

CITY OF PORTSMOUTH NEW HAMPSHIRE



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2011



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The Finance Department**

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City of Portsmouth, New Hampshire
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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CITY OF PORTSMOUTH

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Portsmouth, New Hampshire 03801
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December 14, 2011

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, 2011, 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 requires an annual audit by independent certified public accountants. The City's audit firm is Melanson Heath & Company, PC. The independent auditor's report is located at the front of the financial section of this report. 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, community and economic development, 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

The City's fiscal year begins on July 1st of each year and ends the following June 30th. 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, which includes the General Fund and Enterprise Funds, is prepared and 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 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

During Fiscal 2011, the City of Portsmouth once again led the region in having the lowest unemployment rate. As of June 30, 2011, the unemployment rate was 4.5%, down from 5.7% in FY10. The respective rates for the state, for New England and the nation were 5.2%, 7.9% and 9.3%.

Employment in the NH portion of the Portsmouth Metropolitan New England City and Tow Area (MetroNECTA) at the end of FY11 was 55,600. This benchmarked figure represents an overall decrease of 900 jobs from FY10. The largest year-to-year employment loss was in the Leisure/Hospitality sector with a decrease of 600 jobs, followed by the Trade, Transportation and Utilities sector with a loss of 300 jobs. Decreases of 100 jobs each were experienced in the Information, Retail Trade, Wholesale Trade, Transportation/ Warehousing/Utilities, and Government sectors. These losses were offset by a gain of 200 jobs in the Education/Health sector. The Manufacturing, Financial, Professional and Business, Mining, Logging, and Construction and other Services sectors remained unchanged from the previous year.

Construction activity in the City over the fiscal year was concentrated on renovations and repairs as opposed to new construction. Overall, the City issued 853 building permits with a combined construction value of \$41 million. This represents a \$10 million decrease in construction value from FY10. Despite the decrease in value, construction activity remained steady with the total number of permits issued comparable to the prior year.

The City's Inspection Department issued 4 building permits for new commercial/ industrial construction projects in FY11 with a combined construction value of \$1.3 million. This compares to 7 permits with a construction value of \$26 million for FY10. The three major projects that contributed to the larger construction value in FY10 were the downtown Portwalk Marriott Residence Inn, the Northeast Rehabilitation Hospital at Pease, and the waterfront mixed use project at 99 Bow Street. All of these projects were completed in fiscal 2011.

The greatest number of construction permits was for renovations, repairs and fit-ups. The City issued 75 permits for renovations to commercial/industrial structures, with a construction value of \$5.1 million in FY11 and 113 tenant fit up permits with a construction value of \$4.8 million.. This compares to 79 permits with a construction value of \$10.5 million for Fiscal 2010.

Notable development in the downtown during fiscal 2011 included Phase II of Portwalk, which is a \$6.8 million, 52,000 sq. ft., 36-unit, upscale apartment development with first floor retail; 50,000 sq. ft. mixed use, residential/condominium/retail development at 51 Islington St.; and the expansion of Kennebunk Savings Bank into the former Portsmouth Herald building. A new, mixed-use commercial and residen-

tial development at 30 Maplewood Avenue is in the land use permitting process as is Phase III of the PortWalk project.

Development and redevelopment in the Lafayette Road corridor has also been significant. Upgrades were made to Southgate Plaza including the opening of the 36,000 sq. ft. McKinnon's Market and Super Butcher Shop in the former Shaw's Supermarket location. The store is expected to employ up to 150 people. Service Credit Union began construction on its headquarters at 2995 Lafayette Road. The first phase is a 100,000 sq. ft., LEED designed building scheduled for 2012 completion. The initial phase will generate 60 jobs with 40 more anticipated for the planned five-year build out.

The City sold its former Fire Station at 2700 Lafayette Road to an auto repair facility. The Salvation Army purchased the former Kia Auto dealership at 2458 Lafayette Road and will relocate its family thrift store to the 33,000 sq. ft. facility. Lighthouse Manufacturing has also announced its plan to relocate from Peabody, MA to Mirona Rd. Extension and bring 55 new high technology jobs to the precision metal manufacturing facility. The project has received approval for \$1.8 million in NH Business Finance Authority bonds and is currently seeking land use approvals.

Activity at Pease International Tradeport in FY11 included construction of the \$10 million renovation and expansion of Great Bay Community College, a 46,000 sq. ft., 33-bed rehabilitation facility for Northeast Rehab Hospital, and a \$6 million, 25,000 sq. ft. expansion to the United States Passport Center. BayRing Communications began construction on a 15,000 sq. ft. addition of its telecommunication offices and Rand Whitney Container LLC relocated from Rochester, NH to 162 Corporate Drive bringing with it 40 jobs. The Tradeport now employs over 7,000 people at over 250 companies and is home to more than 42% of all office space in the City. The world class Tradeport generates \$5.3 million in revenue for the City, adding to its important role in the City's economic vitality.

The Portsmouth Naval Shipyard (PNSY) also contributed to the City's economic vitality in FY10/11. The Seacoast Shipyard Association's report on regional economic impact for calendar year 2010 revealed a total of 5,168 employees with a payroll of \$395 million up 5% from 2009. \$20.3 million of goods and services were purchased from private vendors in New England states, up from \$16.4 million in 2009. In October 2010 the Shipyard celebrated the opening of the new Survival, Evasion, Resistance and Escape (SERE) Training Facility. One of only two facilities in the country, the new school employs 105 people and graduates 1,300 military personnel annually. The PNSY also announced its plan to invest \$100 million in upgrades and modernization work in FY 12. The upgrades are primarily energy conservation and repair work to existing infrastructure.

A recent summary report for the first quarter of 2011 office and industrial real estate market by Grubb&Ellis/Northern NE real estate advisory firm reports Portsmouth office market vacancy at 18.7% overall. Current asking rates for Class A office space are \$18.33 per sq. ft. (NNN). Class B office asking rates are \$15.91 per sq. ft. (NNN).

According to the Grubb & Ellis/Northern NE industrial market report for the first quarter of 2011, Portsmouth's industrial sector vacancy rates were 18.6%, with an average lease rate of \$6.00 per sq. ft. for warehouse/distribution space and \$10.76 per sq. ft. for R&D/flex Portsmouth. Much of the higher vacancy rate is attributable to the vacancy at the 250,000 sq. ft. Celestica building at Pease Tradeport.

In an effort to spur business attraction, in early FY11 the City Council applied for and received approval from the NH Department of Resources and Economic Development to designate Commerce Way as an Economic Revitalization Zone (ERZ). The ERZ designation creates incentives for companies to expand or relocate to the ERZ, which entitles businesses that create jobs to apply for tax credits to be used against the Business Profits Tax and Business Enterprise Tax.

With regard to residential development in the City, 19 building permits were issued for new dwelling units during the fiscal year with a total construction value of \$12.3 million. This is an increase of six more homes permitted than in FY10. There were 275 permits for renovations to existing residential structures, which is a 10% increase over the number issued for the same period in FY10. The median purchase price for a single family home was \$319,533 representing a 14.5% increase from the 2009 price of \$279,000. Median monthly gross rent for a two bedroom apartment remained steady at \$1,241.

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

- *Forbes* magazine ranks Portsmouth #34 among small cities (up from #43 last year) in its listing of "2011 Best Cities for Job Growth."
- Portsmouth named one of the 52 top weekend getaway destinations, Food and Wine Category, in the October 2010 edition of *Boston Magazine*.
- Portsmouth has been named a "Preserve America Community," one of 29 designated in 2010. The Preserve America Community Program recognizes communities that use their heritage resources to share the myriad benefits of historic preservation with residents and visitors. The program is administered by the federal Advisory Council on Historic Preservation with assistance from the U.S. Department of the Interior.

Major Initiatives

In FY11, the City continued a number of major water, sewer, and building initiatives, funded through a variety of sources, as well as ongoing sidewalk reconstruction and road upgrade projects.

Wastewater Treatment Master Plan - The Sewer Division submitted a final Wastewater Master Plan to the Environmental Protection Agency in November 2010. The plan included the recommendation for the upgrade of the Peirce Island Treatment

Facility to a Secondary plant with advanced Biological Nutrient Removal (BNR) capabilities. In accordance with the plan, the Sewer Division began implementation of a pilot study of various technologies that will provide the basis of a preliminary and final design for the upgraded treatment plant. The plan also contained a recommended schedule for continued sewer separation as part of the Long Term Control Plan.

State Street Utility Upgrades and Roadway Improvements - The sewer division, as part of the Combined Sewer Long-Term Control Plan, completed the State Street Utility Upgrades and Roadway Improvements project in FY 2011. The project was driven by the need to separate the sewer system in that area, but included the replacement of all of the underground utilities including water, sanitary and storm sewer and gas. The project incorporated a state of the art storm water treatment system with several bio-retention tree filter catch basins. The system also includes a storm water quality treatment unit and a sand filter unit to treat the storm water prior to its discharge into the Piscataqua River. The project included work on Penhallow Street, Custom House Court, and Chapel Street to separate sewer lines. ARRA funds were used for the project budget and the project has received recognition for its innovative storm water management design. In addition, the State Street project involved substantial streetscape improvements including sidewalks, lighting and landscaping.

Bartlett Area Sewer Improvements -The Sewer Division completed the Bartlett Area Sewer Improvements project; another Long-Term Control Plan sewer separation project that targeted the West End commercial area of the City. The Bartlett Street Project included water, sewer, drainage, and minor streetscape upgrades in a highly impervious commercial area on Bartlett Street, Islington Street, and Jewell Court. The project has helped reduce flooding within the project area as well as reducing unnecessary flow in the sewer system. This project, required as part of an EPA Administrative Order, was part of the City's comprehensive effort to correct problem areas in the oldest sections of the City's sewer system.

Water Treatment Plant - The Water Division neared completion of the new Dissolved Air Floatation treatment plant. The new plant replaces 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. It is being constructed using the Leadership in Energy and Environmental Design (LEED) principles to produce a sustainable and energy efficient system and the first complete facility in New England to obtain LEED certification. The plant will be operational in August of 2012.

Parks and Playgrounds - In FY 2011, the City again made substantial investments in its network of parks and playgrounds.

- Pine Street Park Renovation Project: In August 2010, the City celebrated the newly completed renovation of Pine Street Park during the National Night Out neighborhood event. The park improvements were coordinated closely with

the Christian Shore Neighborhood residents and included installation of new accessible pathways, park amenities and playground equipment as well as basketball court improvements.

- Plains Park and Ball Field Improvement Project: The City began design work on the Plains Park Playground and Ball Field Renovation project. The neighborhood and Little League provided input on the design work and improvements will include a new playground and traffic circulation pattern, as well as improvements to parking and drainage. Construction is planned to begin in FY 2013.
- Hislop Park and Field Improvements: the City worked cooperatively with the Little League to implement improvements to the Hislop Park Ball Field in the Atlantic Heights neighborhood. In addition to new fencing and related field improvements, the Little League spearheaded a fence relocation project to better meet its programmatic needs.
- Peirce Island Signage Improvements: Signs on Peirce Island were upgraded and standardized to welcome visitors, provide Island wayfinding and identify the major recreational amenities on Peirce Island, and to inform visitors of traffic, parking and dog-related ordinances. The project scope included removal of existing signs and installation of 25 new signs. Signs were designed and manufactured to be consistent with the existing Peirce Island trail markers and interpretive kiosk.

Streets and Sidewalk Improvements - In Fiscal 2011, the City continued investment in the vital infrastructure of streets and sidewalks as follows:

- Completed the Route 33 gateway project that added traffic calming measures, increased safety at Plains Park and improved roadway geometry at Plains Avenue and Peverly Hill Road. Sidewalks were added along Griffin Road to the park and ride lot on Route 33 and on the easterly side of Islington Street from Route 33 to Plains Avenue. The bridge over the B&M Railroad was replaced along with safety improvements to the approaches, which included drainage, paving, signage, landscaping, sidewalks and signalized intersections from Peverly Hill Road to Borthwick Avenue.
- Construction of Streetscape Improvement Project on Porpoise Way and Concord Way was initiated with new concrete sidewalks, granite curbing, paving, signage and landscaping.
- Funding was approved to continue the Citywide Sidewalk Reconstruction Program and the Pavement Management and Rehabilitation Long Range Plan.
- Completed construction of the Gates Street Area reconstruction project which included curbing, brick sidewalks, drainage, sewer, water and landscaping.
- Pavement improvements to the following: Thornton Street, Whipple Street, Meredith Way, Pine Street, Clinton Street, Fairview Drive, Centre Street, Garden Street, Spinney Road, Pinehurst Road, Lookout Lane, Griffin Road, and Davis Street.

- Completed construction of the Market Street sidewalk and bike lane project between Michael Succi Drive and the NH Port Authority entrance.
- Continued the Sagamore Bridge replacement project design and permitting process.
- Completed construction of the High/Hanover Parking Facility Stair Tower replacement project, which included replacement of the existing stair treads and risers with new precast units.
- Completed construction of the South Street/Lafayette Road intersection, including new signals and dedicated turn lanes.
- Completed construction of seawall replacements for existing structures located on South Mill Street and at the Mechanic Street Pump Station.
- Completed construction of Phase 1 Improvements to the McDonough Street Neighborhood Area (Cabot Street, Dover Street, Salem Street and McDonough Street).
- Initiated design and construction of Phase 2 Improvements to the McDonough Street Neighborhood Area (Rockingham Street, Cornwall Street and McDonough Street).
- Completed improvements to the Pine Street Playground including accessible walkways, playground equipment and landscaping.
- Completed replacement of the cedar roof system on the Sheafe Warehouse in Prescott Park.
- Completed design and initiated the construction of storm drain improvements in the Maple Haven area.
- Completed the design of improvements to the Municipal Complex Parking Lot including lighting, pavement, sidewalks and entrance signage.
- Completed the design for rehabilitation to the South Mill Pond Tennis Courts including new fencing, lighting and paving along with color coating surface system.
- Completed brick sidewalk replacement design on State Street from Middle Street to Church Street.
- Initiated the design for Middle Road sidewalk replacement from Middle Street to Spinney Road.
- Continued repair of the High/Hanover Parking Garage deck spalling, repainting of structural steel, and replacement of joint sealant.

Other Key City Initiatives

Reuse of City-owned buildings - In FY11, the City continued progress on its plan to appropriately and effectively utilize city-owned buildings. The following developments occurred in FY11.

- **Former Library Building:** The City Council entered into a 25-year lease of the former library building on Middle Street with the Portsmouth Historical Society. The lease has a renewal option for 10 years, which underscores the Society's and the City's long-term commitment to the project. Under the previous three-year lease, the Historical Society created the Discover Portsmouth Center, a visitor center and museum space for residents and visitors. Building on the success of the project, the Society is preparing to make substantial energy-related improvements to the building which will decrease operating costs and permit the Center to be open year round.
- **South Meeting House:** In FY11, the City Council entered into a five-year lease with Portsmouth Public Media (PPM), a non-profit organization whose mission is to make local news, views, information, arts and entertainment readily accessible to residents, local businesses and nonprofit organizations of the Seacoast. Under the terms of the lease, PPM will perform all operational maintenance for the building, provide upkeep and maintenance to the grounds, ensure upkeep and maintenance of the historic clock tower and make investments in capital improvements. The organization will also make a meeting room available to a local neighborhood group.

Sustainability - The City's continued commitment to sustainability shows that with almost every sustainability initiative undertaken it is able to demonstrate at least a modest and in many cases, significant, operational cost savings. Under the leadership of the City Council and City manager, guidance of the Committee on Sustainable Practices, and expertise of City staff, sustainability policies have been put in place and new initiatives continue to be implemented. The City has completed construction on its new drinking water treatment plant which has submitted for LEED certification and expects to secure LEED Silver accreditation. The Portsmouth Middle School is undergoing a complete renovation which will be certified under the Northeast Collaborative for High Performance Schools (NECHPS). This green building methodology is similar to the LEED process and results in a high quality learning environment, that conserves natural resources, consumes less energy, is easier to maintain, and provides an enhanced community resource. The Portsmouth School Department has trained facilities staff to operate its buildings more efficiently, which in turn has resulted in the Portsmouth High School recently being recognized by the US Environmental Protection Agency as an Energy Star building. The City recently entered a joint venture with Public Service of New Hampshire to retrofit all of the lights in the City's public athletic facility. This upgrade project will result in more energy efficient lighting on a project that will pay for itself in two years.

Automated Meter Reading System - The Water and Sewer Division completed the Automated Meter Reading (AMR) system. The new system facilitates monthly meter

reading and thus the conversion to monthly billing of all 8,200 customers in the system. The project follows the recommendation of 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.

Long-Term Financial Planning

The City continues to address and monitor legislative issues while still maintaining strong and stable financial operations.

Statewide Property Tax - The New Hampshire Legislature adopted a new education funding formula in FY12, replacing the plan that would have provided the City of Portsmouth with its first education funding grant since the Statewide Property Tax was imposed in 1999 to fund education. However, the new formula does allow the City to continue to retain any Statewide Education Property Taxes (SWEPT) raised in excess of the State's determined cost of providing an adequate education to Portsmouth schoolchildren, as it has been able to do since FY06, directing those funds toward the local share of education and resulting in a major positive impact. Prior to FY06, Portsmouth was forced to raise an additional \$11,750,318 in Statewide Property Taxes to remit to the State for redistribution to other communities. The new formula is scheduled to remain in effect until June 30, 2013, but the City remains mindful that the Legislature could alter it. The City, with the help of the City Council's 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 - In November 2011, Standard & Poor's Rating Group and Moody's Investors Service affirmed the City's AA+ and Aa1 bond rating respectively. Standard & Poor's credited the City's very strong financial position, strong management practices and policies, low-to-moderate debt burden, diverse property tax base, strong household income level as positive factors. In addition, S&P stated "Portsmouth's management team has consistently demonstrated a focus on fiscal prudence, which we believe has contributed to a history of strong operating results and very strong reserves." Moody's Investors Service stated "Portsmouth's strong financial operations, stable and diverse economic base and health and growing reserve levels as positive factors. Moody's added that "with strong financial management, formalized policies and a trend of conservative budgeting practices, the City's trend of solid financial operations is expected to continue."

Relevant Financial Policies

The following are financial policies and long-term financial guidelines which the City follows in managing its financial and budgetary affairs. The goal of these policies and guidelines is to ensure that financial resources are well managed and available to meet the present and future needs of the citizens of the City of Portsmouth.

Leave at Termination - The City has addressed in two methods the significant liability owed to employees for accumulated sick leave pay when they leave municipal service.

1. The City eliminated future growth in this liability by negotiating in all fifteen (15) labor agreements that all employees hired after July 1996 can no longer accumulate unlimited sick leave. Thus, the liability can be capped and it is now possible to estimate reductions of this liability through attrition.
2. The Leave at Termination Fund created in fiscal year 1999 eliminated annual budget spikes which negatively impacted the operating budget associated with sick leave pay owed to employees upon termination. Each department annually budgets a fixed amount for each fiscal year determined by an actuarial study and periodic review, which is transferred into this fund where this liability is paid. Each department builds a fund balance, which is carried over from year to year to fund future liabilities, thus stabilizing the annual operating budget.

As of the close of the current fiscal year, the liability for accrued employee benefits was \$7,869,136, an increase of \$50,803 as compared to prior year.

Unassigned Fund Balance - City Council adopted in Fiscal Year 1998 the "Undesignated Fund Balance Ordinance" which mandates that the City will maintain an undesignated fund balance of at least 7% of General Fund appropriations for that fiscal year with an ultimate goal of greater than 10%. The City is in the process of revising its Fund Balance Ordinance to address GASB Statement No. 54. The term "Undesignated" will be replaced with the term "Unassigned". Since this ordinance was adopted in 1997, the City has met its goal. As of June 30, 2011, the unassigned fund balance is 11.66% of FY11 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. Current and future debt service is projected out over a 10 year period along with projected annual appropriations and estimated revenues related directly to debt. The framework of this analysis assists with the planning of future capital projects that will be funded through debt issuances. For FY11, the amount of net annual debt remains within the policy limits at 8.02%.

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 sixteen consecutive years from 1995 to 2010.

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.

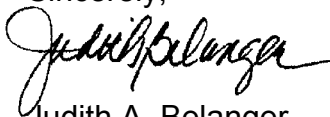
A Certificate of Achievement is valid for a period of one year only. The City believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Portsmouth also received the GFOA's Distinguished Budget Presentation Award for six consecutive years; fiscal year beginning July 1, 2006, to 2011. 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 would not have been possible without the dedication and professional efforts of the staff in the Finance Department and diligent efforts of department heads and other City staff. 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 Program Manager, who assisted and contributed to the preparation of this report.

This report reflects the City's commitment to improve and maintain financial statements in conformity with the highest standards of accountability. 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.

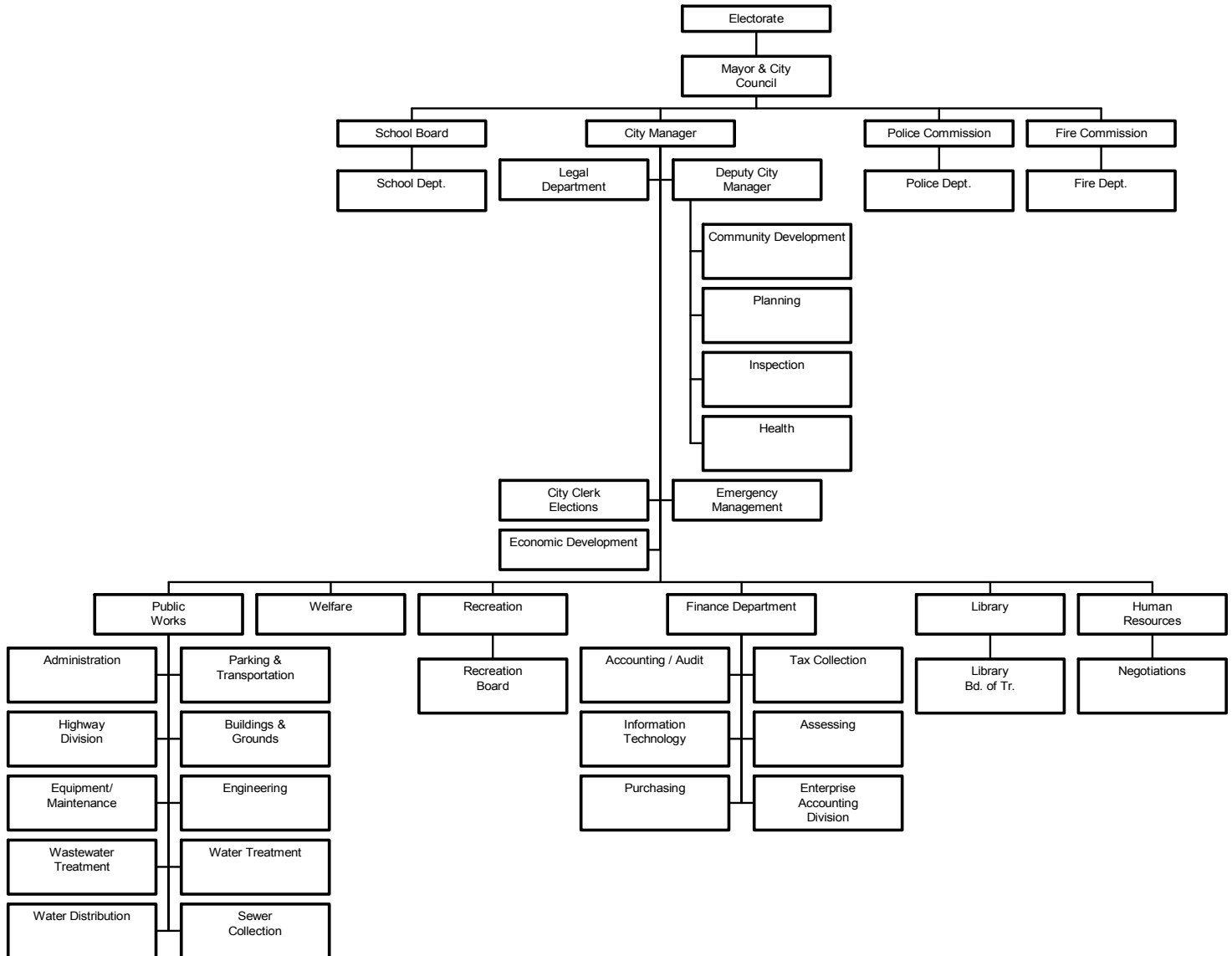
Sincerely,



Judith A. Belanger
Finance Director

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City of Portsmouth Organizational Chart



DIRECTORY OF OFFICIALS

CITY COUNCIL

Thomas G. Ferrini, Mayor

Nancy Novelline Clayburgh, Ass't Mayor

Robert Lister	Jerry J. Hejtmanek
Eric Spear	M. Chris Dwyer
Anthony Coviello	Esther E. Kennedy

Kenneth E. Smith

BOARD OF EDUCATION

Michell Shuldman, Chairman

Ann M. Walker, Vice Chairman

Kent LaPage	Leslie Stevens
Carol A. Chellman	Thomas P. Martin
Rebecca Emerson	Rebecca Emerson

Henry Hayward

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 David Lou Ferland

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	Kristin Regis
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, 2010

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.



Linda C. Danison

President

Jeffrey R. Enos

Executive Director

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of 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, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, appearing on the following pages, and the supplementary information, appearing on page 83 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 14, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
December 14, 2011

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, 2011. 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 \$183,994,011, an increase of \$15,506,221 in comparison to the prior year.
- As of the close of the current fiscal year, total assets of governmental activities exceeded liabilities by \$125,234,636, an increase of \$9,215,976 in comparison to the prior year.
- At the end of the current year, total assets of business-type activities exceeded their liabilities by \$58,759,375, an increase of \$6,290,245 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$66,829,637, a decrease of \$2,471,303 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,329,071, an increase of \$259,115 in comparison to the prior year.
- Total bonds payable including unamortized premium at the close of the current fiscal year was \$106,519,267, a decrease of \$8,015,589 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 which report the government's governmental activities separately from its business-type activities are designed to provide readers with a broad overview of the City of Portsmouth's finances.

There are two basic governmental-wide financial statements: the Statement of Net Assets and the Statement of Activities. All activities included within the government-wide financial statements are measured and reported using the economic resources measurement focus and the accrual basis of accounting 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 include two different types of City Activities and can be found on pages 39-41 of this report.

- ***Governmental Activities:*** The activities in this section represent most of the City's basic services and are principally supported by taxes, grants, and intergovernmental revenues. 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.
- ***Business-Type Activities:*** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges. These business-type activities of the City include the water and sewer activities.

Fund Financial Statements

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

- ***Governmental funds:*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable

resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The basic governmental fund financial statements can be found on pages 42-46 of this report.

- **Proprietary funds:** The City's proprietary funds provide goods and services to the general public and charge a user fee. These activities are reported in enterprise funds.

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 47-49 of this report.

- **Fiduciary funds:** These 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 50-51 of this report.

Notes to Financial Statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Financial Statements can be found on pages 53-82 of this report.

Supplementary 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 principles 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		Business-type		Totals	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 75,505	\$ 77,027	\$ 21,967	\$ 27,598	\$ 97,472	\$ 104,625
Capital assets	129,666	124,405	96,762	82,423	226,428	206,828
Total assets	<u>205,171</u>	<u>201,432</u>	<u>118,729</u>	<u>110,021</u>	<u>323,900</u>	<u>311,453</u>
Long-term liabilities	74,822	80,639	42,578	44,104	117,400	124,744
Other liabilities	5,114	4,774	17,392	13,448	22,506	18,221
Total liabilities	<u>79,936</u>	<u>85,413</u>	<u>59,970</u>	<u>57,552</u>	<u>139,906</u>	<u>142,965</u>
Net assets:						
Invested in capital assets,						
net of related debt	75,938	71,575	43,750	38,650	119,688	110,225
Restricted	15,702	14,697	1,463	1,626	17,165	16,323
Unrestricted	33,595	29,747	13,546	12,193	47,141	41,940
Total net assets	<u>\$ 125,235</u>	<u>\$ 116,019</u>	<u>\$ 58,759</u>	<u>\$ 52,469</u>	<u>\$ 183,994</u>	<u>\$ 168,488</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 \$119,687,653 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 \$17,164,619 or 9.3% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$47,141,739 or 25.7% 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 \$15,506,221. Approximately 61% of the increase is attributed to an increase in investments in capital assets net of related debt. The remaining 39% represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

The \$1,571,921 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 healthcare 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 Note 21 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)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues						
Charges for services	\$ 17,887	\$ 17,348	\$ 16,164	\$ 12,738	\$ 34,051	\$ 30,086
Operating grants and contributions	7,168	6,172	-	-	7,168	6,172
Capital grants and contributions	1,603	5,950	2,488	3,379	4,091	9,329
General revenues						
Property Taxes	65,994	63,648	-	-	65,994	63,648
Interest on taxes	301	270	-	-	301	270
Grants and contributions not restricted to specific programs	2,160	2,126	-	-	2,160	2,126
Investment income	1,521	1,084	51	65	1,572	1,149
Other	960	478	35	2	995	480
Total revenues	<u>97,594</u>	<u>97,076</u>	<u>18,738</u>	<u>16,184</u>	<u>116,332</u>	<u>113,260</u>
Expenses:						
General government	11,848	11,617	-	-	11,848	11,617
Public safety	16,579	16,916	-	-	16,579	16,916
Education	43,417	41,475	-	-	43,417	41,475
Public works	9,660	9,303	-	-	9,660	9,303
Health and human services	644	693	-	-	644	693
Culture and recreation	3,694	3,620	-	-	3,694	3,620
Community development	765	1,330	-	-	765	1,330
Interest on long-term debt	2,702	2,528	-	-	2,702	2,528
Water operations	-	-	4,895	4,753	4,895	4,753
Sewer operations	-	-	6,625	6,176	6,625	6,176
Total expenses	<u>89,309</u>	<u>87,482</u>	<u>11,520</u>	<u>10,929</u>	<u>100,829</u>	<u>98,411</u>
Change in net assets before permanent fund contributions and transfers	8,285	9,594	7,218	5,255	15,503	14,849
Contributions to permanent fund principal	3	4	-	-	3	4
Transfers in (out)	<u>928</u>	<u>928</u>	<u>(928)</u>	<u>(928)</u>	<u>-</u>	<u>-</u>
Change in net assets	9,216	10,526	6,290	4,327	15,506	14,853
Beginning net assets	<u>116,019</u>	<u>105,493</u>	<u>52,469</u>	<u>48,142</u>	<u>168,488</u>	<u>153,635</u>
Ending net assets	<u>\$ 125,235</u>	<u>\$ 116,019</u>	<u>\$ 58,759</u>	<u>\$ 52,469</u>	<u>\$ 183,994</u>	<u>\$ 168,488</u>

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$9,215,976. Governmental activities realized the following significant transactions:

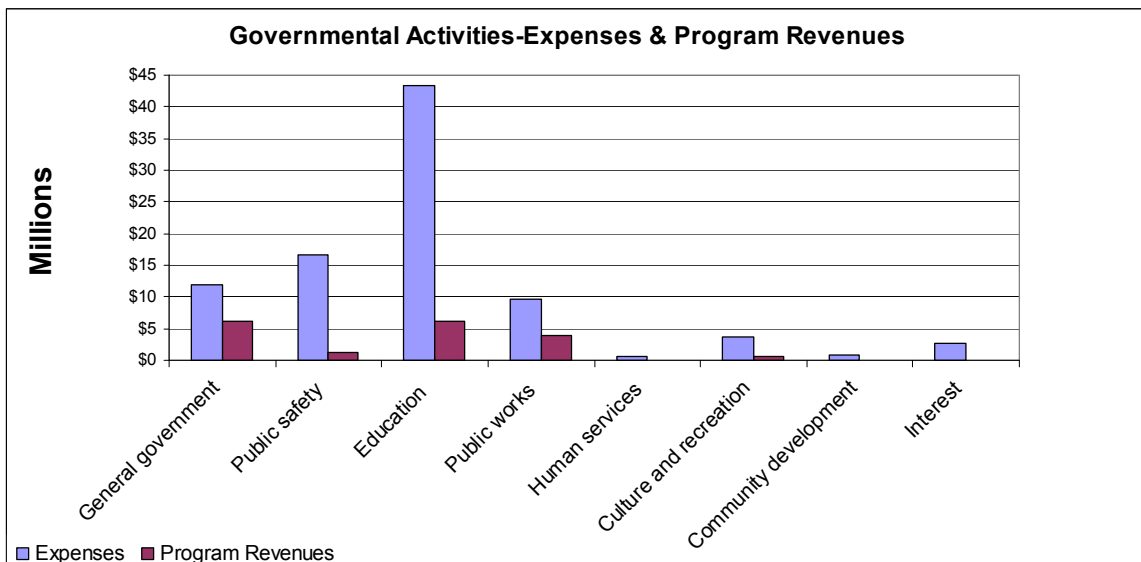
- General Fund excess of revenues over expenditures of \$2,804,515.

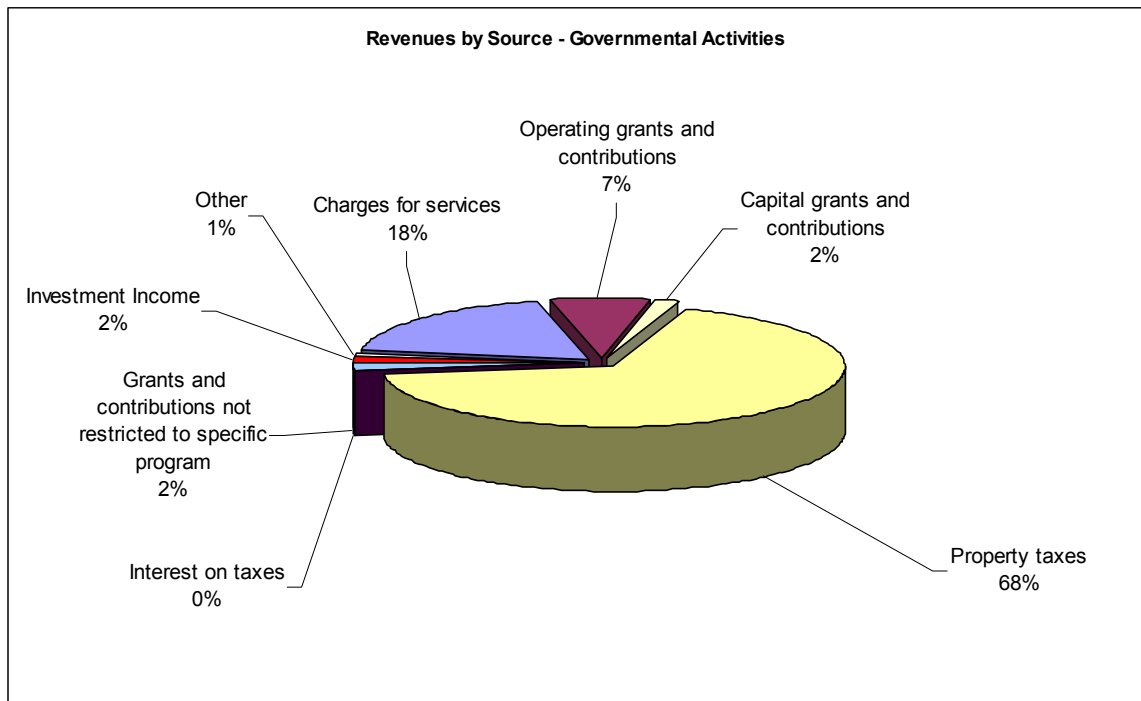
- General Fund transfer in from Enterprise Funds (water and sewer) for indirect costs of \$927,697
- Capital grants and contribution revenue used to acquire capital assets of \$1,603,212.
- Debt service principal payment in excess of depreciation expense of \$1,821,505.

Overall, the governmental activities experienced an increase of \$517,493 or .5% in revenues when compared to the prior fiscal year due largely to the following:

- Property tax, which is 68% of the total revenues, increased by \$2,345,373.
- Investment income increased by \$436,684 mostly due to investments held by the Trustees of Trust Funds.
- Capital grants and contributions report a decrease of \$4,346,883 primarily due to a reduction in both federal transportation grants of \$2,551,065 and Housing and Urban Development of \$1,374,282.
- An increase in operating grants and contribution of \$995,973 is primarily due to the contribution to the Trust fund as a result of the Alumni field land acquisition for the middle school renovation project.
- An increase of \$483,490 in other revenues primarily due to the sale of the old Fire Station 2.

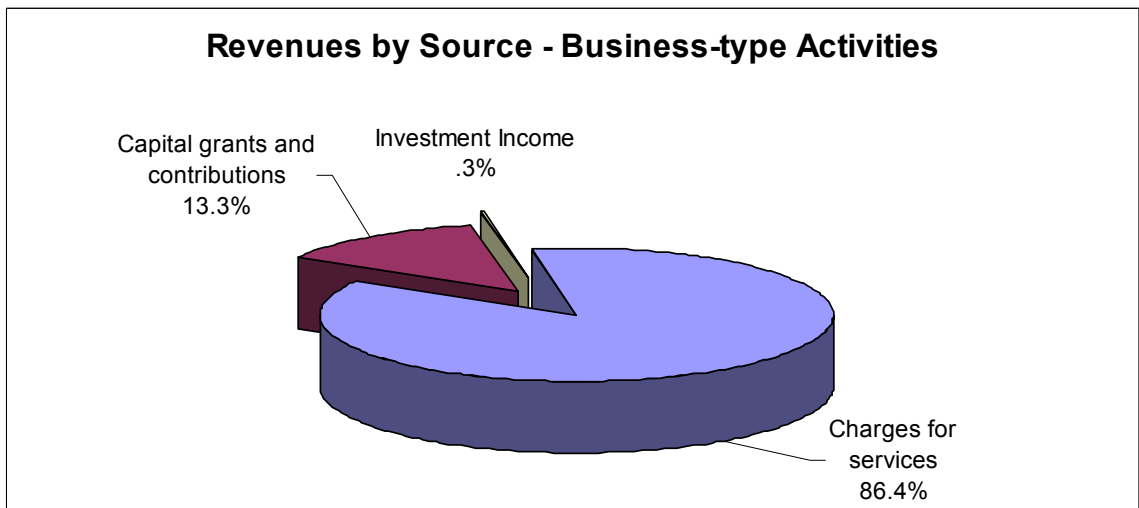
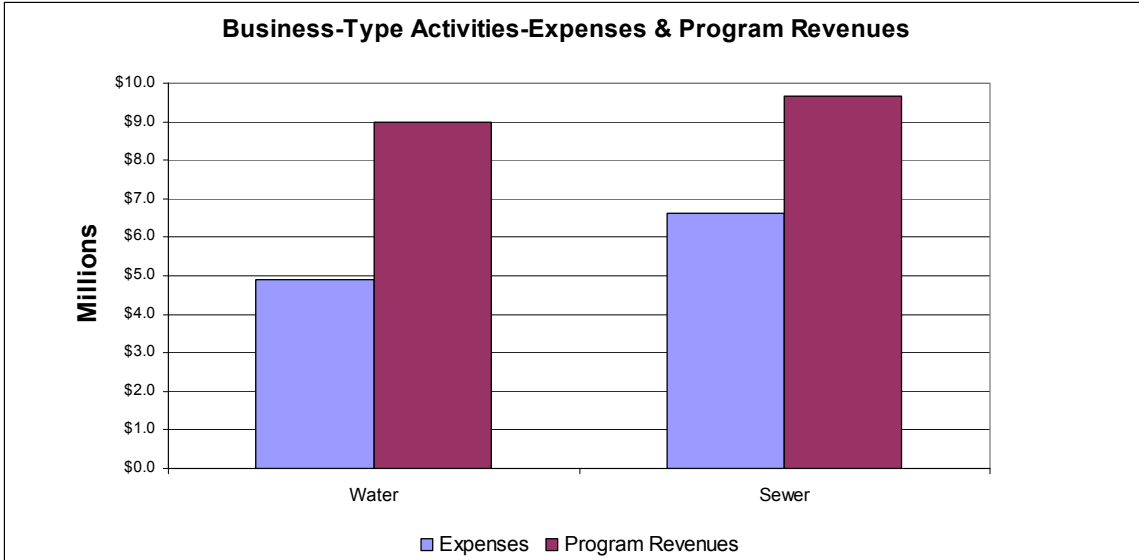
Overall governmental expenses experienced an increase of \$1,826,864 or 2% from prior year. The City has fifteen (15) collective bargaining units, of which ten (10) were settled before June 30, 2011. The increase in expenses from prior year represents cost of living adjustments (COLA) paid to employees from the ten settled contracts and other expenses increases as a result of inflation. The remaining five (5) 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 \$6,290,245. The key elements of the changes are as follows:

- Operating revenues over operating expenses of \$6,431,490.
- Charges for services in the business-type activities experienced an increase of \$3,426,659. The water fund experienced an increase in revenue of \$2,187,327 as a combined result of an increase in total billed units and user rate increase. The sewer fund experienced an increase of \$1,239,332 as a result of a rate increase and a renegotiated inter-municipal agreement with the Town of New Castle.
- A net decrease of \$890,902 in capital grants and contributions is primarily due to: a decrease in capital contributions of \$948,062 received for sewer service expansion, slight increase in capital grants of \$57,160, American Recovery and Reinvestment Act (ARRA) for the State Street Utilities Upgrade project of \$850,410 and the debt forgiveness of \$38,654 from the State Revolving Loan Program for the Raw Water, Bellamy Reservoir project.
- A decrease in investment income of \$14,240 due to declining investment interest rates.
- An increase in other revenue of \$32,360, largely due to the sale of municipal property.



D. FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$66,829,637, a decrease of \$2,471,303 in comparison to

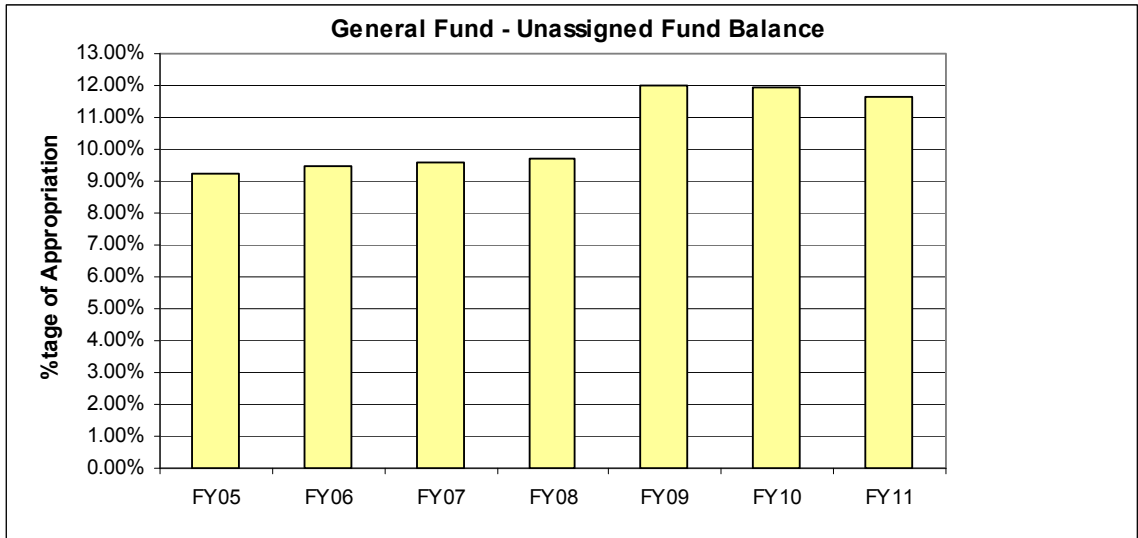
the prior year. This decrease is primarily a result from incurring expenditures in the School Renovation Fund.

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

City Council adopted in Fiscal Year 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%. The City is in the process of revising its Fund Balance Ordinance to address GASB Statement No. 54. The term "Undesignated" replaces the term "Unassigned".

Unassigned fund balance at the end of the fiscal year was \$10,329,071 or 11.66% of the final general fund budget. This is an increase of \$259,115 from prior year.

The following table demonstrates that over the last several years, the unassigned fund balance has remained within the 7% - 10% range while FY09, FY10, and FY11 exceeded the ordinance goal of 10%.



Total fund balance for the general fund at the end of the current fiscal year was \$35,612,154 or 40% of the final general fund budget. This is an increase of \$741,190 or 2.1% from prior year. The key factors in this change are as follows:

- A decrease of fund balance of \$3,368,200 from budgetary use of fund balance.
- A decrease of fund balance of \$106,416 due to an increase in abatement liabilities from FY10.

- An increase of fund balance of \$852,525 from appropriations exceeding expenditures in the Health Insurance Stabilization Account.
- An increase of fund balance of \$11,861 from appropriations exceeding expenditures in the Leave at Termination Account.
- A net increase to fund balance of \$1,278,356 from revenues and other financing sources exceeding final budget estimates (excluding tax adjustments).
- A net increase of \$1,641,357 from remaining departmental appropriations and collective bargaining contingency.
- A net increase of \$481,707 to fund balance from the excess of year end carry forwards over expenditures of prior year carry forwards.
- At the end of the current fiscal year, total fund balance of other governmental funds was \$31,217,483, which is a net decrease of \$3,212,493 from prior year. Key factors in this change are as follows:
 - A decrease of \$4,895,175 from the continued construction/renovation for the middle school.
 - Other non-major fund increase of \$1,682,682 is comprised of the following:
 - Net increase in special revenue funds of \$1,087,651 is due largely from operating surplus in parking and transportation and city trust funds combined with operating loss in the school categorical revenues, community development funds and miscellaneous grants.
 - Net decrease of \$345,556 in capital project funds which mainly due to the continued construction of rehabilitation of various City Street.
 - An increase of \$940,587 in permanent funds due largely to the city trust funds investment income of \$1,146,017.

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.

Total Net Assets for the water and sewer funds at the end of the year amount to \$58,759,375, for an increase of \$6,290,245. The water fund increased by \$3,690,622 and the sewer fund increased \$2,599,623.

Unrestricted net assets of the water and sewer funds at the end of the year increased \$1,353,444 to a total of \$13,546,674. The water fund unrestricted net assets balance is \$4,986,589, the sewer fund unrestricted net assets balance is \$8,560,085.

Restricted for debt service of \$1,462,931 is related to the Pease Wastewater Treatment Plant debt which is contributed from the Pease Development Authority.

Investment in capital assets, net of related debt; increased by \$5,099,348, of which \$2,021,909 related to the water fund capital assets and \$3,077,439 from the sewer fund.

To provide adequate revenues to meet expenditures for operations, debt service, and capital improvements, the City's rates are based on a two-step, inclining block rate structure for both water and sewer usage. For water consumption for FY11, the first ten units (one unit equals 100 cubic feet or 748 gallons) water consumed per month was billed at \$4.15 per unit; all units over ten units per month was billed at a rate of \$5.00 per unit. For sewer, which is measured by water consumption, which the first ten units was billed at \$5.50 per unit; all units over ten units per month was billed at a rate of \$6.05 per unit.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budget resulted in an overall increase in appropriations of \$2,239,700. There were three supplemental appropriations: \$77,000 from unassigned fund balance to defray operating expenditures for the fire department, \$1,650,000 from unassigned fund balance to partially fund the construction of a Youth Recreation Center, and \$512,701 appropriated from the premium the City received from the sale of its general obligation capital improvement bond for remaining funds necessary for the construction of the Youth Recreation.

The difference between the final amended budget and actual results is a positive variance of \$2,959,233 with revenues exceeding estimated budgets by \$1,317,876 and expenditures were less than the estimated budget by \$1,641,357. Significant variances include:

- Positive variance in Licenses and Permits of \$100,592 are mainly attributed an excess of \$113,000 in building, electrical and plumbing permits resulting from renovations and new construction citywide and a negative variance of \$27,099 in motor vehicle registrations.
- Negative variance in Intergovernmental of \$12,334 is mainly attributed to a negative variance of \$55,932 in School Tuition and a positive variance of \$45,342 from State grants.
- Positive variance in Charges for Services of \$729,857 primarily consists of \$206,090 from ambulance fees and \$324,985 from parking facility leases and usage.
- Investment Income experienced a negative variance of \$123,351 resulting from declining interest rates.

- Positive variance of \$506,462 in Other Revenues is mainly attributed to the sale of Fire Station 2.
- Current operating expenditures resulting in a positive variance of \$1,251,288 is mainly due to vacant positions and remaining unsettled collective bargaining agreements.
- Non-operating expenditures resulting in a positive variance of \$390,069 is mainly due to unused 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 \$226,427,812 (net of accumulated depreciation), an increase \$19,600,407 from the prior year. This investment in capital assets includes land, buildings, system improvements, and machinery and equipment.

	Capital Assets (000s) (net of depreciation)					
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 15,424	\$ 15,336	\$ 1,930	\$ 1,931	\$ 17,354	\$ 17,267
Building and improvements	69,064	65,969	16,080	16,563	85,144	82,532
Machinery and equipment	3,534	3,983	8,585	8,894	12,119	12,877
Infrastructure	33,110	22,470	41,567	32,353	74,677	54,823
Construction in Progress	8,534	16,647	28,600	22,682	37,134	39,329
Total Assets	<u>\$ 129,666</u>	<u>\$ 124,405</u>	<u>\$ 96,762</u>	<u>\$ 82,423</u>	<u>\$ 226,428</u>	<u>\$ 206,828</u>

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

- Construction in progress for governmental activities totaled \$8,534,074 at year end which \$6,388,742 is attributed to the Middle School Renovation project.
- A variety of sidewalk and street construction contributed to capital assets of \$6,192,527.
- General government vehicles capitalized during the current year which included Public Works vehicles of \$425,378, Police vehicles of \$116,548, School vehicles of \$38,788, and a Trustee vehicle of \$10,894.
- The water fund recognized an increase of \$8,868,139 in capital assets from prior year. A majority of the increase is from the continued construction of the Madbury Water Treatment Plant.
- The sewer fund recognized an increase of \$5,470,722 in capital assets from prior year. Most of the increase can be attributed to increase in infrastructure

due to the completion of two long term control plan projects: Bartlett Street Area sewer improvement and the State Street Utilities upgrade.

Additional information on the City of Portsmouth’s capital assets can be found in note 9 on pages 68-71 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 \$106,519,267 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 Aa1 rating from Moody’s Investors Service.

Outstanding Debt (000s)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 61,870	\$ 67,985	\$ 16,130	\$ 17,950	\$ 78,000	\$ 85,935
State Revolving Fund Loans	1,736	1,949	25,135	24,893	26,871	26,842
Unamortized premium	1,083	1,161	566	597	1,649	1,758
Total	\$ 64,689	\$ 71,095	\$ 41,831	\$ 43,440	\$ 106,520	\$ 114,535

The City of Portsmouth’s total debt decreased by \$8,015,589 or 7% during the current fiscal year. The key factors in this net increase are:

- Reductions of outstanding debt principal in the amount of \$10,194,114.
- The issuance of state revolving fund loans for the sewer-201 Facility Study of \$1,000,000, sewer-Rye Line Pump Station for \$1,069,714, and water-Raw Water Management for \$219,043.

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, 2011, 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 \$4,044,429,991. The debt limit and outstanding debt is as follows:

Debt Limit Calculation						
Purpose	Percent of Allowable Debt Limit	Maximum Debt Limit	Bonds Outstanding as of June 30, 2011	Authorized Unissued as of June 30, 2011	Total Gross Debt as of June 30, 2011	% of Legal Debt Service Used
Municipal	3.00%	\$ 121,332,900	\$ 24,020,000	\$ 6,900,000	\$ 30,920,000	25%
Landfill closure (1)	0%	0	1,735,855	4,641,897	6,377,752	N/A
School	7.00%	283,110,099	37,850,000	22,500,000	60,350,000	21%
Water	10.00%	404,442,999	20,929,382	\$ 18,162,303	39,091,685	10%
Sewer (1)	0%	0	20,336,083	19,996,531	40,332,614	N/A
Total		\$ 808,885,998	\$ 104,871,320	\$ 72,200,731	\$ 177,072,051	

(1) Exempt from Debt Limit

Additional information on notes payable and long-term debt can be found in Notes 15 and 16 on pages 72-76 of this report.

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

- During FY11, the unemployment rate in the City remained low in relation to the state and the region with an average unemployment rate of 4.5%. The state’s unemployment average for the same period was 5.2%, the average rate for New England was 7.9% and the nation’s average rate was 9.3%.
- The overall commercial office vacancy rate for the City of Portsmouth increased to 18.7% from 16.7% during FY10.

All of these factors were considered in preparing the City of Portsmouth’s budget for fiscal year 2012.

The budget and tax rate for the General Fund for FY12 has been approved by the Department of Revenue Administration. The total budget is \$86,606,844, a decrease of \$1,937,310 or 2.19% from the prior year final budget. The tax rate has been set at \$17.27 per \$1,000 of assessed value. This is a decrease of \$.14 or .8% from prior year.

The City of Portsmouth has appropriated a total of \$900,000 from fund balance reserve for debt service payments, \$73,500 from reserve for abatements and \$155,000 from unassigned fund balances in the fiscal year 2011 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 did not increase in FY12 from FY11 and remained at \$4.15 for the first 10 units of water consumed per month and \$5.00 per unit for consumption over 10 units per month. The minimum charge rate also remained the same as FY11 and is based on the service meter size.
- Sewer charges are based on water consumption. There is no minimum charge rate for sewer. The sewer rate increased from \$5.50 to \$8.29 per unit for the first 10 units of water consumed per month. The rate for consumption over 10 units per month increased from \$6.05 to \$9.11 per unit.

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

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 46,081,333	\$ 14,229,303	\$ 60,310,636
Investments	21,989,447	-	21,989,447
Receivables, net of allowance for uncollectibles:			
Property taxes	2,505,007	-	2,505,007
User fees	-	3,158,555	3,158,555
Departmental and other	581,316	388,985	970,301
Intergovernmental	1,162,451	902,419	2,064,870
Loans and interest	22,861	-	22,861
Inventory	15,933	141,294	157,227
Total current assets	<u>72,358,348</u>	<u>18,820,556</u>	<u>91,178,904</u>
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	749,259	-	749,259
Departmental and other	-	3,146,879	3,146,879
Intergovernmental	-	-	-
Loans	2,397,249	-	2,397,249
Capital assets:			
Land and construction in progress	23,958,496	30,530,039	54,488,535
Other capital assets, net of accumulated depreciation	105,707,574	66,231,703	171,939,277
Total non-current assets	<u>132,812,578</u>	<u>99,908,621</u>	<u>232,721,199</u>
TOTAL ASSETS	205,170,926	118,729,177	323,900,103
LIABILITIES			
Current:			
Accounts payable	2,143,782	1,465,738	3,609,520
Accrued liabilities	1,433,404	889,720	2,323,124
Retainage payable	322,609	1,388,518	1,711,127
Tax refunds payable	975,897	-	975,897
Notes payable	-	13,509,105	13,509,105
Other current liabilities	238,756	138,842	377,598
Current portion of long-term liabilities:			
Bonds payable	6,406,737	3,901,947	10,308,684
Other liabilities	868,923	50,249	919,172
Total current liabilities	<u>12,390,108</u>	<u>21,344,119</u>	<u>33,734,227</u>
Noncurrent:			
Bonds payable, net of current portion	58,281,873	37,928,710	96,210,583
Net OPEB obligation	1,452,814	119,107	1,571,921
Other liabilities, net of current portion	7,811,495	577,866	8,389,361
Total noncurrent liabilities	<u>67,546,182</u>	<u>38,625,683</u>	<u>106,171,865</u>
TOTAL LIABILITIES	79,936,290	59,969,802	139,906,092
NET ASSETS			
Invested in capital assets, net of related debt	75,937,883	43,749,770	119,687,653
Restricted externally or constitutionally for:			
Grants	7,610,036	-	7,610,036
Debt	-	1,462,931	1,462,931
Permanent funds:			
Nonspendable	1,588,492	-	1,588,492
Spendable	4,233,907	-	4,233,907
Restricted by enabling legislation	2,269,253	-	2,269,253
Unrestricted	33,595,065	13,546,674	47,141,739
TOTAL NET ASSETS	\$ <u>125,234,636</u>	\$ <u>58,759,375</u>	\$ <u>183,994,011</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<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	\$ 11,847,592	\$ 6,259,000	\$ 14,835	\$ -
Public safety	16,579,407	1,235,321	731,948	-
Education	43,416,528	5,882,803	5,051,163	-
Public works	9,659,576	3,918,395	463,920	1,153,843
Health and human services	644,424	48,054	-	-
Culture and recreation	3,694,425	543,575	832,295	11,050
Community development	764,771	-	74,043	438,319
Interest on long-term debt	2,702,329	-	-	-
Total Governmental Activities	<u>89,309,052</u>	<u>17,887,148</u>	<u>7,168,204</u>	<u>1,603,212</u>
Business-Type Activities:				
Water services	4,894,978	8,914,913	-	84,418
Sewer services	6,624,706	7,249,404	-	2,403,466
Total Business-Type Activities	<u>11,519,684</u>	<u>16,164,317</u>	<u>-</u>	<u>2,487,884</u>
Total	<u>\$ 100,828,736</u>	<u>\$ 34,051,465</u>	<u>\$ 7,168,204</u>	<u>\$ 4,091,096</u>

General Revenues:
 Property taxes
 Interest on taxes
 Grants and contributions not restricted to specific programs
 Investment income
 Other revenues
 Contributions to permanent fund principal
 Transfers, net

Total general revenues and transfers and contributions to permanent fund principal

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>
\$ (5,573,757)	\$ -	\$ (5,573,757)
(14,612,138)	-	(14,612,138)
(32,482,562)	-	(32,482,562)
(4,123,418)	-	(4,123,418)
(596,370)	-	(596,370)
(2,307,505)	-	(2,307,505)
(252,409)	-	(252,409)
(2,702,329)	-	(2,702,329)
(62,650,488)	-	(62,650,488)
-	4,104,353	4,104,353
-	3,028,164	3,028,164
-	7,132,517	7,132,517
(62,650,488)	7,132,517	(55,517,971)
65,993,838	-	65,993,838
300,578	-	300,578
2,159,937	-	2,159,937
1,520,906	50,705	1,571,611
960,388	34,720	995,108
3,120	-	3,120
927,697	(927,697)	-
71,866,464	(842,272)	71,024,192
9,215,976	6,290,245	15,506,221
116,018,660	52,469,130	168,487,790
\$ 125,234,636	\$ 58,759,375	\$ 183,994,011

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

ASSETS	<u>General</u>	<u>School Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 19,297,548	\$ 9,841,542	\$ 16,942,244	\$ 46,081,334
Investments	16,447,872	-	5,541,575	21,989,447
Receivables:				
Property taxes	3,254,266	-	-	3,254,266
Departmental and other	477,693	-	103,622	581,315
Intergovernmental	10,645	-	1,151,806	1,162,451
Loans and interest	-	-	2,420,110	2,420,110
Due from other funds	511,239	-	-	511,239
Advances to other funds	28,000	-	-	28,000
Inventory	<u>-</u>	<u>-</u>	<u>15,933</u>	<u>15,933</u>
TOTAL ASSETS	<u>\$ 40,027,263</u>	<u>\$ 9,841,542</u>	<u>\$ 26,175,290</u>	<u>\$ 76,044,095</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 655,179	\$ 1,026,463	\$ 460,869	\$ 2,142,511
Accrued liabilities	773,208	-	14,606	787,814
Retainage payable	-	186,013	136,597	322,610
Deferred revenues	1,772,069	-	2,435,562	4,207,631
Tax refunds liability	975,897	-	-	975,897
Due to other funds	-	-	511,239	511,239
Advances from other funds	-	-	28,000	28,000
Other liabilities	<u>238,756</u>	<u>-</u>	<u>-</u>	<u>238,756</u>
TOTAL LIABILITIES	4,415,109	1,212,476	3,586,873	9,214,458
Fund Balances:				
Nonspendable	28,000	-	1,604,425	1,632,425
Restricted	-	8,629,066	18,477,964	27,107,030
Committed	19,960,221	-	2,506,028	22,466,249
Assigned	5,294,862	-	-	5,294,862
Unassigned	<u>10,329,071</u>	<u>-</u>	<u>-</u>	<u>10,329,071</u>
TOTAL FUND BALANCES	<u>35,612,154</u>	<u>8,629,066</u>	<u>22,588,417</u>	<u>66,829,637</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,027,263</u>	<u>\$ 9,841,542</u>	<u>\$ 26,175,290</u>	<u>\$ 76,044,095</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, 2011

Total governmental fund balances	\$ 66,829,637
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	129,666,070
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	4,207,631
<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.	(646,860)
<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>(74,821,842)</u>
Net assets of governmental activities	<u>\$ 125,234,636</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, 2011

	<u>General</u>	<u>School Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 65,792,501	\$ -	\$ -	\$ 65,792,501
Licenses and permits	4,097,592	-	-	4,097,592
Intergovernmental	2,942,104	-	6,991,796	9,933,900
Charges for services	9,474,701	-	3,413,010	12,887,711
Investment income	326,649	-	1,194,257	1,520,906
Interest on taxes	300,578	-	-	300,578
Fines and costs	798,859	-	54,152	853,011
Contributions	-	-	871,594	871,594
Other	<u>746,139</u>	<u>-</u>	<u>208,037</u>	<u>954,176</u>
Total Revenues	84,479,123	-	12,732,846	97,211,969
Expenditures:				
Current:				
General government	6,834,475	-	260,883	7,095,358
Public safety	15,093,179	-	698,627	15,791,806
Education	36,890,539	-	5,333,148	42,223,687
Public works	5,837,528	-	2,025,237	7,862,765
Health and human services	642,402	-	-	642,402
Culture and recreation	2,274,868	-	933,116	3,207,984
Community development	-	-	799,099	799,099
Debt service:				
Principal	6,327,905	-	-	6,327,905
Interest	2,754,978	-	-	2,754,978
Capital outlay	817,254	4,895,175	3,991,076	9,703,505
Intergovernmental	<u>4,201,480</u>	<u>-</u>	<u>-</u>	<u>4,201,480</u>
Total Expenditures	81,674,608	4,895,175	14,041,186	100,610,969
Excess (deficiency) of revenues over (under) expenditures	2,804,515	(4,895,175)	(1,308,340)	(3,399,000)
Other Financing Sources (Uses):				
Transfers in	995,106	-	2,991,022	3,986,128
Transfers out	<u>(3,058,431)</u>	<u>-</u>	<u>-</u>	<u>(3,058,431)</u>
Total Other Financing Sources (Uses)	<u>(2,063,325)</u>	<u>-</u>	<u>2,991,022</u>	<u>927,697</u>
Net change in fund balances	741,190	(4,895,175)	1,682,682	(2,471,303)
Fund Balances, at Beginning of Year	<u>34,870,964</u>	<u>13,524,241</u>	<u>20,905,735</u>	<u>69,300,940</u>
Fund Balances, at End of Year	<u>\$ 35,612,154</u>	<u>\$ 8,629,066</u>	<u>\$ 22,588,417</u>	<u>\$ 66,829,637</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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,471,303)																		
<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;">10,150,243</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,506,400)</td> </tr> <tr> <td>Effect on gain on disposal of capital assets</td> <td style="text-align: right;">(382,296)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">555,625</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">6,327,905</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">78,832</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">52,649</td> </tr> </table> • 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;">(3,405)</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;"><u>(585,874)</u></td> </tr> </table> 		Capital outlay purchases	10,150,243	Depreciation	(4,506,400)	Effect on gain on disposal of capital assets	(382,296)		555,625	Repayments of debt	6,327,905	Bond premium amortization	78,832		52,649	Compensated absences	(3,405)	Net OPEB obligation	<u>(585,874)</u>
Capital outlay purchases	10,150,243																		
Depreciation	(4,506,400)																		
Effect on gain on disposal of capital assets	(382,296)																		
	555,625																		
Repayments of debt	6,327,905																		
Bond premium amortization	78,832																		
	52,649																		
Compensated absences	(3,405)																		
Net OPEB obligation	<u>(585,874)</u>																		
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>9,215,976</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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original Budget	Final Budget		
Revenues and other sources:				
Taxes	\$ 67,010,633	\$ 67,010,633	\$ 67,038,436	\$ 27,803
Licenses and permits	3,997,000	3,997,000	4,097,592	100,592
Intergovernmental	8,122,172	8,122,172	8,109,838	(12,334)
Charges for services	3,350,776	3,350,776	4,080,633	729,857
Investment income	450,000	450,000	326,649	(123,351)
Interest and penalties	160,000	160,000	300,578	140,578
Fines and costs	918,000	918,000	798,859	(119,141)
Other revenues	239,676	239,676	746,138	506,462
Other financing sources	<u>2,056,197</u>	<u>4,295,897</u>	<u>4,363,307</u>	<u>67,410</u>
Total Revenues and Other Sources	86,304,454	88,544,154	89,862,030	1,317,876
Expenditures and other uses:				
Current:				
General government	5,064,788	5,068,146	4,990,541	77,605
Other general government	2,115,654	2,018,292	1,184,051	834,241
Public works	5,584,126	5,584,126	5,519,998	64,128
Community services	2,728,588	2,728,588	2,725,160	3,428
Regulatory services	996,616	996,616	969,433	27,183
Emergency management	10,000	10,000	5,962	4,038
Police department	8,438,673	8,518,412	8,285,748	232,664
Fire department	6,722,490	6,813,755	6,805,814	7,941
School department	36,904,000	36,904,000	36,903,940	60
Non-operating	<u>17,739,519</u>	<u>19,902,219</u>	<u>19,512,150</u>	<u>390,069</u>
Total Expenditures and Other Uses	<u>86,304,454</u>	<u>88,544,154</u>	<u>86,902,797</u>	<u>1,641,357</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,959,233</u>	\$ <u>2,959,233</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 6,135,334	\$ 8,093,969	\$ 14,229,303
Receivables, net of allowance for uncollectibles:			
User fees	1,768,823	1,389,732	3,158,555
Departmental and other	42,000	346,985	388,985
Intergovernmental	521,415	381,004	902,419
Inventory	120,063	21,231	141,294
Total current assets	8,587,635	10,232,921	18,820,556
Noncurrent:			
Departmental and other receivables, net of current portion	567,000	2,579,879	3,146,879
Capital assets:			
Land and construction in progress	24,089,309	6,440,730	30,530,039
Capital assets, net of accumulated depreciation	22,341,030	43,890,673	66,231,703
Total noncurrent assets	46,997,339	52,911,282	99,908,621
TOTAL ASSETS	55,584,974	63,144,203	118,729,177
<u>LIABILITIES</u>			
Current:			
Accounts payable	612,601	853,137	1,465,738
Accrued liabilities	418,598	471,122	889,720
Retainage payable	970,411	418,107	1,388,518
Notes payable	4,431,051	9,078,054	13,509,105
Other current liabilities	133,286	5,556	138,842
Current portion of long-term liabilities:			
Bonds payable	1,353,863	2,548,084	3,901,947
Other liabilities	27,638	22,611	50,249
Total current liabilities	7,947,448	13,396,671	21,344,119
Noncurrent:			
Bonds payable, net of current portion	20,140,714	17,787,996	37,928,710
Net OPEB obligation	67,272	51,835	119,107
Other liabilities	317,834	260,032	577,866
Total noncurrent liabilities	20,525,820	18,099,863	38,625,683
TOTAL LIABILITIES	28,473,268	31,496,534	59,969,802
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	22,125,117	21,624,653	43,749,770
Restricted for debt service	-	1,462,931	1,462,931
Unrestricted	4,986,589	8,560,085	13,546,674
TOTAL NET ASSETS	\$ 27,111,706	\$ 31,647,669	\$ 58,759,375

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, 2011

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 8,302,713	\$ 6,964,750	\$ 15,267,463
Licenses and permits	422,694	201,639	624,333
Departmental revenue	189,506	83,015	272,521
	<u>8,914,913</u>	<u>7,249,404</u>	<u>16,164,317</u>
Total Operating Revenues	8,914,913	7,249,404	16,164,317
Operating Expenses:			
Personnel services	1,850,588	1,853,846	3,704,434
Non-personnel services	1,409,600	2,545,212	3,954,812
Depreciation	731,813	1,341,768	2,073,581
	<u>3,992,001</u>	<u>5,740,826</u>	<u>9,732,827</u>
Total Operating Expenses	3,992,001	5,740,826	9,732,827
Operating Income	4,922,912	1,508,578	6,431,490
Nonoperating Revenues (Expenses):			
Grant income	63,903	2,169,363	2,233,266
Investment income	41,373	9,332	50,705
Other revenues	15,500	19,220	34,720
Interest expense	(902,977)	(883,880)	(1,786,857)
	<u>(782,201)</u>	<u>1,314,035</u>	<u>531,834</u>
Total Nonoperating Revenues (Expenses)	(782,201)	1,314,035	531,834
Income Before Contributions and Transfers	4,140,711	2,822,613	6,963,324
Capital contributions	20,515	234,103	254,618
Transfers to other funds	(470,604)	(457,093)	(927,697)
	<u>3,690,622</u>	<u>2,599,623</u>	<u>6,290,245</u>
Change in Net Assets	3,690,622	2,599,623	6,290,245
Net Assets at Beginning of Year	<u>23,421,084</u>	<u>29,048,046</u>	<u>52,469,130</u>
Net Assets at End of Year	<u>\$ 27,111,706</u>	<u>\$ 31,647,669</u>	<u>\$ 58,759,375</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 8,974,654	\$ 7,193,741	\$ 16,168,395
Payments to employees for salaries and related benefits	(1,851,772)	(1,876,048)	(3,727,820)
Payments to suppliers for goods and services	<u>(2,495,249)</u>	<u>(2,913,136)</u>	<u>(5,408,385)</u>
Net Cash Provided By Operating Activities	4,627,633	2,404,557	7,032,190
Cash Flows From Noncapital Financing Activities:			
Transfers to other funds	<u>(470,604)</u>	<u>(457,093)</u>	<u>(927,697)</u>
Net Cash (Used For) Noncapital Financing Activities	(470,604)	(457,093)	(927,697)
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(9,599,953)	(6,812,490)	(16,412,443)
Principal payments on bonds	(1,318,125)	(2,548,084)	(3,866,209)
Proceeds from loans	1,821,518	5,267,746	7,089,264
Proceeds from sale of capital assets and other	15,500	19,220	34,720
Proceeds from state grant (aid)	63,903	2,169,363	2,233,266
Capital contributions	135,115	794,448	929,563
Interest expense	<u>(921,428)</u>	<u>(907,273)</u>	<u>(1,828,701)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(9,803,470)	(2,017,070)	(11,820,540)
Cash Flows From Investing Activities:			
Investment income	<u>9,973</u>	<u>9,332</u>	<u>19,305</u>
Net Cash Provided by Investing Activities	<u>9,973</u>	<u>9,332</u>	<u>19,305</u>
Net Change in Cash and Short-Term Investments	(5,636,468)	(60,274)	(5,696,742)
Cash and Short-Term Investments, Beginning of Year	<u>11,771,802</u>	<u>8,154,243</u>	<u>19,926,045</u>
Cash and Short-Term Investments, End of Year	<u>\$ 6,135,334</u>	<u>\$ 8,093,969</u>	<u>\$ 14,229,303</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 4,922,912	\$ 1,508,578	\$ 6,431,490
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	731,813	1,341,768	2,073,581
Changes in assets and liabilities:			
User fees	(8,362)	(60,287)	(68,649)
Inventory	(1,454)	(6,838)	(8,292)
Accounts payable	(843,096)	(321,194)	(1,164,290)
Accrued liabilities	(56,964)	(48,928)	(105,892)
Retainage payable	(241,099)	(39,892)	(280,991)
Net OPEB obligation	23,320	11,791	35,111
Compensated absences	32,460	14,935	47,395
Other liabilities	<u>68,103</u>	<u>4,624</u>	<u>72,727</u>
Net Cash Provided By Operating Activities	<u>\$ 4,627,633</u>	<u>\$ 2,404,557</u>	<u>\$ 7,032,190</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 513,947	\$ 390,090
Investments	4,740,597	-
Interest receivable	<u>459</u>	<u>-</u>
Total Assets	5,255,003	390,090
<u>LIABILITIES</u>		
Other liabilities	<u>-</u>	<u>390,090</u>
Total Liabilities	<u>-</u>	<u>390,090</u>
<u>NET ASSETS</u>		
Total net assets held in trust	<u><u>\$ 5,255,003</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, 2011

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment income (loss)	\$ 967,086
Contributions	366,119
Total additions	<u>1,333,205</u>
Deductions:	
Payments to beneficiaries	<u>186,240</u>
Total deductions	<u>186,240</u>
Net decrease	1,146,965
Net assets:	
Beginning of year	<u>4,108,038</u>
End of year	<u>\$ 5,255,003</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 2011, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the 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.

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 and loans 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.

- The *School Renovation fund* is a capital project fund established to fund Middle School renovation costs.

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 Parks, 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, Art Speak Fund, and School Fund.

D. Cash and 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

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

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or advances to other funds) or can never be spent (i.e. nonspendable balances of permanent funds).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended. In case of capital project funds, these funds are financed by issuance of bonds authorized by City Council for specific projects.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council). In case of general fund, these funds are adopted by City Council and set aside toward future liabilities. The

estimate includes \$7,845,653 for future health insurance cost increases, \$1,228,022 towards funding the liability for employees' compensated absences, \$1,925,359 for future tax appraisal issues, \$700,000 for future state property tax, \$619,645 for Coakley Landfill, and \$7,641,542 for debt service.

- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for.
- 5) Unassigned funds are available to be spent in future periods.

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

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

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 greater than 10% of appropriations. The City is in process of updating the ordinance to reflect the new GASB 54 terminology of unassigned rather than undesignated fund balance.

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 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 greater than 10% of total General Fund appropriations.

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 to 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)	\$ 84,479,123	\$ 81,674,608	\$ 2,804,515
Other financing sources/uses (GAAP Basis)	<u>995,106</u>	<u>3,058,431</u>	<u>(2,063,325)</u>
Subtotal (GAAP Basis)	85,474,229	84,733,039	741,190
Recognize tax revenue on an accrual basis	39,520	-	39,520
Reverse expenditures of prior year appropriation carryforwards	-	(1,557,908)	1,557,908
Reclassify use of overlay	1,206,416	1,206,416	-
Use of fund balance	3,368,200	-	3,368,200
Add end of year appropriation carryforwards	-	2,039,615	(2,039,615)
Other reconciling items	<u>(226,335)</u>	<u>481,635</u>	<u>(707,970)</u>
Budgetary Basis	<u>\$ 89,862,030</u>	<u>\$ 86,902,797</u>	<u>\$ 2,959,233</u>

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

D. Excess of Expenditures Over Appropriations

The City is reporting the following over-expenditures:

Public welfare	\$ 31,367
County tax	93,586

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. The City's policy is to follow New Hampshire RSA 48:16 and 383:22. 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.

As of June 30, 2011, \$2,120,291 of the City's bank balance of \$63,573,630 was exposed to custodial credit risk as uninsured or uncollateralized. The uninsured amount includes \$786,475 invested in state pool, and \$831,156 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, 2011, 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	\$ 2,067,095	3.05	A2
Other Investments:			
Equity Mutual Funds	8,215,080		
Certificate of Deposit	<u>16,447,869</u>		
Total	<u>\$ 26,730,044</u>		

The City's investments of \$10,282,172 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.

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, 2010 and June 1, 2011. Taxes unpaid by December 2, 2010 and June 2, 2011 accrued interest at 12% until August 28, 2011. A tax lien was recorded on all properties with taxes unpaid as of August 30, 2011, 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, 2011 are comprised of (amounts expressed in thousands):

Property Taxes:	
2010	\$ 2,496
2007	10
2003	37
Unredeemed Taxes:	
2009	486
2008	155
2007	25
Other	6
Deeded Property	17
Elderly Liens and Deferred Taxes, net of allowances	<u>22</u>
Total	<u>\$ 3,254</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, 2011 consist of the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Gross	\$ 1,860,390	\$ 1,431,623	\$ 3,292,013
Less: Allowance for doubtful accounts	<u>(91,567)</u>	<u>(41,891)</u>	<u>(133,458)</u>
Total	<u>\$ 1,768,823</u>	<u>\$ 1,389,732</u>	<u>\$ 3,158,555</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	\$ 1,023,384	\$ 155,148	\$ 193,135	\$ 1,371,667
Less: Allowance for doubtful accounts	<u>(790,351)</u>	<u>-</u>	<u>-</u>	<u>(790,351)</u>
Total	<u>\$ 233,033</u>	<u>\$ 155,148</u>	<u>\$ 193,135</u>	<u>\$ 581,316</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, 2011 include the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Unrestricted contributions receivable	\$ 609,000	\$ 1,463,933	\$ 2,072,933
Contributions restricted for bonds payable	<u>-</u>	<u>1,462,931</u>	<u>1,462,931</u>
Total	<u>\$ 609,000</u>	<u>\$ 2,926,864</u>	<u>\$ 3,535,864</u>

Contributions receivable at June 30, 2011 are due as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Less than one year	\$ 42,000	\$ 346,985	\$ 388,985
One to five years	210,000	1,706,496	1,916,496
More than five years	<u>357,000</u>	<u>873,384</u>	<u>1,230,384</u>
Total	<u>\$ 609,000</u>	<u>\$ 2,926,865</u>	<u>\$ 3,535,865</u>

7. Intergovernmental Receivables

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

8. Interfund Fund Receivables/Payables and Transfers

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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
Governmental Funds:				
Major Fund:				
General fund	\$ 511,239	\$ -	\$ 28,000	\$ -
Nonmajor Funds:				
Special Revenue Funds:				
School categorical revenues	-	339,223	-	-
Police grants	-	140,858	-	-
Parking and transportation	-	31,158	-	-
City trust funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,000</u>
Total	<u>\$ 511,239</u>	<u>\$ 511,239</u>	<u>\$ 28,000</u>	<u>\$ 28,000</u>

The balance due to general fund from school categorical revenues and parking and transportation funds result 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 due to general fund from police grants resulted from a short-term loan made to establish working capital. The advance 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 2011:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 995,106	\$ 3,058,431
Nonmajor Funds:		
Special Revenue Funds:		
Miscellaneous grants and contributions	-	66,700
Conservation	750	
Swimming pool	155,000	-
Library trust funds	7,296	
City trust funds	-	7,296
Capital Project Funds:		
Building and infrastructure	2,162,701	-
Vehicle/equipment replacement	615,980	-
Technology equipment	123,291	-
Subtotal Nonmajor Funds	3,065,018	73,996
<u>Business-Type Funds:</u>		
Water Fund	-	470,604
Sewer Fund	-	457,093
Total	-	927,697
Grand Total	\$ <u>4,060,124</u>	\$ <u>4,060,124</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, 2011 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	\$ 93,778	\$ 5,438	\$ (1,109)	\$ 98,107
Improvements	6,316	-	(1,012)	5,304
Machinery and equipment	16,758	613	(577)	16,794
Infrastructure	<u>46,800</u>	<u>12,079</u>	<u>(3,692)</u>	<u>55,187</u>
Total capital assets, being depreciated	163,652	18,130	(6,390)	175,392
Less accumulated depreciation for:				
Buildings	(29,178)	(1,851)	777	(30,252)
Improvements	(4,947)	(160)	1,012	(4,095)
Machinery and equipment	(12,775)	(1,056)	571	(13,260)
Infrastructure	<u>(24,330)</u>	<u>(1,439)</u>	<u>3,692</u>	<u>(22,077)</u>
Total accumulated depreciation	<u>(71,230)</u>	<u>(4,506)</u>	<u>6,052</u>	<u>(69,684)</u>
Total capital assets, being depreciated, net	92,422	13,624	(338)	105,708
Capital assets, not being depreciated:				
Land	15,336	133	(45)	15,424
Construction in progress	<u>16,647</u>	<u>6,410</u>	<u>(14,523)</u>	<u>8,534</u>
Total capital assets, not being depreciated	<u>31,983</u>	<u>6,543</u>	<u>(14,568)</u>	<u>23,958</u>
Governmental activities capital assets, net	<u>\$ 124,405</u>	<u>\$ 20,167</u>	<u>\$ (14,906)</u>	<u>\$ 129,666</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings	\$ 27,607	\$ -	\$ -	\$ 27,607
Machinery and equipment	20,765	579	(226)	21,118
Infrastructure	<u>43,692</u>	<u>9,917</u>	<u>-</u>	<u>53,609</u>
Total capital assets, being depreciated	92,064	10,496	(226)	102,334
Less accumulated depreciation for:				
Buildings	(11,044)	(483)	-	(11,527)
Machinery and equipment	(11,883)	(876)	226	(12,533)
Infrastructure	<u>(11,327)</u>	<u>(715)</u>	<u>-</u>	<u>(12,042)</u>
Total accumulated depreciation	<u>(34,254)</u>	<u>(2,074)</u>	<u>226</u>	<u>(36,102)</u>
Total capital assets, being depreciated, net	57,810	8,422	-	66,232
Capital assets, not being depreciated:				
Land	1,930	-	-	1,930
Construction in progress	<u>22,683</u>	<u>12,766</u>	<u>(6,849)</u>	<u>28,600</u>
Total capital assets, not being depreciated	<u>24,613</u>	<u>12,766</u>	<u>(6,849)</u>	<u>30,530</u>
Business-type activities capital assets, net	<u>\$ 82,423</u>	<u>\$ 21,188</u>	<u>\$ (6,849)</u>	<u>\$ 96,762</u>

Active construction in progress is composed of the following:

<u>Governmental Projects:</u>	Spent to <u>June 30, 2011</u>	Remaining <u>Commitment</u>
Middle School Renovation	\$ 6,388,742	3,545,865
McDonough St	712,431	3,284
Sagamore Bridge Replacement	659,893	264,895
Cap-Seawall Repair - South Mill St	199,710	17,176
African Burial Ground	133,158	-
Scott Avenue Bridge	79,077	-
State St Sidewalk	76,087	-
Boiler	71,460	5,625
Storm Drain Maplehaven	62,251	997,728
Market St/I-95 Interchange	48,204	7,263
Lincoln Area	22,002	207,998
Bleachers	21,183	239,013
Plains Park	19,592	12,000
Concord Way and Porpoise	17,142	510,091
Islington/Spinney Intersection	9,884	-
City Hall Elevator	9,600	257,700
Woodbury Turning Lane	1,908	-
Youth Recreation Center	1,750	31,450
Total Governmental Projects	\$ <u>8,534,074</u>	\$ <u>6,100,088</u>

<u>Business-Type Projects</u>	Spent to <u>June 30, 2011</u>	Remaining <u>Commitment</u>
Madbury Water Treatment Plant	\$ 22,485,232	\$ 659,467
Contract #3,4,5 Sewer Area	2,542,658	3,408,672
201 Facilities Plan Update	1,714,430	34,012
Contract #3,4,5 Waterline	388,379	643,311
Greenland Well/Wtr Source	276,019	28,981
Bellamy Reservoir, Raw Water Mgmt	257,697	842,303
Mechanic St Pump Stn Seawall	222,322	146,396
PIWWTP Outfall	206,850	204,700
McDonough St. Area Sewerline	204,350	18,943
Concord and Porpoise Way Waterline Upgrade	78,473	51,982
Concord and Porpoise Way Sewerline Ujprgrade	58,015	50,788
PIWWTP Prel Design and Pilot Prgm	41,982	152,197
Goosebay Drive Sewer Upgrades	35,564	2,436
Compliance Monitoring	33,974	39,252
Parrot Ave Sewer Upgrade	19,020	116,380
Heritage Ave Waterline Upgrade	17,198	7,802
Sagamore Ave South Sewer Ext	11,565	9,375
McDonough St. Area Sewerline	4,427	4,480
Exit 4 Water Relocation	2,284	178,205
Total Business-Type Projects	\$ <u>28,600,439</u>	\$ <u>6,599,682</u>

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

Governmental Activities:	
General government	\$ 370
Public safety	521
Education	1,037
Public works	1,880
Culture and recreation	523
Community development	<u>175</u>
Total depreciation expense - governmental activities	\$ <u>4,506</u>
Business-Type Activities:	
Water	\$ 732
Sewer	<u>1,342</u>
Total depreciation expense - business-type activities	\$ <u>2,074</u>

10. Accounts Payable

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

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, 2011 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, 2011 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, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
201 Facilities Update	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
Bartlett Interceptors Study	2,454,806	2,812,498	-	5,267,304
Lincoln Area Contract #3	328,063	1,981,836	-	2,309,899
Rye Line Pump Station	1,069,714	-	(1,069,714)	-
State Street Utilities Upgrades, Design	646,439	854,412	-	1,500,851
Madbury Water Treatment Plant	2,274,651	2,156,400	-	4,431,051
Rain Barrels	13,500	-	(13,500)	-
Raw Water Mgmt, Bellamy Reservoir	257,697	-	(257,697)	-
	<u>\$ 8,044,870</u>	<u>\$ 7,805,146</u>	<u>\$ (2,340,911)</u>	<u>\$ 13,509,105</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 6/30/11</u>
Coakley Landfill	\$ 3,605,774	08/01/18	3.80	\$ 1,442,308
Coakley Landfill OU2	652,330	07/01/19	3.80	293,548
Capital Improvements 2003	3,990,000	09/15/12	2.50 - 3.50	790,000
School Projects	38,000,000	09/15/22	2.50 - 5.00	22,800,000
Capital Improvements 2002	3,750,000	09/15/12	2.50 - 3.50	750,000
Athletic Complex Spinnaker	500,000	09/15/12	2.50 - 3.50	100,000
Capital Improvements	400,000	09/15/12	2.50 - 3.50	80,000
Library	6,960,000	08/01/25	4.00	5,210,000
Capital Improvements 2005	2,945,000	08/01/15	4.00	1,470,000
Capital Improvements 2006	950,000	06/15/17	4.00	570,000
Capital Improvements Streets Sidewalks 2007	3,450,000	06/15/17	4.00	2,070,000
Capital Improvements to Facilities 2007	1,000,000	06/15/17	4.00	600,000
New Castle Ave. Seawall	600,000	06/15/17	4.00	360,000
FY08 Streets, Sidewalks, Bridges	2,500,000	06/15/18	3.71	1,750,000
FY08 School Improvements	500,000	06/15/18	3.71	350,000
Fire Station 2	3,650,000	06/15/28	3.98	3,095,000
Purchase of Land for Fire Station 2	1,300,000	06/15/28	3.98	1,105,000
Fire Apparatus	750,000	06/15/13	3.49	300,000
Capital Improvements 2009 Fire Station 2	1,500,000	01/15/29	3.76	1,350,000
Capital Improvements 2009	3,500,000	01/15/19	3.76	2,800,000
Capital Improvements 2010	1,800,000	05/15/20	3.27	1,620,000
School Improvements 2010	500,000	05/15/20	3.27	450,000
Middle School Construction	15,000,000	05/15/30	3.27	14,250,000
Total Governmental Activities				\$ <u>63,605,856</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 6/30/11</u>
<u>Water:</u>				
Upgrade to Motor Control	\$ 300,000	01/01/22	3.98	\$ 165,000
Corrosion Control Program	288,000	01/01/22	3.80	158,400
Constitution Avenue	4,800,000	01/01/22	3.70	2,880,000
Spinney Tank	1,162,560	12/01/22	3.73	697,536
Madbury WTP Design	2,000,000	06/01/28	2.49	1,700,000
Water Treatment Plant	16,000,000	01/15/29	3.94	15,155,000
Water-Raw Water Mgmt	257,697	01/01/29	.895	173,446
<u>Sewer:</u>				
1992 Sewer Bonds	19,500,000	01/15/12	6.52	975,000
Waste Water Treatment Plant Pease	6,586,836	03/01/20	4.46	2,893,055
Sewer Projects Phase I	4,931,361	08/01/21	3.98	2,712,248
Sewer Projects Phase II	8,898,110	12/01/24	3.69	6,228,677
Lower Court Utilities Upgrade	688,563	07/01/27	3.49	585,279
Lincoln Area Stormwater	734,199	12/01/12	1.09	293,679
Phase III Sewer	5,508,137	12/01/27	3.49	4,681,916
Sewer-Rye Line Pump Station	1,069,714	11/01/29	2.952	1,016,226
Sewer-201 Facility Study	1,000,000	01/01/30	2.952	950,000
Total Business-Type Activities				<u>\$ 41,265,462</u>

C. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,327,905	\$ 2,498,100	\$ 8,826,005
2013	6,317,905	2,286,616	8,604,521
2014	5,312,905	2,067,663	7,380,568
2015	5,312,905	1,852,223	7,165,128
2016	5,307,905	1,633,057	6,940,962
2017-2021	20,436,331	5,042,988	25,479,319
2022-2026	10,875,000	1,665,323	12,540,323
2027-2031	3,715,000	344,615	4,059,615
Total	<u>\$ 63,605,856</u>	<u>\$ 17,390,585</u>	<u>\$ 80,996,441</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,870,547	\$ 1,652,342	\$ 5,522,889
2013	2,892,801	1,472,036	4,364,837
2014	2,741,574	1,357,563	4,099,137
2015	2,732,293	1,244,732	3,977,025
2016	2,698,773	1,132,071	3,830,844
2017-2021	13,157,412	3,988,284	17,145,696
2022-2026	9,418,449	1,710,946	11,129,395
2027-2030	3,753,613	287,634	4,041,247
Total	<u>\$ 41,265,462</u>	<u>\$ 12,845,608</u>	<u>\$ 54,111,070</u>

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2011 are as follows:

<u>Purpose</u>	<u>Amount</u>
Coakley Landfill	\$ 4,641,897
State St. Utilities upgrade	2,200,000
Sewer Phase III	14,352,917
Court St. - Phase II	13,328
Rye Line Pump Station	430,286
Water System Improvements	1,320,000
Water Capital Projects	7,842,303
Madbury Water Treatment Plan	9,000,000
Middle School Renovation	22,500,000
FY11 Citywide Facilities, Streets & Sidewalks	6,400,000
Fire Apparatus	500,000
Pierce Island Wastewater Treatment Plant	<u>3,000,000</u>
Total Bond Authorizations/unissued	<u>\$ 72,200,731</u>

E. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/10</u>	Additions	Reductions	Total Balance <u>6/30/11</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 69,934	\$ -	\$ (6,328)	\$ 63,606	\$ (6,328)	\$ 57,278
Unamortized premium	<u>1,162</u>	<u>-</u>	<u>(79)</u>	<u>1,083</u>	<u>(79)</u>	<u>1,004</u>
Subtotal	71,096	-	(6,407)	64,689	(6,407)	58,282
Net OPEB obligation	866	587	-	1,453	-	1,453
Other:						
Landfill closure	1,440	-	-	1,440	-	1,440
Accrued employee benefits	<u>7,238</u>	<u>992</u>	<u>(989)</u>	<u>7,241</u>	<u>(869)</u>	<u>6,372</u>
Subtotal	<u>8,678</u>	<u>992</u>	<u>(989)</u>	<u>8,681</u>	<u>(869)</u>	<u>7,812</u>
Totals	<u>\$ 80,640</u>	<u>\$ 1,579</u>	<u>\$ (7,396)</u>	<u>\$ 74,823</u>	<u>\$ (7,276)</u>	<u>\$ 67,547</u>

	Balance <u>7/1/10</u>	Additions	Reductions	Total Balance <u>6/30/11</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/11</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 42,843	\$ 2,288	\$ (3,866)	\$ 41,265	\$ (3,871)	\$ 37,394
Unamortized premium	<u>597</u>	<u>-</u>	<u>(31)</u>	<u>566</u>	<u>(31)</u>	<u>535</u>
Subtotal	43,440	2,288	(3,897)	41,831	(3,902)	37,929
Net OPEB obligation	84	35	-	119	-	119
Other:						
Accrued employee benefits	<u>581</u>	<u>88</u>	<u>(41)</u>	<u>628</u>	<u>(50)</u>	<u>578</u>
Subtotal	<u>581</u>	<u>88</u>	<u>(41)</u>	<u>628</u>	<u>(50)</u>	<u>578</u>
Totals	<u>\$ 44,105</u>	<u>\$ 2,411</u>	<u>\$ (3,938)</u>	<u>\$ 42,578</u>	<u>\$ (3,952)</u>	<u>\$ 38,626</u>

17. Subsequent Events

On November 29, 2011, the City issued a general obligation bond for Middle School construction, City-wide capital improvements, fire apparatus, and Pierce Island Waste Water Treatment Plant in the amount of \$32,400,000 with total interest cost of 2.86% and maturing on December 1, 2031.

18. 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.

19. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims 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.

Consent Decree - 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. In accordance with the Consent Decree, a draft of that plan was submitted to the EPA in June of 2010 and a final submission was made on November 15, 2010. The proposed plan calls for a one-year period of technology testing beginning in FY 2012. Following that testing period, design, permitting and agency review will take a couple of years with construction currently projected to begin in FY 2015. In addition to the treatment plant upgrades, the submittal includes Combined Sewer Overflow (CSO) work that has been identified in the City's Capital Improvement Plans for the past several years.

20. Retirement System

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

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a cost-sharing multiple-employer defined benefit 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 54 Regional Drive, Concord, New Hampshire 03301-8507.

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 8.02% - 18.52% of covered compensation. The City's required annual contributions to the System for the years ended June 30 were made as follows:

	<u>2011</u>		<u>2010</u>		<u>2009</u>
City	\$ 2,495,454	\$	2,284,896	\$	2,184,289
School	<u>1,831,038</u>		<u>1,723,685</u>		<u>1,376,485</u>
Total	<u>\$ 4,326,492</u>	\$	<u>4,008,581</u>	\$	<u>3,560,774</u>

21. Post-Employment Healthcare and Life Insurance Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, 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 Activities 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 healthcare and life insurance benefits for retired employees through the City's single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contribu-

tions are governed by RSA 100-A:50. As of June 30, 2011, 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 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2011.

Annual Required Contribution (ARC)	\$ 1,491,730
Interest on net OPEB obligation	42,792
Adjustment to ARC	<u>(40,532)</u>
Annual OPEB cost	1,493,990
Contributions made	<u>(873,005)</u>
Increase in net OPEB obligation	620,985
Net OPEB obligation - beginning of year	<u>950,936</u>
Net OPEB obligation - end of year	<u><u>\$ 1,571,921</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>
2011	\$ 1,493,990	58.4%	\$ 1,571,921
2010	\$ 1,483,391	67.9%	\$ 950,936
2009	\$ 1,483,391	67.9%	\$ 475,468

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 14,476,591
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,476,591</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 37,148,418</u>
UAAL as a percentage of covered payroll	<u>38.4%</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 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, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an opened group basis. This has been calculated assuming the amortization payment increases at a rate of 3.0%.

22. Risk Management

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

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

June 30, 2011
(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]
06/30/11	\$ -	\$ 14,476,591	\$ 14,476,591	0.0%	\$ 37,748,418	38.4%
06/30/09	\$ -	\$ 15,064,283	\$ 15,064,283	0.0%	\$ 35,619,012	42.3%

See Independent Auditors' Report.

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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: 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.
- Swimming Pool: to account for operations of the Portsmouth indoor swimming pool.
- 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, 2011

	Special Revenue Funds			
	<u>Community Development</u>	<u>School Lunch</u>	<u>School Categorical Revenues</u>	<u>Miscellaneous Grants and Contributions</u>
ASSETS				
Cash and short-term investments	\$ 3,462,626	\$ 37,356	\$ -	\$ 2,509,615
Investments	-	-	-	-
Departmental and other receivables	736	26,896	64,236	10,980
Intergovernmental receivables	12,204	-	608,472	124,465
Loans and interest receivable	1,212,475	-	-	42,708
Inventory	-	15,933	-	-
Total Assets	<u>\$ 4,688,041</u>	<u>\$ 80,185</u>	<u>\$ 672,708</u>	<u>\$ 2,687,768</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,905	\$ -	\$ 3,311	\$ 1,781
Accrued liabilities	-	-	-	-
Retainage payable	-	-	-	-
Deferred revenues	1,210,212	19,880	-	42,708
Due to other funds	-	-	339,223	-
Advances from other funds	-	-	-	-
Total Liabilities	1,212,117	19,880	342,534	44,489
Fund Balances:				
Nonspendable	-	15,933	-	-
Restricted	3,475,924	44,372	330,174	2,643,279
Committed	-	-	-	-
Total Fund Balances	<u>3,475,924</u>	<u>60,305</u>	<u>330,174</u>	<u>2,643,279</u>
Total Liabilities and Fund Balances	<u>\$ 4,688,041</u>	<u>\$ 80,185</u>	<u>\$ 672,708</u>	<u>\$ 2,687,768</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>
\$ -	\$ 48,088	\$ 1,179,437	\$ 127,660	\$ 835,777	\$ 366,201
-	-	-	-	-	-
-	-	774	-	-	-
175,133	-	-	-	-	-
-	-	-	1,162,762	-	-
-	-	-	-	-	-
<u>\$ 175,133</u>	<u>\$ 48,088</u>	<u>\$ 1,180,211</u>	<u>\$ 1,290,422</u>	<u>\$ 835,777</u>	<u>\$ 366,201</u>
\$ 15,617	\$ 4,862	\$ 72,511	\$ -	\$ -	\$ -
-	-	9,267	-	-	-
-	-	-	-	-	-
-	-	-	1,162,762	-	-
140,858	-	31,158	-	-	-
-	-	-	-	-	-
<u>156,475</u>	<u>4,862</u>	<u>112,936</u>	<u>1,162,762</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
18,658	43,226	1,067,275	127,660	835,777	366,201
-	-	-	-	-	-
<u>18,658</u>	<u>43,226</u>	<u>1,067,275</u>	<u>127,660</u>	<u>835,777</u>	<u>366,201</u>
<u>\$ 175,133</u>	<u>\$ 48,088</u>	<u>\$ 1,180,211</u>	<u>\$ 1,290,422</u>	<u>\$ 835,777</u>	<u>\$ 366,201</u>

(continued)

(continued)

	Special Revenue Funds				
	<u>Recreation</u>	<u>Swimming Pool</u>	<u>Library Trust Funds</u>	<u>City Trust Funds</u>	<u>Subtotals</u>
<u>ASSETS</u>					
Cash and short-term investments	\$ 150,607	\$ 42,667	\$ 361,714	\$ 785,143	\$ 9,906,891
Investments	-	-	11,875	201,698	213,573
Departmental and other receivables	-	-	-	-	103,622
Intergovernmental receivables	-	-	-	-	920,274
Loans and interest receivable	-	-	-	2,165	2,420,110
Inventory	-	-	-	-	15,933
Total Assets	<u>\$ 150,607</u>	<u>\$ 42,667</u>	<u>\$ 373,589</u>	<u>\$ 989,006</u>	<u>\$ 13,580,403</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 7,588	\$ 13,278	\$ 13,685	\$ -	\$ 134,538
Accrued liabilities	-	5,339	-	-	14,606
Retainage payable	-	-	-	-	-
Deferred revenues	-	-	-	-	2,435,562
Due to other funds	-	-	-	-	511,239
Advances from other funds	-	-	-	28,000	28,000
Total Liabilities	7,588	18,617	13,685	28,000	3,123,945
Fund Balances:					
Nonspendable	-	-	-	-	15,933
Restricted	143,019	24,050	359,904	961,006	10,440,525
Committed	-	-	-	-	-
Total Fund Balances	<u>143,019</u>	<u>24,050</u>	<u>359,904</u>	<u>961,006</u>	<u>10,456,458</u>
Total Liabilities and Fund Balances	<u>\$ 150,607</u>	<u>\$ 42,667</u>	<u>\$ 373,589</u>	<u>\$ 989,006</u>	<u>\$ 13,580,403</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>
\$ 3,521,469	\$ 1,360,883	\$ 1,240,643	\$ 378,047	\$ 39,391	\$ 6,540,433
-	-	-	-	-	-
-	-	231,532	-	-	231,532
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,521,469</u>	<u>\$ 1,360,883</u>	<u>\$ 1,472,175</u>	<u>\$ 378,047</u>	<u>\$ 39,391</u>	<u>\$ 6,771,965</u>
\$ 21,377	\$ 232,070	\$ -	\$ 65,234	\$ 7,127	\$ 325,808
-	-	-	-	-	-
40,444	96,153	-	-	-	136,597
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
61,821	328,223	-	65,234	7,127	462,405
-	-	-	-	-	-
1,298,697	1,032,660	1,472,175	-	-	3,803,532
<u>2,160,951</u>	<u>-</u>	<u>-</u>	<u>312,813</u>	<u>32,264</u>	<u>2,506,028</u>
<u>3,459,648</u>	<u>1,032,660</u>	<u>1,472,175</u>	<u>312,813</u>	<u>32,264</u>	<u>6,309,560</u>
<u>\$ 3,521,469</u>	<u>\$ 1,360,883</u>	<u>\$ 1,472,175</u>	<u>\$ 378,047</u>	<u>\$ 39,391</u>	<u>\$ 6,771,965</u>

(continued)

(continued)

	<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>City Trust Funds</u>	<u>Library Trust Funds</u>	<u>Subtotals</u>	
<u>ASSETS</u>				
Cash and short-term investments	\$ 494,833	\$ 87	\$ 494,920	\$ 16,942,244
Investments	5,323,918	4,084	5,328,002	5,541,575
Departmental and other receivables	-	-	-	103,622
Intergovernmental receivables	-	-	-	1,151,806
Loans and interest receivable	-	-	-	2,420,110
Inventory	-	-	-	15,933
Total Assets	<u>\$ 5,818,751</u>	<u>\$ 4,171</u>	<u>\$ 5,822,922</u>	<u>\$ 26,175,290</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 523	\$ -	\$ 523	\$ 460,869
Accrued liabilities	-	-	-	14,606
Retainage payable	-	-	-	136,597
Deferred revenues	-	-	-	2,435,562
Due to other funds	-	-	-	511,239
Advances from other funds	-	-	-	28,000
Total Liabilities	523	-	523	3,586,873
Fund Balances:				
Nonspendable	1,584,492	4,000	1,588,492	1,604,425
Restricted	4,233,736	171	4,233,907	18,477,964
Committed	-	-	-	2,506,028
Total Fund Balances	<u>5,818,228</u>	<u>4,171</u>	<u>5,822,399</u>	<u>22,588,417</u>
Total Liabilities and Fund Balances	<u>\$ 5,818,751</u>	<u>\$ 4,171</u>	<u>\$ 5,822,922</u>	<u>\$ 26,175,290</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, 2011

	Special Revenue Funds			
	<u>Community Development</u>	<u>School Lunch</u>	<u>School Categorical Revenues</u>	<u>Miscellaneous Grants and Contributions</u>
Revenues:				
Intergovernmental	\$ 451,516	\$ 341,701	\$ 4,395,436	\$ 551,920
Charges for services	-	491,428	-	1,000
Investment income	9,342	-	-	940
Fines and costs	-	-	-	20,473
Contributions	-	-	-	28,815
Other	<u>144,246</u>	<u>-</u>	<u>-</u>	<u>12,530</u>
Total Revenues	605,104	833,129	4,395,436	615,678
Expenditures:				
Current:				
General government	-	-	-	243,250
Public safety	-	-	-	163,185
Education	-	788,590	4,502,666	-
Public works	-	-	-	149,138
Culture and recreation	-	-	-	14,954
Community development	788,986	-	-	10,026
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>788,986</u>	<u>788,590</u>	<u>4,502,666</u>	<u>580,553</u>
Excess (deficiency) of revenues over (under) expenditures	(183,882)	44,539	(107,230)	35,125
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,700)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,700)</u>
Net change in fund balances	(183,882)	44,539	(107,230)	(31,575)
Fund Balances, beginning of year	<u>3,659,806</u>	<u>15,766</u>	<u>437,404</u>	<u>2,674,854</u>
Fund Balances, end of year	<u>\$ 3,475,924</u>	<u>\$ 60,305</u>	<u>\$ 330,174</u>	<u>\$ 2,643,279</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>
\$ 507,675	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,312,864	-	-	6,000
-	29	-	406	1,202	-
-	33,679	-	-	-	-
7,900	4,007	-	-	-	-
-	-	-	51,261	-	-
<u>515,575</u>	<u>37,715</u>	<u>2,312,864</u>	<u>51,667</u>	<u>1,202</u>	<u>6,000</u>
-	-	13,405	-	4,228	-
519,817	15,625	-	-	-	-
-	-	-	-	-	-
-	-	1,841,189	-	-	34,910
-	-	-	-	-	-
-	-	-	87	-	-
-	-	-	-	-	-
<u>519,817</u>	<u>15,625</u>	<u>1,854,594</u>	<u>87</u>	<u>4,228</u>	<u>34,910</u>
(4,242)	22,090	458,270	51,580	(3,026)	(28,910)
-	-	-	-	750	-
-	-	-	-	-	-
-	-	-	-	750	-
(4,242)	22,090	458,270	51,580	(2,276)	(28,910)
<u>22,900</u>	<u>21,136</u>	<u>609,005</u>	<u>76,080</u>	<u>838,053</u>	<u>395,111</u>
<u>\$ 18,658</u>	<u>\$ 43,226</u>	<u>\$ 1,067,275</u>	<u>\$ 127,660</u>	<u>\$ 835,777</u>	<u>\$ 366,201</u>

(continued)

(continued)

	Special Revenue Funds				
	<u>Recreation</u>	<u>Swimming Pool</u>	<u>Library Trust Funds</u>	<u>City Trust Funds</u>	<u>Subtotals</u>
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 6,248,248
Charges for services	167,718	304,533	86,180	43,287	3,413,010
Investment income	-	-	3,384	32,850	48,153
Fines and costs	-	-	-	-	54,152
Contributions	-	-	5,846	821,906	868,474
Other	-	-	-	-	208,037
Total Revenues	<u>167,718</u>	<u>304,533</u>	<u>95,410</u>	<u>898,043</u>	<u>10,840,074</u>
Expenditures:					
Current:					
General government	-	-	-	-	260,883
Public safety	-	-	-	-	698,627
Education	-	-	-	41,892	5,333,148
Public works	-	-	-	-	2,025,237
Culture and recreation	161,902	435,483	89,898	22,242	724,479
Community development	-	-	-	-	799,099
Capital outlay	-	-	-	-	-
Total Expenditures	<u>161,902</u>	<u>435,483</u>	<u>89,898</u>	<u>64,134</u>	<u>9,841,473</u>
Excess (deficiency) of revenues over (under) expenditures	5,816	(130,950)	5,512	833,909	998,601
Other Financing Sources (Uses):					
Transfers in	-	155,000	7,296	-	163,046
Transfers out	-	-	-	(7,296)	(73,996)
Total Other Financing Sources (Uses)	<u>-</u>	<u>155,000</u>	<u>7,296</u>	<u>(7,296)</u>	<u>89,050</u>
Net change in fund balances	5,816	24,050	12,808	826,613	1,087,651
Fund Balances, beginning of year	<u>137,203</u>	<u>-</u>	<u>347,096</u>	<u>134,393</u>	<u>9,368,807</u>
Fund Balances, end of year	<u>\$ 143,019</u>	<u>\$ 24,050</u>	<u>\$ 359,904</u>	<u>\$ 961,006</u>	<u>\$ 10,456,458</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>
\$ -	\$ -	\$ 743,548	\$ -	\$ -	\$ 743,548
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
147,852	2,269,600	886,759	591,608	95,257	3,991,076
147,852	2,269,600	886,759	591,608	95,257	3,991,076
(147,852)	(2,269,600)	(143,211)	(591,608)	(95,257)	(3,247,528)
2,162,701	-	-	615,980	123,291	2,901,972
-	-	-	-	-	-
2,162,701	-	-	615,980	123,291	2,901,972
2,014,849	(2,269,600)	(143,211)	24,372	28,034	(345,556)
1,444,799	3,302,260	1,615,386	288,441	4,230	6,655,116
<u>\$ 3,459,648</u>	<u>\$ 1,032,660</u>	<u>\$ 1,472,175</u>	<u>\$ 312,813</u>	<u>\$ 32,264</u>	<u>\$ 6,309,560</u>

(continued)

(continued)

	Permanent Funds			Total Nonmajor Governmental Funds
	City Trust Funds	Library Trust Funds	Subtotals	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 6,991,796
Charges for services	-	-	-	3,413,010
Investment income	1,146,017	87	1,146,104	1,194,257
Fines and costs	-	-	-	54,152
Contributions	3,120	-	3,120	871,594
Other	-	-	-	208,037
Total Revenues	1,149,137	87	1,149,224	12,732,846
Expenditures:				
Current:				
General government	-	-	-	260,883
Public safety	-	-	-	698,627
Education	-	-	-	5,333,148
Public works	-	-	-	2,025,237
Culture and recreation	208,637	-	208,637	933,116
Community development	-	-	-	799,099
Capital Outlay	-	-	-	3,991,076
Total Expenditures	208,637	-	208,637	14,041,186
Excess (deficiency) of revenues over (under) expenditures	940,500	87	940,587	(1,308,340)
Other Financing Sources (Uses):				
Transfers in	-	-	-	3,065,018 (1)
Transfers out	-	-	-	(73,996) (1)
Total Other Financing Sources (Uses)	-	-	-	2,991,022
Net change in fund balances	940,500	87	940,587	1,682,682
Fund Balances, beginning of year	4,877,728	4,084	4,881,812	20,905,735
Fund Balances, end of year	\$ 5,818,228	\$ 4,171	\$ 5,822,399	\$ 22,588,417

(1) Transfers in and out were netted on page 44 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, 2011

	<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	\$ 66,885,633	\$ 66,885,633	\$ 66,885,633	\$ -
Payment in lieu of taxes	<u>125,000</u>	<u>125,000</u>	<u>152,803</u>	<u>27,803</u>
Total Taxes	67,010,633	67,010,633	67,038,436	27,803
<u>Licenses and Permits</u>				
Motor vehicle permits and fees	3,000,000	3,000,000	2,972,901	(27,099)
Business licenses, permits and fees	<u>997,000</u>	<u>997,000</u>	<u>1,124,691</u>	<u>127,691</u>
Total Licenses and Permits	3,997,000	3,997,000	4,097,592	100,592
<u>Intergovernmental</u>				
City:				
Shared revenues	921,495	921,495	917,412	(4,083)
Highway block grant	418,385	418,385	418,776	391
Other state grants	305,570	305,570	350,912	45,342
School:				
Tuition	5,450,000	5,450,000	5,394,068	(55,932)
School building aid	<u>1,026,722</u>	<u>1,026,722</u>	<u>1,028,670</u>	<u>1,948</u>
Total Intergovernmental	8,122,172	8,122,172	8,109,838	(12,334)
<u>Charges for Services</u>				
Income from departments	1,299,276	1,299,276	1,903,941	604,665
Income from PDA	<u>2,051,500</u>	<u>2,051,500</u>	<u>2,176,692</u>	<u>125,192</u>
Total Charges for Services	3,350,776	3,350,776	4,080,633	729,857
<u>Investment Income</u>	450,000	450,000	326,649	(123,351)
<u>Interest and Penalties</u>	160,000	160,000	300,578	140,578
<u>Fines and Costs</u>	918,000	918,000	798,859	(119,141)
<u>Other Revenues</u>				
Sale of municipal property	5,000	5,000	563,528	558,528
Rents of municipal property	144,676	144,676	95,364	(49,312)
Miscellaneous	<u>90,000</u>	<u>90,000</u>	<u>87,246</u>	<u>(2,754)</u>
Total Other Revenues	239,676	239,676	746,138	506,462
<u>Other Financing Sources</u>				
Transfers In	927,697	927,697	995,107	67,410
Use of fund balance	<u>1,128,500</u>	<u>3,368,200</u>	<u>3,368,200</u>	<u>-</u>
Total Other Financing Sources	<u>2,056,197</u>	<u>4,295,897</u>	<u>4,363,307</u>	<u>67,410</u>
Total Revenues and Other Financing Sources	<u>\$ 86,304,454</u>	<u>\$ 88,544,154</u>	<u>\$ 89,862,030</u>	<u>\$ 1,317,876</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, 2011

	<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	\$ 23,662	\$ 8,459
City manager	255,881	255,881	254,107	1,774
City clerk	208,456	211,814	211,780	34
Elections	44,247	44,247	34,081	10,166
Legal	442,913	442,913	408,358	34,555
Human resources	2,426,751	2,426,751	2,426,570	181
Finance/Accounting	<u>1,654,419</u>	<u>1,654,419</u>	<u>1,631,983</u>	<u>22,436</u>
Total General Government	5,064,788	5,068,146	4,990,541	77,605
<u>Other General Government</u>				
General administration	1,215,654	1,212,296	1,184,051	28,245
Collective bargaining contingency	<u>900,000</u>	<u>805,996</u>	<u>-</u>	<u>805,996</u>
Total Other General Government	2,115,654	2,018,292	1,184,051	834,241
<u>Public Works</u>	5,584,126	5,584,126	5,519,998	64,128
<u>Community Services</u>				
Public library	1,480,349	1,480,349	1,452,840	27,509
Recreation	761,580	761,580	754,294	7,286
Public welfare	329,478	329,478	360,845	(31,367)
Outside social services	<u>157,181</u>	<u>157,181</u>	<u>157,181</u>	<u>-</u>
Total Community Services	2,728,588	2,728,588	2,725,160	3,428
<u>Regulatory Services</u>				
Planning	513,684	513,684	502,825	10,859
Building inspection	358,390	358,390	342,974	15,416
Public health	<u>124,542</u>	<u>124,542</u>	<u>123,634</u>	<u>908</u>
Total Regulatory Services	996,616	996,616	969,433	27,183
<u>Emergency Management</u>	10,000	10,000	5,962	4,038
<u>Police Department</u>	8,438,673	8,518,412	8,285,748	232,664
<u>Fire Department</u>	6,722,490	6,813,755	6,805,814	7,941
<u>School Department</u>	36,904,000	36,904,000	36,903,940	60

(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, 2011

(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<u>Non-Operating</u>				
Debt service payments	\$ 9,531,827	\$ 9,531,827	\$ 9,082,883	\$ 448,944
Overlay	1,100,000	1,100,000	1,100,000	-
Capital outlay	1,187,500	1,187,500	1,187,500	-
County tax	4,107,894	4,107,894	4,201,480	(93,586)
Contingency	250,000	250,000	250,000	-
Other General non-operating	<u>1,562,298</u>	<u>3,724,998</u>	<u>3,690,287</u>	<u>34,711</u>
Total Non-Operating	<u>17,739,519</u>	<u>19,902,219</u>	<u>19,512,150</u>	<u>390,069</u>
Total Expenditures	<u>\$ 86,304,454</u>	<u>\$ 88,544,154</u>	<u>\$ 86,902,797</u>	<u>\$ 1,641,357</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, 2011

		Water Fund	
	Final Budget *	Actual (Budgetary Basis)	Variance
Operating Revenues:			
Charges for services	\$ 8,384,242	\$ 8,302,713	\$ (81,529)
Licenses and permits	467,500	422,694	(44,806)
Departmental revenue	<u>356,453</u>	<u>189,506</u>	<u>(166,947)</u>
Total Operating Revenues	9,208,195	8,914,913	(293,282)
Operating Expenses:			
Personnel	1,981,840	1,930,639	51,201
Non-personnel	2,105,532	1,439,094	666,438
Depreciation	<u>815,094</u>	<u>731,813</u>	<u>83,281</u>
Total Operating Expenses	<u>4,902,466</u>	<u>4,101,546</u>	<u>800,920</u>
Operating Income (Loss)	4,305,729	4,813,367	507,638
Nonoperating Income and (Expenses):			
Grants income	-	63,903	63,903
Investment income	25,000	41,373	16,373
Other income	-	15,500	15,500
Capital	(2,755,000)	(2,755,000)	-
Interest expense	<u>(1,157,378)</u>	<u>(902,977)</u>	<u>254,401</u>
Total Nonoperating Revenues (Expenses)	<u>(3,887,378)</u>	<u>(3,537,201)</u>	<u>350,177</u>
Income (Loss) Before Contributions and Transfers	418,351	1,276,166	857,815
Capital contributions from developers	20,515	20,515	-
Operating transfers out	(470,604)	(470,604)	-
Other Financing Sources:			
Use of retained earnings	<u>31,738</u>	<u>31,738</u>	<u>-</u>
Net Income	<u>\$ -</u>	<u>\$ 857,815</u>	<u>\$ 857,815</u>

* Final budget did not change from original budget.

Sewer Fund		
Final Budget *	Actual (Budgetary Basis)	Variance
\$ 6,650,258	\$ 6,964,750	\$ 314,492
152,000	201,639	49,639
96,992	83,015	(13,977)
<u>6,899,250</u>	<u>7,249,404</u>	<u>350,154</u>
2,040,390	1,933,100	107,290
3,231,067	2,579,160	651,907
1,320,318	1,341,768	(21,450)
<u>6,591,775</u>	<u>5,854,028</u>	<u>737,747</u>
307,475	1,395,376	1,087,901
1,264,412	1,318,953	54,541
100,000	9,332	(90,668)
-	19,220	19,220
(1,325,000)	(1,325,000)	-
<u>(1,132,783)</u>	<u>(883,880)</u>	<u>248,903</u>
<u>(1,093,371)</u>	<u>(861,375)</u>	<u>231,996</u>
(785,896)	534,001	1,319,897
122,444	234,103	111,659
(457,093)	(457,093)	-
<u>1,120,545</u>	<u>1,120,545</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 1,431,556</u>	<u>\$ 1,431,556</u>

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 Fund 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, 2011

	<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	\$ 68,776	\$ 9,425	\$ 40,228	\$ 391,229	\$ 4,289	\$ 513,947
Investments	37,049	4,703,548	-	-	-	4,740,597
Interest receivable	<u>81</u>	<u>-</u>	<u>-</u>	<u>378</u>	<u>-</u>	<u>459</u>
Total Assets	105,906	4,712,973	40,228	391,607	4,289	5,255,003
<u>NET ASSETS</u>						
Net assets held in trust	\$ <u>105,906</u>	\$ <u>4,712,973</u>	\$ <u>40,228</u>	\$ <u>391,607</u>	\$ <u>4,289</u>	\$ <u>5,255,003</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE
Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2011

	<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)	\$ 9,589	\$ 893,071	\$ 7,841	\$ 55,749	\$ 836	\$ 967,086
Contributions	<u>106,223</u>	<u>151,211</u>	<u>-</u>	<u>108,685</u>	<u>-</u>	<u>366,119</u>
Total Additions	115,812	1,044,282	7,841	164,434	836	1,333,205
<u>DEDUCTIONS</u>						
Payments to beneficiaries	<u>42,854</u>	<u>142,478</u>	<u>112</u>	<u>784</u>	<u>12</u>	<u>186,240</u>
Net decrease	72,958	901,804	7,729	163,650	824	1,146,965
<u>NET ASSETS</u>						
Beginning of year	<u>32,948</u>	<u>3,811,169</u>	<u>32,499</u>	<u>227,957</u>	<u>3,465</u>	<u>4,108,038</u>
End of year	<u>\$ 105,906</u>	<u>\$ 4,712,973</u>	<u>\$ 40,228</u>	<u>\$ 391,607</u>	<u>\$ 4,289</u>	<u>\$ 5,255,003</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2011

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2011</u>
<u>Claremont Coalition:</u>				
Assets - cash and short-term investments	\$ <u>34,152</u>	\$ <u>39,269</u>	\$ <u>(46,795)</u>	\$ <u>26,626</u>
Liabilities - other liabilities	\$ <u>34,152</u>	\$ <u>39,269</u>	\$ <u>(46,795)</u>	\$ <u>26,626</u>
 <u>Art Speak</u>				
Assets - cash and short-term investments	\$ <u>15,242</u>	\$ <u>50,089</u>	\$ <u>(64,531)</u>	\$ <u>800</u>
Liabilities - other liabilities	\$ <u>15,242</u>	\$ <u>50,089</u>	\$ <u>(64,531)</u>	\$ <u>800</u>
 <u>School Fund:</u>				
Assets - cash and short-term investments	\$ <u>350,513</u>	\$ <u>799,995</u>	\$ <u>(787,844)</u>	\$ <u>362,664</u>
Liabilities - other liabilities	\$ <u>350,513</u>	\$ <u>799,995</u>	\$ <u>(787,844)</u>	\$ <u>362,664</u>
 <u>Totals:</u>				
Assets - cash and short-term investments	\$ <u>399,907</u>	\$ <u>889,353</u>	\$ <u>(899,170)</u>	\$ <u>390,090</u>
Liabilities - other liabilities	\$ <u>399,907</u>	\$ <u>889,353</u>	\$ <u>(899,170)</u>	\$ <u>390,090</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.	116 - 121
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	122 - 127
<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.	128 - 130
<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.	131 - 132
<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.	133 - 135

City of Portsmouth, New Hampshire

Net Assets by Component

Last Ten Fiscal Years (1)

(accrual basis of accounting)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
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	\$ 71,574,714	\$ 75,937,883
Restricted	9,048,695	9,306,501	10,931,104	13,270,157	14,389,205	14,514,810	14,103,944	14,696,926	15,701,688
Unrestricted	14,026,140	9,549,651	15,161,322	12,448,295	18,269,352	19,928,592	26,730,894	29,747,020	33,595,065
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	\$ 116,018,660	\$ 125,234,636
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	\$ 38,650,422	\$ 43,749,770
Restricted	3,018,513	382,800	510,400	275,000	2,443,121	1,950,574	1,788,026	1,625,478	1,462,931
Unrestricted	14,021,585	17,254,704	17,747,847	17,098,572	15,034,184	15,314,959	11,027,529	12,193,230	13,546,674
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	\$ 52,469,130	\$ 58,759,375
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	\$ 110,225,136	\$ 119,687,653
Restricted	12,067,208	9,689,301	11,441,504	13,545,157	16,832,326	16,465,384	15,891,970	16,322,404	17,164,619
Unrestricted	28,047,725	26,804,355	32,909,169	29,546,867	33,303,536	35,243,551	37,758,423	41,940,250	47,141,739
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	\$ 168,487,790	\$ 183,994,011

Notes:

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

City of Portsmouth, New Hampshire

Changes in Net Assets

Last Ten Fiscal Years (1)

(accrual basis of accounting)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
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	\$ 11,617,046	\$ 11,847,592
Public safety	12,182,170	13,118,232	13,503,217	14,751,451	15,380,058	15,834,025	16,041,765	16,915,999	16,579,407
Education	30,575,962	32,852,006	34,531,532	36,299,931	37,077,191	38,923,454	39,306,880	41,474,811	43,416,528
Public works	6,728,143	7,145,661	8,069,127	7,937,471	8,606,872	8,780,132	9,363,174	9,303,285	9,659,576
Health and human Services	602,337	507,819	539,600	661,720	536,928	651,557	680,790	693,053	644,424
Culture and recreation	2,631,627	2,869,740	2,921,538	2,952,284	3,196,571	3,616,584	3,535,606	3,620,162	3,694,425
Community development	1,201,811	1,221,399	1,239,847	1,031,186	908,111	1,240,509	1,150,573	1,330,221	764,771
Interest	1,965,305	2,180,257	2,054,056	2,286,755	2,124,035	2,251,976	2,367,351	2,527,611	2,702,329
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	87,482,188	89,309,052
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	4,753,189	4,894,978
Sewer services	5,014,029	5,261,238	5,561,213	6,749,910	5,832,194	6,258,372	6,778,486	6,175,724	6,624,706
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	10,928,913	11,519,684
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	\$ 98,411,101	\$ 100,828,736
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	6,186,248	6,259,000
Public safety	523,808	535,947	1,141,197	213,344	613,796	737,216	714,666	834,164	1,235,321
Education	3,727,014	4,192,712	4,279,951	4,627,368	5,395,451	5,432,171	5,358,926	5,895,619	5,882,803
Public Works	2,654,567	2,820,635	3,646,625	3,929,021	3,855,901	3,778,437	3,813,473	3,818,291	3,918,395
Health and Human Services	23,323	15,005	18,579	24,406	32,745	34,970	25,711	13,008	48,054
Culture and Recreation	401,400	382,256	401,925	409,315	398,780	640,476	651,610	600,894	543,575
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	17,348,224	17,887,148
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	6,172,231	7,168,204
Capital grants and contributions	864,461	3,322,850	6,313,161	1,254,435	3,218,420	1,689,939	4,341,738	5,950,095	1,603,212
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	29,470,550	26,658,564
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	6,727,586	8,914,913
Sewer services	5,068,994	4,887,622	5,595,034	6,005,918	5,880,176	6,450,632	5,691,064	6,010,072	7,249,404
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	12,737,658	16,164,317
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	3,378,786	2,487,884
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	16,116,444	18,652,201
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	\$ 45,586,994	\$ 45,310,765
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)	\$ (58,011,638)	\$ (62,650,488)
Business-type activities	2,925,871	1,981,182	2,206,648	1,811,528	2,132,213	3,241,437	1,693,824	5,187,531	7,132,517
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)	\$ (52,824,107)	\$ (55,517,971)
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	\$ 63,648,465	\$ 65,993,838
Interest on taxes	241,686	554,686	138,079	161,637	53,211	131,228	136,306	270,299	300,578
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	2,126,284	2,159,937
Investment income (loss)	1,216,492	1,187,392	844,490	1,641,714	2,091,576	972,640	(193,672)	1,084,222	1,520,906
Other revenues	201,000	97,558	411,002	195,370	2,200,704	1,557,015	1,347,592	476,898	960,388
Permanent fund contributions	3,995	-	-	-	266,937	2,281	-	3,625	3,120
Transfers, net	611,970	614,496	733,044	760,861	891,351	904,568	914,135	927,697	927,697
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	68,537,490	71,866,464
Business-type activities:									
Investment income	233,889	92,033	64,803	400,787	579,360	363,795	118,477	65,045	50,705
Other revenues	-	-	-	-	-	-	-	2,360	34,720
Transfers, net	(611,970)	(614,496)	(733,044)	(760,861)	(891,351)	(904,568)	(914,135)	(927,697)	(927,697)
Total business-type activities	(378,081)	(522,463)	(668,241)	(360,074)	(311,991)	(540,773)	(795,658)	(860,292)	(842,272)
Total primary government	\$ 47,796,614	\$ 51,271,714	\$ 52,982,960	\$ 57,394,475	\$ 63,236,946	\$ 64,693,803	\$ 67,406,836	\$ 67,677,198	\$ 71,024,192
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	\$ 10,525,852	\$ 9,215,976
Business-type activities	2,547,790	1,458,719	1,538,407	1,451,454	1,820,222	2,700,664	898,166	4,327,239	6,290,245
Total primary government	\$ 5,586,799	\$ 8,247,503	\$ 12,129,638	\$ 7,735,304	\$ 13,627,182	\$ 10,035,959	\$ 12,376,305	\$ 14,853,091	\$ 15,506,221

(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)

	2002	2003	2004	2005	Fiscal Year		2008	2009	2010	2011
					2006	2007				
All governmental funds (1)										
Reserved for encumbrances	\$ 5,212,531	\$ 3,227,551	\$ 3,364,804	\$ 3,520,771	\$ 4,195,684	\$ 4,547,358	\$ 4,952,158	\$ 5,710,359	\$ 6,468,001	\$ -
Reserve for Inventory	-	-	-	-	-	-	-	21,142	21,287	-
Reserved for advances	96,611	84,391	74,191	72,191	65,300	157,500	156,000	95,000	43,500	-
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	1,588,492	-
Total Reserved	5,309,142	8,267,550	8,408,367	8,820,338	5,580,539	6,293,350	6,696,650	7,414,993	8,121,280	-
Designated Unreserved	7,928,790	12,169,119	12,663,496	12,849,182	13,124,996	13,366,904	16,070,029	16,509,100	18,289,507	-
Undesignated	5,717,667	37,736,846	20,079,059	17,424,803	24,309,266	26,950,676	31,555,100	33,020,510	42,890,153	-
Nonspendable	-	-	-	-	-	-	-	-	-	1,632,425
Restricted	-	-	-	-	-	-	-	-	-	27,107,030
Committed	-	-	-	-	-	-	-	-	-	22,466,249
Assigned	-	-	-	-	-	-	-	-	-	5,294,862
Unassigned	-	-	-	-	-	-	-	-	-	10,329,071
Total all governmental funds	\$18,955,599	\$58,173,515	\$41,150,922	\$39,094,323	\$43,014,801	\$46,610,930	\$ 54,321,779	\$ 56,944,603	\$ 69,300,940	\$ 66,829,637
General Fund										
Reserved for encumbrances	\$ 5,212,531	\$ 3,227,551	\$ 3,364,804	\$ 3,520,771	\$ 4,195,684	\$ 4,547,358	\$ 4,952,158	\$ 5,710,359	\$ 6,468,001	\$ -
Reserved for advances	96,611	84,391	74,191	72,191	65,300	157,500	156,000	95,000	43,500	-
Total Reserved	5,309,142	3,311,942	3,438,995	3,592,962	4,260,984	4,704,858	5,108,158	5,805,359	6,511,501	-
Designated Unreserved	7,928,790	12,169,119	12,663,496	12,849,182	13,124,996	13,366,904	16,070,029	16,509,100	18,289,507	-
Undesignated	5,455,337	5,083,848	5,955,115	6,426,404	6,953,751	7,330,854	7,756,054	9,875,900	10,069,956	-
Nonspendable (2)	-	-	-	-	-	-	-	-	-	28,000
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	19,960,221
Assigned	-	-	-	-	-	-	-	-	-	5,294,862
Unassigned	-	-	-	-	-	-	-	-	-	10,329,071
Total General Fund	\$18,693,269	\$20,564,909	\$22,057,606	\$22,868,548	\$24,339,731	\$25,402,616	\$ 28,934,241	\$ 32,190,359	\$ 34,870,964	\$ 35,612,154
All other governmental funds										
Reserved for encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-	-	21,142	21,287	-
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	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	\$ 1,609,779	\$ -
Designated unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	5,574,289	5,971,035	5,717,056	6,941,291	6,893,059	7,816,687	8,440,924	9,301,673	9,347,520	-
Capital projects funds	(5,311,959)	26,681,963	8,078,504	3,595,443	5,706,133	6,608,544	11,164,120	10,853,843	20,179,357	-
Permanent funds	-	-	328,384	461,665	4,756,323	5,194,591	4,194,002	2,989,094	3,293,320	-
Nonspendable	-	-	-	-	-	-	-	-	-	1,604,425
Restricted	-	-	-	-	-	-	-	-	-	27,107,030
Committed	-	-	-	-	-	-	-	-	-	2,506,028
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 262,330	\$37,608,606	\$19,093,316	\$16,225,775	\$18,675,070	\$21,208,314	\$ 25,387,538	\$ 24,754,244	\$ 34,429,976	\$ 31,217,483

Notes:

(1) FY 2011 fund balances reflect implementation of GASB 54.

(2) This nonspendable fund balance is for an advance to trustees of trusts for upgrades made to the north pier at Prescott Park.

City of Portsmouth, New Hampshire

**Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years**

(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Real estate taxes	\$ 45,336,014	\$ 44,505,775	\$ 47,539,993	\$ 50,667,672	\$ 52,650,269	\$ 55,227,095	\$ 59,149,241	\$ 62,507,154	\$ 63,840,741	\$ 65,792,501
Licenses and permits	3,895,784	4,208,820	4,505,334	4,624,489	4,568,619	4,710,975	4,729,604	4,736,101	4,111,438	4,097,592
Intergovernmental	10,138,523	8,224,065	12,072,213	14,028,703	9,535,360	11,321,336	8,958,668	12,406,095	13,942,037	9,933,900
Charges for service	5,355,500	7,467,109	8,418,131	9,584,012	10,036,818	11,073,122	11,999,676	11,770,319	12,326,877	12,887,711
Investment income	377,389	1,062,212	1,007,708	969,259	1,457,220	2,091,575	972,642	(193,673)	1,084,222	1,520,906
Interest on taxes (1)	255,095	229,172	564,925	165,131	161,637	53,211	131,228	136,306	270,299	300,578
Fines and costs	751,342	760,457	768,507	984,797	1,160,661	1,080,900	924,357	970,280	892,889	853,011
Contributions	73,758	-	-	1,281,741	927,429	729,980	139,248	50,283	306,795	871,594
Other	2,001,733	1,633,210	427,534	579,262	626,357	576,909	568,229	594,945	441,635	954,176
Total revenues	68,185,138	68,090,820	75,304,345	82,885,066	81,124,370	86,865,103	87,572,893	92,977,810	97,216,933	97,211,969
Expenditures										
General government	6,783,144	5,042,774	7,300,212	6,010,165	5,913,667	6,337,794	6,729,085	6,989,766	7,227,725	7,095,358
Public safety	11,726,479	11,770,837	12,483,635	12,993,008	14,230,126	14,799,315	15,260,082	15,368,533	15,980,896	15,791,806
Education	30,121,469	30,438,638	31,656,913	34,017,131	35,555,097	36,095,015	37,735,944	39,733,580	40,600,275	42,223,687
Public works	3,745,129	5,501,817	5,783,972	6,992,133	7,700,862	7,523,511	7,669,166	7,838,831	8,027,090	7,862,765
Health and human services	-	602,337	507,819	539,600	649,923	604,410	646,877	705,227	692,997	642,402
Culture and recreation	2,505,909	2,296,531	2,511,941	2,611,083	2,699,189	3,336,256	3,072,046	3,007,027	3,064,439	3,207,984
Community development	1,924,855	1,201,811	1,600,806	1,239,848	1,570,750	1,600,476	1,231,984	1,158,173	2,569,207	799,099
Debt service										
Principal	2,860,342	1,918,387	4,727,294	4,532,905	4,259,905	4,897,905	5,127,905	5,682,906	6,107,905	6,327,905
Interest	711,689	1,585,638	2,225,192	2,094,637	2,157,922	2,162,752	2,284,850	2,420,957	2,397,714	2,754,978
Capital outlay (2)	7,966,496	17,057,484	20,917,030	12,084,852	10,006,285	9,528,922	6,172,464	9,943,934	12,982,848	9,703,505
Intergovernmental	3,268,151	3,589,423	3,226,620	3,225,906	3,221,027	3,273,969	3,578,292	3,628,417	3,949,898	4,201,480
Total expenditures	71,613,664	81,005,677	92,941,434	86,341,268	87,964,753	90,160,325	89,508,695	96,477,351	103,600,994	100,610,969
Excess of revenues										
Over(under) expenditures	(3,428,526)	(12,914,857)	(17,637,089)	(3,456,202)	(6,840,383)	(3,295,222)	(1,935,802)	(3,499,541)	(6,384,061)	(3,399,000)
Other Financing Sources (Uses)										
Issuance of bonds/loans	-	46,640,000	-	437,000	9,905,000	6,000,000	8,700,000	5,000,000	17,300,000	-
Bond premium	-	-	-	-	95,000	-	42,083	208,230	512,701	-
Transfers in	2,618,991	1,977,509	1,042,083	2,697,536	2,040,876	2,272,652	1,729,071	2,149,817	2,357,357	3,986,128
Transfers out	(2,701,635)	(1,365,539)	(427,587)	(1,964,492)	(1,280,015)	(1,381,301)	(824,503)	(1,235,682)	(1,429,660)	(3,058,431)
Total governmental activities	(82,644)	47,251,970	614,496	1,170,044	10,760,861	6,891,351	9,646,651	6,122,365	18,740,398	927,697
Net Change in fund balances	\$ (3,511,170)	\$ 34,337,113	\$ (17,022,593)	\$ (2,286,158)	\$ 3,920,478	\$ 3,596,129	\$ 7,710,849	\$ 2,622,824	\$ 12,356,337	\$ (2,471,303)
Debt Service as a percentage of non-capitalized expenditures (3)	5.61%	5.48%	9.65%	8.93%	8.23%	8.91%	8.97%	9.40%	9.59%	10.04%

(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.

(2) Certain Capital expenditures from various functions have been capitalized on the Statement of net Assets.

(3) Capital Outlay Purchases from the Reconciliation of the Statement of Revenues Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

are used to calculate this ratio.

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	Interest Expense	Transfers Out	Total			
2011	\$ 15,267,463	\$ 624,333	\$ 272,521	\$ 2,573,309	\$ -	\$ 18,737,626	\$ 7,659,246	\$ 2,073,581	\$ 1,786,857	\$ 927,697	\$ 12,447,381	\$ 6,290,245	\$ 58,793,960
2010	11,909,267	568,783	259,608	3,446,191	-	16,183,849	7,098,493	1,995,862	1,834,558	927,697	11,856,610	4,327,239	52,503,715
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	48,176,476
2008	10,695,209	596,662	280,468	2,247,099	-	13,819,438	7,318,994	1,764,697	1,095,930	904,568	11,084,189	2,735,249	47,278,310
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

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	Interest Expense	Transfers Out	Total			
2011	\$ 8,302,713	\$ 422,694	\$ 189,506	\$ 141,291	\$ -	\$ 9,056,204	\$ 3,260,188	\$ 731,813	\$ 902,977	\$ 470,604	\$ 5,365,582	\$ 3,690,622	\$ 27,111,706
2010	6,115,419	430,914	181,253	123,570	-	6,851,156	3,127,917	686,804	938,468	470,604	5,223,793	1,627,363	23,421,084
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

**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	Interest Expense	Transfers Out	Total			
2011	\$ 6,964,750	\$ 201,639	\$ 83,015	\$ 2,432,018	\$ -	\$ 9,681,422	\$ 4,399,058	\$ 1,341,768	\$ 883,880	\$ 457,093	\$ 7,081,799	\$ 2,599,623	\$ 31,682,254
2010	5,793,848	137,869	78,355	3,322,621	-	9,332,693	3,970,576	1,309,058	896,090	457,093	6,632,817	2,699,876	29,082,631
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	26,382,755
2008	6,272,861	124,256	88,100	2,159,666	-	8,644,883	4,169,710	1,179,168	909,494	445,646	6,704,018	1,940,865	26,193,723
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

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
2011	\$ 65,639,699	\$ 152,802	\$ 300,578	\$ 66,093,079
2010	63,633,412	207,329	270,299	64,111,040
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

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
2011	\$ 67,027,315	\$ 64,531,067	96.3%	\$ 2,496,248	\$ -	\$ 2,496,248	\$ 64,531,067	96.3%	8,360	214	2.6%
2010	64,141,858	61,788,074	96.3%	2,353,785	1,867,967	485,818	63,656,040	99.2%	8,321	204	2.5%
2009	63,263,633	61,011,224	96.4%	2,252,409	2,097,815	154,593	63,109,040	99.8%	8,299	235	2.8%
2008	60,035,344	57,924,795	96.5%	2,110,549	2,085,074	25,475	60,009,869	100.0%	8,268	151	1.8%
2007	57,092,233	55,280,205	96.8%	1,812,027	1,795,515	16,512	57,075,720	100.0%	8,197	152	1.9%
2006	53,977,417	52,373,485	97.0%	1,603,932	1,603,686	247	53,977,171	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%

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							
2011	\$ 105,400	\$ 2,258,277,800	\$ 1,514,466,100	\$ 181,789,500	\$ 3,954,638,800	\$ 51,607,000	\$ 3,903,031,800	\$ 16.33	\$ 4,088,268,814	96.7%	
2010	76,300	2,192,502,720	1,495,856,932	173,122,669	3,861,558,621	54,022,100	3,807,536,521	16.05	4,161,741,642	92.8%	
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	4,249,484,787	90.2%	
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	4,086,528,948	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	4,180,745,006	89.1%	
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	3,827,448,894	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	3,496,007,232	88.5%	
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	3,215,007,594	93.2%	
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	2,906,798,356	92.6%	
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	2,956,059,309	51.2%	

Data Sources:

- (1) State MS-1 Report of Assessed Values
- (2) NH Department of Revenue Administration's annual Equalization Survey

City of Portsmouth, New Hampshire

Principal Taxpayers Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>FY 2011 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>FY 2002 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Public Service Co of NH	Utility	\$ 162,129,600	1	4.15%	\$ 107,961,210	1	7.24%
HCA Health Services of NH Inc	Hospital	73,935,300	2	1.89%	43,872,500	2	2.94%
TGM Beechstone LLC	Apartments	42,536,900	3	1.09%			
Liberty Mutual Insurance	Office Building	35,433,200	4	0.91%	27,022,800	3	1.81%
Inishmaan Assoc LTD Partnership	Apartments	23,578,000	5	0.60%	21,502,600	4	1.44%
DSQ Holding LLC	Retail	21,996,900	6	0.56%	17,198,000	7	1.15%
Bromley Portsmouth LLC	Retail	21,732,300	7	0.56%			
Kenard Development LLC	Industrial	20,496,100	8	0.53%			
Northern Utilities	Utility	18,411,800	9	0.47%	12,620,700	8	0.85%
Harborside Assoc	Hotel	18,353,400	10	0.47%	18,832,000	6	1.26%
US Property Investment	Office Building				21,237,300	5	1.42%
100 Market Street LLC	Office Building				11,806,900	9	0.79%
Flatley Thomas	Office Park				12,373,600	10	0.83%
Total Principal Taxpayers		<u>\$ 438,603,500</u>		<u>11.24%</u>	<u>\$ 261,118,110</u>		<u>17.52%</u>
Total Net Assessed Taxable Value		<u>\$ 3,903,031,800</u>			<u>\$ 1,490,448,129</u>		

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	
2011	\$ 8.50	\$ 5.40	\$ 2.43	\$ 7.83	\$ 16.33	\$ 1.08	\$ 17.41	\$ 16.51
2010	8.01	5.72	2.32	8.04	16.05	1.04	17.09	15.54
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

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
2011	\$ 7,914,865	\$ 6,702,250	1,687,128	1,157,405	\$ 4.15/5.00	\$ 5.50/6.05	\$ 9.65/11.05
2010	6,242,731	6,116,404	1,691,523	1,121,714	3.30/3.90	5.00/5.50	8.30/8.90
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

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 for Debt Limits	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 (1)	Portsmouth's Share \$ Change	Portsmouth's Share % Change
2010	\$ 4,044,429,991	\$ 43,838,823	\$ 4,088,268,814	\$ 41,057,907,008	9.9573240%	2011	\$ 42,232,608	\$ 4,201,480	\$ 251,582	6.4%
2009	4,112,257,420	49,484,222	4,161,741,642	41,833,160,979	9.9484274%	2010	41,779,570	3,949,898	321,481	8.9%
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%

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Issued Debt at June 30										
City Depts.	\$ 9,210,000	\$ 16,295,000	\$ 13,875,000	\$ 11,892,000	\$ 19,650,000	\$ 22,865,000	\$ 28,049,999	\$ 29,529,999	\$ 27,385,000	\$ 24,020,000
Landfill	3,652,005	3,439,100	3,226,194	3,013,288	2,800,384	2,587,476	2,374,572	2,161,666	1,948,760	1,735,855
School Dept.	-	38,000,000	36,100,000	34,200,000	32,300,000	30,400,000	29,000,000	27,050,000	40,600,000	37,850,000
Total General Fund	12,862,005	57,734,100	53,201,194	49,105,288	54,750,384	55,852,476	59,424,571	58,741,665	69,933,760	63,605,855
Water Fund	1,998,000	1,513,600	6,693,632	5,911,104	5,538,576	5,211,048	4,883,520	22,455,992	22,028,464	20,929,382
Sewer Fund	21,247,468	19,534,450	17,821,430	25,016,521	22,868,597	20,850,673	18,832,750	23,289,050	20,814,451	20,336,083
Total Issued Debt at June 30	\$ 36,107,473	\$ 78,782,150	\$ 77,716,256	\$ 80,032,913	\$ 83,157,557	\$ 81,914,197	\$ 83,140,841	\$ 104,486,707	\$ 112,776,675	\$ 104,871,320
Authorized Unissued Debt June 30										
City Depts.	\$ 11,650,000	\$ 7,000,000	\$ 7,000,000	\$ 10,000,000	\$ 17,038,000	\$ 17,500,000	\$ 27,500,000	\$ 12,500,000	\$ -	\$ 6,900,000
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	-	-	-	-	500,000	-	-	22,500,000	22,500,000
Total General Fund	54,291,897	11,641,897	11,641,897	14,641,897	21,679,897	22,641,897	32,141,897	17,141,897	27,141,897	34,041,897
Water Fund	\$ 5,862,000	\$ 5,862,000	\$ -	\$ -	\$ 12,087,440	\$ 11,420,000	\$ 11,420,000	\$ 18,420,000	\$ 18,475,000	\$ 18,162,303
Sewer Fund	9,600,000	32,100,000	32,100,000	22,500,000	23,215,054	23,201,890	23,201,890	19,970,992	19,066,245	19,996,531
Total Authorized Unissued Debt June 30	\$ 69,753,897	\$ 49,603,897	\$ 43,741,897	\$ 37,141,897	\$ 56,982,391	\$ 57,263,787	\$ 66,763,787	\$ 55,532,889	\$ 64,683,142	\$ 72,200,731
Gross Debt June 30										
City Depts.	\$ 20,860,000	\$ 23,295,000	\$ 20,875,000	\$ 21,892,000	\$ 36,688,000	\$ 40,365,000	\$ 55,549,999	\$ 42,029,999	\$ 27,385,000	\$ 30,920,000
Coakley Landfill	8,293,902	8,080,997	7,868,091	7,655,185	7,442,281	7,229,373	7,016,469	6,803,563	6,590,657	6,377,752
School Dept.	38,000,000	38,000,000	36,100,000	34,200,000	32,300,000	30,900,000	29,000,000	27,050,000	63,100,000	60,350,000
Total General Fund	67,153,902	69,375,997	64,843,091	63,747,185	76,430,281	78,494,373	91,566,468	75,883,562	97,075,657	97,647,752
Water Fund	7,860,000	7,375,600	6,693,632	5,911,104	17,626,016	16,631,048	16,303,520	40,875,992	40,503,464	39,091,685
Sewer Fund	30,847,468	51,634,450	49,921,430	47,516,521	46,083,651	44,052,563	42,034,640	43,260,042	39,880,696	40,332,614
Total Gross Debt June 30	\$ 105,861,370	\$ 128,386,047	\$ 121,458,153	\$ 117,174,810	\$ 140,139,948	\$ 139,177,984	\$ 149,904,628	\$ 160,019,596	\$ 177,459,817	\$ 177,072,051
Base Value for Debt Limits (1)										
	\$ 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	\$ 4,112,257,420	\$ 4,044,429,991
Legal Debt Limits (% of Base Value)										
City - 3% (2)	\$ 87,516,448	\$ 87,589,621	\$ 96,696,150	\$ 104,807,487	\$ 114,754,990	\$ 125,051,312	\$ 122,519,448	\$ 127,348,187	\$ 123,367,723	\$ 121,332,900
School - 7% (2)	204,205,045	204,375,782	225,624,351	244,550,804	267,761,643	291,786,395	285,878,712	297,145,770	287,858,019	283,110,099
Water - 10% (2)	291,721,493	291,965,403	322,320,501	349,358,291	382,516,633	416,837,707	408,398,159	424,493,957	411,225,742	404,442,999
Debt Against Legal Debt Limits										
City Depts.	20,860,000	23,295,000	20,875,000	21,892,000	36,688,000	40,365,000	55,549,999	42,029,999	27,385,000	30,920,000
School Dept.	38,000,000	38,000,000	36,100,000	34,200,000	32,300,000	30,900,000	29,000,000	27,050,000	63,100,000	60,350,000
Water Fund	7,860,000	7,375,600	6,693,632	5,911,104	17,626,016	16,631,048	16,303,520	40,875,992	40,503,464	39,091,685
Exempt from Legal Debt Limits (3)	39,141,370	59,715,447	57,789,521	55,171,706	53,525,932	51,281,936	49,051,109	50,063,605	46,471,353	46,710,366
Total Debt at June 30	\$ 105,861,370	\$ 128,386,047	\$ 121,458,153	\$ 117,174,810	\$ 140,139,948	\$ 139,177,984	\$ 149,904,628	\$ 160,019,596	\$ 177,459,817	\$ 177,072,051
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 66,656,448	\$ 64,294,621	\$ 75,821,150	\$ 82,915,487	\$ 78,066,990	\$ 84,686,312	\$ 66,969,449	\$ 85,318,188	\$ 95,982,723	\$ 90,412,900
School Dept.	166,205,045	166,375,782	189,524,351	210,350,804	235,461,643	260,886,395	256,878,712	270,095,770	224,758,019	222,760,099
Water Fund	283,861,493	284,589,803	315,626,869	343,447,187	364,890,617	400,206,659	392,094,639	383,617,965	370,722,278	365,351,314
% of Legal Debt Limits Used										
City Depts.	23.8%	26.6%	21.6%	20.9%	32.0%	32.3%	45.3%	33.0%	22.2%	25.5%
School Dept.	18.6%	18.6%	16.0%	14.0%	12.1%	10.6%	10.1%	9.1%	21.9%	21.3%
Water Fund	2.7%	2.5%	2.1%	1.7%	4.6%	4.0%	4.0%	9.6%	9.8%	9.7%

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	% of Net Debt to Personal Income	
2011	\$ 24,020,000	\$ 1,735,855	\$ 37,850,000	\$ 63,605,855	\$ 18,274,059	\$ 45,331,796	1.16%	\$ 2,135	6.0%	
2010	27,385,000	1,948,760	40,600,000	69,933,760	19,580,838	50,352,922	1.32%	2,436	6.4%	
2009	29,529,999	2,161,666	27,050,000	58,741,665	14,623,743	44,117,922	1.17%	2,150	5.8%	
2008	28,049,999	2,374,572	29,000,000	59,424,571	15,676,023	43,748,548	1.17%	2,123	5.9%	
2007	22,865,000	2,587,476	30,400,000	55,852,476	16,728,303	39,124,173	1.06%	1,880	5.4%	
2006	19,650,000	2,800,384	32,300,000	54,750,384	17,780,582	36,969,802	1.19%	1,761	5.3%	
2005	11,892,000	3,013,288	34,200,000	49,105,288	18,832,862	30,272,426	0.99%	1,438	4.4%	
2004	13,875,000	3,226,194	36,100,000	53,201,194	19,885,142	33,316,052	1.13%	1,583	5.1%	
2003	16,295,000	3,439,100	38,000,000	57,734,100	20,937,422	36,796,678	1.39%	1,752	5.9%	
2002	9,210,000	3,652,005	-	12,862,005	649,039	12,212,966	0.82%	584	2.0%	

Business-Type Activities - General Obligation Debt							
Fiscal Year	Water Fund	Sewer Fund	Total	less State Sewer Aid	Net Debt	Net Debt per capita	% of Net Debt to Personal Income
2011	\$ 20,929,382	\$ 20,336,083	\$ 41,265,465	\$ 4,963,942	\$ 36,301,523	\$ 1,710	4.8%
2010	22,028,464	20,814,451	42,842,915	5,307,287	37,535,628	1,816	4.7%
2009	22,455,992	23,289,050	45,745,042	6,544,265	39,200,777	1,910	5.1%
2008	4,883,520	18,832,750	23,716,270	7,840,329	15,875,941	770	2.1%
2007	5,211,048	20,850,673	26,061,721	9,195,478	16,866,243	810	2.3%
2006	5,538,576	22,868,597	28,407,173	10,609,355	17,797,818	848	2.5%
2005	5,911,104	25,016,521	30,927,625	8,448,531	22,479,094	1,068	3.3%
2004	6,693,632	17,821,430	24,515,062	9,816,428	14,698,634	698	2.2%
2003	1,513,600	19,534,450	21,048,050	11,250,205	9,797,845	466	1.6%
2002	1,998,000	21,247,468	23,245,468	12,740,295	10,505,173	502	1.7%

Fiscal Year	Total Debt Primary Government	Less State Aid	Net Debt	% of Net Debt to Assessed Value	Net Debt per capita	% of Net Debt to Personal Income
2011	\$ 104,871,320	\$ 23,238,001	\$ 81,633,319	2.1%	\$ 3,845	10.7%
2010	112,776,675	24,888,125	87,888,550	2.3%	4,252	11.1%
2009	104,486,707	21,168,008	83,318,699	2.2%	4,060	10.9%
2008	83,140,841	23,516,352	59,624,489	1.6%	2,893	8.1%
2007	81,914,197	25,923,781	55,990,416	1.5%	2,690	7.7%
2006	83,157,557	28,389,937	54,767,620	1.8%	2,609	7.8%
2005	80,032,913	27,281,393	52,751,520	1.7%	2,506	7.7%
2004	77,716,256	29,701,570	48,014,686	1.6%	2,281	7.3%
2003	78,782,150	32,187,627	46,594,523	1.8%	2,218	7.4%
2002	36,107,473	13,389,334	22,718,139	1.5%	1,087	3.8%

Data Source:
Finance Department Records

City of Portsmouth, New Hampshire

Direct and Overlapping Governmental Activities Debt As of June 30, 2011

	End of Calendar Year	Net General Obligation Debt Outstanding (1)	Percentage Applicable to Portsmouth (2)	Amount Applicable to Portsmouth
Rockingham County	2010	\$1,105,000	9.9573240%	\$ 110,028
			Subtotal, Overlapping Debt	<u>110,028</u>
City of Portsmouth Direct Debt				<u>63,605,855</u>
Total Direct Debt and Overlapping Debt				<u><u>\$ 63,715,883</u></u>

Data Sources:

- (1) Rockingham County Audited Financial Statements are for calendar year end, therefore, this amount is as of December 31, 2010.
- (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	Personal Income	Per Capita Income	City (3)		Unemployment Rates (3)	
				Unemployed	Labor Force	State of NH	US
2011	21,233 (4)	\$ 761,372,914	\$ 35,858 (4)	616	4.5%	5.2%	9.3%
2010	20,668 (1)	792,039,096	38,322 (2)	640	4.7%	5.9%	9.6%
2009	20,520 (1)	761,784,480	37,124 (2)	772	5.7%	5.2%	7.6%
2008	20,610 (1)	740,434,860	35,926 (2)	460	3.3%	3.6%	4.9%
2007	20,811 (1)	722,724,408	34,728 (2)	424	3.1%	3.7%	4.6%
2006	20,995 (1)	703,962,350	33,530 (2)	416	2.8%	3.4%	4.6%
2005	21,053 (1)	680,685,596	32,332 (2)	436	3.2%	3.6%	5.1%
2004	21,051 (1)	655,401,834	31,134 (2)	464	3.4%	3.9%	5.5%
2003	21,008 (1)	628,895,488	29,936 (2)	535	4.0%	4.4%	6.0%
2002	20,906 (1)	600,796,628	28,738 (2)	545	4.2%	3.8%	5.5%

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.
- (4) 2010 Census

City of Portsmouth, New Hampshire

Principal Employers Current Year and Nine Years Ago

Employer	Type of Business	2011			2002		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
HCA Hospital	Hospital	1,079	1	3.88 %	1,000	2	3.66 %
Liberty Mutual	Insurance	1,013	2	3.64	1,800	1	6.58
US Dept of State, National Passport Cent	Passport services	776	3	2.79			
US Dept of State National Visa Center	Visa services	684	4	2.46			
City of Portsmouth (FTEs)	Municipal services	672	5	2.41	723	3	
Lonza Biologics	Biotechnology	660	6	2.37	391	5	1.43
John Hancock	Finance	400	7	1.44			
Erie Scientific/Thermo Fisher	Laboratory equipment	280	8	1.01	350	6	1.28
Alpha Flying/Plane Sense		250	9	0.90			
Direct Capital	Commercial Leasing	186	10	0.67			
Flextronics	Electronic manufacture				500	4	1.83
Aprisma	Software				350	6	1.28
Home Depot	Retail				320	8	1.17
Shaw's Supermarkets	Supermarket				320	8	1.17
National Sea Products	Processed seafood				250	9	0.91
Bottomline technologies	Software				210	10	0.77
Total Principal Employers		6,000		21.55 %	6,214		20.07 %
Total City Employment (1)		<u>27,842</u>			<u>27,353</u>		

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Taxable property parcels assessed	7,902	7,911	7,940	7,960	8,045	8,197	8,268	8,299	8,321	8,360
Registered Voters	12,480	13,365	14,197	16,140	16,269	16,618	17,461	19,188	17,945	18,463
Votes Cast:										
Municipal Election	4,024		4,272		4,078		4,142		3,904	
State Primary		3,941		2,786				2,009		2,812
State General Election		8,656				7,665				8,434
Presidential Primary			6,013				9,586			
Presidential General				12,805				13,135		
Building Permits	721	774	749	886	913	917	962	833	845	853
Estimated construction value	\$94,372,256	\$68,026,294	\$39,557,961	\$83,882,786	\$89,403,049	\$64,100,000	\$89,800,000	\$69,142,992	\$51,243,703	\$40,900,000
Public Safety										
Police										
Service Calls	41,541	37,784	41,262	36,192	41,843	40,335	38,248	35,931	33,742	31,115
Number of Arrests	1,447	1,317	1,470	1,424	1,435	1,607	1,553	1,361	1,266	1,189
Number of Traffic Violations										
Citations	2,016	1,572	2,192	1,911	2,037	1,424	1,430	1,113	703	703
Accidents	967	996	856	821	796	731	763	773	703	1,057
DWI arrests	113	100	154	173	129	166	117	131	89	68
Fire and EMS										
Fire Rescue	2,869	2,655	2,386	2,287	2,309	2,595	2,287	2,535	2,570	2,472
Ambulance	2,611	2,490	2,379	2,443	2,295	2,332	2,338	2,447	2,562	2,970
Education (2)										
High School Fall Enrollment	1,066	1,038	1,113	1,134	1,078	1,091	1,073	1,052	1,072	1,120
Public Works										
Parking Enforcement										
Parking violations (Tickets written)	71,736	69,552	65,283	65,496	70,616	72,674	64,901	62,803	58,291	52,806
Solid Waste Tonnage	11,132	12,156	12,310	12,423	12,277	12,351	11,627	12,719	12,336	12,552
Streets resurfaced (miles)	6.57	4.03	2.08	3.57	3.58	5.45	3.77	4.20	2.80	0.86
Human Services - General Assistance										
Number of applicants	1,095	767	645	597	819	700	586	845	681	628
Culture and Recreation										
Public Library										
Items owned	125,836	126,918	123,935	126,371	126,973	147,242	133,687	143,545	146,663	155,181
Circulation of materials	356,528	351,854	349,943	344,514	349,290	375,196	443,371	484,735	488,630	476,721
Annual visits	264,036	260,323	260,319	256,464	262,980	271,774	285,495	293,772	455,834	295,682
Water System:										
Water main breaks	51	41	27	29	29	38	26	32	41	10
Daily average consumption (millions of gallons)	4.4	4.3	5.0	4.3	4.9	4.6	4.7	4.4	4.4	4.5
Peak daily consumption (millions of gallons)	6.8	6.6	6.7	6.4	6.6	7.3	5.7	5.3	5.0	5.2
Sewage System:										
Daily average treatment (millions of gallons)	5.1	5.9	4.7	6.2	6.6	6.2	5.6	6.8	6.7	5.9

Data Source:

(1) Various city departments

(2) NH Department of Education

City of Portsmouth, New Hampshire

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	29	29	29	30	31	31	30	30	30	30
Fire and Rescue										
Number of stations	3	3	3	3	3	3	3	3	3	3
Number of vehicles	20	19	19	19	18	18	19	19	19	20
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	105	105
Number of street lights	1,699	1,699	1,758	1,758	1,758	1,758	1,758	1,758	1,705	1,705
Number of bridges	16	16	16	16	16	16	16	16	15	15
Culture and Recreation:										
Libraries	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	3	3	3	3	2
Number of boat dock facilities	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	15	15	10	10	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	7,744	7,744	7,804	7,882	7,891	7,856	7,887	7,888	7,915	7,955
Storage capacity in gallons (millions of gallons)	8.6	9.6	9.6	9.6	9.6	9.6	9.5	9.5	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	4.3
Number of fire hydrants	1,035	1,022	1,047	1,046	1,015	1,022	1,072	1,081	1,081	1,087
Sewage System:										
Miles of sanitary sewers	100	100	100	100	100	107	107	107	107	108
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	6,030	6,030	6,067	6,153	6,204	6,247	6,252	6,284	6,293	6,310
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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Executive	3.0	2.0	2.0	2.5	2.0	2.0	2.0	2.0	2.0	2.0
Finance	21.5	20.0	20.0	19.0	19.0	18.5	18.0	17.8	17.8	15.0
Human Resources	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
City Clerk	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Legal	3.5	3.5	4.5	4.5	5.5	5.5	5.5	6.0	6.0	5.0
Planning	5.5	5.5	5.1	5.1	5.9	6.1	6.2	6.2	6.2	5.0
Inspection	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.0
Health	1.0	1.0	1.0	1.0	1.4	1.4	1.5	1.5	1.5	1.5
Total General Government	45.5	42.5	43.1	42.6	44.3	44.0	43.6	44.0	44.0	37.5
Public Safety										
Police - Sworn Officers:										
General Fund Funded	61.3	62.7	64.0	64.3	64.6	64.6	63.6	65.1	64.1	59.0
Grant Funded	7.7	6.3	5.0	4.7	4.4	4.4	4.4	2.9	2.9	1.0
Dispatch	11.0	11.0	5.0	11.0	11.0	10.0	10.0	11.0	10.0	10.0
Parking Enforcement (1)	-	-	-	-	-	-	-	-	-	-
Police - Non-sworn employees:										
General Fund Funded	13.0	11.8	12.2	10.3	9.8	11.2	12.2	12.4	10.4	9.0
Grant Funded	1.5	1.2	0.8	0.8	0.8	0.9	0.9	0.6	0.6	2.0
Total Police Department	94.5	93.0	87.0	91.1	90.6	91.0	91.0	92.0	88.0	81.0
Fire and Rescue	60.0	60.0	59.0	59.0	59.0	59.0	60.0	61.0	61.0	59.0
Fire Clerical	0.5	1.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5
Total Public Safety	154.5	153.0	146.0	150.1	149.6	151.5	152.5	154.5	150.5	141.5
Education										
Administrators	14.9	14.3	14.0	14.2	13.1	14.0	14.0	14.1	14.1	12.2
Teachers	260.6	260.9	249.1	251.9	253.5	253.4	253.9	254.7	253.2	233.8
Clerical	24.1	24.6	25.6	24.8	25.3	25.0	23.8	23.3	22.8	21.5
Paraprofessional	41.5	41.1	38.3	47.6	46.5	41.4	41.4	49.1	46.5	41.0
School custodians	21.5	21.5	22.2	23.3	24.3	24.3	24.3	24.3	24.3	23.9
Security	1.0	1.0	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Technicians	4.5	5.4	5.4	6.7	8.5	7.0	7.0	6.9	6.9	7.0
System maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0
Total Education	373.1	373.8	360.6	375.5	378.2	371.0	370.3	378.4	373.8	344.3
Public Works										
General Fund functions	60.0	57.0	57.0	57.0	57.0	60.0	60.0	60.7	60.7	58.0
Parking Fund (1)	9.1	11.2	12.2	12.2	13.2	14.2	14.5	14.5	16.9	16.9
Water	26.5	25.0	24.5	24.8	24.8	24.8	24.8	24.8	24.8	24.3
Sewer	21.5	21.5	23.0	22.8	22.4	23.4	23.4	23.4	23.4	22.8
Total Public Works	117.1	114.7	116.7	116.7	117.3	122.3	122.6	123.3	125.8	122.0
Culture and Recreation										
Recreation	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	7.5	7.5
Public Library	16.0	15.0	15.0	15.0	15.0	15.0	15.0	16.0	15.0	15.0
Total Culture and Recreation	24.5	23.5	23.5	23.5	23.5	23.5	23.5	24.5	22.5	22.5
Human Services										
Welfare	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0	1.5	1.5
Total Human Services	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0	1.5	1.5
Community Development										
Community Development	4.3	4.1	4.6	3.9	4.1	4.0	3.9	3.2	2.1	2.1
UDAG	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Community Development	5.3	5.1	5.6	4.9	5.1	5.0	4.9	4.2	3.1	3.1
Total All Functions	722.5	715.2	698.1	715.8	719.9	719.3	719.4	730.8	721.1	672.3
Percent of Total										
General Government	6.3%	5.9%	6.2%	6.0%	6.2%	6.1%	6.1%	6.0%	6.1%	5.6%
Public Safety	21.4%	21.4%	20.9%	21.0%	20.8%	21.1%	21.2%	21.1%	20.9%	21.0%
Education	51.6%	52.3%	51.7%	52.5%	52.5%	51.6%	51.5%	51.8%	51.8%	51.2%
Public Works	16.2%	16.0%	16.7%	16.3%	16.3%	17.0%	17.0%	16.9%	17.4%	18.1%
Culture and Recreation	3.4%	3.3%	3.4%	3.3%	3.3%	3.3%	3.3%	3.4%	3.1%	3.3%
Human Services	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%
Community Development	0.7%	0.7%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%	0.4%	0.5%
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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