than three months and are carried at fair value.

E. 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) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

F. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method for business-type activities. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed, except for the Cafeteria fund, a nonmajor governmental fund, which used the FIFO method.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of five 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Improvements	20
Machinery and equipment	5 - 10
Infrastructure	20 - 50

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits depending on their date of hire. 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.

I. 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.

J. 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.

K. 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.

L. Mandated Fund Balance

In June, 1997, the City Council adopted ordinances Chapter I, Sections 1:1401 and 1:1402 that mandates the City's Undesignated Fund Balance be maintained at not less than 7% of the current year general fund appropriation with an objective of maintaining Undesignated Fund Balance at 10% of appropriations.

Specific City Council ordinances are as follows:

Section 1:1401 - Mandated Fund Balance

The General Fund Balance of the City, at the end of any fiscal year as recorded in accordance with generally accepted accounting principles (GAAP) and excluding any and all reserves, and any dedicated fund balances of the General Fund (otherwise referred to as Undesignated Fund balance of the General Fund) shall be maintained at the prescribed amount of not less than 7% of the actual Total General Fund appropriations for that fiscal year.

Section 1:1402 - Operational Objective

Notwithstanding the provision of Section 1:1401, it is recognized that the financial management goal of the City of Portsmouth is to annually maintain an Undesignated Fund Balance of at least 7% of total general fund appropriations with an ultimate goal of 10%.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

An annual appropriated budget is adopted for the City's general fund and enterprise funds. In January, the City Manager issues a directive requesting line-item budget proposals from each department for submission in February. All increases in appropriations must be fully substantiated. The City Manager schedules individual departmental reviews with supervisors. The City Manager's recommendations are then presented to the City Council by May 15. The City Council, through the City Manager, also schedules individual departmental reviews.

The City Council then calls a public hearing to review budget requirements with the general public. After due consideration to the public, the Council makes a final decision. A resolution is required for acceptance for the final budget by a majority vote. Departments are legally limited to their total budget as voted.

The final budget and resolution are then presented to the Department of Revenue Administration for their review and approval of the tax rate. Certain limitations set by state statute must be adhered to before the rate is established. Any changes in the budget after the tax rate is set must be made within the revenues and reserves estimated as available by the City Manager and must be approved by an affirmative vote of a two-thirds majority of the City Council.

After the budget has been adopted, no expenditure may be incurred, except pursuant to a budget appropriation unless there is a specific additional appropriation thereof. 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/her department to another fund or agency within his/her department. The City Manager may transfer any unencumbered appropriation balance or any portion thereof from one department to another. The legal level of control is at the department level. The legal level of control for enterprise funds is from the larger of available income or appropriation.

Budget appropriations lapse at the end of the fiscal year except for any appropriations either supported by formal purchase contracts or approval by the City Manager 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.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data. Adjustments to the proprietary fund are mainly for the omission of depreciation expense which is not budgeted, and the inclusion of principal debt service and capital expenses which are budgeted expenses.

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>	<u>Excess (Deficiency)</u>
Revenues/Expenditures (GAAP basis)	\$ 81,212,190	\$ 77,842,755	\$ 3,369,435
Other financing sources/uses (GAAP basis)	<u>1,122,365</u>	<u>1,235,682</u>	<u>(113,317)</u>
Subtotal (GAAP Basis)	82,334,555	79,078,437	3,256,118
Recognize tax revenue on an accrual basis	(29,856)	-	(29,856)
Reverse expenditures of prior year appropriation carryforwards	-	(1,349,874)	1,349,874
Add end of year appropriation appropriation carryforwards	-	2,318,172	(2,318,172)
Reclassify use of overlay	391,133	391,133	-
Use of fund balance	1,573,500	-	1,573,500
Other reconciling items	<u>(406,638)</u>	<u>702,079</u>	<u>(1,108,717)</u>
Budgetary basis	<u>\$ 83,862,694</u>	<u>\$ 81,139,947</u>	<u>\$ 2,722,747</u>

Adjustments are made to the proprietary funds as well as to conform to the budgetary basis.

3. Cash and Investments

A. 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. Under New Hampshire RSA 48:16, the City Treasurer shall deposit money in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits of the following types:

- (a) United States government obligations;
- (b) United States government agency obligations; or
- (c) *Obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.*

The City does not have policies for custodial credit risk.

As of June 30, 2009, \$1,428,869 of the City's bank balance of \$84,360,389 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's name. The uninsured amount includes \$783,247 invested in state pool, and \$411,001 covered under a custodian's errors and omissions policy.

The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

At June 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>	<u>Average Credit Quality</u>
Debt Securities:			
Bond Mutual Funds	\$ 2,318,859	2.2	A+
Other Investments:			
Equity Mutual Funds	<u>5,758,052</u>		
Total	<u>\$ 8,076,911</u>		

The City's investments of \$8,076,911 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the City's brokerage firm, which is also the counterparty to these securities. This risk is managed by the custodian's errors and omissions policy and securities are held in a separately identifiable trust accounts.

B. 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.

Under New Hampshire RSA 31:27, the city trustees of trust funds may establish, maintain and operate one or more common trust funds, in which may be combined money and property belonging to the various trusts in their care, for the purpose of facilitating investments, providing diversification and obtaining reasonable income; provided however, that said common trust funds shall be limited to the investments authorized in RSA 31:25; provided further, that not more than \$10,000, or more than 10 percent of the fund whichever is greater of any town or city common trust funds shall be invested under RSA 31:25 in the obligations of any one corporation or organization, excepting deposits in any federally or state-chartered bank or association authorized to engage in a banking business in this state, in credit unions in this state, or in obligations of the United States and of the State of New Hampshire and its subdivisions; or in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in shares of open-ended mutual funds selected by the trustees for investment under RSA 31:25.

The trustees are also required to report annually to the State attorney general any securities retained under the provisions of the statute.

The City does not have a credit risk policy.

C. Concentration of Credit Risk

The trustees of trust fund policy on the concentration of credit risk is to limit the amount that may be invested in any one issue to \$15,000 or 10% of the value of the account whichever is greater. The City does not have a formal policy on the concentration of credit risk.

The City has no investments in a single issuer which are greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is not provided, since all investments are held in corporate equities and mutual funds.

E. Foreign Currency Risk

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

4. Property Taxes Receivable

Property taxes were committed in October and were due in two installments, on December 1, 2008 and June 1, 2009. Taxes unpaid by December 2, 2008 and June 2, 2009 accrued interest at 12% until August 28, 2009. A tax lien was recorded on all properties with taxes unpaid as of August 30, 2009, at which time interest began accruing at 18%. The City may foreclose on properties two years after the lien date.

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.

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

Taxes receivable at June 30, 2009 are comprised of (amounts expressed in thousands):

Property Taxes:		
2008		\$ 2,252
2007		12
2003		35
Unredeemed Taxes:		
2007		332
2006		111
2005		9
Deeded Property		<u>51</u>
Total		<u>\$ 2,802</u>

5. User Fees Receivable

User fees receivable in water and sewer funds include amounts due from customers for water and sewer usage. User fees receivable are reported net of an allowance for doubtful accounts estimated at up to 30% of accounts receivable depending on the aging of the receivables. Water and sewer delinquent receivables are liened in a similar manner as property taxes, described in Note 4.

User fees receivable and related allowance for doubtful accounts at June 30, 2009 consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Gross	\$ 1,199,893	\$ 1,069,881	\$ 2,269,774
Less: Allowance for doubtful accounts	<u>(49,947)</u>	<u>(41,891)</u>	<u>(91,838)</u>
Total	<u>\$ 1,149,946</u>	<u>\$ 1,027,990</u>	<u>\$ 2,177,936</u>

6. Departmental and Other Receivables

Departmental and other receivables, as reported in the governmental funds, represent ambulance, police detail, unmet parking needs receivables, and other reimbursements.

	<u>Ambulance</u>	<u>Police Detail</u>	<u>Other</u>	<u>Total</u>
Gross	\$ 789,288	\$ 202,525	\$ 291,397	\$ 1,283,210
Less: Allowance for doubtful accounts	<u>(563,966)</u>	<u>-</u>	<u>-</u>	<u>(563,966)</u>
Total	<u>\$ 225,322</u>	<u>\$ 202,525</u>	<u>\$ 291,397</u>	<u>\$ 719,244</u>

Departmental and other receivables in business-type funds represent contribution receivables per agreements between the City and the contributors, for which the City has met its purpose restrictions requirements. Receivables at June 30, 2009 include the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Unrestricted contributions receivable	\$ 838,200	\$ 903,593	\$ 1,741,793
Contributions restricted for bonds payable	<u>-</u>	<u>1,788,026</u>	<u>1,788,026</u>
Total	<u>\$ 838,200</u>	<u>\$ 2,691,619</u>	<u>\$ 3,529,819</u>

Contributions receivable at June 30, 2009 are due as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Less than one year	\$ 114,600	\$ 251,888	\$ 366,488
One to five years	282,600	1,170,895	1,453,495
More than five years	<u>441,000</u>	<u>1,268,836</u>	<u>1,709,836</u>
Total	<u>\$ 838,200</u>	<u>\$ 2,691,619</u>	<u>\$ 3,529,819</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009.

8. Interfund Fund Receivables/Payables and Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2009 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
Governmental Funds:				
Major Fund:				
General fund	\$ 650,837	\$ -	\$ 45,000	\$ -
Nonmajor Funds:				
Special Revenue Funds:				
School lunch	-	28,276	-	-
School categorical revenue	-	400,804	-	-
Police grants	-	221,757	-	-
City trust funds	-	-	-	45,000
Total	<u>\$ 650,837</u>	<u>\$ 650,837</u>	<u>\$ 45,000</u>	<u>\$ 45,000</u>

The balance of \$400,804 due to general fund from school categorical revenue fund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balance of \$250,033 due to general fund from school lunch and police grants resulted from a short-term loan made to establish working capital. The advance of \$45,000 from general fund to city trust funds was for the North Pier construction project and is not scheduled to be collected in the subsequent year. No interest rate has been assigned to the advance.

This government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2009:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 914,135	\$ 1,235,682
Nonmajor Funds:		
Special Revenue Funds:		
Community development	-	2,943
Miscellaneous grants and contributions	72,097	-
Parking and transportation	-	96,000
Conservation	960	-
Library trust funds	9,074	-
Capital Project Funds:		
Building and infrastructure	54,254	-
Transportation management	-	22,369
Transportation state	376,663	-
Vehicle/equipment replacement	674,020	-
Technology equipment	179,000	-
Permanent Funds:		
City trust funds	-	9,074
Subtotal Nonmajor Funds	<u>1,366,068</u>	<u>130,386</u>
<u>Business-Type Funds:</u>		
Water Fund	-	463,691
Sewer Fund	-	450,444
Total	<u>-</u>	<u>914,135</u>
Grand Total	<u>\$ 2,280,203</u>	<u>\$ 2,280,203</u>

The transfers from the water and sewer fund to the general fund are made to cover indirect costs of water and sewer funds incurred by general fund. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

9. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 92,293	\$ 1,223	\$ (54)	\$ 93,462
Improvements	6,316	-	-	6,316
Machinery and equipment	15,455	1,124	(606)	15,973
Infrastructure	<u>40,978</u>	<u>1,711</u>	<u>-</u>	<u>42,689</u>
Total capital assets, being depreciated	155,042	4,058	(660)	158,440
Less accumulated depreciation for:				
Buildings	(25,589)	(1,765)	-	(27,354)
Improvements	(4,573)	(195)	-	(4,768)
Machinery and equipment	(11,632)	(982)	592	(12,022)
Infrastructure	<u>(22,747)</u>	<u>(1,185)</u>	<u>-</u>	<u>(23,932)</u>
Total accumulated depreciation	<u>(64,541)</u>	<u>(4,127)</u>	<u>592</u>	<u>(68,076)</u>
Total capital assets, being depreciated, net	90,501	(69)	(68)	90,364
Capital assets, not being depreciated:				
Land	14,244	1,285	-	15,529
Construction in progress	<u>3,360</u>	<u>5,639</u>	<u>(683)</u>	<u>8,316</u>
Total capital assets, not being depreciated	<u>17,604</u>	<u>6,924</u>	<u>(683)</u>	<u>23,845</u>
Governmental activities capital assets, net	<u>\$ 108,105</u>	<u>\$ 6,855</u>	<u>\$ (751)</u>	<u>\$ 114,209</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings	\$ 26,836	\$ -	\$ -	\$ 26,836
Machinery and equipment	17,992	1,343	(270)	19,065
Infrastructure	<u>43,250</u>	<u>179</u>	<u>(43)</u>	<u>43,386</u>
Total capital assets, being depreciated	88,078	1,522	(313)	89,287
Less accumulated depreciation for:				
Buildings	(10,052)	(498)	-	(10,550)
Machinery and equipment	(10,662)	(722)	270	(11,114)
Infrastructure	<u>(10,105)</u>	<u>(654)</u>	<u>43</u>	<u>(10,716)</u>
Total accumulated depreciation	<u>(30,819)</u>	<u>(1,874)</u>	<u>313</u>	<u>(32,380)</u>
Total capital assets, being depreciated, net	57,259	(352)	-	56,907
Capital assets, not being depreciated:				
Land	1,931	-	-	1,931
Construction in progress	<u>3,328</u>	<u>8,862</u>	<u>(4,782)</u>	<u>7,408</u>
Total capital assets, not being depreciated	<u>5,259</u>	<u>8,862</u>	<u>(4,782)</u>	<u>9,339</u>
Business-type activities capital assets, net	<u>\$ 62,518</u>	<u>\$ 8,510</u>	<u>\$ (4,782)</u>	<u>\$ 66,246</u>

Active construction in progress is composed of the following:

<u>Governmental Projects:</u>	Spent to June 30, 2009	Remaining Commitment
Rt. 33 Bridge	\$ 4,345,563	\$ 4,231,812
Ralieghway	1,167,221	-
Fire Station 2	902,384	3,974,672
Woodbury Ave	884,779	312,150
Aviation Dr	206,505	81,601
Gate St	242,795	251,117
Lafayette School Site Improvements	116,168	526,923
Scott Avenue Bridge	79,077	-
Fire Statue	63,075	12,610
African Burial Grounds	121,043	15,249
Market St. Ext/I95 Interchange	43,629	12,086
Market St Extension bike path & gateway	67,984	1,188
Bike Loop	19,398	8,953
Middle School Renovation	17,809	6,161
Parking Facility-Portwalk & Pine St. Park	21,099	-
Plains Park & Islington/Spinney Intersection	10,227	26,400
Ceres St Improvements & Woodbury Turning Ln	6,759	73,570
Total Governmental Projects	\$ 8,315,515	\$ 9,534,492
<u>Business-Type Projects</u>	Spent to June 30, 2009	Remaining Commitment
Madbury Water Treatment Design	\$ 3,194,025	\$ 19,905,913
Rye Line PS	880,841	313,712
201 Facilities Update	711,649	209,790
Mechanic St. Pump Station	709,298	7,475
Lincoln Area contract #3	325,045	626,570
State Street Utilities Upgrades, Design	297,644	2,000
Raw Water Mgmt, Bellamy Reservoir	257,697	842,303
PIWWTP Outfall	206,850	204,700
Greenland Well/Wtr Source Augmentation	168,429	131,833
Bartlett Interceptors Study	160,269	487,831
Water: Water Main Madbury	86,024	99,976
Route 1A Bridge Waterline Replacement	80,208	38,830
Gates Street Sewer Replacement	78,589	4,023
Gates Street Water Upgrades	76,691	26,633
VFD with SBR Cntrl Panel, SCADA	57,408	4,592
State Street Utilities Upgrades, Design	36,659	7,947
Goosebay Drive Sewer Design Upgrades	35,564	2,436
Compliance Monitoring	33,974	39,252
Sagamore Ave South Swr Ext	9,344	11,596
Exit 4 Water Relocation	2,285	178,206
Total Business-Type Projects	\$ 7,408,493	\$ 23,145,618

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

Governmental Activities:	
General government	\$ 392
Public safety	570
Education	1,051
Public works	1,479
Culture and recreation	531
Community Development	<u>104</u>
Total depreciation expense - governmental activities	<u>\$ 4,127</u>
Business-Type Activities:	
Water	\$ 666
Sewer	<u>1,208</u>
Total depreciation expense - business-type activities	<u>\$ 1,874</u>

10. Accounts Payable

Accounts payable represent additional 2009 expenditures paid after June 30, 2009.

11. Accrued Liabilities

Accrued liabilities represent a reserve for insurance claims and accrued payroll in governmental funds, and accrued payroll and accrued interest in business-type funds.

12. 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, 2009 receivable balances, except property taxes that are accrued for subsequent 60 day collections.

13. Tax Refunds Payable

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

14. Other Liabilities

This balance consists primarily of municipal escrow accounts, and various other miscellaneous liabilities.

15. Notes Payable

The City had State Revolving Loans outstanding at June 30, 2009, totaling \$2,929,038 in the water and sewer enterprise funds. The notes accrue interest at 1% during the construction phase and will be permanently financed upon completion.

The following are changes in notes payable for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Madbury WTP	\$ 1,918,258	\$ 750,298	\$ (1,918,258)	\$ 750,298
Raw Water	240,086	17,611	-	257,697
Lower Court	688,562	-	(688,562)	-
Lincoln Area	734,199	-	(734,199)	-
Phase 3	5,508,137	-	(5,508,137)	-
201 Facilities plant	274,523	429,513	-	704,036
Contract 3, 4, 5	228	166,092	-	166,320
Bartlett Sewer loan	38,929	58,562	-	97,491
Rye Line Pump Station	-	764,049	-	764,049
State Street Sewer	-	189,147	-	189,147
	<u>\$ 9,402,922</u>	<u>\$ 2,375,272</u>	<u>\$ (8,849,156)</u>	<u>\$ 2,929,038</u>

16. Long-Term Debt

A. Long-Term Debt Supporting Governmental Activities

General obligation bonds, issued by the City for various municipal improvements, are approved by the voters and repaid with property taxes recorded in the General Fund. These bonds are required to be fully paid within 20 years from the date of issue and are backed by the full faith and credit of the City. The City's borrowing capacity is restrained by State law. Compensated absences are repaid from the funds that the costs relate to, mostly general fund, and also water and sewer funds.

B. General Obligation Bonds

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>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Outstanding as of June 30, 2009</u>
Capital Improvements 2000	\$ 7,610,000	06/15/10	5.00	\$ 760,000
Capital Improvements 2003	3,990,000	09/15/12	2.50 - 3.50	1,590,000
School Projects	38,000,000	09/15/22	2.50 - 5.00	26,600,000
Capital Improvements 2002	3,750,000	09/15/12	2.50 - 3.50	1,500,000
Athletic Complex Spinnaker	500,000	09/15/12	2.50 - 3.50	200,000
Capital Improvements	400,000	09/15/12	2.50 - 3.50	160,000
Library	6,960,000	08/01/25	4.00	5,910,000
Capital Improvements 2005	2,945,000	08/01/15	4.00	2,060,000
Capital Improvements 2006	950,000	06/15/17	4.00	760,000
Capital Improvements Streets Sidewalks 2007	3,450,000	06/15/17	4.00	2,760,000
Capital Improvements to Facilities 2007	1,000,000	06/15/17	4.00	800,000
New Castle Ave. Seawall	600,000	06/15/17	4.00	480,000
Coakley Landfill	3,768,000	08/01/18	3.80	1,802,886
Coakley Landfill OU2	652,330	07/01/19	3.80	358,780
FY08 Streets, Sidewalks, Bridges	2,500,000	06/15/18	3.71	2,250,000
FY08 School Improvements	500,000	06/15/18	3.71	450,000
Fire Station 2	3,650,000	06/15/28	3.98	3,465,000
Purchase of Land for Fire Station 2	1,300,000	06/15/28	3.98	1,235,000
Fire Apparatus	750,000	06/15/13	3.49	600,000
Capital Improvements 2009	5,000,000	01/15/29	3.41	5,000,000
Total Governmental Activities				<u>\$ 58,741,666</u>

<u>Business-Type Activities:</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2009</u>
<u>Water:</u>				
Upgrade to Motor Control	\$ 300,000	01/01/22	3.98	\$ 195,000
Corrosion Control Program	288,000	01/01/22	3.80	187,200
Constitution Avenue	4,800,000	01/01/22	3.70	3,360,000
Spinney Tank	1,162,560	12/01/22	3.73	813,792
Madbury WTP Design	2,000,000	06/01/28	2.49	1,900,000
Water Treatment Plant	16,000,000	01/15/29	3.94	16,000,000
<u>Sewer:</u>				
1989 Sewer Bonds	740,000	08/01/09	6.80	30,000
Waste Water Treatment Plant Pease	6,586,836	03/01/20	4.46	3,535,955
1992 Sewer Bonds	19,500,000	01/15/12	6.52	3,205,384
Sewer Projects Phase I	4,931,361	08/01/21	3.98	2,925,000
Sewer Projects Phase II	8,898,110	12/01/24	3.69	7,118,489
Lower Court Utilities Upgrade	688,563	07/01/27	3.49	654,135
Lincoln Area Stormwater	734,199	12/01/12	1.09	587,357
Phase III Sewer	5,508,137	12/01/27	3.49	5,232,730
Total Business-Type Activities				<u>\$ 45,745,042</u>

C. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,107,905	\$ 2,238,955	\$ 8,346,860
2011	5,347,905	2,120,097	7,468,002
2012	5,347,905	1,940,300	7,288,205
2013	5,337,905	1,743,516	7,081,421
2014	4,332,905	1,544,163	5,877,068
2015-2019	19,264,526	4,886,234	24,150,760
2020-2024	10,957,615	1,462,808	12,420,423
2025-2029	2,045,000	179,663	2,224,663
Total	<u>\$ 58,741,666</u>	<u>\$ 16,115,736</u>	<u>\$ 74,857,402</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,902,127	\$ 1,598,692	\$ 4,500,819
2011	3,717,127	1,752,306	5,469,433
2012	3,717,127	1,592,487	5,309,614
2013	2,742,127	1,415,769	4,157,896
2014	2,595,287	1,304,860	3,900,147
2015-2019	12,971,434	4,884,704	17,856,138
2020-2024	10,815,569	2,373,537	13,189,106
2025-2029	<u>6,284,244</u>	<u>690,659</u>	<u>6,974,903</u>
Total	\$ <u>45,745,042</u>	\$ <u>15,613,014</u>	\$ <u>61,358,056</u>

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2009 are as follows:

<u>Purpose</u>	<u>Amount</u>
Coakley Landfill	\$ 4,641,897
State St. Utilities upgrade	2,200,000
Purchase of Parking Garage	12,500,000
Sewer Phase III	15,569,102
Court St. - Phase II	701,890
Rye Line Pump Station	1,500,000
Water System Improvements	1,320,000
Water Capital Projects	8,100,000
Madbury Water Treatment Plan	<u>9,000,000</u>
Total Bond Authorizations	\$ <u>55,532,889</u>

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/08	Additions	Reductions	Total Balance 6/30/09	Less Current Portion	Equals Long-Term Portion 6/30/09
<u>Governmental Activities</u>						
Bonds payable	\$ 59,424	\$ 5,000	\$ (5,683)	\$ 58,741	\$ (6,108)	\$ 52,633
OPEB liability	-	433	-	433	-	433
Other:						
Landfill closure	1,440	-	-	1,440	-	1,440
Unamortized premium	755	-	(53)	702	(52)	650
Accrued employee benefits	9,405	604	(2,392)	7,617	(1,142)	6,475
Subtotal	11,600	604	(2,445)	9,759	(1,194)	8,565
Totals	\$ 71,024	\$ 6,037	\$ (8,128)	\$ 68,933	\$ (7,302)	\$ 61,631

	Balance 7/1/08	Additions	Reductions	Total Balance 6/30/09	Less Current Portion	Equals Long-Term Portion 6/30/09
<u>Business-Type Activities</u>						
Bonds payable	\$ 23,716	\$ 24,931	\$ (2,902)	\$ 45,745	\$ (2,902)	\$ 42,843
OPEB liability	-	42	-	42	-	42
Other:						
Accrued employee benefits	600	32	(48)	584	(53)	531
Unamortized premium	-	659	(31)	628	(31)	597
Subtotal	600	691	(79)	1,212	(84)	1,128
Totals	\$ 24,316	\$ 25,664	\$ (2,981)	\$ 46,999	\$ (2,986)	\$ 44,013

17. 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.

18. 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. Fund “designations,” which are not legally required

segregations, have also been established to indicate tentative plans for future financial utilization.

The following types of reserves and designations are reported at June 30, 2009:

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

Reserved for Inventory - an account used to segregate that portion of fund balance committed for inventory purposes.

Reserved for Advances and Loans - An account used to segregate a portion of fund balance to indicate that advances to other funds, although a component of assets, do not represent available spendable resources.

Reserved for Perpetual Permanent 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.

Unreserved - Designated - Represents management's setting funds aside toward future liabilities. The estimate includes \$6,293,318 for future health insurance cost increases, \$1,034,851 towards funding the liability for employees' compensated absences, \$1,923,670 for future tax appraisal issues, \$750,000 for future state property tax, \$619,645 for Coakley Landfill, and \$5,887,616 for debt service.

19. Subsequent Events

The City of Portsmouth is obligated, under a consent Decree with the Environmental Protection Agency (EPA) and New Hampshire Department of Environmental Services (DES), to identify a means and a timetable for achieving compliance with new secondary treatment requirements at its existing Peirce Island Wastewater Treatment Facility. That Consent Decree was approved by the U.S. District Court in the District of New Hampshire on September 24, 2009 (2009 Consent Decree). As part of the 2009 Consent Decree, the City is engaged in a wastewater master planning effort. That wastewater master planning effort is not yet complete, and there are state and federal permitting decisions that will be made later in the process. Consequently, the City is unable to determine with any certainty either the costs for compliance with the 2009 Consent Decree or the timing of those costs. However, it is unlikely that any capital expense will be incurred in connection with the 2009 Consent Decree during FY 2010. A prior Consent Decree with EPA, which was entered into in 1990 to develop and implement a long-term control plan to address the City's combined sewer overflows, was dismissed; the remaining obligations having been assumed under the 2009 Consent Decree.

20. 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 in excess of available insurance coverage 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.

Coakley Landfill - The Coakley Landfill (site) is located in North Hampton, New Hampshire, and for the period of 1972 through 1982, served as the municipal refuse disposal site for the City of Portsmouth and for the towns of North Hampton, Newington, New Castle and Pease Air Force Base. In December 1984, the City was advised by the State of New Hampshire that the City was considered to be a Potentially Responsible Party (PRP), under the provisions of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), as amended by the Superfund Amendments and Reauthorization Act of 1986, for contamination conditions which exist at the Site.

In December 1992, a total of 27 responsible parties, including the City, entered into a Consent Decree (Decree) with the United States Environmental Protection Agency (EPA). The Decree commits the City to expend a significant amount as its share of the costs to remedy conditions at the Site and to monitor and maintain the Site once the remedial steps have been completed. The Decree estimated the total cost of cleanup to be approximately \$22 million, with the City's share of these costs estimated to be approximately \$8.9 million, to be contributed over a number of years as needed by the project. Liability amongst the responsible parties is joint and several and is in no way limited by the estimate in the Decree. Should one of the responsible parties default on its obligations, the remaining parties will assume the liability for the defaulting party. The City's contributions are anticipated to be steady over the next several years.

In December 1991, the City Council authorized the issuance of \$8.9 million in bonds to pay for the costs of the project. To date, the City has borrowed \$4,258,103 from the State Revolving Loan Fund against this authorization. The City is receiving state aid payments in connection with the project in the total amount of \$943,644 payable over the life of the loan. The City awaits a final determination of the City's remaining liability, if any. Estimated liability may change due to factors such as price increases or decreases, changes in technology, or changes in applicable laws and regulations.

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. Revised Statutes Annotated 100-A:41-a of New Hampshire Law assigns the system the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. 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 between 5% and 9.30% of annual covered compensation to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 5.8% - 15.92% of covered compensation. The City's required annual contributions to the System for the years ended June 30 were made as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
City	\$ 2,195,160	\$ 2,164,472	\$ 1,726,509
School	<u>1,362,450</u>	<u>1,320,097</u>	<u>897,006</u>
Total	<u>\$ 3,557,610</u>	<u>\$ 3,484,569</u>	<u>\$ 2,623,515</u>

22. Post-Employment Health Care and Life Insurance Benefits

During the year, 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

In addition to providing the pension benefits described, the City provides post-employment health care and life insurance benefits for retired employees through the City's plan a cost-sharing single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of June 30, 2009, the actuarial valuation date, approximately 159 retirees and 726 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The City provides medical, prescription drug, mental health/substance abuse and life insurance 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 contribute 100% 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 2009 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, 2009, 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 30, 2009.

Annual Required Contribution (ARC)	\$ 1,483,391
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	1,483,391
Contributions made	<u>(1,007,923)</u>
Increase in net OPEB obligation	475,468
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 475,468</u></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>
2009	\$ 1,483,391	67.9%	\$ 475,468

The City's net OPEB obligation as of June 30, 2009 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 June 30, 2009, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 15,064,283
Actuarial value of plan assets	-
	<hr/>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 15,064,283</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 35,619,012</u>
UAAL as a percentage of covered payroll	<u>42.3%</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 30, 2009 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an opened group basis. This has been calculated assuming the amortization payment increases at a rate of 3.0%.

23. 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.

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

**June 30, 2009
 (Unaudited)**

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]
06/30/09	\$ -	\$ 15,064,283	\$ 15,064,283	0.0%	\$ 35,619,012	42.3%

See Independent Auditors' Report.

Combining Financial Statements

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

- Community Development: to account for the use of Community Development Block Grant Funds as received from the federal government through the New Hampshire Office of State Planning. Current grants are mainly designed for City of Portsmouth economic development, housing rehabilitation, public service, and public facilities.
- School Lunch: to account for local funds and funds received from the federal and state governments to provide lunches at City of Portsmouth schools.
- School Categorical Revenues: to account for funds received from the federal and state governments for special programs and projects at City of Portsmouth schools.
- Miscellaneous Grants and Contributions: to account for the various other funds of the City designated for specific purposes.
- Police Grants: to account for federal and State grants for the Police Department.
- Seizure Fund: to account for Federal Equitable Sharing program funds received from seized funds and equipment.
- Parking and Transportation: to account for operations of the City's parking facility, parking enforcement, parking meter operations and parking administration funded by funds generated from these parking activities.
- Housing Subsidy: to account for housing subsidy grants to provide assistance to first time homebuyers.
- Conservation: to account for Land Use Change Tax dedicated for the acquisition or preservation of open space.

- Unmet Parking Needs: to account for fees collected for unmet parking needs to be used within the Central Business District for transportation related improvements.
- Recreation: to account for fees collected for sports and other recreational activities and related expenditures.
- Library Trust Funds: to account for expendable gifts received by the Library.
- City Trust Funds: to account for the various expendable portion of the City's trusts.

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major capital facilities or equipment other than those employed in the delivery of services accounted for in Enterprise Funds.

The current funds were established for the following purposes:

- Building and Infrastructure: to fund building and infrastructure improvements.
- Transportation Management: to fund transportation management projects.
- Transportation State: to account for transportation projects funded both by City and State funds and as where the City manages the project.
- Vehicle/Equipment Replacement: to fund purchases of vehicles and equipment.
- Technology Equipment: to fund purchases of technology equipment.

PERMANENT FUNDS

Permanent Funds are established to account for certain assets held by the City in a fiduciary capacity as trustee. The following is a description of City Permanent Funds:

- City Trust Funds: to account for various bequest to the City designated for particular purposes.
- Library Trust Funds: to account for nonexpendable gifts received by the library with income restricted for maintenance of the library grounds.

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2009

	<u>Special Revenue Funds</u>			
	<u>Community Development</u>	<u>School Lunch</u>	<u>School Categorical Revenues</u>	<u>Miscellaneous Grants and Contributions</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 3,888,829	\$ -	\$ -	\$ 2,829,759
Investments	-	-	-	-
Departmental and other receivables	736	29,980	19,152	5,768
Intergovernmental receivables	-	-	713,965	33,626
Loans receivable	909,423	-	-	-
Inventory	-	21,142	-	-
	<u>-</u>	<u>21,142</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 4,798,988</u>	<u>\$ 51,122</u>	<u>\$ 733,117</u>	<u>\$ 2,869,153</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 3,412	\$ -	\$ -	\$ 12,691
Accrued liabilities	-	-	28,768	75
Retainage payable	-	-	-	-
Deferred revenues	909,423	19,528	818	-
Due to other funds	-	28,276	400,804	-
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	912,835	47,804	430,390	12,766
Fund Balances:				
Reserved for:				
Inventory	-	21,142	-	-
Perpetual permanent funds	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	3,886,153	(17,824)	302,727	2,856,387
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>3,886,153</u>	<u>3,318</u>	<u>302,727</u>	<u>2,856,387</u>
Total Liabilities and Fund Balances	<u>\$ 4,798,988</u>	<u>\$ 51,122</u>	<u>\$ 733,117</u>	<u>\$ 2,869,153</u>

Special Revenue Funds

<u>Police Grants</u>	<u>Seizure</u>	<u>Parking and Transportation</u>	<u>Housing Subsidy</u>	<u>Conservation</u>	<u>Unmet Parking Needs</u>
\$ -	\$ 35,220	\$ 473,399	\$ 74,970	\$ 864,103	\$ 395,975
-	-	-	-	-	-
-	-	-	-	-	-
235,242	-	-	-	-	-
-	-	-	1,214,518	-	-
-	-	-	-	-	-
<u>\$ 235,242</u>	<u>\$ 35,220</u>	<u>\$ 473,399</u>	<u>\$ 1,289,488</u>	<u>\$ 864,103</u>	<u>\$ 395,975</u>
\$ 414	\$ 84	\$ 17,507	\$ -	\$ -	\$ -
-	-	40,915	-	-	-
-	-	-	-	-	-
-	-	-	1,214,518	-	-
221,757	-	-	-	-	-
-	-	-	-	-	-
<u>222,171</u>	<u>84</u>	<u>58,422</u>	<u>1,214,518</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
13,071	35,136	414,977	74,970	864,103	395,975
-	-	-	-	-	-
-	-	-	-	-	-
<u>13,071</u>	<u>35,136</u>	<u>414,977</u>	<u>74,970</u>	<u>864,103</u>	<u>395,975</u>
<u>\$ 235,242</u>	<u>\$ 35,220</u>	<u>\$ 473,399</u>	<u>\$ 1,289,488</u>	<u>\$ 864,103</u>	<u>\$ 395,975</u>

(continued)

(continued)

	<u>Special Revenue Funds</u>			
	<u>Recreation</u>	<u>Library Trust Funds</u>	<u>City Trust Funds</u>	<u>Subtotals</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 121,893	\$ 306,191	\$ 7,108	\$ 8,997,447
Investments	-	7,260	94,377	101,637
Departmental and other receivables	-	-	-	55,636
Intergovernmental receivables	-	-	-	982,833
Loans receivable	-	-	-	2,123,941
Inventory	-	-	-	21,142
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>121,893</u>	\$ <u>313,451</u>	\$ <u>101,485</u>	\$ <u>12,282,636</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 5,111	\$ 10,720	\$ -	\$ 49,939
Accrued liabilities	-	-	-	69,758
Retainage payable	-	-	-	-
Deferred revenues	-	-	-	2,144,287
Due to other funds	-	-	-	650,837
Advances from other funds	-	-	45,000	45,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	5,111	10,720	45,000	2,959,821
Fund Balances:				
Reserved for:				
Inventory	-	-	-	21,142
Perpetual permanent funds	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	116,782	302,731	56,485	9,301,673
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>116,782</u>	<u>302,731</u>	<u>56,485</u>	<u>9,322,815</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ <u>121,893</u>	\$ <u>313,451</u>	\$ <u>101,485</u>	\$ <u>12,282,636</u>

Capital Project Funds

<u>Building and Infrastructure</u>	<u>Transportation Management</u>	<u>Transportation State</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Technology Equipment</u>	<u>Subtotals</u>
\$ 4,944,114	\$ 5,158,764	\$ 123,945	583,446	8,086	\$ 10,818,355
-	-	-	-	-	-
-	-	1,601,018	-	-	1,601,018
-	-	-	-	-	-
<u>4,944,114</u>	<u>5,158,764</u>	<u>1,724,963</u>	<u>583,446</u>	<u>8,086</u>	<u>12,419,373</u>
\$ 260,111	\$ 424,658	\$ 629,271	\$ 13,780	\$ -	\$ 1,327,820
-	-	-	-	-	-
109,269	128,441	-	-	-	237,710
-	-	-	-	-	-
-	-	-	-	-	-
<u>369,380</u>	<u>553,099</u>	<u>629,271</u>	<u>13,780</u>	<u>-</u>	<u>1,565,530</u>
-	-	-	-	-	-
-	-	-	-	-	-
4,574,734	4,605,665	1,095,692	569,666	8,086	10,853,843
-	-	-	-	-	-
<u>4,574,734</u>	<u>4,605,665</u>	<u>1,095,692</u>	<u>569,666</u>	<u>8,086</u>	<u>10,853,843</u>
<u>\$ 4,944,114</u>	<u>\$ 5,158,764</u>	<u>\$ 1,724,963</u>	<u>\$ 583,446</u>	<u>\$ 8,086</u>	<u>\$ 12,419,373</u>

(continued)

(continued)

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	<u>City Trust Funds</u>	<u>Library Trust Funds</u>	<u>Subtotals</u>	
<u>ASSETS</u>				
Cash and short-term investments	\$ 177,741	\$ -	\$ 177,741	\$ 19,993,543
Investments	4,396,773	4,019	4,400,792	4,502,429
Departmental and other receivables	-	-	-	55,636
Intergovernmental receivables	-	-	-	2,583,851
Loans receivable	-	-	-	2,123,941
Inventory	-	-	-	21,142
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>4,574,514</u>	\$ <u>4,019</u>	\$ <u>4,578,533</u>	\$ <u>29,280,542</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 947	\$ -	\$ 947	\$ 1,378,706
Accrued liabilities	-	-	-	69,758
Retainage payable	-	-	-	237,710
Deferred revenues	-	-	-	2,144,287
Due to other funds	-	-	-	650,837
Advances from other funds	-	-	-	45,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	947	-	947	4,526,298
Fund Balances:				
Reserved for:				
Inventory	-	-	-	21,142
Perpetual permanent funds	1,584,492	4,000	1,588,492	1,588,492
Unreserved:				
Undesignated, reported in:				
Special revenue funds	-	-	-	9,301,673
Capital project funds	-	-	-	10,853,843
Permanent funds	<u>2,989,075</u>	<u>19</u>	<u>2,989,094</u>	<u>2,989,094</u>
Total Fund Balances	<u>4,573,567</u>	<u>4,019</u>	<u>4,577,586</u>	<u>24,754,244</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	\$ <u>4,574,514</u>	\$ <u>4,019</u>	\$ <u>4,578,533</u>	\$ <u>29,280,542</u>

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2009

	Special Revenue Funds			
	Community Development	School Lunch	School Categorical Revenues	Miscellaneous Grants and Contributions
Revenues:				
Intergovernmental	\$ 737,070	\$ 291,665	\$ 3,909,283	\$ 728,901
Charges for services	-	492,775	-	-
Investment income (loss)	9,067	-	-	-
Fines and costs	-	-	-	16,145
Contributions	319	-	-	35,370
Other	245,993	-	-	35,028
Total Revenues	992,449	784,440	3,909,283	815,444
Expenditures:				
Current:				
General government	-	-	-	42,073
Public safety	-	-	-	63,195
Education	-	782,741	3,802,959	21,106
Public works	-	-	-	162,635
Culture and recreation	-	-	-	53,904
Community development	972,777	-	-	5,088
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	972,777	782,741	3,802,959	348,001
Excess (deficiency) of revenues over (under) expenditures	19,672	1,699	106,324	467,443
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	-	-	72,097
Transfers out	(2,943)	-	-	-
Total Other Financing Sources (Uses)	(2,943)	-	-	72,097
Net change in fund balances	16,729	1,699	106,324	539,540
Fund Balances, beginning of year	3,869,424	1,619	196,403	2,316,847
Fund Balances, end of year	\$ 3,886,153	\$ 3,318	\$ 302,727	\$ 2,856,387

Special Revenue Funds

<u>Police Grants</u>	<u>Seizure</u>	<u>Parking and Transportation</u>	<u>Housing Subsidy</u>	<u>Conservation</u>	<u>Unmet Parking Needs</u>
\$ 342,712	\$ 3,335	\$ -	\$ -	\$ -	\$ -
-	-	2,429,489	-	-	136,274
-	312	-	595	6,140	-
-	587	-	-	-	-
5,701	200	-	-	-	-
-	-	-	25,454	-	-
<u>348,413</u>	<u>4,434</u>	<u>2,429,489</u>	<u>26,049</u>	<u>6,140</u>	<u>136,274</u>
-	-	-	-	4,590	-
362,039	16,483	-	-	-	-
-	-	-	-	-	-
-	-	1,614,627	-	-	24,026
-	-	-	-	-	-
-	-	-	180,308	-	-
-	-	450,000	-	-	-
-	-	45,900	-	-	-
-	-	-	-	-	-
<u>362,039</u>	<u>16,483</u>	<u>2,110,527</u>	<u>180,308</u>	<u>4,590</u>	<u>24,026</u>
(13,626)	(12,049)	318,962	(154,259)	1,550	112,248
-	-	-	-	-	-
-	-	-	-	960	-
-	-	(96,000)	-	-	-
-	-	(96,000)	-	960	-
(13,626)	(12,049)	222,962	(154,259)	2,510	112,248
<u>26,697</u>	<u>47,185</u>	<u>192,015</u>	<u>229,229</u>	<u>861,593</u>	<u>283,727</u>
<u>\$ 13,071</u>	<u>\$ 35,136</u>	<u>\$ 414,977</u>	<u>\$ 74,970</u>	<u>\$ 864,103</u>	<u>\$ 395,975</u>

(continued)

(continued)

	Special Revenue Funds			Subtotals
	Recreation	Library Trust Funds	City Trust Funds	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 6,012,966
Charges for services	176,025	92,444	33,132	3,360,139
Investment income (loss)	-	(1,465)	(8,931)	5,718
Fines and costs	-	-	-	16,732
Contributions	-	8,693	-	50,283
Other	394	-	-	306,869
Total Revenues	176,419	99,672	24,201	9,752,707
Expenditures:				
Current:				
General government	-	-	-	46,663
Public safety	-	-	-	441,717
Education	-	-	-	4,606,806
Public works	-	-	-	1,801,288
Culture and recreation	143,734	88,298	17,521	303,457
Community development	-	-	-	1,158,173
Debt service:				
Principal	-	-	-	450,000
Interest	-	-	-	45,900
Capital outlay	-	-	-	-
Total Expenditures	143,734	88,298	17,521	8,854,004
Excess (deficiency) of revenues over (under) expenditures	32,685	11,374	6,680	898,703
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	9,074	-	82,131
Transfers out	-	-	-	(98,943)
Total Other Financing Sources (Uses)	-	9,074	-	(16,812)
Net change in fund balances	32,685	20,448	6,680	881,891
Fund Balances, beginning of year	84,097	282,283	49,805	8,440,924
Fund Balances, end of year	\$ 116,782	\$ 302,731	\$ 56,485	\$ 9,322,815

Capital Project Funds					
<u>Building and Infrastructure</u>	<u>Transportation Management</u>	<u>Transportation State</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Technology Equipment</u>	<u>Subtotals</u>
\$ -	\$ -	\$ 2,991,370	\$ -	\$ -	\$ 2,991,370
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,991,370	-	-	2,991,370
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,077,300	2,554,290	3,454,354	306,357	170,914	9,563,215
3,077,300	2,554,290	3,454,354	306,357	170,914	9,563,215
(3,077,300)	(2,554,290)	(462,984)	(306,357)	(170,914)	(6,571,845)
1,700,000	3,300,000	-	-	-	5,000,000
54,254	-	376,663	674,020	179,000	1,283,937
-	(22,369)	-	-	-	(22,369)
1,754,254	3,277,631	376,663	674,020	179,000	6,261,568
(1,323,046)	723,341	(86,321)	367,663	8,086	(310,277)
5,897,780	3,882,324	1,182,013	202,003	-	11,164,120
\$ 4,574,734	\$ 4,605,665	\$ 1,095,692	\$ 569,666	\$ 8,086	\$ 10,853,843

(continued)

(continued)

	Permanent Funds			Total Nonmajor Governmental Funds
	City Trust Funds	Library Trust Funds	Subtotals	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 9,004,336
Charges for services	-	-	-	3,360,139
Investment income (loss)	(983,677)	(70)	(983,747)	(978,029)
Fines and costs	-	-	-	16,732
Contributions	-	-	-	50,283
Other	5,290	-	5,290	312,159
Total Revenues	(978,387)	(70)	(978,457)	11,765,620
Expenditures:				
Current:				
General government	-	-	-	46,663
Public safety	-	-	-	441,717
Education	-	-	-	4,606,806
Public works	-	-	-	1,801,288
Culture and recreation	217,377	-	217,377	520,834
Community development	-	-	-	1,158,173
Debt service:				
Principal	-	-	-	450,000
Interest	-	-	-	45,900
Capital Outlay	-	-	-	9,563,215
Total Expenditures	217,377	-	217,377	18,634,596
Excess (deficiency) of revenues over (under) expenditures	(1,195,764)	(70)	(1,195,834)	(6,868,976)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	5,000,000
Transfers in	-	-	-	1,366,068 (1)
Transfers out	(9,074)	-	(9,074)	(130,386) (1)
Total Other Financing Sources (Uses)	(9,074)	-	(9,074)	6,235,682
Net change in fund balances	(1,204,838)	(70)	(1,204,908)	(633,294)
Fund Balances, beginning of year	5,778,405	4,089	5,782,494	25,387,538
Fund Balances, end of year	\$ 4,573,567	\$ 4,019	\$ 4,577,586	\$ 24,754,244

(1) Transfers in and out were netted on page 40 to eliminate activity within nonmajor governmental funds.

GENERAL FUND

The General Fund is established to account for all resources obtained and used for those services commonly provided by a city which are not accounted for in any other fund. These services include among other items: General Government, Public Safety, Education, Public Works, Health and Human Services, and Culture and Recreation. The primary sources of revenue of the General Fund are: property taxes, unrestricted state revenue sharing grants, certain restricted grants and fees for services rendered.

**Detail and Combining Budget
and Actual Schedules**

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Detail Schedule of Revenues and Other Financing Sources -
Budget and Actual - General Fund

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues</u>				
<u>Taxes</u>				
Property taxes	\$ 62,748,588	\$ 62,748,588	\$ 62,748,588	\$ -
Payment in lieu of taxes	<u>125,000</u>	<u>125,000</u>	<u>119,844</u>	<u>(5,156)</u>
Total Taxes	62,873,588	62,873,588	62,868,432	(5,156)
<u>Licenses and Permits</u>				
Motor vehicle permits and fees	3,450,000	3,450,000	3,218,434	(231,566)
Business licenses, permits and fees	<u>930,000</u>	<u>930,000</u>	<u>1,517,667</u>	<u>587,667</u>
Total Licenses and Permits	4,380,000	4,380,000	4,736,101	356,101
<u>Intergovernmental</u>				
City:				
Shared revenues	1,535,543	1,535,543	1,578,649	43,106
Highway block grant	358,260	358,260	370,720	12,460
Other state grants	47,163	47,163	57,566	10,403
School:				
Tuition	4,500,000	4,500,000	4,861,391	361,391
School building aid	<u>1,026,722</u>	<u>1,026,722</u>	<u>988,185</u>	<u>(38,537)</u>
Total Intergovernmental	7,467,688	7,467,688	7,856,511	388,823
<u>Charges for Services</u>				
Income from departments	1,202,011	1,202,011	1,467,240	265,229
Income from PDA	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,081,549</u>	<u>81,549</u>
Total Charges for Services	3,202,011	3,202,011	3,548,789	346,778
<u>Investment Income</u>	700,000	700,000	784,356	84,356
<u>Interest and Penalties</u>	140,000	140,000	136,306	(3,694)
<u>Fines and Costs</u>	959,000	959,000	953,548	(5,452)
<u>Other Revenues</u>				
Sale of municipal property	5,000	5,000	6,637	1,637
Rents of municipal property	125,042	125,042	183,858	58,816
Miscellaneous	<u>90,000</u>	<u>90,000</u>	<u>92,291</u>	<u>2,291</u>
Total Other Revenues	220,042	220,042	282,786	62,744
<u>Other Financing Sources</u>				
Bond premiums	-	-	208,230	208,230
Transfers In	918,409	918,409	914,135	(4,274)
Use of fund balance	<u>1,573,500</u>	<u>1,573,500</u>	<u>1,573,500</u>	<u>-</u>
Total Other Financing Sources	<u>2,491,909</u>	<u>2,491,909</u>	<u>2,695,865</u>	<u>203,956</u>
Total Revenues and Other Financing Sources	\$ <u>82,434,238</u>	\$ <u>82,434,238</u>	\$ <u>83,862,694</u>	\$ <u>1,428,456</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Detail Schedule of Expenditures and Other Financing Uses
Budget and Actual - General Fund

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<u>Expenditures</u>				
<u>General Government</u>				
City council	\$ 32,121	\$ 32,121	\$ 22,167	\$ 9,954
City manager	251,966	253,918	249,651	4,267
City clerk	197,049	212,958	212,956	2
Elections	56,706	56,706	42,458	14,248
Legal	476,491	487,597	479,774	7,823
Human resources	2,157,289	2,163,698	2,163,440	258
Finance/Accounting	<u>1,618,183</u>	<u>1,641,879</u>	<u>1,612,751</u>	<u>29,128</u>
Total General Government	4,789,805	4,848,877	4,783,197	65,680
<u>Other General Government</u>				
General administration	935,462	923,441	923,306	135
Collective bargaining contingency	<u>1,000,000</u>	<u>334,596</u>	<u>334,596</u>	<u>-</u>
Total Other General Government	1,935,462	1,258,037	1,257,902	135
<u>Public Works</u>	5,662,265	5,676,757	5,676,733	24
<u>Community Services</u>				
Public library	1,476,370	1,481,714	1,423,182	58,532
Recreation	1,137,322	1,147,247	1,086,658	60,589
Public welfare	361,485	366,216	366,197	19
Outside social services	<u>198,460</u>	<u>198,460</u>	<u>198,460</u>	<u>-</u>
Total Community Services	3,173,637	3,193,637	3,074,497	119,140
<u>Regulatory Services</u>				
Planning	505,817	516,383	513,733	2,650
Building inspection	351,510	360,148	334,609	25,539
Public health	<u>120,703</u>	<u>124,250</u>	<u>123,164</u>	<u>1,086</u>
Total Regulatory Services	978,030	1,000,781	971,506	29,275
<u>Emergency Management</u>	10,000	10,000	8,226	1,774
<u>Police Department</u>	8,613,059	8,621,631	8,411,945	209,686
<u>Fire Department</u>	6,814,861	6,817,399	6,719,748	97,651
<u>School Department</u>	34,955,754	35,505,754	35,503,434	2,320

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Detail Schedule of Expenditures and Other Financing Uses
Budget and Actual - General Fund

For the Year Ended June 30, 2009

(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Non-Operating</u>				
Debt service payments	\$ 7,861,734	\$ 7,861,734	\$ 7,607,962	\$ 253,772
Overlay	1,000,000	1,000,000	558,150	441,850
Capital outlay	1,035,500	1,035,500	1,035,500	-
County tax	3,700,000	3,700,000	3,628,417	71,583
Contingency	300,000	300,000	300,000	-
Other General non-operating	<u>1,604,131</u>	<u>1,604,131</u>	<u>1,602,730</u>	<u>1,401</u>
Total Non-Operating	<u>15,501,365</u>	<u>15,501,365</u>	<u>14,732,759</u>	<u>768,606</u>
Total Expenditures	<u>\$ 82,434,238</u>	<u>\$ 82,434,238</u>	<u>\$ 81,139,947</u>	<u>\$ 1,294,291</u>

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Enterprise Funds

Enterprise Funds were established to account for activities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the activity be self-supporting based on user charges.

The City of Portsmouth has the following Enterprise Funds:

Water Fund: To account for the operation of a water treatment plant, City wells and water system.

Sewer Fund: To account for the operation of two sewer treatment plants, pumping stations and sewer lines.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Schedule of Revenues and Expenses -
Budget and Actual

Enterprise Funds

For the Year Ended June 30, 2009

	Final Budget *	Water Fund Actual (Budgetary Basis)	Variance
Operating Revenues:			
Charges for services	\$ 5,316,098	\$ 4,759,495	\$ (556,603)
Licenses and permits	494,500	448,697	(45,803)
Departmental revenue	242,483	158,447	(84,036)
Other income	-	12,774	12,774
Total Operating Revenues	6,053,081	5,379,413	(673,668)
Operating Expenses:			
Personnel	1,965,205	1,835,476	129,729
Non-personnel	2,162,804	1,464,985	697,819
Depreciation	675,753	666,409	9,344
Capital	1,314,000	1,314,000	-
Total Operating Expenses	6,117,762	5,280,870	836,892
Operating Income (Loss)	(64,681)	98,543	163,224
Nonoperating Income and (Expenses):			
Grants income	-	17,269	17,269
Investment income	80,000	16,496	(63,504)
Interest expense	(617,124)	(326,671)	290,453
Total Nonoperating Revenues (Expenses)	(537,124)	(292,906)	244,218
Income (Loss) Before Contributions and Transfers	(601,805)	(194,363)	407,442
Capital contributions from developers	135,115	20,515	(114,600)
Operating transfers out	(392,663)	(463,691)	(71,028)
Other Financing Sources:			
Use of retained earnings	859,353	859,353	-
Net Income	\$ -	\$ 221,814	\$ 221,814

* Final budget did not change from original budget.

Sewer Fund		
<u>Final Budget *</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ 6,416,777	\$ 5,467,793	\$ (948,984)
129,000	136,999	7,999
120,504	72,017	(48,487)
-	14,255	14,255
6,666,281	5,691,064	(975,217)
1,897,102	1,790,878	106,224
3,399,627	2,485,610	914,017
1,324,221	1,207,550	116,671
1,555,000	1,555,000	-
8,175,950	7,039,038	1,136,912
(1,509,669)	(1,347,974)	161,695
1,701,035	1,431,113	(269,922)
350,000	70,581	(279,419)
(1,723,625)	(1,248,514)	475,111
327,410	253,180	(74,230)
(1,182,259)	(1,094,794)	87,465
153,086	225,204	72,118
(450,444)	(450,444)	-
1,479,617	1,479,617	-
\$ -	\$ 159,583	\$ 159,583

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds represent contributions used to account for trust arrangements, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

- Park Fund represents contributions used to compensate local artists performing in Prescott Park Arts Festival and to maintain and provide for upkeep of the Lower State Street Park.
- Scholarship Fund represents contributions used to subsidize education costs for eligible students.
- Worthy Poor Fund represents contributions to help eligible residents with living costs.
- Memorial Fund represents contributions used to maintain Emerson Hovey Fountain in Prescott Park, construction of memorial for veterans, and presentation of travel talks for the public.
- Commemoration Fund represents contributions for celebration on Emancipation Day, tricentennial celebration in 2076, and to further Japanese-American relations.

AGENCY FUNDS

Agency Funds are established to account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others.

- Claremont Coalition Fund represents contributions from various local governments in the State of New Hampshire, which are used to pay legal costs related to state-wide property tax issue.
- Art Speak Fund represents contributions from various sources used to fully or partially support artistic and/or cultural activities within the City of Portsmouth.
- School Funds represent primarily student activity funds, which are contributions from students and fundraising receipts used to pay for student-related activities.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Fiduciary Net Assets

Private Purpose Trust Funds

June 30, 2009

	<u>Park Fund</u>	<u>Scholarship Fund</u>	<u>Worthy Poor Fund</u>	<u>Memorial Fund</u>	<u>Commemoration Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and short-term investments	\$ 20,745	\$ 6,325	\$ 29,255	\$ 209,091	\$ 2,770	\$ 268,186
Investments	<u>8,909</u>	<u>3,565,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,574,481</u>
Total Assets	29,654	3,571,897	29,255	209,091	2,770	3,842,667
<u>NET ASSETS</u>						
Net assets held in trust	\$ <u>29,654</u>	\$ <u>3,571,897</u>	\$ <u>29,255</u>	\$ <u>209,091</u>	\$ <u>2,770</u>	\$ <u>3,842,667</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Funds

For the Year Ended June 30, 2009

	<u>Park Fund</u>	<u>Scholarship Fund</u>	<u>Worthy Poor Fund</u>	<u>Memorial Fund</u>	<u>Commemoration Fund</u>	<u>Total</u>
<u>ADDITIONS</u>						
Investment income (loss)	\$ (5,741)	\$ (702,576)	\$ (5,673)	\$ (39,889)	\$ (828)	\$ (754,707)
Contributions	<u>-</u>	<u>4,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,785</u>
Total Additions	(5,741)	(697,791)	(5,673)	(39,889)	(828)	(749,922)
<u>DEDUCTIONS</u>						
Payments to beneficiaries	<u>312</u>	<u>184,262</u>	<u>88</u>	<u>8,561</u>	<u>1,513</u>	<u>194,736</u>
Net decrease	(6,053)	(882,053)	(5,761)	(48,450)	(2,341)	(944,658)
<u>NET ASSETS</u>						
Beginning of year	<u>35,707</u>	<u>4,453,950</u>	<u>\$ 35,016</u>	<u>\$ 257,541</u>	<u>\$ 5,111</u>	<u>4,787,325</u>
End of year	<u>\$ 29,654</u>	<u>\$ 3,571,897</u>	<u>\$ 29,255</u>	<u>\$ 209,091</u>	<u>\$ 2,770</u>	<u>\$ 3,842,667</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2009

	Balance July 1, <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2009</u>
<u>Claremont Coalition:</u>				
Assets - cash and short-term investments	\$ <u>42,514</u>	\$ <u>20,227</u>	\$ <u>(50,811)</u>	\$ <u>11,930</u>
Liabilities - other liabilities	\$ <u>42,514</u>	\$ <u>20,227</u>	\$ <u>(50,811)</u>	\$ <u>11,930</u>
 <u>Art Speak</u>				
Assets - cash and short-term investments	\$ <u>10,446</u>	\$ <u>25,096</u>	\$ <u>(33,495)</u>	\$ <u>2,047</u>
Liabilities - other liabilities	\$ <u>10,446</u>	\$ <u>25,096</u>	\$ <u>(33,495)</u>	\$ <u>2,047</u>
 <u>School Fund:</u>				
Assets - cash and short-term investments	\$ <u>438,852</u>	\$ <u>806,216</u>	\$ <u>(766,452)</u>	\$ <u>478,616</u>
Liabilities - other liabilities	\$ <u>438,852</u>	\$ <u>806,216</u>	\$ <u>(766,452)</u>	\$ <u>478,616</u>
 <u>Totals:</u>				
Assets - cash and short-term investments	\$ <u>491,812</u>	\$ <u>851,539</u>	\$ <u>(850,758)</u>	\$ <u>492,593</u>
Liabilities - other liabilities	\$ <u>491,812</u>	\$ <u>851,539</u>	\$ <u>(850,758)</u>	\$ <u>492,593</u>

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATISTICAL SECTION

The City of Portsmouth comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	110 - 114
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	115 - 121
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	122 - 124
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	125 - 126
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the service the government provides and the activities it performs.	127 - 129

City of Portsmouth, New Hampshire

Net Assets by Component

Last Ten Fiscal Years (1)

(accrual basis of accounting)

	2003	2004	Fiscal Year 2005	2006	2007	2008	2009
Governmental Activities							
Invested in capital assets, net of related debt	\$ 30,732,364	\$ 38,911,622	\$ 42,496,138	\$ 49,153,962	\$ 54,020,817	\$ 59,571,267	\$ 64,657,970
Restricted	9,048,695	9,306,501	10,931,104	13,270,157	14,389,205	14,514,810	14,103,944
Unrestricted	14,026,140	9,549,651	15,161,322	12,448,295	18,269,352	19,928,592	26,730,894
Total governmental activities net assets	\$ 53,807,199	\$ 57,767,774	\$ 68,588,564	\$ 74,872,414	\$ 86,679,374	\$ 94,014,669	\$ 105,492,808
Business-type activities							
Invested in capital assets, net of related debt	\$ 21,234,161	\$ 22,095,474	\$ 23,013,138	\$ 25,349,267	\$ 27,065,756	\$ 29,978,192	\$ 35,326,336
Restricted	3,018,513	382,800	510,400	275,000	2,443,121 (2)	1,950,574	1,788,026
Unrestricted	14,021,585	17,254,704	17,747,847	17,098,572	15,034,184 (2)	15,314,959	11,027,529
Total business-type activities net assets	\$ 38,274,259	\$ 39,732,978	\$ 41,271,385	\$ 42,722,839	\$ 44,543,061	\$ 47,243,725	\$ 48,141,891
Primary government							
Invested in capital assets, net of related debt	\$ 51,966,525	\$ 61,007,096	\$ 65,509,276	\$ 74,503,229	\$ 81,086,573	\$ 89,549,459	\$ 99,984,306
Restricted	12,067,208	9,689,301	11,441,504	13,545,157	16,832,326 (2)	16,465,384	15,891,970
Unrestricted	28,047,725	26,804,355	32,909,169	29,546,867	33,303,536 (2)	35,243,551	37,758,423
Total primary government net assets	\$ 92,081,458	\$ 97,500,752	\$ 109,859,949	\$ 117,595,253	\$ 131,222,435	\$ 141,258,394	\$ 153,634,699

Notes:

- (1) The City will continue to annually report information until this schedule includes 10 fiscal years.
- (2) as reclassified

City of Portsmouth, New Hampshire

Changes in Net Assets

Last Ten Fiscal Years (1)

(accrual basis of accounting)

	2003	2004	Fiscal Year 2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	\$ 9,167,158	\$ 9,013,247	\$ 9,385,825	\$ 9,377,824	\$ 10,104,480	\$ 10,788,002	\$ 11,181,159
Public safety	12,182,170	13,118,232	13,503,217	14,751,451	15,380,058	15,834,025	16,041,765
Education	30,575,962	32,852,006	34,531,532	36,299,931	37,077,191	38,923,454	39,306,880
Public works	6,728,143	7,145,661	8,069,127	7,937,471	8,606,872	8,780,132	9,363,174
Health and human Services	602,337	507,819	539,600	661,720	536,928	651,557	680,790
Culture and recreation	2,631,627	2,869,740	2,921,538	2,952,284	3,196,571	3,616,584	3,535,606
Community development	1,201,811	1,221,399	1,239,847	1,031,186	908,111	1,240,509	1,150,573
Interest	1,965,305	2,180,257	2,054,056	2,286,755	2,124,035	2,251,976	2,367,351
Total governmental activities expenses	65,054,513	68,908,361	72,244,742	75,298,622	77,934,246	82,086,239	83,627,298
Business-type activities:							
Water services	3,643,489	3,110,849	3,975,429	3,880,181	4,025,343	3,921,249	4,292,268
Sewer services	5,014,029	5,261,238	5,561,213	6,749,910	5,832,194	6,258,372	6,778,486
Total business-type activities expenses	8,657,518	8,372,087	9,536,642	10,630,091	9,857,537	10,179,621	11,070,754
Total primary government expenses	\$ 73,712,031	\$ 77,280,448	\$ 81,781,384	\$ 85,928,713	\$ 87,791,783	\$ 92,265,860	\$ 94,698,052
Program Revenues							
Governmental activities:							
Charges for services							
General government	5,232,812	5,884,156	6,594,420	6,506,377	6,562,748	6,988,685	6,926,238
Public safety	523,808	535,947	1,141,197	213,344	613,796	737,216	714,666
Education	3,727,014	4,192,712	4,279,951	4,627,368	5,395,451	5,432,171	5,358,926
Public Works	2,654,567	2,820,635	3,646,625	3,929,021	3,855,901	3,778,437	3,813,473
Health and Human Services	23,323	15,005	18,579	24,406	32,745	34,970	25,711
Culture and Recreation	401,400	382,256	401,925	409,315	398,780	640,476	651,610
Total charges for services	12,562,924	13,830,711	16,082,697	15,709,831	16,859,421	17,611,955	17,490,624
Operating grants and contributions	6,491,442	6,749,407	6,788,914	6,863,657	6,114,428	4,885,064	5,070,581
Capital grants and contributions	864,461	3,322,850	6,313,161	1,254,435	3,218,420	1,689,939	4,341,738
Total governmental activities program revenues	19,918,827	23,902,968	29,184,772	23,827,923	26,192,269	24,186,958	26,902,943
Business-type activities:							
Charges for services							
Water services	3,538,277	3,472,257	3,897,647	4,143,467	4,284,231	5,087,122	5,379,413
Sewer services	5,068,994	4,887,622	5,595,034	6,005,918	5,880,176	6,450,632	5,691,064
Total charges for services	8,607,271	8,359,879	9,492,681	10,149,385	10,164,407	11,537,754	11,070,477
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	2,976,118	1,993,390	2,250,609	2,292,234	1,825,343	1,883,304	1,694,101
Total business-type activities program revenues	11,583,389	10,353,269	11,743,290	12,441,619	11,989,750	13,421,058	12,764,578
Total primary government program revenues	\$ 31,502,216	\$ 34,256,237	\$ 40,928,062	\$ 36,269,542	\$ 38,182,019	\$ 37,608,016	\$ 39,667,521
Net (Expenses)Revenue							
Governmental activities	\$ (45,135,686)	\$ (45,005,393)	\$ (43,059,970)	\$ (51,470,699)	\$ (51,741,977)	\$ (57,899,281)	\$ (56,724,355)
Business-type activities	2,925,871	1,981,182	2,206,648	1,811,528	2,132,213	3,241,437	1,693,824
Total primary government net expense	\$ (42,209,815)	\$ (43,024,211)	\$ (40,853,322)	\$ (49,659,171)	\$ (49,609,764)	\$ (54,657,844)	\$ (55,030,531)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	\$ 44,646,497	\$ 47,045,791	\$ 50,728,178	\$ 52,585,511	\$ 55,593,628	\$ 59,057,518	\$ 63,041,949
Interest on taxes	241,686	554,686	138,079	161,637	53,211	131,228	136,306
Grants and contributions not restricted to specific programs	1,253,055	2,294,254	2,369,027	2,409,456	2,451,530	2,609,326	2,956,184
Investment income (loss)	1,216,492	1,187,392	844,490	1,641,714	2,091,576	972,640	(193,672)
Other revenues	201,000	97,558	411,002	195,370	2,200,704	1,557,015	1,347,592
Permanent fund contributions	3,995	-	-	-	266,937	2,281	-
Transfers, net	611,970	614,496	733,044	760,861	891,351	904,568	914,135
Loss on disposal of capital assets	-	-	(1,572,619)	-	-	-	-
Total governmental activities	48,174,695	51,794,177	53,651,201	57,754,549	63,548,937	65,234,576	68,202,494
Business-type activities:							
Investment income	233,889	92,033	64,803	400,787	579,360	363,795	118,477
Transfers, net	(611,970)	(614,496)	(733,044)	(760,861)	(891,351)	(904,568)	(914,135)
Total business-type activities	(378,081)	(522,463)	(668,241)	(360,074)	(311,991)	(540,773)	(795,658)
Total primary government	\$ 47,796,614	\$ 51,271,714	\$ 52,982,960	\$ 57,394,475	\$ 63,236,946	\$ 64,693,803	\$ 67,406,836
Change in Net Assets							
Governmental activities	\$ 3,039,009	\$ 6,788,784	\$ 10,591,231	\$ 6,283,850	\$ 11,806,960	\$ 7,335,295	\$ 11,478,139
Business-type activities	2,547,790	1,458,719	1,538,407	1,451,454	1,820,222	2,700,664	898,166
Total primary government	\$ 5,586,799	\$ 8,247,503	\$ 12,129,638	\$ 7,735,304	\$ 13,627,182	\$ 10,035,959	\$ 12,376,305

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

City of Portsmouth, New Hampshire

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
All governmental funds										
Reserved for encumbrances	\$ 3,893,588	\$ 3,952,627	\$ 5,212,531	\$ 3,227,551	\$ 3,364,804	\$ 3,520,771	\$ 4,195,684	\$ 4,547,358	\$ 4,952,158	\$ 5,710,359
Reserve for Inventory	-	-	-	-	-	-	-	-	-	21,142
Reserved for advances	156,256	104,806	96,611	84,391	74,191	72,191	65,300	157,500	156,000	95,000
Reserve for perpetual permanent funds	-	-	-	4,955,608	4,969,372	5,227,376	1,319,555	1,588,492	1,588,492	1,588,492
Total Reserved	4,049,844	4,057,433	5,309,142	8,267,550	8,408,367	8,820,338	5,580,539	6,293,350	6,696,650	7,414,993
Designated Unreserved	5,693,714	7,234,510	7,928,790	12,169,119	12,663,496	12,849,182	13,124,996	13,366,904	16,070,029	16,509,100
Undesignated	14,239,199	11,274,826	5,717,667	37,736,846	20,079,059	17,424,803	24,309,266	26,950,676	31,555,100	33,020,510
Total all governmental funds	<u>\$ 23,982,757</u>	<u>\$ 22,566,769</u>	<u>\$ 18,955,599</u>	<u>\$ 58,173,515</u>	<u>\$ 41,150,922</u>	<u>\$ 39,094,323</u>	<u>\$ 43,014,801</u>	<u>\$ 46,610,930</u>	<u>\$ 54,321,779</u>	<u>\$ 56,944,603</u>
General Fund										
Reserved for encumbrances	\$ 3,893,588	\$ 3,952,627	\$ 5,212,531	\$ 3,227,551	\$ 3,364,804	\$ 3,520,771	\$ 4,195,684	\$ 4,547,358	\$ 4,952,158	\$ 5,710,359
Reserved for advances and loans(1)	156,256	104,806	96,611	84,391	74,191	72,191	65,300	157,500	156,000	95,000
Total Reserved	4,049,844	4,057,433	5,309,142	3,311,942	3,438,995	3,592,962	4,260,984	4,704,858	5,108,158	5,805,359
Designated Unreserved	5,685,862	7,219,992	7,928,790	12,169,119	12,663,496	12,849,182	13,124,996	13,366,904	16,070,029	16,509,100
Undesignated	4,591,148	4,952,900	5,455,337	5,083,848	5,955,115	6,426,404	6,953,751	7,330,854	7,756,054	9,875,900
Total General Fund	<u>\$ 14,326,854</u>	<u>\$ 16,230,325</u>	<u>\$ 18,693,269</u>	<u>\$ 20,564,909</u>	<u>\$ 22,057,606</u>	<u>\$ 22,868,548</u>	<u>\$ 24,339,731</u>	<u>\$ 25,402,616</u>	<u>\$ 28,934,241</u>	<u>\$ 32,190,359</u>
All other governmental funds										
Reserved for encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-	-	-	-	21,142
Reserve for perpetual permanent funds	-	-	-	4,955,608	4,969,372	5,227,376	1,319,555	1,588,492	1,588,492	1,588,492
Total Reserved	\$ -	\$ -	\$ -	\$ 4,955,608	\$ 4,969,372	\$ 5,227,376	\$ 1,319,555	\$ 1,588,492	\$ 1,588,492	\$ 1,609,634
Designated unreserved, reported in:										
Special revenue funds	7,852	14,518	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	6,019,183	5,882,924	5,574,289	5,971,035	5,717,056	6,941,291	6,893,059	7,816,687	8,440,924	9,301,673
Capital projects funds	3,628,868	439,002	(5,311,959)	26,681,963	8,078,504	3,595,443	5,706,133	6,608,544	11,164,120	10,853,843
Permanent funds	-	-	-	-	328,384	461,665	4,756,323	5,194,591	4,194,002	2,989,094
Total all other governmental funds	<u>\$ 9,655,903</u>	<u>\$ 6,336,444</u>	<u>\$ 262,330</u>	<u>\$ 37,608,606</u>	<u>\$ 19,093,316</u>	<u>\$ 16,225,775</u>	<u>\$ 18,675,070</u>	<u>\$ 21,208,314</u>	<u>\$ 25,387,538</u>	<u>\$ 24,754,244</u>

Notes:

- (1) This reserve is for an advance to trustees of trusts to upgrades made to the north pier at Prescott Park and an advance to Portsmouth Housing Authority

City of Portsmouth, New Hampshire

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Real estate taxes	\$ 40,123,944	\$ 40,953,500	\$ 45,336,014	\$ 44,505,775	\$ 47,539,993	\$ 50,667,672	\$ 52,650,269	\$ 55,227,095	\$ 59,149,241	\$ 62,507,154
Licenses and permits	3,488,358	3,781,607	3,895,784	4,208,820	4,505,334	4,624,489	4,568,619	4,710,975	4,729,604	4,736,101
Intergovernmental	10,116,112	8,178,061	10,138,523	8,224,065	12,072,213	14,028,703	9,535,360	11,321,336	8,958,668	12,406,095
Charges for service	6,587,400	6,681,716	5,355,500	7,467,109	8,418,131	9,584,012	10,036,818	11,073,122	11,999,676	11,770,319
Investment income	485,656	871,880	377,389	1,062,212	1,007,708	969,259	1,457,220	2,091,575	972,642	(193,673)
Interest on taxes (1)	-	-	255,095	229,172	564,925	165,131	161,637	53,211	131,228	136,306
Fines and costs	662,795	519,815	751,342	760,457	768,507	984,797	1,160,661	1,080,900	924,357	970,280
Contributions	-	-	73,758	-	-	1,281,741	927,429	729,980	139,248	50,283
Other	1,230,325	1,308,937	2,001,733	1,633,210	427,534	579,262	626,357	576,909	568,229	594,945
Total revenues	62,694,590	62,295,516	68,185,138	68,090,820	75,304,345	82,885,066	81,124,370	86,865,103	87,572,893	92,977,810
Expenditures										
General government	6,162,629	7,441,909	6,783,144	5,042,774	7,300,212	6,010,165	5,913,667	6,337,794	6,729,085	6,989,766
Public safety	9,463,986	9,496,262	11,726,479	11,770,837	12,483,635	12,993,008	14,230,126	14,799,315	15,260,082	15,368,533
Education	27,866,667	27,740,810	30,121,469	30,438,638	31,656,913	34,017,131	35,555,097	36,095,015	37,735,944	39,733,580
Public works	3,238,039	3,228,871	3,745,129	5,501,817	5,783,972	6,992,133	7,700,862	7,523,511	7,669,166	7,838,831
Health and human services	-	-	-	602,337	507,819	539,600	649,923	604,410	646,877	705,227
Culture and recreation	4,993,058	4,806,798	2,505,909	2,296,531	2,511,941	2,611,083	2,699,189	3,336,256	3,072,046	3,007,027
Community development	1,489,800	1,338,755	1,924,855	1,201,811	1,600,806	1,239,848	1,570,750	1,600,476	1,231,984	1,158,173
Debt service										
Principal	2,534,091	2,967,905	2,860,342	1,918,387	4,727,294	4,532,905	4,259,905	4,897,905	5,127,905	5,682,906
Interest	672,745	844,962	711,689	1,585,638	2,225,192	2,094,637	2,157,922	2,162,752	2,284,850	2,420,957
Capital outlay	6,538,097	3,776,719	7,966,496	17,057,484	20,917,030	12,084,852	10,006,285	9,528,922	6,172,464	9,943,934
Intergovernmental	1,885,418	1,985,870	3,268,151	3,589,423	3,226,620	3,225,906	3,221,027	3,273,969	3,578,292	3,628,417
Total expenditures	64,844,530	63,628,861	71,613,664	81,005,677	92,941,434	86,341,268	87,964,753	90,160,325	89,508,695	96,477,351
Excess of revenues										
Over(under) expenditures	(2,149,940)	(1,333,345)	(3,428,526)	(12,914,857)	(17,637,089)	(3,456,202)	(6,840,383)	(3,295,222)	(1,935,802)	(3,499,541)
Other Financing Sources (Uses)										
Issuance of bonds/loans	7,672,923	-	-	46,640,000	-	437,000	9,905,000	6,000,000	8,700,000	5,000,000
Bond premium	-	-	-	-	-	-	95,000	-	42,083	208,230
Transfers in	230,000	1,185,754	2,618,991	1,977,509	1,042,083	2,697,536	2,040,876	2,272,652	1,729,071	2,149,817
Transfers out	(162,644)	(1,268,398)	(2,701,635)	(1,365,539)	(427,587)	(1,964,492)	(1,280,015)	(1,381,301)	(824,503)	(1,235,682)
Total governmental activities	7,740,279	(82,644)	(82,644)	47,251,970	614,496	1,170,044	10,760,861	6,891,351	9,646,651	6,122,365
Net Change in fund balances	\$ 5,590,339	\$ (1,415,989)	\$ (3,511,170)	\$ 34,337,113	\$ (17,022,593)	\$ (2,286,158)	\$ 3,920,478	\$ 3,596,129	\$ 7,710,849	\$ 2,622,824
Debt Service as a percentage of non-capitalized expenditures										
	5.50%	6.37%	5.61%	5.48%	9.65%	8.93%	8.23%	8.91%	8.97%	8.40%

(1) Interest on taxes was classified with real estate taxes from 1998 to 2001.

Beginning in Fiscal Year 2003 Special Revenue Funds include funds which were previously considered Trust Funds under the Pre GASB 34 reporting model.

In addition Permanent Funds were introduced which were reported as part of Fiduciary Funds prior to Fiscal Year 2003.

City of Portsmouth, New Hampshire

Combined Enterprise Fund Revenue, Expenses, and Changes in Fund Net Assets
Last Ten Fiscal Years

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Assets	Total Net Assets		
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Loss on disposal of capital assets	Interest Expense	Transfers Out				
2009	\$ 10,227,288	\$ 585,696	\$ 230,464	\$ 1,839,607	\$ -	\$ 12,883,055	\$ 7,621,610	\$ 1,873,959	\$ -	\$ 1,575,185	\$ 914,135	\$ 11,984,889	\$ 898,166	\$ 48,141,891
2008	10,695,209	596,662	280,468	2,247,099	-	13,819,438	7,318,994	1,764,697	34,585	1,095,930	904,568	11,118,774	2,700,664	47,243,725
2007	9,364,205	614,669	185,533	2,404,703	-	12,569,110	7,061,767	1,582,347	-	1,213,423	891,351	10,748,888	1,820,222	44,543,061
2006	9,360,367	560,220	228,798	2,693,021	82,644	12,925,050	7,175,517	1,726,034	-	1,728,540	843,505	11,473,596	1,451,454	42,722,839
2005	8,697,265	475,729	319,687	2,315,412	82,644	11,890,737	6,585,635	1,778,086	-	1,172,921	815,688	10,352,330	1,538,407	41,271,385
2004	7,637,961	448,389	273,529	2,085,423	82,644	10,527,946	5,271,279	1,675,342	-	1,425,466	697,140	9,069,227	1,458,719	39,732,978
2003	7,991,788	498,888	116,595	3,210,007	112,044	11,929,322	5,853,393	1,606,413	-	1,197,712	724,014	9,381,532	2,547,790	38,274,259
2002	8,865,399	562,372	-	1,881,710	82,644	11,392,125	7,432,050	1,514,881	-	1,147,878	-	10,094,809	1,297,316	35,726,469 (1)
2001	7,771,816	523,089	-	2,037,303	82,644	10,414,852	6,110,016	1,739,246	-	1,275,447	-	9,124,709	1,290,143	17,544,147
2000	8,529,914	390,982	-	1,941,216	82,644	10,944,756	5,668,397	1,428,264	-	1,003,246	150,000	8,249,907	2,694,849	16,076,955

Includes Water and Sewer Funds

Water Fund Revenue, Expenses, and Changes in Fund Net Assets
Last Ten Fiscal Years

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Assets	Total Net Assets		
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Loss on disposal of capital assets	Interest Expense	Transfers Out				
2009	\$ 4,759,495	\$ 448,697	\$ 158,447	\$ 98,454	\$ -	\$ 5,465,093	\$ 3,299,188	\$ 666,409	\$ -	\$ 326,671	\$ 463,691	\$ 4,755,959	\$ 709,134	\$ 21,793,721
2008	4,422,348	472,406	192,368	87,433	-	5,174,555	3,149,284	585,529	-	186,436	458,922	4,380,171	794,384	21,084,587
2007	3,707,528	496,764	79,939	171,834	-	4,456,065	3,096,340	730,366	-	198,637	451,756	4,477,099	(21,034)	20,290,203
2006	3,566,117	426,546	150,804	487,863	82,644	4,713,974	3,074,610	567,636	-	237,935	427,660	4,307,841	406,133	20,311,237
2005	3,310,175	385,408	202,064	61,500	82,644	4,041,791	3,109,892	626,734	-	238,803	413,406	4,388,835	(347,044)	19,905,104
2004	2,909,623	416,117	146,517	175,240	82,644	3,730,141	2,072,990	622,373	-	415,486	353,237	3,464,086	266,055	20,252,148
2003	2,957,698	463,984	116,595	1,220,417	112,044	4,870,738	2,959,056	591,820	-	92,613	381,219	4,024,708	846,030	19,986,093
2002	3,555,350	417,742	-	107,902	82,644	4,163,638	4,030,385	468,135	-	105,239	-	4,603,759	(440,121)	19,140,063 (1)
2001	3,119,444	324,739	-	207,471	82,644	3,734,298	3,191,976	589,220	-	130,151	-	3,911,347	(177,049)	9,876,145
2000	3,488,296	212,052	-	209,270	82,644	3,992,262	2,772,285	473,414	-	84,938	75,000	3,405,637	586,625	9,876,145

Sewer Fund Revenue, Expenses, and Changes in Fund Net Assets
Last Ten Fiscal Years

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Assets	Total Net Assets		
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Loss on disposal of capital assets	Interest Expense	Transfers Out				
2009	\$ 5,467,793	\$ 136,999	\$ 72,017	\$ 1,741,153	\$ -	\$ 7,417,962	\$ 4,322,422	\$ 1,207,550	\$ -	\$ 1,248,514	\$ 450,444	\$ 7,228,930	\$ 189,032	\$ 26,348,170
2008	6,272,861	124,256	88,100	2,159,666	-	8,644,883	4,169,710	1,179,168	34,585	909,494	445,646	6,738,603	1,906,280	26,159,138
2007	5,656,677	117,905	105,594	2,232,869	-	8,113,045	3,965,427	851,981	-	1,014,786	439,595	6,271,789	1,841,256	24,252,858
2006	5,794,250	133,674	77,994	2,205,158	-	8,211,076	4,100,907	1,158,398	-	1,490,605	415,845	7,165,755	1,045,321	22,411,602
2005	5,387,090	90,321	117,623	2,253,912	-	7,848,946	3,475,743	1,151,352	-	934,118	402,282	5,963,495	1,885,451	21,366,281
2004	4,728,338	32,272	127,012	1,910,183	-	6,797,805	3,198,289	1,052,969	-	1,009,980	343,903	5,605,141	1,192,664	19,480,830
2003	5,034,090	34,904	-	1,989,590	-	7,058,584	2,894,337	1,014,593	-	1,105,099	342,795	5,356,824	1,701,760	18,288,166
2002	5,310,049	144,630	-	1,773,808	-	7,228,487	3,401,665	1,046,746	-	1,042,639	-	5,491,050	1,737,437	16,586,406 (1)
2001	4,652,372	198,350	-	1,829,832	-	6,680,554	2,918,040	1,150,026	-	1,145,296	-	5,213,362	1,467,192	7,668,002
2000	5,041,618	178,930	-	1,731,946	-	6,952,494	2,896,112	954,850	-	918,308	75,000	4,844,270	2,108,224	6,200,810

Notes:

(1) Total Net Assets as restated for Fiscal Year ending June 30, 2002. Restatement resulting from adjustment of capital asset values and accumulated depreciation.

City of Portsmouth, New Hampshire

General Government Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Payment in Lieu of Tax	Tax Interest & Penalties	Total
2009	\$ 62,387,310	\$ 119,844	\$ 136,306	\$ 62,643,460
2008	59,000,841	148,400	131,228	59,280,469
2007	54,779,457	125,638	53,211	54,958,306
2006	52,650,269	170,640	161,637	52,982,546
2005	50,667,672	137,888	165,131	50,970,691
2004	47,539,993	169,138	179,572	47,888,703
2003	44,505,775	166,678	154,282	44,826,735
2002	45,336,014	153,527	256,103	45,745,644
2001	40,953,500	128,706	151,718	41,233,924
2000	40,123,944	141,394	190,656	40,455,994

Data Source:
Finance Department Records

City of Portsmouth, New Hampshire

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Property Tax Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Balance at Fiscal Year End of Levy Year	Subsequent Tax Collections	Balance at end of Current Fiscal year	Total Collections to Date		Number of Parcels		
		Amount	% of Levy				Amount	% of Levy	in Levy	Liened	% Liened
2009	\$ 63,263,633	\$ 61,011,224	96.4%	\$ 2,252,409	\$ -	\$ 2,252,409	\$ 61,011,224	96.4%	8,299	235	2.8%
2008	60,035,344	57,924,795	96.5%	2,110,549	1,778,124	332,425	59,702,919	99.4%	8,268	151	1.8%
2007	57,092,233	55,280,205	96.8%	1,812,027	1,689,720	122,306	56,969,926	99.8%	8,197	152	1.9%
2006	53,977,417	52,373,485	97.0%	1,603,932	1,595,153	8,779	53,968,638	100.0%	8,045	142	1.8%
2005	51,640,293	50,077,434	97.0%	1,562,859	1,562,618	241	51,640,052	100.0%	7,960	161	2.0%
2004	51,541,467	50,314,750	97.6%	1,226,717	1,190,847	35,870	51,505,597	99.9%	7,940	142	1.8%
2003	50,302,728	48,698,632	96.8%	1,604,096	1,603,840	256	50,302,472	100.0%	7,911	181	2.3%
2002	45,853,185	43,860,459	95.7%	1,992,726	1,992,485	241	45,852,944	100.0%	7,902	165	2.1%
2001	41,122,197	39,878,435	97.0%	1,243,762	1,243,542	220	41,121,977	100.0%	7,925	153	1.9%
2000	40,217,170	39,016,857	97.0%	1,200,313	1,200,095	218	40,216,952	100.0%	7,898	176	2.2%

Data Source:
 Audited Internal Financial Statements, Property Tax Warrants and Reports of Tax Lien Executions

Tax liens are placed within 60 days after the end of the fiscal year.

City of Portsmouth, New Hampshire

Assessed and Estimated Full Value of Real Property

Last Ten Fiscal Years

Fiscal Year	Local Assessed Value (1)				Total Assessed Value	Less Exemptions to Assessed Value (1)	Total Taxable Assessed Value (1)	Total Direct Tax Rate per \$1,000 of Assessed Value	Estimated Full Value (2)	Ratio of Total Assessed Value to Total Estimated Full Value
	Current Use/ Conservation	Residential	Commercial/ Industrial	Utilities						
2009	\$ 76,300	\$ 2,107,371,800	\$ 1,552,244,510	\$ 173,183,053	\$ 3,832,875,663	\$ 51,835,700	\$ 3,781,039,963	\$ 16.03	\$ 4,244,939,572	90.3%
2008	81,900	2,045,544,400	1,564,037,390	173,251,525	3,782,915,215	51,929,800	3,730,985,415	15.39	4,083,981,593	92.6%
2007	85,100	2,010,192,200	1,583,554,480	133,068,802	3,726,900,582	46,428,001	3,680,472,581	14.84	4,168,377,073	89.4%
2006	94,000	1,744,275,200	1,283,814,060	121,374,938	3,149,558,198	43,147,001	3,106,411,197	16.58	3,825,166,327	82.3%
2005	100,300	1,706,395,400	1,269,383,820	118,566,060	3,094,445,580	46,734,201	3,047,711,379	16.13	3,493,582,911	88.6%
2004	101,800	1,733,846,500	1,140,404,260	122,549,718	2,996,902,278	46,391,301	2,950,510,977	16.66	3,223,205,009	93.0%
2003	106,300	1,503,918,890	1,065,538,500	121,435,395	2,690,999,085	41,216,701	2,649,782,384	17.93	2,919,654,029	92.2%
2002	76,584	773,297,408	644,535,700	95,765,200	1,513,674,892	23,226,763	1,490,448,129	28.99	2,917,214,930	51.9%
2001	129,265	770,996,511	626,192,719	95,849,300	1,493,167,795	18,135,466	1,475,032,329	26.61	2,490,644,613	60.0%
2000	131,393	809,104,430	571,188,120	91,702,100	1,472,126,043	20,065,141	1,452,060,902	26.90	2,005,415,856	73.4%

Data Sources:

(1) State MS-1 Report of Assessed Values

(2) NH Department of Revenue Administration's annual Equalization Survey - used as base valuation for debt limits

City of Portsmouth, New Hampshire

**Principal Taxpayers
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>FY 2009 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>FY 2000 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Public Service Co of NH	Utility	\$ 162,150,811	1	4.29 %	\$ 61,691,234	1	4.25 %
HCA Health Services of NH Inc	Hospital	53,732,000	2	1.42	32,482,000	2	2.24
Liberty Mutual Insurance	Office Building	44,861,800	3	1.19	24,339,700	3	1.68
TGM Beechstone LLC	Apartments	36,550,800	4	0.97	-	-	-
Harborside Assoc	Hotel	23,624,700	5	0.62	15,507,900	4	1.07
DSQ Holding LLC	Retail	20,898,500	7	0.55	10,830,600	9	0.75
Bromley Portsmouth LLC	Retail	19,938,800	8	0.53	-	-	-
Harbour Place Group LLC	Office Building	18,220,100	9	0.48	-	-	-
Inishmaan Assoc LTD Partnership	Apartments	22,658,400	6	0.60	12,143,600	7	0.84
Wal-Mart Real Est Business TR	Retail	16,153,000	10	0.43	-	-	-
US Property Investment	Office Building	-	-	-	13,839,700	5	0.95
Labrie, JA	Apartments	-	-	-	-	-	-
Northern Utilities	Utility	-	-	-	12,620,700	6	0.87
Maritime & Northest Pipeline	Utility	-	-	-	10,910,600	8	0.75
Portsmouth Associates LP	Retail	-	-	-	10,007,200	10	0.69
Total Principal Taxpayers		\$ 418,788,911		11.08 %	\$ 204,373,234		14.07 %
Total Net Assessed Taxable Value		\$ 3,781,039,963			\$ 1,452,060,902		

Data Source:
City of Portsmouth Assessing Department

City of Portsmouth, New Hampshire

Property Tax Rates per \$ 1,000 of Assessed Value Direct and Overlapping Governments Last Ten Fiscal Years

Fiscal Year	City Direct Rates					Overlapping Rate		Estimated Full Value Rate
	City	Local School	State School (1)	Total School	Total Direct	County	Total	
2009	\$ 8.14	\$ 5.49	\$ 2.40	\$ 7.89	\$ 16.03	\$ 0.95	\$ 16.98	\$ 15.01
2008	7.55	5.50	2.34	7.84	15.39	0.95	16.34	14.82
2007	7.27	5.16	2.41	7.57	14.84	0.88	15.72	13.76
2006	8.13	5.48	2.97	8.45	16.58	1.02	17.60	14.19
2005	7.71	5.22	3.20	8.42	16.13	1.04	17.17	14.86
2004	7.69	3.99	4.98	8.97	16.66	1.08	17.74	16.09
2003	7.55	4.73	5.65	10.38	17.93	1.34	19.27	17.30
2002	11.98	7.85	9.16	17.01	28.99	2.34	31.33	15.50
2001	11.09	7.46	8.06	15.52	26.61	1.56	28.17	15.89
2000	11.68	7.07	8.15	15.22	26.90	1.27	28.17	19.69

Data Source:
NH State Department of Revenue Administration

Notes:

- (1) The NH State Legislature revised Education funding in Fiscal Year 2000, establishing a State Education Property Tax. Although warranted by the state, the taxes are collected by the City and spent for local school purposes. This rate does not apply to utility assessments. Utilities are billed directly by the State of NH.

City of Portsmouth, New Hampshire

Utility Fund Net Budget, Billable Volumes and Rates Last Ten Fiscal Years

Fiscal Year	Amount to be Raised by Rates (1)		Billable Volume Used for Setting Rates (2)		Rates per HCF (4) (5)		
	Water	Sewer	Water	Sewer (3)	Water	Sewer	Combined
2009	\$ 4,709,071	\$ 6,313,698	1,741,523	1,171,714	\$2.40/2.85	\$5.00/5.50	\$7.40/8.35
2008	3,627,389	6,119,175	1,724,280	1,171,714	1.90/2.20	4.89/5.33	6.79/7.53
2007	3,476,251	5,751,538	1,879,103	1,198,237	1.85	4.80	6.65
2006	3,046,701	5,467,684	1,824,372	1,163,337	1.67	4.70	6.37
2005	2,780,839	5,308,429	1,771,235	1,129,453	1.57	4.70	6.27
2004	2,705,502	5,120,090	1,745,485	1,113,063	1.55	4.70	6.25
2003	2,626,702	4,974,963	1,694,646	1,080,644	1.45	4.60	6.05
2002	2,394,759	4,821,677	1,651,558	1,083,523	1.45	4.60	6.05
2001	2,351,979	4,718,709	1,622,055	1,060,384	1.45	4.45	5.90
2000	2,237,285	4,611,561	1,598,061	1,072,456	1.40	4.45	5.85

Data Source:

City of Portsmouth Budget and Budget Resolutions

Notes:

- (1) Amount to be raised by rate equals the net budget, i.e., appropriations less other revenue sources.
- (2) Billable Volume is the estimated billable water consumption in hundred cubic feet units (HCF).
- (3) Sewer charges are based on the amount of water consumed.
- (4) One hundred cubic feet (HCF) equals 748 gallons.
- (5) FY08 implementation of a 2 tier-inclining rate structure for both water and sewer.
First rate is for water consumption of 10 units or less. Second rate for consumption over 10 units.

City of Portsmouth, New Hampshire

Portsmouth's Share of the Rockingham County Tax Apportionment

Last Ten Fiscal Years

(based on percentage of equalized value)

Total Equalized Values						Apportionment of County Tax Levy				
Tax Year	Portsmouth Base Valuation	Add: Equalization of PILOTS and RR Tax Less: Equalization of State Shared Revenues	Portsmouth Total Equalized Valuation	Rockingham County	Portsmouth's %	Fiscal Year	County Tax Levy	Portsmouth's Share (\$)	Portsmouth's Share (\$ Change)	Portsmouth's Share (% Change)
2008	\$ 4,244,939,572	\$ 4,545,215	\$ 4,249,484,787	\$ 44,948,403,778	9.4541395%	2009	\$ 40,037,695	\$ 3,628,417	\$ 50,125	1.4%
2007	4,083,981,593	2,547,355	4,086,528,948	45,092,725,896	9.0625015%	2008	38,778,613	3,578,292	304,323	9.3%
2006	4,168,377,073	12,367,933	4,180,745,006	45,307,514,659	9.2274870%	2007	37,666,947	3,273,969	52,942	1.6%
2005	3,825,166,327	2,282,567	3,827,448,894	44,034,708,049	8.6918912%	2006	36,505,736	3,221,027	(4,879)	-0.2%
2004	3,493,582,911	2,424,321	3,496,007,232	39,622,268,486	8.8233394%	2005	35,935,492	3,225,906	(714)	0.0%
2003	3,223,205,009	(8,197,415)	3,215,007,594	35,814,088,711	8.9769354%	2004	34,925,107	3,226,620	(362,803)	-10.1%
2002*	2,919,654,029	(12,855,673)	2,906,798,356	31,959,784,591	9.0951751%	2003	33,966,352	3,589,423	61,284	1.7%
2001	2,917,214,930	38,844,379	2,956,059,309	27,972,890,878	10.5675860%	2002	33,144,536	3,528,139	1,184,366	50.5%
2000	2,490,644,613	75,294,698	2,565,939,311	24,105,313,223	10.6447043%	2001	23,769,790	2,343,773	458,355	24.3%
1999	2,005,415,856	37,534,447	2,042,950,303	20,718,942,528	9.8603020%	2000	21,015,844	1,885,418	(33,297)	-1.7%

Data Sources:

NH Department of Revenue Administration Equalization Surveys

County Tax Warrants

Adopted Rockingham County Budgets

*Revised due to court settlement

(1) Rockingham County uses the previous year's proportion percentage to calculate City's tax obligation.

City of Portsmouth, New Hampshire

**Ratios of Long Term Debt Outstanding and Legal Debt Limits
Last Ten Fiscal Years**

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Issued Debt at June 30										
City Depts.	\$ 14,100,000	\$ 11,285,000	\$ 9,210,000	\$ 16,295,000	\$ 13,875,000	\$ 11,892,000	\$ 19,650,000	\$ 22,865,000	\$ 28,049,999	\$ 29,529,999
Landfill	4,077,815	3,864,910	3,652,005	3,439,100	3,226,194	3,013,288	2,800,384	2,587,476	2,374,572	2,161,666
School Dept.	-	-	-	38,000,000	36,100,000	34,200,000	32,300,000	30,400,000	29,000,000	27,050,000
Total General Fund	18,177,815	15,149,910	12,862,005	57,734,100	53,201,194	49,105,288	54,750,384	55,852,476	59,424,571	58,741,665
Water Fund	2,320,000	1,865,000	1,998,000	1,513,600	6,693,632	5,911,104	5,538,576	5,211,048	4,883,520	22,455,992
Sewer Fund	12,820,000	17,782,557	21,247,468	19,534,450	17,821,430	25,016,521	22,868,597	20,850,673	18,832,750	23,289,050
Total Issued Debt at June 30	\$ 33,317,815	\$ 34,797,467	\$ 36,107,473	\$ 78,782,150	\$ 77,716,256	\$ 80,032,913	\$ 83,157,557	\$ 81,914,197	\$ 83,140,841	\$ 104,486,707
Authorized Unissued Debt June 30										
City Depts.	\$ -	\$ 4,650,000	\$ 11,650,000	\$ 7,000,000	\$ 7,000,000	\$ 10,000,000	\$ 17,038,000	\$ 17,500,000	\$ 27,500,000	\$ 12,500,000
Landfill	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897
School Dept.	-	38,000,000	38,000,000	-	-	-	-	500,000	-	-
Total General Fund	4,641,897	47,291,897	54,291,897	11,641,897	11,641,897	14,641,897	21,679,897	22,641,897	32,141,897	17,141,897
Water Fund	\$ 5,250,000	\$ 5,250,000	\$ 5,862,000	\$ 5,862,000	\$ -	\$ -	\$ 12,087,440	\$ 11,420,000	\$ 11,420,000	\$ 18,420,000
Sewer Fund	16,800,000	13,100,000	9,600,000	32,100,000	32,100,000	22,500,000	23,215,054	23,201,890	23,201,890	19,970,992
Total Authorized Unissued Debt June 30	\$ 26,691,897	\$ 65,641,897	\$ 69,753,897	\$ 49,603,897	\$ 43,741,897	\$ 37,141,897	\$ 56,982,391	\$ 57,263,787	\$ 66,763,787	\$ 55,532,889
Gross Debt June 30										
City Depts.	\$ 14,100,000	\$ 15,935,000	\$ 20,860,000	\$ 23,295,000	\$ 20,875,000	\$ 21,892,000	\$ 36,688,000	\$ 40,365,000	\$ 55,549,999	\$ 42,029,999
Coakley Landfill	8,719,712	8,506,807	8,293,902	8,080,997	7,868,091	7,655,185	7,442,281	7,229,373	7,016,469	6,803,563
School Dept.	-	38,000,000	38,000,000	38,000,000	36,100,000	34,200,000	32,300,000	30,900,000	29,000,000	27,050,000
Total General Fund	22,819,712	62,441,807	67,153,902	69,375,997	64,843,091	63,747,185	76,430,281	78,494,373	91,566,468	75,883,562
Water Fund	7,570,000	7,115,000	7,860,000	7,375,600	6,693,632	5,911,104	17,626,016	16,631,048	16,303,520	40,875,992
Sewer Fund	29,620,000	30,882,557	30,847,468	51,634,450	49,921,430	47,516,521	46,083,651	44,052,563	42,034,640	43,260,042
Total Gross Debt June 30	\$ 60,009,712	\$ 100,439,364	\$ 105,861,370	\$ 128,386,047	\$ 121,458,153	\$ 117,174,810	\$ 140,139,948	\$ 139,177,984	\$ 149,904,628	\$ 160,019,596
Base Value for Debt Limits (1)										
	\$ 2,005,415,856	\$ 2,490,644,613	\$ 2,917,214,930	\$ 2,919,654,029	\$ 3,223,205,009	\$ 3,493,582,911	\$ 3,825,166,327	\$ 4,168,377,073	\$ 4,083,981,593	\$ 4,244,939,572
Legal Debt Limits (% of Base Value)										
City - 1.75% thru 1998, 3% 1999 on (2)	\$ 60,162,476	\$ 74,719,338	\$ 87,516,448	\$ 87,589,621	\$ 96,696,150	\$ 104,807,487	\$ 114,754,990	\$ 125,051,312	\$ 122,519,448	\$ 127,348,187
School - 7% (2)	140,379,110	174,345,123	204,205,045	204,375,782	225,624,351	244,550,804	267,761,643	291,786,395	285,878,712	297,145,770
Water - 10% (2)	200,541,586	249,064,461	291,721,493	291,965,403	322,320,501	349,358,291	382,516,633	416,837,707	408,398,159	424,493,957
Debt Against Legal Debt Limits										
City Depts.	18,741,897	15,935,000	20,860,000	23,295,000	20,875,000	21,892,000	36,688,000	40,365,000	55,549,999	42,029,999
School Dept.	-	38,000,000	38,000,000	38,000,000	36,100,000	34,200,000	32,300,000	30,900,000	29,000,000	27,050,000
Water Fund	7,570,000	7,115,000	7,860,000	7,375,600	6,693,632	5,911,104	17,626,016	16,631,048	16,303,520	40,875,992
Exempt from Legal Debt Limits (3)	33,697,815	39,389,364	39,141,370	59,715,447	57,789,521	55,171,706	53,525,932	51,281,936	49,051,109	50,063,605
Total Debt at June 30	\$ 60,009,712	\$ 100,439,364	\$ 105,861,370	\$ 128,386,047	\$ 121,458,153	\$ 117,174,810	\$ 140,139,948	\$ 139,177,984	\$ 149,904,628	\$ 160,019,596
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 41,420,579	\$ 58,784,338	\$ 66,656,448	\$ 64,294,621	\$ 75,821,150	\$ 82,915,487	\$ 78,066,990	\$ 84,686,312	\$ 66,969,449	\$ 85,318,188
School Dept.	140,379,110	136,345,123	166,205,045	166,375,782	189,524,351	210,350,804	235,461,643	260,886,395	256,878,712	270,095,770
Water Fund	192,971,586	241,949,461	283,861,493	284,589,803	315,626,869	343,447,187	364,890,617	400,206,659	392,094,639	383,617,965
% of Legal Debt Limits Used										
City Depts.	31.2%	21.3%	23.8%	26.6%	21.6%	20.9%	32.0%	32.3%	45.3%	33.0%
School Dept.	0.0%	21.8%	18.6%	18.6%	16.0%	14.0%	12.1%	10.6%	10.1%	9.1%
Water Fund	3.8%	2.9%	2.7%	2.5%	2.1%	1.7%	4.6%	4.0%	4.0%	9.6%

Data Source
Audited Financial Statements

- Notes:
 (1) Base Value for Debt Limits computed by the NH Department of Revenue Administration
 (2) Legal debt limit percentage rates set by NH State statute
 (3) Debt exempt from Debt limits consists of Landfills and Sewer debt.

City of Portsmouth, New Hampshire

Ratios of Outstanding Debt by Debt Type Last Ten Fiscal Years

Governmental Activities - General Obligation Debt

Fiscal Year	City Depts.	Landfills	School Dept.	Total	Less State Aid	Tax Supported Value (net debt)	% of Net Debt to Taxable Assessed Value	Net Debt per Capita
2009	\$ 29,529,999	\$ 2,161,666	\$ 27,050,000	\$ 58,741,665	\$ 15,639,965	\$ 43,101,700	1.14%	\$ 2,100
2008	28,049,999	2,374,572	29,000,000	59,424,571	16,692,245	42,732,326	1.15%	2,073
2007	22,865,000	2,587,476	30,400,000	55,852,476	17,744,525	38,107,951	1.04%	1,831
2006	19,650,000	2,800,384	32,300,000	54,750,384	18,796,804	35,953,580	1.16%	1,712
2005	11,892,000	3,013,288	34,200,000	49,105,288	19,849,084	29,256,204	0.96%	1,390
2004	13,875,000	3,226,194	36,100,000	53,201,194	20,901,364	32,299,830	1.09%	1,534
2003	16,295,000	3,439,100	38,000,000	57,734,100	612,982	57,121,118	2.16%	2,719
2002	9,210,000	3,652,005	-	12,862,005	649,039	12,212,966	0.82%	584
2001	11,285,000	3,864,910	-	15,149,910	685,097	14,464,813	0.98%	696
2000	14,100,000	4,077,815	-	18,177,815	763,990	17,413,825	1.20%	753

Business-Type Activities - General Obligation Debt

Fiscal Year	Water Fund	Sewer Fund	Total	less State Sewer Aid	Net Debt	Net Debt per capita (1)	% of Net Debt to Personal Income (2)
2009	\$ 22,455,992	\$ 23,289,050	\$ 45,745,042	\$ 7,130,453	\$ 38,614,589	\$ 1,882	4.1%
2008	4,883,520	18,832,750	23,716,270	9,352,697	14,363,573	697	1.6%
2007	5,211,048	20,850,673	26,061,721	10,728,729	15,332,992	737	1.7%
2006	5,538,576	22,868,597	28,407,173	10,663,498	17,743,675	845	2.0%
2005	5,911,104	25,016,521	30,927,625	8,591,253	22,336,372	1,061	2.5%
2004	6,693,632	17,821,430	24,515,062	9,936,581	14,578,481	693	1.7%
2003	1,513,600	19,534,450	21,048,050	11,345,312	9,702,738	462	1.2%
2002	1,998,000	21,247,468	23,245,468	12,881,385	10,364,083	496	1.3%
2001	1,865,000	17,782,557	19,647,557	14,475,019	5,172,538	249	0.6%
2000	2,320,000	12,820,000	15,140,000	13,438,341	1,701,659	74	0.2%

Fiscal Year	Total Debt Primary Government	Less State Aid	Net Debt	% of Net Debt to Assessed Value	Net Debt per capita (1)	% of Net Debt to Personal Income (2)
2009	\$104,486,707	\$ 22,770,418	\$ 81,716,289	2.2%	\$ 3,982	8.7%
2008	83,140,841	26,044,942	57,095,899	1.5%	2,770	6.2%
2007	81,914,197	28,473,254	53,440,943	1.5%	2,568	5.8%
2006	83,157,557	29,460,302	53,697,255	1.7%	2,558	5.9%
2005	80,032,913	28,440,337	51,592,576	1.7%	2,451	5.8%
2004	77,716,256	30,837,945	46,878,311	1.6%	2,227	5.4%
2003	78,782,150	11,958,294	66,823,856	2.5%	3,181	8.2%
2002	36,107,473	13,530,424	22,577,049	1.5%	1,080	2.8%
2001	34,797,467	15,160,116	19,637,351	1.3%	945	2.4%
2000	33,317,815	14,202,331	19,115,484	1.3%	827	2.1%

Data Source:
Finance Department Records

Notes:

- (1) Per capita ratios based on trended 2004 NH Office of State Planning population estimates
- (2) Personal Income ratios based on trended 2000 US Census amounts.

City of Portsmouth, New Hampshire

Direct and Overlapping Governmental Activities Debt As of June 30, 2009

	<u>End of Calendar Year</u>	<u>Net General Obligation Debt Outstanding (1)</u>	<u>Percentage Applicable to Portsmouth (2)</u>	<u>Amount Applicable to Portsmouth</u>
Rockingham County	2008	\$3,545,000	9.4541395%	\$ 335,149
			Subtotal, Overlapping Debt	<u>335,149</u>
City of Portsmouth Direct Debt				<u>58,741,665</u>
Total Direct Debt and Overlapping Debt				<u><u>\$59,076,814</u></u>

Data Sources:

- (1) Rockingham County Audited Financial Statements are for calendar year end, therefore, this amount is as of December 31, 2008.
- (2) NH Department of Revenue Administration. City of Portsmouth's equalized valuation as a percentage of the total equalized valuation of Rockingham County.

City of Portsmouth, New Hampshire

Demographic Statistics Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Income (2)	City (3)		Unemployment Rates (3)		
				Unemployed	Labor Force	City	State of NH	US
2009	20,520	\$ 45,863	\$ 37,124	772	5.7%	4.4%	5.2%	7.6%
2008	20,610	44,914	35,926	460	3.3%	3.0%	3.6%	4.9%
2007	20,811	43,984	34,728	424	3.1%	2.9%	3.7%	4.6%
2006	20,995	43,073	33,530	416	2.8%	3.2%	3.4%	4.6%
2005	21,053	42,182	32,332	436	3.2%	3.5%	3.6%	5.1%
2004	21,051	41,308	31,134	464	3.4%	3.6%	3.9%	5.5%
2003	21,008	38,992	29,936	535	4.0%	4.1%	4.4%	6.0%
2002	20,906	38,980	28,738	545	4.2%	4.0%	3.8%	5.5%
2001	20,784	38,765	27,540	397	3.1%	3.0%	2.8%	4.0%
2000	23,112	38,478	26,339	329	2.6%	2.3%	2.7%	4.2%

Data Sources:

- (1) NH Office of Energy and Planning population estimates
- (2) Trended amounts based on 1997-2005 US Dept. of Commerce, Bureau of Economic Analysis information for Rockingham County.
- (3) NH Employment Security ELMI Data as of June 30.

City of Portsmouth, New Hampshire

Principal Employers Current Year and Nine Years Ago

Employer	Type of Business	2009			2000		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
HCA Hospital	Hospital	1,150	1	3.97 %	1,000	2	4.11 %
US Dept of State, National Passport Cent	Passport services	900	2	3.11			-
Liberty Mutual	Insurance	837	3	2.89	1,245	1	5.11
City of Portsmouth (FTEs)	Municipal services	729	4	2.52	699	3	2.87
Lonza Biologics	Biotechnology	650	5	2.25			
US Dept of State National Visa Center	Visa services	550	6	1.90			-
Erie Scientific/Sybron Lab Products	Laboratory equipment	350	7	1.21	340	5	1.40
Direct Capital	Commercial Leasing	326	8	1.13			
LabCorp	Medical Lab	225	9	0.78			
Newmarket International	Web	175	10	0.60	290	7	1.19
Home Depot	Retail				380	4	1.56
Shaw's Supermarkets	Supermarket				320	6	1.31
National Sea Products	Processed seafood				250	8	1.03
Bottomline technologies	Software				250	8	1.03
Walmart	Retail				235	10	0.96
Total Principal Employers		5,892		20.36 %	5,009		20.56 %
Total City Employment (1)		26,564			24,357		

Data Source:
NH Employment Security-NH Community Profiles

Notes
(1) NH Economic and Labor Market Information Bureau - Employment and Wages Covered (QCEW) calendar year annual average ending during fiscal year.

City of Portsmouth, New Hampshire

Operating Indicators by Function

Last Ten Fiscal Years

Function (1)	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Taxable property parcels assessed	7,898	7,925	7,902	7,911	7,940	7,960	8,045	8,197	8,267	8,335
Registered Voters	17,361	20,458	12,480	13,365	14,197	16,140	16,269	16,618	17,461	19,188
Votes Cast:										
Municipal Election	4,980		4,024		4,272		4,078		4,142	
State Primary		3,185		3,941		2,786				2,009
State General Election				8,656				7,665		
Presidential Primary	7,755				6,013				9,586	
Presidential General		11,652				12,805				13,135
Building Permits	721	683	721	774	749	886	913	917	962	833
Estimated construction value	\$42,314,957	\$58,048,620	\$94,372,256	\$68,026,294	\$39,557,961	\$83,882,786	\$89,403,049	\$64,100,000	\$89,800,000	\$69,142,992
Public Safety										
Police										
Service Calls	36,610	37,872	41,541	37,784	41,262	36,192	41,843	40,335	38,248	35,931
Number of Arrests	1,609	1,738	1,447	1,317	1,470	1,424	1,435	1,607	1,553	1,361
Number of Traffic Violations										
Warnings	*	2,778	2,406	1,921	2,946	2,964	5,223	4,415	5,639	4,683
Citations	2,548	2,880	2,016	1,572	2,192	1,911	2,037	1,424	1,430	1,113
Accidents	1,543	1,026	967	996	856	821	796	731	763	773
DWI arrests	159	138	113	100	154	173	129	166	117	131
Fire and EMS										
Fire Rescue	5,727	5,008	2,869	2,655	2,386	2,287	2,309	2,595	2,287	2,535
Ambulance	2,286	2,277	2,611	2,490	2,379	2,443	2,295	2,332	2,338	2,447
Education (2)										
High School Fall Enrollment	999	1,067	1,066	1,038	1,113	1,134	1,078	1,091	1,073	1,052
Public Works										
Parking Enforcement										
Parking violations (Tickets written)	62,882	46,249	71,736	69,552	65,283	65,496	70,616	72,674	64,901	62,803
Solid Waste Tonnage	11,743	11,881	11,132	12,156	12,310	12,423	12,277	12,351	11,627	12,719
Streets resurfaced (miles)	2.04	4.02	6.57	4.03	2.08	3.57	3.58	5.45	3.77	4.20
Human Services - General Assistance										
Number of applicants	1,099	988	1,095	767	645	597	819	700	586	845
Culture and Recreation										
Public Library										
Items owned	122,576	127,541	125,836	126,918	123,935	126,371	126,973	147,242	133,687	143,545
Circulation of materials	348,334	340,532	356,528	351,854	349,943	344,514	349,290	375,196	443,371	484,735
Annual visits	245,019	247,749	264,036	260,323	260,319	256,464	262,980	271,774	285,495	293,772
Water System:										
Water main breaks	30	63	51	41	27	29	29	38	26	32
Daily average consumption (millions of gallons)	4.6	4.5	4.4	4.3	5.0	4.3	4.9	4.6	4.7	4.4
Peak daily consumption (millions of gallons)	6.5	6.7	6.8	6.6	6.7	6.4	6.6	7.3	5.7	5.3
Sewage System:										
Daily average treatment (millions of gallons)	8.0	5.1	5.1	5.9	4.7	6.2	6.6	6.2	5.6	6.8

City of Portsmouth, New Hampshire

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	31	31	29	29	29	30	31	31	30	30
Fire and Rescue										
Number of stations	3	3	3	3	3	3	3	3	3	3
Number of vehicles	19	20	20	19	19	19	18	18	19	19
Education										
High School Buildings	1	1	1	1	1	1	1	1	1	1
Middle School Buildings	1	1	1	1	1	1	1	1	1	1
Elementary School Buildings	3	3	3	3	3	3	3	3	3	3
Public Works										
Miles of streets	104	104	104	104	104	104	104	104	104	104
Number of street lights	1,699	1,699	1,699	1,699	1,758	1,758	1,758	1,758	1,758	1,758
Number of bridges	16	16	16	16	16	16	16	16	16	16
Culture and Recreation:										
Libraries	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	3	3	3	3	3	3	3	3
Number of boat dock facilities	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	3	3	3	3	3	3	3	3
Tennis courts	15	15	15	15	10	10	10	10	10	10
Water system:										
Miles of water mains	150	150	150	150	150	150	150	150	150	150
Number of service connections	7,809	7,809	7,744	7,744	7,804	7,882	7,891	7,856	7,887	7,888
Storage capacity in gallons (millions of gallons)	9.1	8.6	8.6	9.6	9.6	9.6	9.6	9.6	9.5	9.5
Maximum daily capacity of plant (millions of gallons)	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Number of fire hydrants	1,014	1,066	1,035	1,022	1,047	1,046	1,015	1,022	1,072	1,081
Sewage System:										
Miles of sanitary sewers	100	100	100	100	100	100	100	107	107	107
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	6018	6,018	6,030	6,030	6,067	6,153	6,204	6,247	6,252	6,284
Maximum daily capacity of treatment (millions of gallons)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0

Data Source:
Various city departments

City of Portsmouth, New Hampshire

City Government Employees by Function - Full Time Equivalents Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Executive	3.0	3.0	3.0	2.0	2.0	2.5	2.0	2.0	2.0	2.0
Finance	20.5	21.0	21.5	20.0	20.0	19.0	19.0	18.5	18.0	17.8
Human Resources	5.0	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
City Clerk	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Legal	5.0	5.5	3.5	3.5	4.5	4.5	5.5	5.5	5.5	6.0
Planning	4.5	5.5	5.5	5.5	5.1	5.1	5.9	6.1	6.2	6.2
Inspection	5.0	5.0	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Health	1.0	1.0	1.0	1.0	1.0	1.0	1.4	1.4	1.5	1.5
Total General Government	47.0	47.5	45.5	42.5	43.1	42.6	44.3	44.0	43.6	44.0
Public Safety										
Police - Sworn Officers:										
General Fund Funded	60.0	61.7	61.3	62.7	64.0	64.3	64.6	64.6	63.6	65.1
Grant Funded	7.0	7.3	7.7	6.3	5.0	4.7	4.4	4.4	4.4	2.9
Dispatch	11.0	11.0	11.0	11.0	5.0	11.0	11.0	10.0	10.0	11.0
Parking Enforcement (1)	1.0	1.0	-	-	-	-	-	-	-	-
Police - Non-sworn employees:										
General Fund Funded	13.0	12.5	13.0	11.8	12.2	10.3	9.8	11.2	12.2	12.4
Grant Funded	1.0	1.5	1.5	1.2	0.8	0.8	0.8	0.9	0.9	0.6
Total Police Department	93.0	95.0	94.5	93.0	87.0	91.1	90.6	91.0	91.0	92.0
Fire and Rescue	57.0	57.0	60.0	60.0	59.0	59.0	59.0	59.0	60.0	61.0
Fire Clerical	-	0.5	0.5	1.0	1.0	1.0	1.5	1.5	1.5	1.5
Total Public Safety	150.0	152.0	154.5	153.0	146.0	150.1	149.6	151.5	152.5	154.5
Education										
Administrators	15.1	14.9	14.9	14.3	14.0	14.2	13.1	14.0	14.0	14.1
Teachers	257.4	259.4	260.6	260.9	249.1	251.9	253.5	253.4	253.9	254.7
Clerical	23.3	24.0	24.1	24.6	25.6	24.8	25.3	25.0	23.8	23.3
Paraprofessional	41.6	41.7	41.5	41.1	38.3	47.6	46.5	41.4	41.4	49.1
School custodians	21.2	21.5	21.5	21.5	22.2	23.3	24.3	24.3	24.3	24.3
Security	0.8	1.0	1.0	1.0	1.0	2.0	2.0	1.0	1.0	1.0
Technicians	4.5	6.3	4.5	5.4	5.4	6.7	8.5	7.0	7.0	6.9
System maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Education	368.9	373.8	373.1	373.8	360.6	375.5	378.2	371.0	370.3	378.4
Public Works										
General Fund functions	55.0	56.0	60.0	57.0	57.0	57.0	57.0	60.0	60.0	60.7
Parking Fund (1)	-	-	9.1	11.2	12.2	12.2	13.2	14.2	14.5	14.5
Water	25.5	26.3	26.5	25.0	24.5	24.8	24.8	24.8	24.8	24.8
Sewer	21.3	21.3	21.5	21.5	23.0	22.8	22.4	23.4	23.4	23.4
Total Public Works	101.8	103.5	117.1	114.7	116.7	116.7	117.3	122.3	122.6	123.3
Culture and Recreation										
Recreation	8.0	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Public Library	16.0	16.0	16.0	15.0	15.0	15.0	15.0	15.0	15.0	16.0
Total Culture and Recreation	24.0	24.5	24.5	23.5	23.5	23.5	23.5	23.5	23.5	24.5
Human Services										
Welfare	3.0	3.0	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0
Total Human Services	3.0	3.0	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0
Community Development										
Community Development	4.3	5.3	4.3	4.1	4.6	3.9	4.1	4.0	3.9	3.2
Total Community Development	4.3	5.3	4.3	4.1	4.6	3.9	4.1	4.0	3.9	3.2
Total All Functions	698.9	709.6	721.5	714.2	697.1	714.8	718.9	718.3	718.4	729.8
Percent of Total										
General Government	6.7%	6.7%	6.3%	6.0%	6.2%	6.0%	6.2%	6.1%	6.1%	6.0%
Public Safety	21.5%	21.4%	21.4%	21.4%	20.9%	21.0%	20.8%	21.1%	21.2%	21.2%
Education	52.8%	52.7%	51.7%	52.3%	51.7%	52.5%	52.6%	51.7%	51.5%	51.8%
Public Works	14.6%	14.6%	16.2%	16.1%	16.7%	16.3%	16.3%	17.0%	17.1%	16.9%
Culture and Recreation	3.4%	3.5%	3.4%	3.3%	3.4%	3.3%	3.3%	3.3%	3.3%	3.4%
Human Services	0.4%	0.4%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Community Development	0.6%	0.7%	0.6%	0.6%	0.7%	0.5%	0.6%	0.6%	0.5%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data Source:

Budgeted Positions per City of Portsmouth Budget.

(1) In FY02 Parking Enforcement transferred from the Police Department to Public Works.

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