

CITY OF PORTSMOUTH NEW HAMPSHIRE



COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012



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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, 2012

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CITY OF PORTSMOUTH

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December 18, 2012

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, 2012, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the following data, including financial statements, supporting schedules and statistical tables, is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. To provide a reasonable basis for making the representations, management has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with generally accepted accounting principles. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

City Charter, as well as State statutes require an annual audit by independent certified public accountants. The City's audit firm is Melanson Heath and Company, PC. 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 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 Year 2012, the City of Portsmouth once again led the region in having the lowest unemployment rate. As of June 30, 2012, the unemployment rate was 4.2%, down from 4.5% in FY11. The respective rates for the State of NH, for New England and the nation were 5.4%, 7.0% and 8.4%.

Employment in the NH portion of the Portsmouth MetroNECTA at the end of FY12 was 59,200. This figure, which is not benchmarked, represents an overall increase of 2,200 jobs from FY11. The largest year-to-year employment increase was in the Leisure/Hospitality sector with an increase of 700 jobs, followed by the Professional and Business sector with a gain of 600 jobs. Education/Health and the Trade/Transportation and Utilities sectors posted the next highest gains of 300 workers each, followed by Retail Trade with 200 more jobs than in FY11. Net increases of 100 jobs respectively were experienced in the Information, Finance, Other Services, Wholesale Trade, and Government sectors. These gains were offset by losses of 100 jobs in the Manufacturing sector. Two sectors – Mining, Logging and Construction, and Transportation/ Warehousing/Utilities -- remained unchanged from the previous year.

Construction activity during the fiscal year increased overall and was concentrated on renovations and repairs as opposed to new construction. The City issued 866 building permits with a combined construction value of \$105 million. This represents a \$64 million increase in construction value from the previous year.

The City's Inspection Department issued four building permits for new commercial/industrial construction projects in FY12, with a combined construction value of \$40 million. This compares to four permits with a construction value of \$1.3 million for FY11. The major projects that contributed to the larger construction value in FY12 were construction of the Service Credit Union headquarters on Lafayette Rd., the Portsmouth Chevrolet development at the Route 1 Bypass, additions to Water Country amusements, renovations at Lonza Biologics, and the renovation of the Portsmouth Middle School.

The greatest number of construction permits was for renovations, repairs and fit-ups. The City issued 82 permits for renovations to commercial/industrial structures, with a construction value of \$33.4 million in FY12. This compares to 75 permits with a construction value of \$5.1 million for FY11. There were 129 tenant fit-up permits issued in FY12 for a total construction value of \$5.1 million compared to the 113 renovation permits with a construction value of \$4.8 million issued in FY11.

The City's Central Business District has experienced continued private investment. Most notable is PortWalk. In FY12, Phase 2 of this mixed-use development project was completed. This phase is a \$6.8 million, 52,000 sq. ft., 36-unit, upscale apartment development with first floor retail. Phase III is scheduled to break ground in

FY13. Included in this phase will be a 128-room hotel, two restaurants, three retail uses, and 92 residential units with associated parking.

Outside of the downtown there was significant activity along the Lafayette Road corridor – most notably construction of the Service Credit Union's 100,000 sq. ft., LEED designed headquarters. The facility is the first phase of a multi-phase campus style development that will immediately generate 60 jobs, with 40 more anticipated for the planned five-year build-out. Other activity in the Lafayette Road corridor included the Salvation Army Family Thrift Store relocation to a new 33,000 sq. ft. facility and Lighthouse Manufacturing's relocation from Peabody, MA, to Mirona Rd. Extension, bringing 55 new high technology jobs to the precision metal manufacturing facility. Construction also began in FY11 on two other new developments in the corridor: a 40,000-square-foot Chevrolet dealership and a \$10 million Army Reserve Center for the regional medical corps.

Pease International Tradeport continues to be an important regional economic driver with 250 companies and 7,000 workers, many in well-paying technology and advanced manufacturing jobs. The relocation of firearms manufacturer Sig Sauer and 600 workers from Exeter to Pease is significant and should attract new industry vendors to the City. The company anticipates \$7 million in renovations to the plant. Finally, not to be discounted is the importance of the workforce development partnerships between businesses and the educational institutions at Pease that continue to drive future company growth.

The Portsmouth Naval Shipyard (PNSY) also contributed to the City's economic vitality in FY12. The Seacoast Shipyard Association's report on regional economic impact for calendar year 2011 revealed a total of 5,187 employees with a payroll of \$408 million (up from \$395 million in 2010). The Shipyard is a significant source of indirect expenditures in the region. In 2011, \$49 million of goods and services were purchased by the facility with \$8.4 million coming from New England states. During 2011 the Shipyard made progress on several projects that began in 2010, including expenditure of \$11.9 million in federal funds for reconstruction and modernization of the structural shops at the PNSY. Also in 2011, the PNSY continued to implement its plan to add 405 new jobs. This workforce expansion will enable the facility to better service the newer Virginia-class fast-attack submarines.

Sustained economic activity has helped the City's commercial and industrial real estate market rebound from the recession. A recent summary of the second quarter of the 2012 office and industrial real estate market by the Grubb & Ellis/Northern NE real estate advisory firm reports Portsmouth office market vacancy at 16.1% overall. Current asking rates for Class A office space are \$20.25 per sq. ft. (gross). Class B office asking rates are \$13.91 per sq. ft.

According to the Grubb & Ellis/Northern NE industrial market report for the second quarter of 2012, Portsmouth's industrial sector vacancy rates were 10.7%, with an average lease rate of \$7.73 per sq. ft. for warehouse/distribution space and \$7.91 per sq. ft. for R&D/flex Portsmouth.

To further boost the local economy and attract business, the City Council applied in late FY12 to the NH Department of Resources and Economic Development to designate the Heritage and Constitution Avenue Industrial Park 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 New Hampshire's Business Profits Tax and Business Enterprise Tax.

There is continued investment in the real estate market in the City despite the economic downturn. In FY12, 28 building permits were issued for new dwelling units with a total construction value of \$10.6 million. This is an increase of seven more homes permitted than in FY11. There were 267 permits for renovations to existing residential structures, down slightly from the 275 permits issued for the same period in FY11. The median purchase price of a single-family home was \$288,000, representing a decrease from the 2010 price of \$319,000. Median monthly gross rent for a two-bedroom apartment remained steady at \$1,276, up slightly from the FY11 rate of \$1,241.

Portsmouth's reputation continues as a cultural tourist destination, as well as an attractive place to live, work and visit. This past year the City participated in the Americans for the Arts Economic Prosperity Survey IV with local arts and culture organizations to quantify the economic impact that non-profit arts and cultural organizations, and their visitors, have on our economy. This was the third time the City participated in this study and it was determined that the economic contribution of these organizations is \$41.4 million, which is an impressive nine times that of similar-sized communities. This value is up from \$3 million from the previous analysis in 2006.

Finally, Portsmouth was once again fortunate to be the topic of several media articles. In the past year Portsmouth received the following recognitions and accolades in a variety of media:

- Portsmouth is named one of "Eight Best American Small Towns for Foodies" by the Bootsncall.com independent online travel company in August 2011;
- The October 2011 edition of *Boston Magazine* named Portsmouth as a "Great Fall Getaway" and included a variety of opportunities for dining, adventure and cultural events;
- Portsmouth named in *Where to Retire Magazine* as one of "8 Tempting Low-Tax Towns," Jan/Feb 2012 issue;
- American Planning Association (APA) selected Market Street and Market Square as one of "10 Great Streets for 2011" under the organization's Great Places in America program. APA Great Places exemplify exceptional character and highlight the role planners and planning play in creating communities of lasting value;
- The December issue of *Travel and Leisure* magazine named Portsmouth as the "Christmas Capital of America" for its *Vintage Christmas* activities;

- The June 2012 issue of *Improper Bostonian* provided a visitor's impression of Portsmouth's unique traits, suggestions for dining and points of interest in "Exploring Portsmouth, the Crown of the New Hampshire Coast"; and
- CNN Travel online version of May 21, 2012, listed Portsmouth in an article entitled "Seven Great Memorial Day Getaways."

Major Initiatives and Accomplishments

In FY12, the City continued with its number of major water, sewer and building initiatives, funded through a variety of sources, as well as ongoing sidewalk reconstruction and road upgrade projects.

Parks and Playgrounds – In FY 2012, the City again made substantial investments in its network of parks and playgrounds.

- Alumni-Wentworth Field: During Fiscal Year 2012, the City completed construction of the Alumni-Wentworth Field off of Granite Street. This field was built to replace the former Alumni Field, an adult softball field that was demolished as part of the Middle School project currently underway. The new field is regulation-sized and includes field lighting, a concession and equipment building, new bleachers, walkways, a parking area and related park amenities. The field was opened in April 2012.
- Plains Park and Ball Field Improvement Project: In FY 2012, the City completed the design for the improvements to the Plains Park and Ball Field at corner of Islington Street and Greenland Road and began construction. The project includes selective demolition of the gravel parking area, pruning and removal of existing trees, regrading and drainage improvements, as well as the development or installation of a new parking lot, pathways, play equipment, and tree plantings.

Streets and Sidewalk Improvements – In Fiscal 2012, the City continued investment in the vital infrastructure of streets and sidewalks as follows:

- Completed construction of Streetscape Improvement Project on Porpoise Way and Concord Way with new concrete sidewalks, granite curbing, paving, signage and landscaping.
- Continued the Citywide Sidewalk Reconstruction Program and the Pavement Management and Rehabilitation Long-Range Plan.
- Continued the Sagamore Bridge replacement project design and permitting process.
- Completed construction of the High/Hanover Parking Facility Maintenance Project replacement project, which included partial stair tread/riser

replacement in the Fleet Street stair tower as well as the elevator stair tower.

- Completed construction of Phase 2 Improvements to the McDonough Street Neighborhood Area (Rockingham Street, Cornwall Street and McDonough Street).
- Initiated design and construction of Phase 3 Improvements to the McDonough Street Neighborhood Area.
- Completed construction of storm drain improvements in the Maple Haven area.
- Completed brick sidewalk replacement construction on State Street from Middle Street to Church Street.
- Completed construction 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.
- Completed design and permitting of the Mechanic Street at Pickering Seawall, which includes a concrete wall with granite facing, drainage improvements, aluminum guardrail and public waterfront access.
- Completed design and construction of the Marcy Street Area Roadway and Sidewalk Project. The streets reconstructed included Marcy Street (State – Pleasant), Mechanic Street, Gardner Street, Hunking Street, Pickering Street, Pickering Avenue, South Mill Street, Meeting House Hill and Manning Street.
- Initiated the preservation design/build RFP for the Shaw Warehouse located on Water Street in Prescott Park. The project includes new foundation supports and a white cedar roof.

Memorial Bridge Streetscape and Park Improvements – The City is a consulting party to the State of New Hampshire Department of Transportation during the replacement of the World War I Memorial Bridge which connects Portsmouth to Kittery, Maine. The bridge was closed in 2011 and removed in February 2012. The City is providing input on efforts to mitigate business impacts during bridge replacement and impacts to historical aspects of the original bridge, such as the placement of interpretive panels and plaques from the original structure. This collaborative effort with the State, currently in the design phase,

Portsmouth Middle School – The City broke ground in spring 2011 on the \$37.5 million Portsmouth Middle School project, which consists of a multi-year phased program that includes the addition of new educational spaces, renovation of the existing space, and removal of the 1970s building wings to make room for a new student common area. Improvements to the existing spaces will include new systems, finishes, lighting, technology, etc. The existing 80-year old Middle School, serving over 500 middle school students from Portsmouth and Newington, is located at 155 Parrott Avenue in the City's downtown core. The City also relocated its Youth Recreation Center from the Connie Bean Center to the new Middle School. Co-location of these facilities, through the addition of a second gymnasium on to the

Middle School, resulted in several operational efficiencies and programmatic enhancements to both the Recreation and School Departments.

School Administrative Offices Relocation – The Seybolt Building at the Municipal Complex on Junkins Avenue has been renovated to accommodate the School administrative offices for the 2012-2013 school year. This relocation was identified in 2010 by the Mayor’s Blue Ribbon Committee on Operational Efficiencies as an opportunity to improve administrative coordination between departments. Administrative functions such as centralizing benefits administration; joint purchasing; and payroll administration may be facilitated through co-location of the School Department administrative offices and other City departments at the Municipal Complex. The move will alleviate space constraints at Little Harbour School where the school administrative offices were located and provide additional classroom space for students for the FY13 school year.

Wastewater Treatment Master Plan – Throughout FY12 the Sewer Division continued to work on completion of Environmental Protection Agency (EPA) Consent Decree-required upgrades and studies. As required, the plan includes the upgrade of the Peirce Island Wastewater Treatment Facility to a secondary treatment plant. In accordance with the plan, the Sewer Division completed pilot testing of various technologies that can provide the basis of a preliminary and final design for the upgraded treatment plant. Submission of the engineering report to the EPA will be done according to schedule. In addition, the EPA Consent Decree contains a schedule for continued sewer separation as part of the Combined Sewer Overflow -- Long-Term Control Plan.

Lincoln Area Sewer Separation Contract 3A – The Sewer Division, as part of the Combined Sewer Overflow Long-Term Control Plan, completed the Lincoln Area Sewer Separation Contract 3A in FY 2012. 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 sewer, storm drainage, and gas. The project included work on Lincoln Ave. from Richards Ave. to Middle Street; Miller Ave. and Broad Street from Lincoln Ave. to South Street; Spring Street; and short sections of Union, Wibird, and Park Streets to separate sewer lines. In addition, the Contract 3A project involved substantial streetscape improvements, including sidewalks, curbing and roadway paving.

Parrot Avenue Sewer and Drainage Improvements – In conjunction with the Middle School project, the Sewer Division completed sewer and drainage improvements along Parrot Avenue. This project will allow the removal of combined sewers on school property and will 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 completed the construction, and began operation of, the new LEED-certified water treatment facility in Madbury, NH. The new plant uses a Dissolved Air Flotation (DAF) technology and can treat, on

average, 4 million gallons of water per day. It was constructed using sustainable design features, including passive solar water heating, source water heat pumps, light shelves and innovative building compartmentalization to reduce energy consumption. The new plant replaced a 50-year-old facility with a technology that can better treat the source water from the Bellamy Reservoir to meet current, as well as upcoming, regulatory requirements. The new plant was constructed using the Leadership in Energy and Environmental Design (LEED) principles to produce a sustainable and energy-efficient system and is the first completed water treatment facility in New England to obtain LEED certification. The plant began operation in August of 2011.

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, with guidance from 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’s new drinking water treatment plant is completed and fully operational. The plant recently received LEED silver certification from the United States Green Building Council. The Portsmouth Middle School has made substantial progress in 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 City completed 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. The City has installed an electric charging station in its public parking garage to service electric vehicle owners visiting or living in Portsmouth.

Long-Term Financial Planning

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

Statewide Property Tax – Although the New Hampshire Legislature failed this year to adopt a constitutional amendment that could have led to the abolishment of the Statewide Education Property Tax, freeing the City of Portsmouth from the threat of a return to its status as a “Donor community,” it had previously adopted an education funding formula that did not require Portsmouth to raise extra property taxes to send to other communities. Therefore, any taxes raised above what the State has determined is the cost of providing Portsmouth schoolchildren with an “adequate education” may continue to be retained as long as they are directed toward local education costs that surpass the State-mandated allocation of \$3,450 per student. The Legislature has allowed this under a variety of education funding formulas since FY06, which has resulted 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 as a “Donor.” However, the City remains mindful that the Legislature could alter the formula and return to the “Donor communities” concept as long as the SWEPT exists. 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 May 2012, Standard & Poor’s Rating Group and Moody’s Investors Service affirmed the City’s AA+ and Aa1 bond ratings respectively. Standard & Poor’s Rating Group credited the City’s very strong financial position, strong management practices, diverse property tax base, and strong household income level as positive factors. Moody’s Investors Service, meanwhile, affirmed Portsmouth’s Aa1 rating, citing the City’s strong financial operations, stable and diverse economic base and healthy and growing reserve levels. Both agencies praised the City’s strong financial management.

Advance Refunding – On May 17, 2012, the City issued a general obligation bond to refinance (advance refunding) the balance of the \$38 million bond issued in 2002 to construct and renovate the Portsmouth high School. The City was able to take advantage of the call provision included in the terms of the original debt instrument. The balance of the \$19 million issue with a remaining average interest rate of 4.47% was refinanced at a total interest cost of 1.4% resulting in a savings of over \$2.6 million in interest over the next ten years.

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 Account 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 \$7,266,155, a decrease of \$602,981 as compared to prior year.

Unassigned Fund Balance – City Council adopted in Fiscal Year 1998 the “Unassigned Fund Balance Ordinance” which mandates that the city will maintain an unassigned fund balance of at least 7% of general fund appropriations for that fiscal year with a goal of greater than 10%. Since this ordinance was adopted, the City has met its goal. As of June 30, 2012, the unassigned fund balance is 11.72% of FY12 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 FY12, the amount of net annual debt remains within the policy limits at 8.92%.

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 seventeen consecutive years from 1995 to 2011.

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 seven consecutive years; fiscal year beginning July 1, 2006, to 2012. 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 preparation 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.

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.

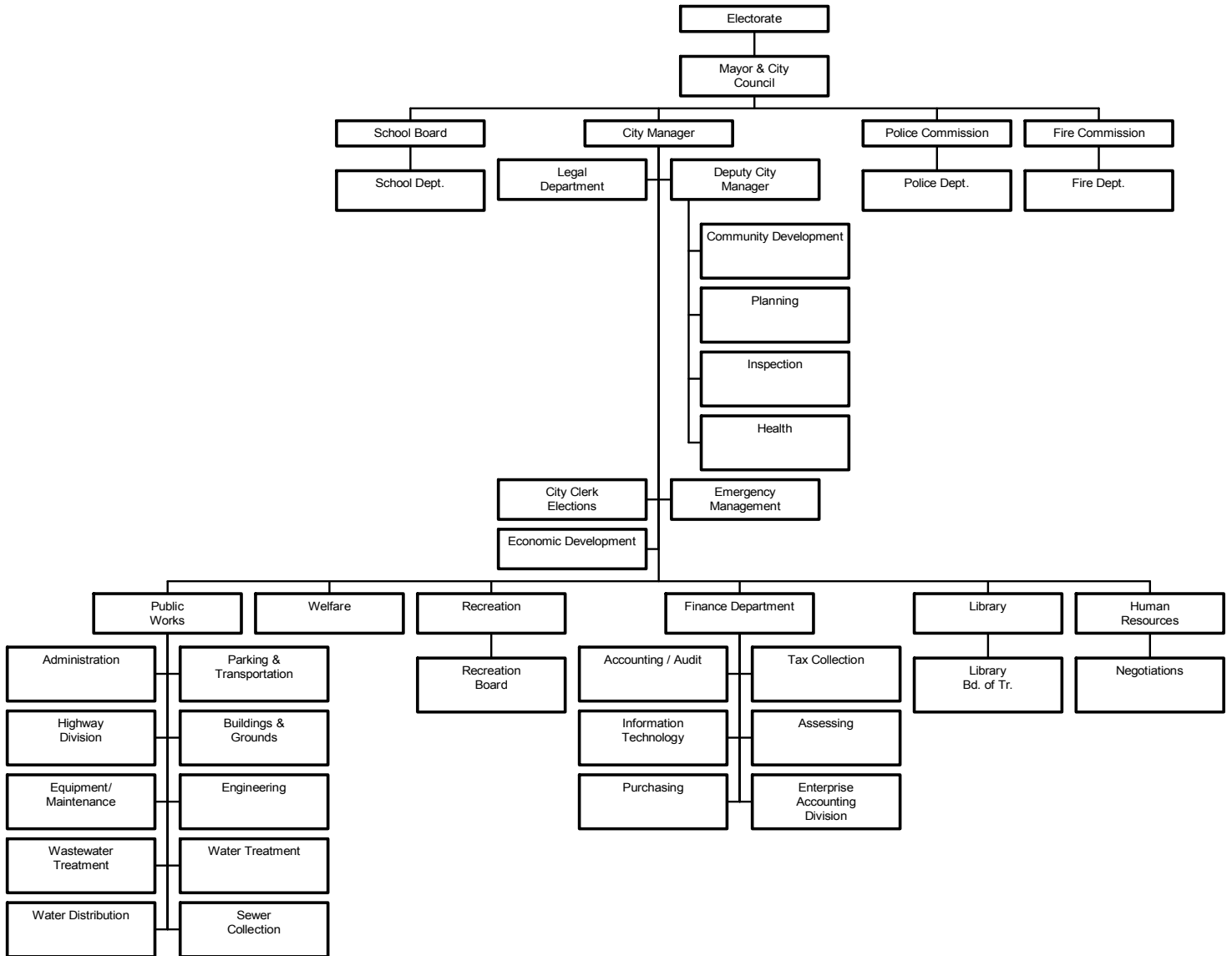
I wish to further express my sincere appreciation to Andrew Purgiel, Deputy Finance Director, Gail Cunningham, City Controller, David Moore, Community Development Director, and Nancy Carmer, Economic Development Manager, who assisted and contributed to the preparation of this report.

Sincerely,

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

Judith A. Belanger
Finance Director

City of Portsmouth Organizational Chart



DIRECTORY OF OFFICIALS

CITY COUNCIL

Eric Spear, Mayor
Robert Lister, Assistant Mayor

Anthony Coviello	Brad Lown
Esther E. Kennedy	M.Chris Dwyer
Nancy Novelline Clayburgh	Kenneth E. Smith
	Jack D. Thorsen

BOARD OF EDUCATION

Edward McDonough, Superintendent

Leslie Stevens, Chairman
Thomas P. Martin, Vice Chairman

Carol A. Chellman	Dexter Legg
Kent LaPage	Mary Olea
Michell Shuldman	Patrick Ellis
	Ann Walker

FIRE COMMISSION
Fire Chief Christopher LeClaire

Richard Gamester, Chairman
Paul T. Wentworth
Michael K. Hughes

POLICE COMMISSION
Police Chief David Lou Ferland

John F. Golumb, Chairman
John C. Russo
Gerald W. Howe

PRINCIPAL EXECUTIVE OFFICERS

City Manager, John P. Bohenko
Deputy City Manager, Cynthia Hayden

City Attorney	Robert Sullivan
Finance Director	Judith Belanger
Deputy Finance Director	Andrew Purgiel
City Controller	Gail Cunningham
City Clerk	Kelli Barnaby
Tax Collector	Kristen Regis
City Assessor	Rosann Maurice-Lentz
Director of Public Works	Steven Parkinson
Recreation Director	Melvin Wilson, Jr.
Library Director	Mary Ann List
Human Resource Director	Dianna Fogarty
Community Development Director	David Moore
Chief Building Inspector	Richard Hopley
Public Health Director	Kimberly McNamara
Planning Director	Frederick Taintor
Welfare Director	Keith Bates

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, 2011

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.



Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

102 Perimeter Road
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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an inte-

gral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Other Post-employment Benefit Plan Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portsmouth, New Hampshire's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted 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 and statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Melanson, Heath + Company P.C.
December 18, 2012

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, 2012. 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 \$197,954,429, an increase of \$13,960,418 in comparison to the prior year.
- As of the close of the current fiscal year, total assets of governmental activities exceeded liabilities by \$131,978,393, an increase of \$6,743,757 in comparison with the prior year.
- At the end of the current year, total assets of business-type activities exceeded their liabilities by \$65,976,036, an increase of \$7,216,661 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$81,740,918, an increase of \$14,911,281 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,470,953, an increase of \$141,882 in comparison with the prior year.
- Total bonds payable including unamortized premium at the close of the current fiscal year was \$145,103,956, an increase of \$38,584,689 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements 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).

The government-wide financial statements include two different types of City Activities and can be found on pages 37-39 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 inter-governmental 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 40-44 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 45-47 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 48-49 of this report.

Notes to the Financial Statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-83 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 Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 93,290	\$ 75,505	\$ 35,971	\$ 21,967	\$ 129,261	\$ 97,472
Capital assets	<u>147,028</u>	<u>129,666</u>	<u>100,780</u>	<u>96,762</u>	<u>247,808</u>	<u>226,428</u>
Total assets	<u>240,318</u>	<u>205,171</u>	<u>136,751</u>	<u>118,729</u>	<u>377,069</u>	<u>323,900</u>
Long-term liabilities	100,449	74,822	55,554	42,578	156,003	117,400
Other liabilities	<u>7,890</u>	<u>5,114</u>	<u>15,221</u>	<u>17,392</u>	<u>23,111</u>	<u>22,506</u>
Total liabilities	<u>108,339</u>	<u>79,936</u>	<u>70,775</u>	<u>59,970</u>	<u>179,114</u>	<u>139,906</u>
Net assets:						
Invested in capital assets, net of related debt	78,588	75,938	42,709	43,750	121,297	119,688
Restricted	17,148	15,702	1,300	1,463	18,448	17,165
Unrestricted	<u>36,242</u>	<u>33,595</u>	<u>21,967</u>	<u>13,546</u>	<u>58,209</u>	<u>47,141</u>
Total net assets	<u>\$ 131,978</u>	<u>\$ 125,235</u>	<u>\$ 65,976</u>	<u>\$ 58,759</u>	<u>\$ 197,954</u>	<u>\$ 183,994</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 \$121,297,058 or 61.3% 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 \$18,448,273 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 \$58,209,098 or 29.4% 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 \$13,960,418. Approximately 11.5% of the increase is attributed to an increase in investments in capital assets net of related debt. The remaining 88.5% represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

The \$2,192,906 OPEB liability represents 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</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 18,694	\$ 17,887	\$ 19,481	\$ 16,164	\$ 38,175	\$ 34,051
Operating grants and contributions	6,876	7,168	-	-	6,876	7,168
Capital grants and contributions	1,545	1,603	1,643	2,488	3,188	4,091
General revenues:						
Property taxes	67,342	65,994	-	-	67,342	65,994
Interest on taxes	267	301	-	-	267	301
Grants and contributions not restricted to specific programs	2,255	2,160	-	-	2,255	2,160
Investment income	478	1,521	43	51	521	1,572
Other	267	960	7	35	274	995
Total revenues	<u>97,724</u>	<u>97,594</u>	<u>21,174</u>	<u>18,738</u>	<u>118,898</u>	<u>116,332</u>
Expenses:						
General government	11,812	11,848	-	-	11,812	11,848
Public safety	16,855	16,579	-	-	16,855	16,579
Education	44,281	43,417	-	-	44,281	43,417
Public works	9,835	9,660	-	-	9,835	9,660
Health and human services	602	644	-	-	602	644
Culture and recreation	3,805	3,694	-	-	3,805	3,694
Community development	981	765	-	-	981	765
Interest on long-term debt	3,781	2,702	-	-	3,781	2,702
Water operations	-	-	5,418	4,895	5,418	4,895
Sewer operations	-	-	7,580	6,625	7,580	6,625
Total expenses	<u>91,952</u>	<u>89,309</u>	<u>12,998</u>	<u>11,520</u>	<u>104,950</u>	<u>100,829</u>
Change in net assets before permanent fund contributions and transfers	5,772	8,285	8,176	7,218	13,948	15,503
Contributions to permanent fund principal	12	3	-	-	12	3
Transfers in (out)	959	928	(959)	(928)	-	-
Change in net assets	6,743	9,216	7,217	6,290	13,960	15,506
Beginning 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>
Ending net assets	<u>\$ 131,978</u>	<u>\$ 125,235</u>	<u>\$ 65,976</u>	<u>\$ 58,759</u>	<u>\$ 197,954</u>	<u>\$ 183,994</u>

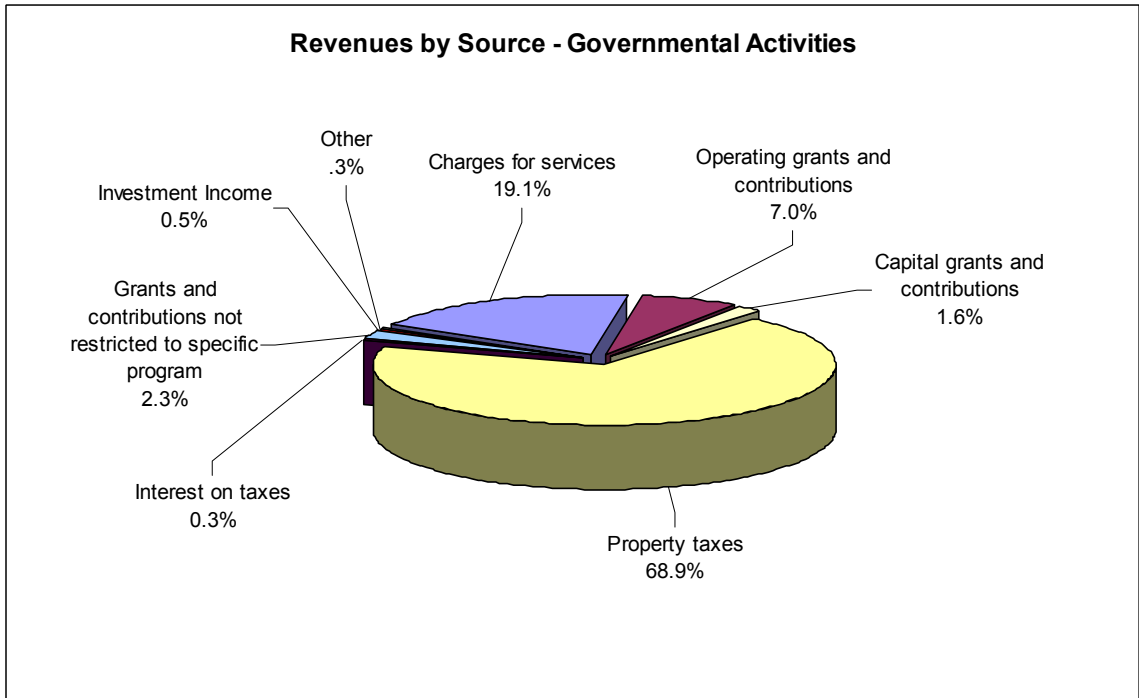
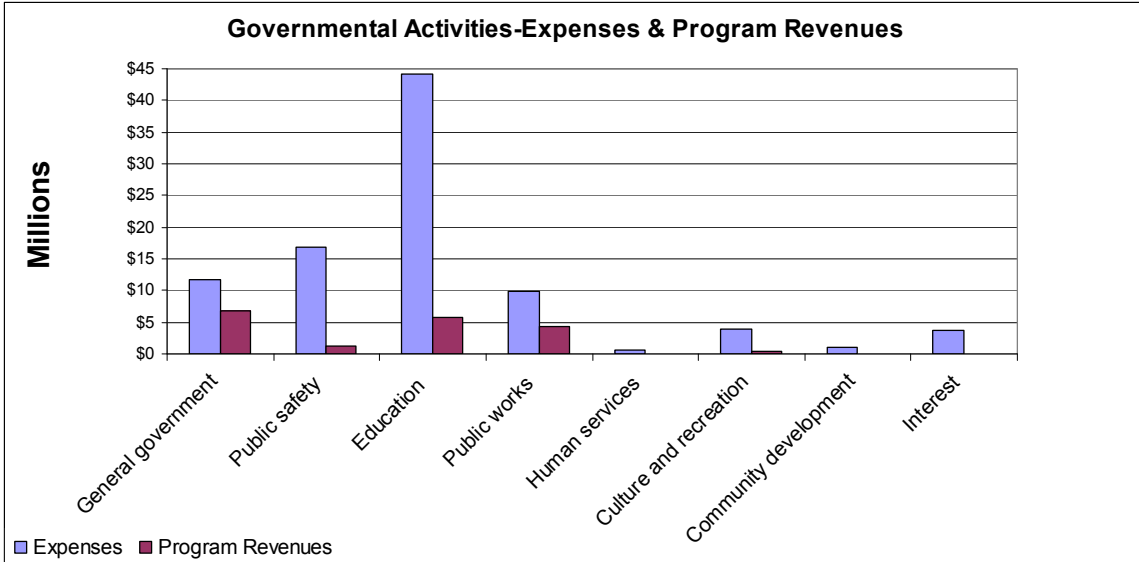
Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$6,743,757. Governmental activities realized the following significant transactions:

- General Fund excess of revenues over expenditures of \$3,345,951.
- General Fund transfer in from Enterprise Funds (water and sewer) for indirect costs of \$959,064.
- Capital grants and contribution revenue used to acquire capital assets of \$1,545,302.
- Debt service principal payment in excess of depreciation expense of \$1,092,272.

Overall, the governmental activities experienced an increase of \$129,785 or .13% in revenues when compared to the prior fiscal year due largely to the following:

- Property tax, which is 69% of the total revenues, increased by \$1,347,838.
- Charges for services increased by \$806,375 primarily due to increases in parking rates and hours of \$380,671, motor vehicle registrations of \$241,554, and an increase in building permits of \$119,248.
- A decrease in operating grants and contribution of \$292,014 primarily due to the completion of a grant funded project in the prior year.
- A decrease of \$692,780 in other revenues primarily due to the sale of the old Fire Station 2 in prior year.
- Investment income decreased by \$1,042,692 mostly due to investments held by the Trustees of Trust Funds.

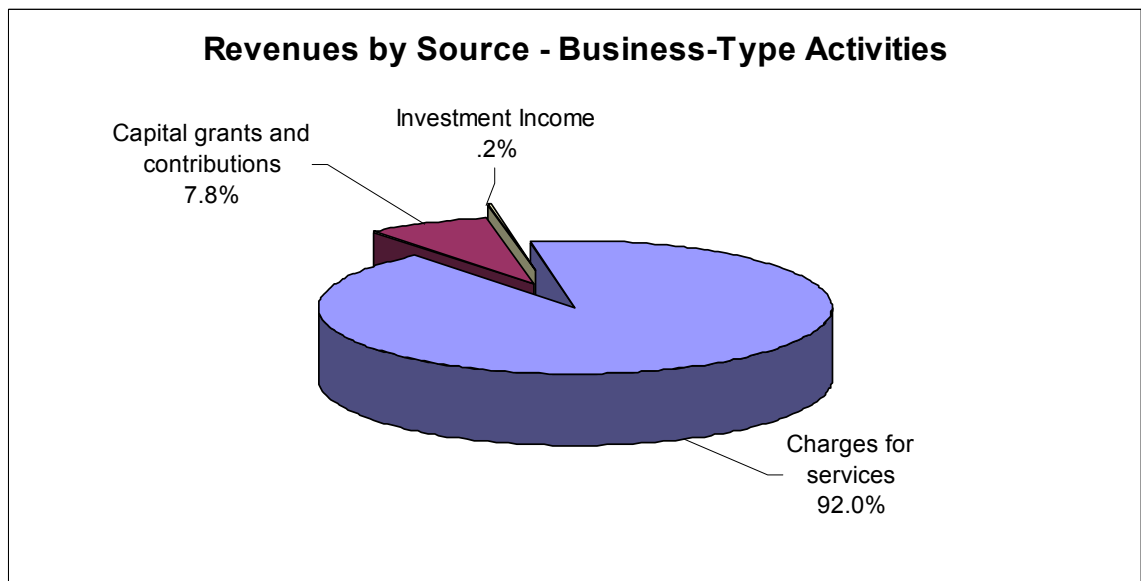
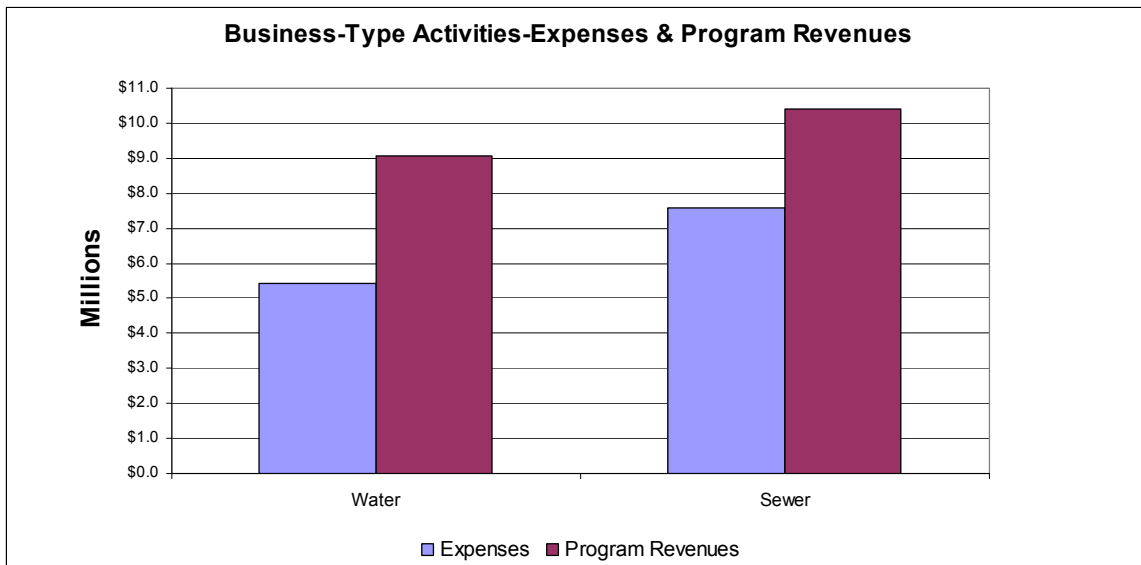
Overall governmental expenses experienced an increase of \$2,641,789 or 2.9% from the prior year. The City has fifteen (15) collective bargaining units, of which thirteen (13) were settled before June 30, 2012. The increase in expenses from prior year represents cost-of-living adjustments (COLA) paid to employees from ten settled contracts and other expense increases as a result of inflation. The remaining two (2) 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 \$7,216,661. The key elements of the changes are as follows:

- Operating revenues over operating expenses of \$8,399,581.
- Charges for services in the business-type activities experienced an increase of \$3,316,544. The water fund experienced an increase in revenue of \$143,035 as a result of increased miscellaneous work provided. The sewer fund experienced an increase of \$3,173,509 primarily due to a rate increase.

- A net decrease of \$845,363 in capital grants and contributions is primarily due to an increase of \$253,627 from contributions from the Great Bay Estuary Coalition, a reduction of \$850,410 due to the completion of the State Street Utilities Upgrade project which was funded by the American Recovery and Reinvestment Act (ARRA) was recognized in prior years, a reduction in state aid grant reimbursement of \$139,833 as outstanding debt decreases, and the debt forgiveness of \$22,154 from the State Revolving Loan Program for the Raw Water, Bellamy Reservoir project.
- A decrease in investment income of \$7,972 due to declining investment interest rates.



D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, 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.

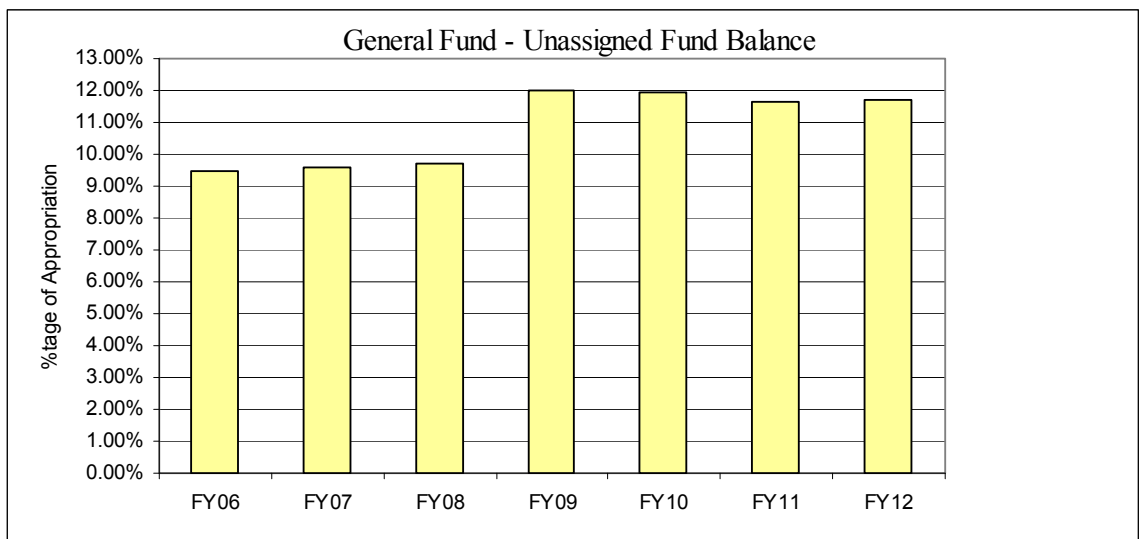
As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$81,740,918, an increase of \$14,911,281 in comparison to the prior year. This increase is primarily a result from bond proceeds issued during the fiscal year.

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 "Unassigned Fund Balance Ordinance" which mandates that the city will maintain an unassigned fund balance of at least 7% of prior year's appropriation with a goal greater than 10%.

Unassigned fund balance at the end of the fiscal year was \$10,470,953 or 11.72% of the final general fund budget. This is an increase of \$141,882 from prior year.

The following table demonstrates that over the last several years, the unassigned fund balance has exceeded the ordinance goal of 10%.



Total fund balance for the general fund at the end of the current fiscal year, was \$39,087,354 or 43.75% of the final general fund budget. This is an increase of \$3,475,200 or 9.76% from prior year. The key factors in this change are as follows:

- A decrease of fund balance of \$1,873,500 from budgetary use of fund balance.
- An increase to fund balance of \$444,900 due to a decrease in abatement liabilities from FY11.
- A decrease of fund balance of \$93,959 from expenditures exceeding appropriations in the Health Insurance Stabilization Account.
- A decrease of fund balance of \$79,836 from expenditures exceeding appropriations in the Leave at Termination Account.
- A net increase to fund balance of \$2,298,161 from revenues and other financing sources exceeding final budget estimates (excluding tax adjustments).
- A net increase of \$1,917,281 from remaining departmental appropriations and collective bargaining contingency.
- A net increase of \$871,476 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 \$42,653,564, which is a net increase of \$11,436,081 or 36.6% from prior year. Key factors in this change are as follows:

- An increase of \$8,244,710 from the net of bond proceeds of \$22,500,000 and the continued construction and renovations of the Middle School of \$14,255,290.
- Other non-major fund increase of \$3,191,371 is comprised of the following:
 - Net increase of \$2,564,539 in capital project funds primarily due to unused portions of \$6,900,000 of bond proceeds.
 - Net increase in special revenue funds of \$695,773 is due largely from operating surplus in parking and transportation and miscellaneous grants and contributions combined with operating loss in the community development funds.
 - A decrease of \$68,941 in permanent funds due to operating losses in the city trust funds.

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 \$65,976,036, for an increase of \$7,216,661. The water fund increased by \$3,227,799, and the sewer fund increased \$3,988,862.

Unrestricted net assets of the water and sewer funds at the end of the year increased \$8,419,593 to a total of \$21,966,267. The water fund unrestricted net assets balance is \$8,544,773; the sewer fund unrestricted net assets balance is \$13,421,494.

Restricted for debt service of \$1,300,383 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; decreased by \$1,040,384, of which the water fund capital assets decreased by \$330,385 and the sewer fund capital assets decreased by \$709,999.

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 FY12, 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 \$8.29 per unit; all units over ten units per month was billed at a rate of \$9.11 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 \$2,877,974. There were four supplemental appropriations: \$1,977,974 appropriated from a bond premium for various capital projects, \$150,000 from unassigned fund balance to defray operating expenditures for the Indoor Pool, \$150,000 from unassigned fund balance to defray operating expenditures for the fire department, and \$600,000 from unassigned fund balance for renovations to the municipal complex to relocate the School Department's Central Office.

The difference between the final amended budget and actual results is a positive variance of \$3,589,567 with revenues exceeding estimated budgets by \$1,672,286 and expenditures were less than the estimated budget by \$1,917,281. Significant variances include:

- Positive variance in Licenses and Permits of \$500,610 is mainly attributed an excess of \$232,606 in building, electrical and plumbing permits resulting from renovations and new construction citywide and an excess of \$204,455 in motor vehicle registrations.

- Positive variance in Charges for Services of \$869,261 primarily consists of \$206,475 from ambulance fees and \$473,867 from parking facility leases and usage.
- Positive variance in Intergovernmental of \$131,695 is mainly attributed to a \$77,809 reimbursement from the State of NH for retirement contributions and \$29,836 positive variance in School Tuition.
- Fines and costs experienced a negative variance of \$45,655 mainly attributed to declining parking violations.
- Positive variance of \$110,482 in Other Revenues is mainly attributed to the sale of surplus land and vehicles.
- Current operating expenditures resulting in a positive variance of \$782,681 is mainly due to \$324,413 in collective bargaining contingency surplus and \$121,748 surplus in Public Work's snow removal appropriations as a result of a mild winter.
- Non-operating expenditures resulting in a positive variance of \$1,134,600 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 \$247,807,087 (net of accumulated depreciation), an increase \$21,379,261 from the prior year. This investment in capital assets includes land, buildings, system improvements, and machinery and equipment.

	Capital Assets (000s)								Amount Change	% Change
	Governmental				Business-type					
	<u>Activities</u>		<u>Activities</u>		<u>Totals</u>					
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>				
Land	\$ 15,623	\$ 15,424	\$ 1,930	\$ 1,930	\$ 17,553	\$ 17,354	\$ 199	1.15%		
Building and improvement	67,264	69,064	23,180	16,080	90,444	85,144	5,300	6.22%		
Machinery and equipment	3,807	3,534	16,694	8,585	20,501	12,119	8,382	69.16%		
Infrastructure	36,462	33,110	48,482	41,567	84,944	74,677	10,267	13.75%		
Construction in Progress	23,871	8,534	10,494	28,600	34,365	37,134	(2,769)	-7.46%		
Total Assets	\$ 147,027	\$ 129,666	\$ 100,780	\$ 96,762	\$ 247,807	\$ 226,428	\$ 21,379	9.44%		

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

- Construction in progress for governmental activities totaled \$23,870,499 at year-end which \$18,302,930 is attributed to the Middle School Renovation project, \$2,341,102 to the construction of Wentworth Field, and \$1,177,982 to the construction of the Youth Recreation Center.

- A variety of sidewalk and street construction contributed to capital assets of \$4,058,482
- General government vehicles capitalized during the current year which included Public Works vehicles of \$94,933, Police vehicles of \$57,294, and Fire vehicles of \$632,575.
- The water fund recognized an increase of \$199,559 in capital assets from prior year. A majority of the increase is the completion of construction of the Madbury Water Treatment Plant and water line replacement completed in conjunction of the long-term control plan sewer project.
- The sewer fund recognized an increase of \$3,818,221 in capital assets from prior year. Most of the increase can be attributed to increase in infrastructure due to the continuation of the long-term control plan project in the Lincoln Street area and the Mechanic Street pump station.

Additional information on the City of Portsmouth’s capital assets can be found in note 9 on pages 66-69 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 \$145,103,956 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		Business-type		Totals	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 83,480	\$ 61,870	\$ 25,310	\$ 16,130	\$ 108,790	\$ 78,000
State revolving fund loans	1,523	1,736	28,110	25,135	29,633	26,871
Unamortized premium	5,374	1,083	1,307	566	6,681	1,649
Total Assets	<u>\$ 90,377</u>	<u>\$ 64,689</u>	<u>\$ 54,727</u>	<u>\$ 41,831</u>	<u>\$ 145,104</u>	<u>\$ 106,520</u>

The City of Portsmouth’s total debt increased by \$38,584,689 or 36% during the current fiscal year. The key factors in this net increase are:

- Reductions of outstanding debt principal in the amount of \$10,462,964.
- The issuance of General Obligation bonds and state revolving fund loans of \$63,015,233 for the following projects:
 - \$22,500,000 for the Middle School Construction and renovation project.
 - \$6,400,000 for Citywide Facilities, Streets, Sidewalks, and Storm Water Drain System Improvements.
 - \$500,000 for a new Fire Apparatus.
 - \$17,325,000 for refunding a callable bond issue from 2002 for the construction of High School at a lower net interest cost.
 - \$5,290,233 for Bartlett Street sewer improvements.
 - \$3,000,000 for Pierce Island Waste Water Treatment Plant Design.
 - \$8,000,000 for a portion of the Long-term Control Plan

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, 2012, 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 \$4,129,016,814. The debt limit and outstanding debt is as follows:

Debt Limit Calculation

Purpose	Percent of Allowable Debt <u>Limit</u>	Maximum <u>Debt Limit</u>	Bonds Outstanding as of <u>June 30, 2012</u>	Authorized Unissued as of <u>June 30, 2012</u>	Total Gross Debt as of <u>June 30, 2012</u>	% of Legal <u>Debt Service Used</u>
Municipal	3.00%	\$ 123,870,504	\$ 27,555,001	\$ -	\$ 27,555,001	22%
Landfill closure ⁽¹⁾	0%	-	1,522,951	4,641,897	6,164,848	N/A
School	7.00%	289,031,177	55,925,000	-	55,925,000	19%
Water	10.00%	412,901,681	19,606,919	18,162,303	37,769,222	9%
Sewer ⁽¹⁾	0%	-	33,813,720	16,206,299	50,020,019	N/A
Total		<u>\$ 825,803,362</u>	<u>\$ 138,423,591</u>	<u>\$ 39,010,499</u>	<u>\$ 177,434,090</u>	

⁽¹⁾ Exempt from Debt Limit

Additional information on notes payable and long-term debt can be found in Notes 15 and 16 on pages 70-75 of this report.

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

- During FY12, the unemployment rate in the City remained the lowest in the region at a rate of 4.2%, down from 4.5% in FY11. The state's unemployment average for the same period was 5.4%, the average rate for New England was 7.0% and the nation's average rate was 8.4%.
- The overall commercial office vacancy rate for the City of Portsmouth decreased to 16.1% from 18.7% during FY11.

All of these factors were considered in preparing the City of Portsmouth's budget for fiscal year 2013.

The budget and tax rate for the General Fund for FY13 has been approved by the Department of Revenue Administration. The total budget is \$90,556,268, an increase of \$1,221,450 or 1.37% from the prior year final budget. The tax rate has been set at \$17.55 per \$1,000 of assessed value. This is an increase of \$.28 or 1.6% from prior year.

The City of Portsmouth has appropriated a total of \$2,573,500 from committed fund balance for debt service payments and \$73,500 for abatements in the fiscal year 2013 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 FY13 from FY12 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 FY12 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 \$8.29 to \$9.54 per unit for the first 10 units of water consumed per month. The rate for consumption over 10 units per month increased from \$9.11 to \$10.49 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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 80,224,788	\$ 27,574,234	\$ 107,799,022
Investments	5,600,419	-	5,600,419
Receivables, net of allowance for uncollectibles:			
Property taxes	2,881,040	-	2,881,040
User fees	-	4,577,622	4,577,622
Departmental and other	627,689	441,842	1,069,531
Intergovernmental	1,105,807	453,533	1,559,340
Loans and interest	29,064	-	29,064
Inventory	17,033	130,472	147,505
Total current assets	<u>90,485,840</u>	<u>33,177,703</u>	<u>123,663,543</u>
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	572,558	-	572,558
Departmental and other	-	2,793,542	2,793,542
Loans	2,231,740	-	2,231,740
Capital assets:			
Land and construction in progress	39,494,121	12,423,389	51,917,510
Other capital assets, net of accumulated depreciation	<u>107,533,445</u>	<u>88,356,132</u>	<u>195,889,577</u>
Total non-current assets	<u>149,831,864</u>	<u>103,573,063</u>	<u>253,404,927</u>
TOTAL ASSETS	240,317,704	136,750,766	377,068,470
LIABILITIES			
Current:			
Accounts payable	2,610,839	1,492,679	4,103,518
Accrued liabilities	1,293,601	946,976	2,240,577
Internal balance	(4,519)	4,519	-
Retainage payable	1,567,617	748,914	2,316,531
Tax refunds payable	1,066,128	-	1,066,128
Notes payable	-	11,550,842	11,550,842
Other current liabilities	1,356,814	477,219	1,834,033
Current portion of long-term liabilities:			
Bonds payable	8,674,828	3,805,895	12,480,723
Other liabilities	791,277	53,774	845,051
Total current liabilities	<u>17,356,585</u>	<u>19,080,818</u>	<u>36,437,403</u>
Noncurrent:			
Bonds payable, net of current portion	81,701,945	50,921,288	132,623,233
Net OPEB obligation	2,038,688	154,218	2,192,906
Other liabilities, net of current portion	<u>7,242,093</u>	<u>618,406</u>	<u>7,860,499</u>
Total noncurrent liabilities	<u>90,982,726</u>	<u>51,693,912</u>	<u>142,676,638</u>
TOTAL LIABILITIES	108,339,311	70,774,730	179,114,041
NET ASSETS			
Invested in capital assets, net of related debt	78,587,672	42,709,386	121,297,058
Restricted externally or constitutionally for:			
Grants	8,626,656	-	8,626,656
Debt	-	1,300,383	1,300,383
Permanent funds:			
Nonspendable	1,593,354	-	1,593,354
Spendable	4,160,104	-	4,160,104
Restricted by enabling legislation	2,767,776	-	2,767,776
Unrestricted	<u>36,242,831</u>	<u>21,966,267</u>	<u>58,209,098</u>
TOTAL NET ASSETS	\$ <u>131,978,393</u>	\$ <u>65,976,036</u>	\$ <u>197,954,429</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$ 11,812,067	\$ 6,702,933	\$ 11,857	\$ -
Public safety	16,854,982	1,248,411	870,016	-
Education	44,280,725	5,817,036	5,304,915	247
Public works	9,834,737	4,396,016	458,645	354,693
Health and human services	601,503	22,152	-	-
Culture and recreation	3,804,755	506,975	186,973	2,195
Community development	981,022	-	43,784	1,188,167
Interest on long-term debt	<u>3,781,050</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>91,950,841</u>	<u>18,693,523</u>	<u>6,876,190</u>	<u>1,545,302</u>
Business-Type Activities:				
Water services	5,419,089	9,057,948	-	31,943
Sewer services	<u>7,579,739</u>	<u>10,422,913</u>	<u>-</u>	<u>1,610,578</u>
Total Business-Type Activities	<u>12,998,828</u>	<u>19,480,861</u>	<u>-</u>	<u>1,642,521</u>
Total	<u>\$ 104,949,669</u>	<u>\$ 38,174,384</u>	<u>\$ 6,876,190</u>	<u>\$ 3,187,823</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.

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (5,097,277)	\$ -	\$ (5,097,277)
(14,736,555)	-	(14,736,555)
(33,158,527)	-	(33,158,527)
(4,625,383)	-	(4,625,383)
(579,351)	-	(579,351)
(3,108,612)	-	(3,108,612)
250,929	-	250,929
<u>(3,781,050)</u>	<u>-</u>	<u>(3,781,050)</u>
 (64,835,826)	 -	 (64,835,826)
 -	3,670,802	3,670,802
 -	4,453,752	4,453,752
 <u>-</u>	<u>8,124,554</u>	<u>8,124,554</u>
(64,835,826)	8,124,554	(56,711,272)
 67,341,676	-	67,341,676
266,690	-	266,690
 2,254,793	-	2,254,793
478,214	42,733	520,947
267,608	8,438	276,046
11,538	-	11,538
<u>959,064</u>	<u>(959,064)</u>	<u>-</u>
 <u>71,579,583</u>	 <u>(907,893)</u>	 <u>70,671,690</u>
6,743,757	7,216,661	13,960,418
 <u>125,234,636</u>	 <u>58,759,375</u>	 <u>183,994,011</u>
<u>\$ 131,978,393</u>	<u>\$ 65,976,036</u>	<u>\$ 197,954,429</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

ASSETS	<u>General</u>	<u>School Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 40,240,437	\$ 19,612,168	\$ 20,372,183	\$ 80,224,788
Investments	-	-	5,600,420	5,600,420
Receivables:				
Property taxes	3,453,598	-	-	3,453,598
Departmental and other	583,277	-	44,493	627,770
Intergovernmental	4,761	-	1,101,046	1,105,807
Loans and interest	-	-	2,260,803	2,260,803
Due from other funds	465,403	-	5,011	470,414
Advances to other funds	6,000	-	-	6,000
Inventory	-	-	17,033	17,033
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>44,753,476</u>	\$ <u>19,612,168</u>	\$ <u>29,400,989</u>	\$ <u>93,766,633</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 590,496	\$ 1,553,052	\$ 467,373	\$ 2,610,921
Accrued liabilities	732,170	-	21,420	753,590
Retainage payable	-	1,185,340	382,276	1,567,616
Deferred revenues	1,920,514	-	2,278,238	4,198,752
Tax refunds liability	1,066,128	-	-	1,066,128
Due to other funds	-	-	465,894	465,894
Advances from other funds	-	-	6,000	6,000
Other liabilities	1,356,814	-	-	1,356,814
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	5,666,122	2,738,392	3,621,201	12,025,715
Fund Balances:				
Nonspendable	6,000	-	1,610,387	1,616,387
Restricted	-	16,873,776	20,437,770	37,311,546
Committed	22,631,684	-	3,731,631	26,363,315
Assigned	5,978,717	-	-	5,978,717
Unassigned	10,470,953	-	-	10,470,953
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>39,087,354</u>	<u>16,873,776</u>	<u>25,779,788</u>	<u>81,740,918</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>44,753,476</u>	\$ <u>19,612,168</u>	\$ <u>29,400,989</u>	\$ <u>93,766,633</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, 2012

Total governmental fund balances	\$ 81,740,918
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	147,027,566
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	4,198,752
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(540,012)
• 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>(100,448,831)</u>
Net assets of governmental activities	<u><u>\$ 131,978,393</u></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, 2012

	<u>General</u>	<u>School Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 67,203,467	\$ -	\$ -	\$ 67,203,467
Licenses and permits	4,517,610	-	-	4,517,610
Intergovernmental	3,033,717	-	7,237,248	10,270,965
Charges for services	9,861,836	-	3,447,652	13,309,488
Investment income	315,530	-	162,683	478,213
Interest on taxes	266,690	-	-	266,690
Fines and costs	836,099	-	12,144	848,243
Contributions	-	-	217,658	217,658
Other	290,563	-	165,719	456,282
Total Revenues	<u>86,325,512</u>	<u>-</u>	<u>11,243,104</u>	<u>97,568,616</u>
Expenditures:				
Current:				
General government	6,803,685	-	81,148	6,884,833
Public safety	15,400,802	-	744,270	16,145,072
Education	37,878,642	-	5,547,678	43,426,320
Public works	5,721,925	-	1,895,839	7,617,764
Health and human services	607,995	-	-	607,995
Culture and recreation	2,242,763	-	1,025,469	3,268,232
Community development	-	-	1,649,106	1,649,106
Debt service:				
Principal	6,327,905	-	-	6,327,905
Interest	3,264,915	-	-	3,264,915
Capital outlay	549,683	14,255,290	6,909,955	21,714,928
Intergovernmental	4,181,246	-	-	4,181,246
Total Expenditures	<u>82,979,561</u>	<u>14,255,290</u>	<u>17,853,465</u>	<u>115,088,316</u>
Excess (deficiency) of revenues over (under) expenditures	3,345,951	(14,255,290)	(6,610,361)	(17,519,700)
Other Financing Sources (Uses):				
Bond premium	4,369,900	-	-	4,369,900
Issuance of bonds	-	22,500,000	6,900,000	29,400,000
Issuance of refunding bonds	17,325,000	-	-	17,325,000
Transfers in	963,200	-	2,901,732	3,864,932
Payment to refunded bonds escrow agent	(19,622,983)	-	-	(19,622,983)
Transfers out	(2,905,868)	-	-	(2,905,868)
Total Other Financing Sources (Uses)	<u>129,249</u>	<u>22,500,000</u>	<u>9,801,732</u>	<u>32,430,981</u>
Net change in fund balances	3,475,200	8,244,710	3,191,371	14,911,281
Fund Balances, at Beginning of Year	<u>35,612,154</u>	<u>8,629,066</u>	<u>22,588,417</u>	<u>66,829,637</u>
Fund Balances, at End of Year	<u>\$ 39,087,354</u>	<u>\$ 16,873,776</u>	<u>\$ 25,779,788</u>	<u>\$ 81,740,918</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, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 14,911,281

- 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:

Capital outlay purchases	22,699,365
Depreciation	(5,235,633)
Effect on gain on disposal of capital assets	(102,236)

- 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.

(8,879)

- 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:

Issuance of long-term debt, including premium	(51,094,900)
Repayments of debt	6,327,905
Defeasance of debt refunding	19,000,000
Bond premium amortization	78,832

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

106,848

- 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.

Compensated absences	647,048
Net OPEB obligation	<u>(585,874)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 6,743,757

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and other sources:				
Taxes	\$ 67,213,153	\$ 67,213,153	\$ 67,282,690	\$ 69,537
Licenses and permits	4,017,000	4,017,000	4,517,610	500,610
Intergovernmental	8,031,553	8,031,553	8,163,248	131,695
Charges for services	3,650,739	3,650,739	4,520,000	869,261
Investment income	330,000	330,000	315,530	(14,470)
Interest and penalties	220,000	220,000	266,690	46,690
Fines and costs	881,754	881,754	836,099	(45,655)
Other revenues	180,081	180,081	290,563	110,482
Other financing sources	<u>1,932,564</u>	<u>4,810,538</u>	<u>4,814,674</u>	<u>4,136</u>
Total Revenues and Other Sources	86,456,844	89,334,818	91,007,104	1,672,286
Expenditures and other uses:				
Current:				
General government	5,077,968	5,108,531	4,992,852	115,679
Other general government	2,003,786	1,548,936	1,103,303	445,633
Public works	5,583,947	5,598,047	5,476,299	121,748
Community services	2,725,924	2,730,329	2,706,421	23,908
Regulatory services	940,901	941,589	918,134	23,455
Emergency management	10,000	10,000	4,443	5,557
Police department	8,438,675	8,589,781	8,551,041	38,740
Fire department	6,722,490	6,973,895	6,967,496	6,399
School department	36,904,000	37,206,584	37,205,022	1,562
Non-operating	<u>18,049,153</u>	<u>20,627,126</u>	<u>19,492,526</u>	<u>1,134,600</u>
Total Expenditures and Other Uses	<u>86,456,844</u>	<u>89,334,818</u>	<u>87,417,537</u>	<u>1,917,281</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,589,567</u>	\$ <u>3,589,567</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 7,458,073	\$ 20,116,161	\$ 27,574,234
Receivables, net of allowance for uncollectibles:			
User fees	2,403,840	2,173,782	4,577,622
Departmental and other	44,147	397,695	441,842
Intergovernmental	163,049	290,484	453,533
Inventory	<u>108,091</u>	<u>22,381</u>	<u>130,472</u>
Total current assets	10,177,200	23,000,503	33,177,703
Noncurrent:			
Departmental and other receivables, net of current portion	544,322	2,249,220	2,793,542
Capital assets:			
Land and construction in progress	1,571,142	10,852,247	12,423,389
Capital assets, net of accumulated depreciation	<u>45,058,756</u>	<u>43,297,376</u>	<u>88,356,132</u>
Total noncurrent assets	<u>47,174,220</u>	<u>56,398,843</u>	<u>103,573,063</u>
TOTAL ASSETS	57,351,420	79,399,346	136,750,766
<u>LIABILITIES</u>			
Current:			
Accounts payable	396,390	1,096,289	1,492,679
Accrued liabilities	399,662	547,314	946,976
Retainage payable	396,799	352,115	748,914
Due to other funds	-	4,519	4,519
Notes payable	4,928,761	6,622,081	11,550,842
Other current liabilities	290,096	187,123	477,219
Current portion of long-term liabilities:			
Bonds payable	1,351,117	2,454,778	3,805,895
Other liabilities	<u>29,512</u>	<u>24,262</u>	<u>53,774</u>
Total current liabilities	7,792,337	11,288,481	19,080,818
Noncurrent:			
Bonds payable, net of current portion	18,789,597	32,131,691	50,921,288
Net OPEB obligation	90,592	63,626	154,218
Other liabilities	<u>339,389</u>	<u>279,017</u>	<u>618,406</u>
Total noncurrent liabilities	<u>19,219,578</u>	<u>32,474,334</u>	<u>51,693,912</u>
TOTAL LIABILITIES	27,011,915	43,762,815	70,774,730
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	21,794,732	20,914,654	42,709,386
Restricted for debt service	-	1,300,383	1,300,383
Unrestricted	<u>8,544,773</u>	<u>13,421,494</u>	<u>21,966,267</u>
TOTAL NET ASSETS	<u>\$ 30,339,505</u>	<u>\$ 35,636,531</u>	<u>\$ 65,976,036</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 8,321,997	\$ 10,099,966	\$ 18,421,963
Licenses and permits	465,232	177,445	642,677
Departmental revenue	268,109	145,502	413,611
Other income	<u>2,610</u>	<u>-</u>	<u>2,610</u>
Total Operating Revenues	9,057,948	10,422,913	19,480,861
Operating Expenses:			
Personnel services	1,872,475	1,972,116	3,844,591
Non-personnel services	1,500,412	3,124,046	4,624,458
Depreciation	<u>1,198,958</u>	<u>1,413,273</u>	<u>2,612,231</u>
Total Operating Expenses	<u>4,571,845</u>	<u>6,509,435</u>	<u>11,081,280</u>
Operating Income	4,486,103	3,913,478	8,399,581
Nonoperating Revenues (Expenses):			
Investment income	35,345	7,388	42,733
Other revenues	8,438	-	8,438
Interest expense	<u>(847,244)</u>	<u>(1,070,304)</u>	<u>(1,917,548)</u>
Total Nonoperating Revenues (Expenses)	<u>(803,461)</u>	<u>(1,062,916)</u>	<u>(1,866,377)</u>
Income Before Contributions and Transfers	3,682,642	2,850,562	6,533,204
Capital contributions	31,943	1,610,578	1,642,521
Transfers to other funds	<u>(486,786)</u>	<u>(472,278)</u>	<u>(959,064)</u>
Change in Net Assets	3,227,799	3,988,862	7,216,661
Net Assets at Beginning of Year	<u>27,111,706</u>	<u>31,647,669</u>	<u>58,759,375</u>
Net Assets at End of Year	<u>\$ 30,339,505</u>	<u>\$ 35,636,531</u>	<u>\$ 65,976,036</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 8,579,741	\$ 9,820,430	\$ 18,400,171
Payments to employees for salaries and related benefits	(1,817,039)	(1,928,423)	(3,745,462)
Payments to suppliers for goods and services	(2,278,265)	(2,948,036)	(5,226,301)
Receipts for interfund services	-	4,519	4,519
Net Cash Provided By Operating Activities	4,484,437	4,948,490	9,432,927
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers to other funds	(486,786)	(472,278)	(959,064)
Net Cash (Used For) Noncapital Financing Activities	(486,786)	(472,278)	(959,064)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(1,398,517)	(5,231,493)	(6,630,010)
Principal payments on bonds	(1,322,463)	(2,812,596)	(4,135,059)
Proceeds from bonds and loans, including premium	856,076	14,697,532	15,553,608
Proceeds from sale of capital assets	8,437	-	8,437
Proceeds from state grant (aid)	31,943	1,176,098	1,208,041
Capital contributions	20,532	714,429	734,961
Interest expense	(874,867)	(1,005,378)	(1,880,245)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(2,678,859)	7,538,592	4,859,733
<u>Cash Flows From Investing Activities:</u>			
Investment income	3,947	7,388	11,335
Net Cash Provided by Investing Activities	3,947	7,388	11,335
Net Change in Cash and Short-Term Investments	1,322,739	12,022,192	13,344,931
Cash and Short-Term Investments, Beginning of Year	6,135,334	8,093,969	14,229,303
Cash and Short-Term Investments, End of Year	\$ 7,458,073	\$ 20,116,161	\$ 27,574,234
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating income	\$ 4,486,103	\$ 3,913,478	\$ 8,399,581
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,198,958	1,413,273	2,612,231
Changes in assets and liabilities:			
User fees	(635,017)	(784,050)	(1,419,067)
Inventory	11,972	(1,150)	10,822
Accounts payable	(216,213)	243,152	26,939
Accrued liabilities	8,687	11,266	19,953
Retainage payable	(573,612)	(65,992)	(639,604)
Net OPEB obligation	23,320	11,791	35,111
Compensated absences	23,429	20,636	44,065
Due to other funds	-	4,519	4,519
Other liabilities	156,810	181,567	338,377
Net Cash Provided By Operating Activities	\$ 4,484,437	\$ 4,948,490	\$ 9,432,927

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 674,601	\$ 376,921
Investments	4,806,958	-
Interest receivable	<u>80</u>	<u>-</u>
Total Assets	5,481,639	376,921
<u>LIABILITIES</u>		
Accounts payable	-	
Other liabilities	<u>-</u>	<u>376,921</u>
Total Liabilities	<u>-</u>	<u>376,921</u>
<u>NET ASSETS</u>		
Total net assets held in trust	\$ <u><u>5,481,639</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, 2012

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment income (loss)	\$ 117,711
Contributions	<u>356,389</u>
Total additions	474,100
Deductions:	
Payments to beneficiaries	<u>247,464</u>
Total deductions	<u>247,464</u>
Net decrease	226,636
Net assets:	
Beginning of year	<u>5,255,003</u>
End of year	<u>\$ 5,481,639</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 2012, 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 \$7,751,694 for future health insurance cost

increases, \$1,148,186 towards funding the liability for employees' compensated absences, \$2,296,759 for future tax appraisal issues, \$689,980 for future state property tax, \$619,645 for Coakley Landfill, and \$10,125,420 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 August, 1997 (revised for GASB 54 terminology in fiscal year 2012), the City Council adopted ordinances Chapter I, Sections 1:1401 and 1:1402 that mandates the City's Unassigned Fund Balance be maintained at not less than 7% of the current year general fund appropriation with an objective of maintaining Unassigned Fund Balance greater than 10% of appropriations.

Specific City Council ordinances are as follows:

Section 1:1401 - Mandated Fund Balance

The General Fund Balance of the City, at the end of any fiscal year as recorded in accordance with generally accepted accounting principles (GAAP) and excluding any and all reserves, and any dedicated fund balances of the General Fund (otherwise referred to as Unassigned 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 Unassigned 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 Charter established that the legal level of control is at the department level. Recently, however, the City Council has annually passed a resolution authorizing the City Manager to transfer any unencumbered appropriation balance or any portion thereof from one department to another. 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)	\$ 86,325,512	\$ 82,979,561	\$ 3,345,951
Other financing sources/uses (GAAP Basis)	<u>22,658,100</u>	<u>22,528,851</u>	<u>129,249</u>
Subtotal (GAAP Basis)	108,983,612	105,508,412	3,475,200
Recognize tax revenue on an accrual basis	(625,877)	-	(625,877)
Reverse expenditures of prior year appropriation carryforwards	-	(1,229,918)	1,229,918
Reclassify use of overlay	705,100	705,100	-
Use of fund balance	1,873,500	-	1,873,500
Add end-of-year appropriation carryforwards	-	2,101,395	(2,101,395)
To remove effect of refunding	(19,716,926)	(19,716,926)	-
Other reconciling items	<u>(212,305)</u>	<u>49,474</u>	<u>(261,779)</u>
Budgetary Basis	<u>\$ 91,007,104</u>	<u>\$ 87,417,537</u>	<u>\$ 3,589,567</u>

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

3. Cash and Investments

A. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e. g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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, 2012, \$1,444,422 of the City's bank balance of \$110,950,733 was exposed to custodial credit risk as uninsured or uncollateralized. The uninsured amount includes \$787,064 invested in state pool, and \$646,378 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, 2012, 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	\$ 2,289,461	3.24	A2
Other Investments:			
Equity Mutual Funds	8,114,368		
Equity Investments	<u>3,548</u>		
Total	<u>\$ 10,407,377</u>		

The City's investments of \$10,407,377 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, 2011 and June 1, 2012. Taxes unpaid by December 2, 2011 and June 2, 2012 accrued interest at 12% until August 28, 2012. A tax lien was recorded on all properties with taxes unpaid as of August 30, 2012,

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, 2012 are comprised of (amounts expressed in thousands):

Property Taxes:	
2011	\$ 2,544
2007	10
2003	36
Unredeemed Taxes:	
2010	540
2009	205
2008	47
2007	20
Other	6
Supplemental Right of Way	25
Elderly Liens and Deferred	
Taxes, net of allowances	<u>21</u>
Total	<u>\$ 3,454</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, 2012 consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Gross	\$ 2,495,407	\$ 2,215,673	\$ 4,711,080
Less: Allowance for doubtful accounts	<u>(91,567)</u>	<u>(41,891)</u>	<u>(133,458)</u>
Total	<u>\$ 2,403,840</u>	<u>\$ 2,173,782</u>	<u>\$ 4,577,622</u>

6. Departmental and Other Receivables

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

	<u>Ambulance</u>	Police <u>Detail</u>	<u>Other</u>	<u>Total</u>
Gross	\$ 802,216	\$ 122,322	\$ 247,573	\$ 1,172,111
Less: Allowance for doubtful accounts	<u>(534,415)</u>	<u>(9,926)</u>	-	<u>(544,341)</u>
Total	<u>\$ 267,801</u>	<u>\$ 112,396</u>	<u>\$ 247,573</u>	<u>\$ 627,770</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, 2012 include the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Unrestricted contributions receivable	\$ 588,469	\$ 1,346,532	\$ 1,935,001
Contributions restricted for bonds payable	<u>-</u>	<u>1,300,383</u>	<u>1,300,383</u>
Total	<u>\$ 588,469</u>	<u>\$ 2,646,915</u>	<u>\$ 3,235,384</u>

Contributions receivable at June 30, 2012 are due as follows:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Less than one year	\$ 44,147	\$ 397,695	\$ 441,842
One to five years	229,322	1,728,830	1,958,152
More than five years	<u>315,000</u>	<u>520,390</u>	<u>835,390</u>
Total	<u>\$ 588,469</u>	<u>\$ 2,646,915</u>	<u>\$ 3,235,384</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

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, 2012 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:				
General fund	\$ 465,403	\$ -	\$ 6,000	\$ -
Nonmajor Funds:				
Special Revenue Funds:				
School lunch	1,169	-	-	-
School categorical revenues	-	311,036	-	-
Police grants	-	91,773	-	-
Parking and transportation	-	61,775	-	-
Recreation	-	1,311	-	-
Swimming pool	3,842	-	-	-
City trust funds	-	-	-	6,000
Business-Type Funds:				
Sewer fund	-	4,519	-	-
Total	<u>\$ 470,414</u>	<u>\$ 470,414</u>	<u>\$ 6,000</u>	<u>\$ 6,000</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 2012:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 963,200	\$ 2,905,868
Nonmajor Funds:		
Special Revenue Funds:		
Miscellaneous grants and contributions	220,217	-
Conservation	593	-
Swimming pool	150,000	-
Library trust funds	8,976	-
City trust funds	-	8,976
Capital Project Funds:		
Building and infrastructure	1,200,000	-
State Transportation	955,512	-
Vehicle/equipment replacement	30,000	-
Technology equipment	345,410	-
Subtotal Nonmajor Funds	2,910,708	8,976
<u>Business-Type Funds:</u>		
Water Fund	-	486,786
Sewer Fund	-	472,278
Total	-	959,064
Grand Total	\$ <u>3,873,908</u>	\$ <u>3,873,908</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, 2012 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	\$ 98,107	\$ 316	\$ -	\$ 98,423
Improvements	5,304	-	-	5,304
Machinery and equipment	16,794	1,416	(681)	17,529
Infrastructure	<u>55,187</u>	<u>5,332</u>	<u>(4,854)</u>	<u>55,665</u>
Total capital assets, being depreciated	175,392	7,064	(5,535)	176,921
Less accumulated depreciation for:				
Buildings	(30,252)	(1,959)	-	(32,211)
Improvements	(4,095)	(157)	-	(4,252)
Machinery and equipment	(13,260)	(1,140)	678	(13,722)
Infrastructure	<u>(22,077)</u>	<u>(1,880)</u>	<u>4,754</u>	<u>(19,203)</u>
Total accumulated depreciation	<u>(69,684)</u>	<u>(5,136)</u>	<u>5,432</u>	<u>(69,388)</u>
Total capital assets, being depreciated, net	105,708	1,928	(103)	107,533
Capital assets, not being depreciated:				
Land	15,424	199	-	15,623
Construction in progress	<u>8,534</u>	<u>16,435</u>	<u>(1,098)</u>	<u>23,871</u>
Total capital assets, not being depreciated	<u>23,958</u>	<u>16,634</u>	<u>(1,098)</u>	<u>39,494</u>
Governmental activities capital assets, net	<u>\$ 129,666</u>	<u>\$ 18,562</u>	<u>\$ (1,201)</u>	<u>\$ 147,027</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	\$ 7,663	\$ -	\$ 35,270
Machinery and equipment	21,118	9,265	(99)	30,284
Infrastructure	<u>53,609</u>	<u>7,808</u>	<u>(16)</u>	<u>61,401</u>
Total capital assets, being depreciated	102,334	24,736	(115)	126,955
Less accumulated depreciation for:				
Buildings	(11,527)	(564)	-	(12,091)
Machinery and equipment	(12,533)	(1,157)	99	(13,591)
Infrastructure	<u>(12,042)</u>	<u>(891)</u>	<u>16</u>	<u>(12,917)</u>
Total accumulated depreciation	<u>(36,102)</u>	<u>(2,612)</u>	<u>115</u>	<u>(38,599)</u>
Total capital assets, being depreciated, net	66,232	22,124	-	88,356
Capital assets, not being depreciated:				
Land	1,930	-	-	1,930
Construction in progress	<u>28,600</u>	<u>8,491</u>	<u>(26,597)</u>	<u>10,494</u>
Total capital assets, not being depreciated	<u>30,530</u>	<u>8,491</u>	<u>(26,597)</u>	<u>12,424</u>
Business-type activities capital assets, net	<u>\$ 96,762</u>	<u>\$ 30,615</u>	<u>\$ (26,597)</u>	<u>\$ 100,780</u>

Active construction in progress is composed of the following:

<u>Governmental Projects:</u>	<u>Spent to June 30, 2012</u>	<u>Remaining Commitment</u>
Middle School Renovation	\$ 18,302,930	\$ 14,300,437
Wentworth Field	2,341,102	-
Youth Recreation Center	1,177,982	745,142
Sagamore Bridge Replacement	710,648	214,139
School Offices-Seybolt	446,144	58,137
Middle Rd Sidewalk	258,381	72,566
African Burial Ground	139,338	613
Street Paving	117,022	597,455
Scott Avenue Bridge	79,077	-
Boiler	73,763	137,870
Market St/I-95 Interchange	55,354	-
Little Harbour School Upgrades	43,019	-
Plains Park	39,640	17,400
School Building Imp	34,282	564,641
Atlantic Heights Emergency Access Route	14,193	-
City Facility	11,000	3,730
Islington/Spinney Interesection	9,884	-
Central Fire Station	9,860	13,600
Woodbury Turning Lane	6,880	-
Total Governmental Projects	<u>\$ 23,870,499</u>	<u>\$ 16,725,730</u>

<u>Business-Type Projects</u>	<u>Spent to June 30, 2012</u>	<u>Remaining Commitment</u>
Contract #3,4,5 Sewer	\$ 5,119,472	\$ 316,291
201 Facilities Plan	1,714,430	18,977
PIWWTP Prel Design and Pilot Prgm	1,268,072	123,929
Linc Contract #3,4,5; waterline	882,929	148,760
Parrott Ave Sewerline replacement	634,906	61,998
Contract #3,4,5 Sewer	348,103	117,415
PIWWTP Outfall	206,850	152,197
Spaulding Turnpike, Sullivan Bridge		
DOT #11238 & 11238-M	65,253	335,660
Cass St Sewer Separation	49,263	426,237
Goosebay Drive Sewer Upgrades	35,564	2,436
Compliance Monitoring	33,974	39,252
Linc Area #3B Sewer Separation	31,302	4,568,265
PIWWTP Prel Design and Pilot Prgm	31,050	23,331
Water Storage Tank Assessment	25,665	73,335

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<u>Business-Type Projects</u>	<u>Spent to June 30, 2012</u>	<u>Remaining Commitment</u>
DOT Rte 1 By-Pass Flyover Utility Relocation #13455-A - Water	16,692	6,308
DOT Rte 1 By-Pass Flyover Utility Relocation #13455-A - Sewer	16,692	6,308
Sagamore Ave South Sewer Ext	11,565	9,375
Middle & Islington Bridges DOT Project No: 13455 & 13455-B - Water	1,004	22,746
Middle & Islington Bridges DOT Project No: 13455 & 13455-B - Sewer	1,004	22,746
Total Business-Type Projects	<u>\$ 10,493,790</u>	<u>\$ 6,475,566</u>

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

Governmental Activities:	
General government	\$ 370
Public safety	580
Education	1,066
Public works	2,457
Culture and recreation	488
Community development	175
Total depreciation expense - governmental activities	<u>\$ 5,136</u>
Business-Type Activities:	
Water	\$ 1,199
Sewer	1,413
Total depreciation expense - business-type activities	<u>\$ 2,612</u>

10. Accounts Payable

Accounts payable represent additional 2012 expenditures paid after June 30, 2012.

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, 2012 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, 2012 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, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance
Bartlett Interceptors Study	\$ 5,267,304	\$ 5,276	\$ (5,272,580)	\$ -
Lincoln Area Contract #3	2,309,899	2,809,573	-	5,119,472
State Street Utilities Upgrades, Design	1,500,851	1,758	-	1,502,609
Madbury Water Treatment Plant	4,431,051	497,710	-	4,928,761
	<u>\$ 13,509,105</u>	<u>\$ 3,314,317</u>	<u>\$ (5,272,580)</u>	<u>\$ 11,550,842</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 and the City's Net OPEB Obligation are repaid from the funds that the costs relate to, mostly general, 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:

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/12
<u>Governmental Activities:</u>				
Coakley Landfill	\$ 3,605,774	08/01/18	3.80	\$ 1,262,022
Coakley Landfill OU2	652,330	07/01/19	3.80	260,930
Capital Improvements 2003	3,990,000	09/15/12	2.50 - 3.50	390,000
School Projects	38,000,000	09/15/22	2.50 - 5.00	1,900,000
Capital Improvements 2002	3,750,000	09/15/12	2.50 - 3.50	375,000
Athletic Complex Spinnaker	500,000	09/15/12	2.50 - 3.50	50,000
Capital Improvements	400,000	09/15/12	2.50 - 3.50	40,000
Library	6,960,000	08/01/25	4.00	4,860,000
Capital Improvements 2005	2,945,000	08/01/15	4.00	1,175,000
Capital Improvements 2006	950,000	06/15/17	4.00	475,000
Capital Improvements Streets Sidewalks 2007	3,450,000	06/15/17	4.00	1,725,000
Capital Improvements to Facilities 2007	1,000,000	06/15/17	4.00	500,000
New Castle Ave. Seawall	600,000	06/15/17	4.00	300,000
FY08 Streets, Sidewalks, Bridges	2,500,000	06/15/18	3.71	1,500,000
FY08 School Improvements	500,000	06/15/18	3.71	300,000
Fire Station 2	3,650,000	06/15/28	3.98	2,910,000
Purchase of Land for Fire Station 2	1,300,000	06/15/28	3.98	1,040,000
Fire Apparatus	750,000	06/15/13	3.49	150,000
Capital Improvements 2009 Fire Station 2	1,500,000	01/15/29	3.76	1,275,000

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	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/12
<u>Governmental Activities:</u>				
Capital Improvements 2009	3,500,000	01/15/19	3.76	2,450,000
Capital Improvements 2010	1,800,000	05/15/20	3.27	1,440,000
School Improvements 2010	500,000	05/15/20	3.27	400,000
Middle School Construction	15,000,000	05/15/30	3.27	13,500,000
Middle School Construction	22,500,000	12/01/31	2.68	22,500,000
FY11 Capital Improvements	6,400,000	12/01/21	2.68	6,400,000
Fire Apparatus	500,000	12/01/16	2.68	500,000
Refunding High School	17,325,000	09/15/22	1.40	17,325,000
Total Governmental Activities				<u>\$ 85,002,952</u>

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/12
<u>Business-Type Activities:</u>				
<u>Water:</u>				
Upgrade to Motor Control	\$ 300,000	01/01/22	3.98	\$ 150,000
Corrosion Control Program	288,000	01/01/22	3.80	144,000
Constitution Avenue	4,800,000	01/01/22	3.70	2,640,000
Spinney Tank	1,162,560	12/01/22	3.73	639,408
Madbury WTP Design	2,000,000	06/01/28	2.49	1,600,000
Water Treatment Plant	16,000,000	01/15/29	3.94	14,310,000
Water-Raw Water Mgmt	257,697	01/01/29	.895	123,511
<u>Sewer:</u>				
Waste Water Treatment Plant Pease	6,586,836	03/01/20	4.46	2,571,605
Sewer Projects Phase I	4,931,361	08/01/21	3.98	2,465,680
Sewer Projects Phase II	8,898,110	12/01/24	3.69	5,783,771
Lower Court Utilities Upgrade	688,563	07/01/27	3.49	550,851
Lincoln Area Stormwater	734,199	12/01/12	1.09	146,840
Phase III Sewer	5,508,137	12/01/27	3.49	4,406,509
Sewer-Rye Line Pump Station	1,069,714	11/01/29	2.95	962,744
Sewer-201 Facility Study	1,000,000	01/01/30	2.95	900,000
Bartlett Street	5,290,233	01/01/31	3.10	5,025,720
Sewer PIWWTP	3,000,000	01/01/31	2.68	3,000,000
Sewer LLTP - Plant	8,000,000	09/15/12	2.31	8,000,000
Total Business-Type Activities				<u>\$ 53,420,639</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 8,257,905	\$ 3,012,101	\$ 11,270,006
2014	7,112,905	2,887,694	10,000,600
2015	7,072,905	2,647,729	9,720,634
2016	7,042,905	2,368,339	9,411,244
2017	6,727,905	2,070,323	8,798,228
2018-2022	26,513,426	6,818,665	33,332,091
2023-2027	14,005,000	2,781,638	16,786,638
2028-2032	8,270,000	734,584	9,004,584
Total	<u>\$ 85,002,952</u>	<u>\$ 23,321,073</u>	<u>\$ 108,324,025</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,707,313	\$ 1,945,452	\$ 5,652,765
2014	3,556,085	1,855,539	5,411,624
2015	3,546,805	1,717,247	5,264,052
2016	3,513,285	1,573,625	5,086,910
2017	3,513,285	1,429,554	4,942,839
2018-2022	16,903,520	5,073,340	21,976,860
2023-2027	12,472,006	2,278,769	14,750,775
2028-2032	6,208,340	434,360	6,642,700
Total	<u>\$ 53,420,639</u>	<u>\$ 16,307,886</u>	<u>\$ 69,728,525</u>

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2012 are as follows:

<u>Purpose</u>	<u>Amount</u>
Coakley Landfill	\$ 4,641,897
State St. Utilities upgrade	2,200,000
Sewer Phase III	9,062,685
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
Sewer Long Term Control Plan	<u>4,500,000</u>
Total Bond Authorizations/unissued	<u>\$ 39,010,499</u>

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/11</u>	<u>Additions</u>	<u>Refunding</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Governmental Activities</u>							
Bonds payable	\$ 63,606	\$ 46,725	\$ (19,000)	\$ (6,328)	\$ 85,003	\$ (8,258)	\$ 76,745
Unamortized premium	<u>1,083</u>	<u>4,370</u>	<u>-</u>	<u>(79)</u>	<u>5,374</u>	<u>(417)</u>	<u>4,957</u>
Subtotal	64,689	51,095	(19,000)	(6,407)	90,377	(8,675)	81,702
Net OPEB obligation	1,453	586	-	-	2,039	-	2,039
Other:							
Landfill closure	1,440	-	-	-	1,440	-	1,440
Accrued employee benefits	<u>7,241</u>	<u>357</u>	<u>-</u>	<u>(1,004)</u>	<u>6,594</u>	<u>(791)</u>	<u>5,803</u>
Subtotal	<u>8,681</u>	<u>357</u>	<u>-</u>	<u>(1,004)</u>	<u>8,034</u>	<u>(791)</u>	<u>7,243</u>
Totals	<u>\$ 74,823</u>	<u>\$ 52,038</u>	<u>\$ (19,000)</u>	<u>\$ (7,411)</u>	<u>\$ 100,450</u>	<u>\$ (9,466)</u>	<u>\$ 90,984</u>
	Balance <u>7/1/11</u>	<u>Additions</u>	<u>Refunding</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Business-Type Activities</u>							
Bonds payable	\$ 41,265	\$ 16,290	\$ -	\$ (4,135)	\$ 53,420	\$ (3,707)	\$ 49,713
Unamortized premium	<u>566</u>	<u>772</u>	<u>-</u>	<u>(31)</u>	<u>1,307</u>	<u>(99)</u>	<u>1,208</u>
Subtotal	41,831	17,062	-	(4,166)	54,727	(3,806)	50,921
Net OPEB obligation	119	35	-	-	154	-	154
Accrued employee benefits	<u>628</u>	<u>66</u>	<u>-</u>	<u>(22)</u>	<u>672</u>	<u>(54)</u>	<u>618</u>
Totals	<u>\$ 42,578</u>	<u>\$ 17,163</u>	<u>\$ -</u>	<u>\$ (4,188)</u>	<u>\$ 55,553</u>	<u>\$ (3,860)</u>	<u>\$ 51,693</u>

F. Advance and Current Refunding

On May 17, 2012 the City issued general obligation bonds in the amount of \$25,325,000 with a variable interest rate ranging from 2.0% to 4.0%, of which \$17,325,000 was used to advance refund \$19,000,000 of term bonds with an interest rate of 2.5% to 5.0%. The term bonds mature on September 15, 2022 and are callable on September 15, 2012. Including a net premium of \$3,056,787, and after paying issuance costs of \$93,943, the total net proceeds were \$28,287,844. The net proceeds included \$8,664,861 for new debt and \$19,622,983 to fund the refunding escrow. Out of the total proceeds, \$19,622,983 (including premium of \$2,391,926 after discount, net of \$93,943 issuance cost) was used to purchase SLGS (State and Local Government Series) securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on September 15, 2012.

The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statements.

As a result of the advance refunding, the City reduced its total debt service cash flow requirements by \$2,641,319, which resulted in an economic gain (net present value benefit, which is the difference between the present value of the debt service payments on the old and new debt) of \$2,642,545.

Defeased debt still outstanding at June 30, 2012 is \$19,000,000, which was subsequently called on September 15, 2012 with one percent premium to call of \$190,000 and interest to call of \$432,983 and is no longer an obligation of the escrow agency.

17. Restricted Net Assets

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

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

18. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for advances and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes unexpended balances of bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes appropriations approved by the City Council. Subsequent City Council meeting is necessary to modify or rescind a fund balance commitment.

Assigned - Represents amounts that are constrained by the City for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The City's policy permits the City Manager to approve assignments established by departments.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2012:

	General Fund	School Renovations Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Advances to other funds	\$ 6,000	\$ -	\$ -	\$ 6,000
Inventory	-	-	17,033	17,033
Nonexpendable permanent funds	-	-	1,593,354	1,593,354
Total Nonspendable	6,000	-	1,610,387	1,616,387
Restricted				
Bonded projects	-	16,873,776	5,142,466	22,016,242
Special revenue funds	-	-	11,135,200	11,135,200
Expendable permanent funds	-	-	4,160,104	4,160,104
Total Restricted	-	16,873,776	20,437,770	37,311,546
Committed				
Debt service	10,125,420	-	-	10,125,420
Health insurance	7,751,695	-	-	7,751,695
Tax appraisal	2,296,759	-	-	2,296,759
Compensated absences	1,148,186	-	-	1,148,186
State property tax	689,980	-	-	689,980
Coakley landfill	619,645	-	-	619,645
Capital project funds	-	-	3,731,631	3,731,631
Total Committed	22,631,685	-	3,731,631	26,363,316
Assigned				
Encumbered for:				
General government	288,288	-	-	288,288
Police	64,770	-	-	64,770
Fire	7,948	-	-	7,948
Education	141,156	-	-	141,156
Other operating	103,931	-	-	103,931
Capital	3,616,352	-	-	3,616,352
Other non-operating	1,756,272	-	-	1,756,272
Total Assigned	5,978,717	-	-	5,978,717
Unassigned	10,470,953	-	-	10,470,953
Total Unassigned	10,470,953	-	-	10,470,953
Total Fund Balance	\$ 39,087,355	\$ 16,873,776	\$ 25,779,788	\$ 81,740,919

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 7% and 11.8% 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 8.8% - 22.89% of covered compensation. The City's required annual contributions to the System for the years ended June 30 were made as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
City	\$ 2,793,387	\$ 2,495,454	\$ 2,284,896
School	<u>2,450,753</u>	<u>1,831,038</u>	<u>1,723,685</u>
Total	<u>\$ 5,244,140</u>	<u>\$ 4,326,492</u>	<u>\$ 4,008,581</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 contributions 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 2012 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, 2012, 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>1,571,921</u>
Net OPEB obligation - end of year	<u><u>\$ 2,192,906</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>
2012	\$ 1,493,990	58.4%	\$ 2,192,906
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>\$ 37,748,418</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 an inflation 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.

23. Implementation of New GASB Standards

The Governmental Accounting Standards Board (GASB) has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the actuarially accrued liability. The City is a New Hampshire Retirement System (NHRS) participating employer, and will have to report a proportional share of the retirement system's unfunded liability on their financial statements. GASB 68 revises and establishes new financial reporting requirements for employers participating in cost-sharing, multi-employer plans such as NHRS. The new GASB standards will change the way pension plans report financial information for accounting purposes, but do not require pension plans to change their funding policies, which are typically defined by statute.

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

**June 30, 2012
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
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.

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, 2012

	Special Revenue Funds			
	<u>Community Development</u>	<u>School Lunch</u>	<u>School Categorical Revenues</u>	<u>Miscellaneous Grants and Contributions</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 3,155,891	\$ 54,198	\$ -	\$ 2,993,352
Investments	-	-	-	-
Departmental and other receivables	-	15,610	20,325	8,477
Intergovernmental receivables	8,338	-	713,011	22,835
Loans and interest receivable	1,171,770	-	-	38,329
Due from other fundss	-	1,169	-	-
Inventory	-	17,033	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 4,335,999</u>	<u>\$ 88,010</u>	<u>\$ 733,336</u>	<u>\$ 3,062,993</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 3,858	\$ 207	\$ 257	\$ 5,451
Accrued liabilities	-	-	6,932	75
Retainage payable	-	-	-	-
Deferred revenues	1,162,020	27,828	-	38,329
Due to other funds	-	-	311,035	-
Advances from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,165,878	28,035	318,224	43,855
Fund Balances:				
Nonspendable	-	17,033	-	-
Restricted	3,170,121	42,942	415,112	3,019,138
Committed	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,170,121</u>	<u>59,975</u>	<u>415,112</u>	<u>3,019,138</u>
Total Liabilities and Fund Balances	<u>\$ 4,335,999</u>	<u>\$ 88,010</u>	<u>\$ 733,336</u>	<u>\$ 3,062,993</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>
\$ -	\$ 28,680	\$ 1,735,833	\$ 191,036	\$ 832,849	\$ 340,751
-	-	-	-	-	-
-	-	-	-	-	-
109,731	-	-	-	-	-
-	-	-	1,050,061	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 109,731</u>	<u>\$ 28,680</u>	<u>\$ 1,735,833</u>	<u>\$ 1,241,097</u>	<u>\$ 832,849</u>	<u>\$ 340,751</u>
\$ 646	\$ 380	\$ 69,161	\$ -	\$ -	\$ -
-	-	10,721	-	-	-
-	-	-	-	-	-
-	-	-	1,050,061	-	-
91,773	-	61,775	-	-	-
-	-	-	-	-	-
<u>92,419</u>	<u>380</u>	<u>141,657</u>	<u>1,050,061</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
17,312	28,300	1,594,176	191,036	832,849	340,751
-	-	-	-	-	-
<u>17,312</u>	<u>28,300</u>	<u>1,594,176</u>	<u>191,036</u>	<u>832,849</u>	<u>340,751</u>
<u>\$ 109,731</u>	<u>\$ 28,680</u>	<u>\$ 1,735,833</u>	<u>\$ 1,241,097</u>	<u>\$ 832,849</u>	<u>\$ 340,751</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	\$ 142,835	\$ 78,187	\$ 367,929	\$ 742,861	\$ 10,664,402
Investments	-	-	12,224	194,322	206,546
Departmental and other receivables	-	-	-	-	44,412
Intergovernmental receivables	-	-	-	-	853,915
Loans and interest receivable	-	-	-	643	2,260,803
Due from other fundss	-	3,842	-	-	5,011
Inventory	-	-	-	-	17,033
Total Assets	\$ <u>142,835</u>	\$ <u>82,029</u>	\$ <u>380,153</u>	\$ <u>937,826</u>	\$ <u>14,052,122</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 8,070	\$ 32,197	\$ 8,110	\$ -	\$ 128,337
Accrued liabilities	-	3,692	-	-	21,420
Retainage payable	-	-	-	-	-
Deferred revenues	-	-	-	-	2,278,238
Due to other funds	1,311	-	-	-	465,894
Advances from other funds	-	-	-	6,000	6,000
Total Liabilities	9,381	35,889	8,110	6,000	2,899,889
Fund Balances:					
Nonspendable	-	-	-	-	17,033
Restricted	133,454	46,140	372,043	931,826	11,135,200
Committed	-	-	-	-	-
Total Fund Balances	<u>133,454</u>	<u>46,140</u>	<u>372,043</u>	<u>931,826</u>	<u>11,152,233</u>
Total Liabilities and Fund Balances	\$ <u>142,835</u>	\$ <u>82,029</u>	\$ <u>380,153</u>	\$ <u>937,826</u>	\$ <u>14,052,122</u>

Capital Project Funds

<u>Building and Infrastructure</u>	<u>Transportation Management</u>	<u>Transportation State</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Technology Equipment</u>	<u>Subtotals</u>
\$ 4,081,473	\$ 2,757,758	\$ 2,172,954	\$ 248,164	\$ 87,929	\$ 9,348,278
-	-	-	-	-	-
-	-	247,131	-	-	247,131
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,081,473</u>	<u>2,757,758</u>	<u>2,420,085</u>	<u>248,164</u>	<u>87,929</u>	<u>9,595,409</u>
\$ 283,957	\$ 45,564	\$ -	\$ -	\$ 9,515	\$ 339,036
-	-	-	-	-	-
337,423	44,853	-	-	-	382,276
-	-	-	-	-	-
-	-	-	-	-	-
<u>621,380</u>	<u>90,417</u>	<u>-</u>	<u>-</u>	<u>9,515</u>	<u>721,312</u>
-	-	-	-	-	-
1,756,877	2,667,341	718,248	-	-	5,142,466
<u>1,703,216</u>	<u>-</u>	<u>1,701,837</u>	<u>248,164</u>	<u>78,414</u>	<u>3,731,631</u>
<u>3,460,093</u>	<u>2,667,341</u>	<u>2,420,085</u>	<u>248,164</u>	<u>78,414</u>	<u>8,874,097</u>
<u>\$ 4,081,473</u>	<u>\$ 2,757,758</u>	<u>\$ 2,420,085</u>	<u>\$ 248,164</u>	<u>\$ 87,929</u>	<u>\$ 9,595,409</u>

(continued)

(continued)

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	City Trust Funds	Library Trust Funds	Subtotals	
<u>ASSETS</u>				
Cash and short-term investments	\$ 359,402	\$ 101	\$ 359,503	\$ 20,372,183
Investments	5,389,790	4,084	5,393,874	5,600,420
Departmental and other receivables	81	-	81	44,493
Intergovernmental receivables	-	-	-	1,101,046
Loans and interest receivable	-	-	-	2,260,803
Due from other fundss	-	-	-	5,011
Inventory	-	-	-	17,033
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>5,749,273</u>	\$ <u>4,185</u>	\$ <u>5,753,458</u>	\$ <u>29,400,989</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 467,373
Accrued liabilities	-	-	-	21,420
Retainage payable	-	-	-	382,276
Deferred revenues	-	-	-	2,278,238
Due to other funds	-	-	-	465,894
Advances from other funds	-	-	-	6,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	-	-	-	3,621,201
Fund Balances:				
Nonspendable	1,589,354	4,000	1,593,354	1,610,387
Restricted	4,159,919	185	4,160,104	20,437,770
Committed	-	-	-	3,731,631
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>5,749,273</u>	<u>4,185</u>	<u>5,753,458</u>	<u>25,779,788</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ <u>5,749,273</u>	\$ <u>4,185</u>	\$ <u>5,753,458</u>	\$ <u>29,400,989</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, 2012

	Special Revenue Funds			
	<u>Community Development</u>	<u>School Lunch</u>	<u>School Categorical Revenues</u>	<u>Miscellaneous Grants and Contributions</u>
Revenues:				
Intergovernmental	\$ 1,058,777	\$ 367,323	\$ 4,617,313	\$ 688,758
Charges for services	-	467,251	-	-
Investment income	11,531	-	-	854
Fines and costs	-	-	-	12,144
Contributions	-	-	-	11,957
Other	<u>102,581</u>	<u>-</u>	<u>-</u>	<u>174</u>
Total Revenues	1,172,889	834,574	4,617,313	713,887
Expenditures:				
Current:				
General government	-	-	-	63,699
Public safety	-	-	-	258,825
Education	-	834,904	4,532,375	247
Public works	-	-	-	30,900
Culture and recreation	-	-	-	34,195
Community development	1,478,692	-	-	170,379
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,478,692</u>	<u>834,904</u>	<u>4,532,375</u>	<u>558,245</u>
Excess (deficiency) of revenues over (under) expenditures	(305,803)	(330)	84,938	155,642
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	-	-	220,217
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,217</u>
Net change in fund balances	(305,803)	(330)	84,938	375,859
Fund Balances, beginning of year	<u>3,475,924</u>	<u>60,305</u>	<u>330,174</u>	<u>2,643,279</u>
Fund Balances, end of year	<u>\$ 3,170,121</u>	<u>\$ 59,975</u>	<u>\$ 415,112</u>	<u>\$ 3,019,138</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>
\$ 457,474	\$ 4,031	\$ -	\$ -	\$ -	\$ -
-	-	2,379,795	-	-	-
-	21	-	446	523	-
-	-	-	-	-	-
7,647	-	-	-	-	-
-	-	-	62,964	-	-
<u>465,121</u>	<u>4,052</u>	<u>2,379,795</u>	<u>63,410</u>	<u>523</u>	<u>-</u>
-	-	13,405	-	4,044	-
466,467	18,978	-	-	-	-
-	-	-	-	-	-
-	-	1,839,489	-	-	25,450
-	-	-	-	-	-
-	-	-	35	-	-
-	-	-	-	-	-
<u>466,467</u>	<u>18,978</u>	<u>1,852,894</u>	<u>35</u>	<u>4,044</u>	<u>25,450</u>
(1,346)	(14,926)	526,901	63,375	(3,521)	(25,450)
-	-	-	-	-	-
-	-	-	-	593	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593</u>	<u>-</u>
(1,346)	(14,926)	526,901	63,375	(2,928)	(25,450)
<u>18,658</u>	<u>43,226</u>	<u>1,067,275</u>	<u>127,661</u>	<u>835,777</u>	<u>366,201</u>
<u>\$ 17,312</u>	<u>\$ 28,300</u>	<u>\$ 1,594,176</u>	<u>\$ 191,036</u>	<u>\$ 832,849</u>	<u>\$ 340,751</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	\$ -	\$ -	\$ -	\$ -	\$ 7,193,676
Charges for services	163,165	351,561	85,880	-	3,447,652
Investment income	-	-	778	10,146	24,299
Fines and costs	-	-	-	-	12,144
Contributions	-	-	3,472	183,044	206,120
Other	-	-	-	-	165,719
Total Revenues	<u>163,165</u>	<u>351,561</u>	<u>90,130</u>	<u>193,190</u>	<u>11,049,610</u>
Expenditures:					
Current:					
General government	-	-	-	-	81,148
Public safety	-	-	-	-	744,270
Education	-	-	-	180,152	5,547,678
Public works	-	-	-	-	1,895,839
Culture and recreation	172,731	479,471	86,967	33,242	806,606
Community development	-	-	-	-	1,649,106
Capital outlay	-	-	-	-	-
Total Expenditures	<u>172,731</u>	<u>479,471</u>	<u>86,967</u>	<u>213,394</u>	<u>10,724,647</u>
Excess (deficiency) of revenues over (under) expenditures	(9,566)	(127,910)	3,163	(20,204)	324,963
Other Financing Sources (Uses):					
Issuance of bonds	-	-	-	-	-
Transfers in	-	150,000	8,976	-	379,786
Transfers out	-	-	-	(8,976)	(8,976)
Total Other Financing Sources (Uses)	<u>-</u>	<u>150,000</u>	<u>8,976</u>	<u>(8,976)</u>	<u>370,810</u>
Net change in fund balances	(9,566)	22,090	12,139	(29,180)	695,773
Fund Balances, beginning of year	<u>143,020</u>	<u>24,050</u>	<u>359,904</u>	<u>961,006</u>	<u>10,456,460</u>
Fund Balances, end of year	<u>\$ 133,454</u>	<u>\$ 46,140</u>	<u>\$ 372,043</u>	<u>\$ 931,826</u>	<u>\$ 11,152,233</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>
\$ -	\$ -	\$ 43,572	\$ -	\$ -	\$ 43,572
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,199,555</u>	<u>2,765,319</u>	<u>51,173</u>	<u>594,649</u>	<u>299,259</u>	<u>6,909,955</u>
3,199,555	2,765,319	51,173	594,649	299,259	6,909,955
(3,199,555)	(2,765,319)	(7,601)	(594,649)	(299,259)	(6,866,383)
2,000,000	4,400,000	-	500,000	-	6,900,000
1,200,000	-	955,512	30,000	345,410	2,530,922
-	-	-	-	-	-
<u>3,200,000</u>	<u>4,400,000</u>	<u>955,512</u>	<u>530,000</u>	<u>345,410</u>	<u>9,430,922</u>
445	1,634,681	947,911	(64,649)	46,151	2,564,539
<u>3,459,648</u>	<u>1,032,660</u>	<u>1,472,174</u>	<u>312,813</u>	<u>32,263</u>	<u>6,309,558</u>
<u>\$ 3,460,093</u>	<u>\$ 2,667,341</u>	<u>\$ 2,420,085</u>	<u>\$ 248,164</u>	<u>\$ 78,414</u>	<u>\$ 8,874,097</u>

(continued)

(continued)

	Permanent Funds			Total Nonmajor Governmental Funds
	City Trust Funds	Library Trust Funds	Subtotals	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 7,237,248
Charges for services	-	-	-	3,447,652
Investment income	138,370	14	138,384	162,683
Fines and costs	-	-	-	12,144
Contributions	11,538	-	11,538	217,658
Other	-	-	-	165,719
Total Revenues	149,908	14	149,922	11,243,104
Expenditures:				
Current:				
General government	-	-	-	81,148
Public safety	-	-	-	744,270
Education	-	-	-	5,547,678
Public works	-	-	-	1,895,839
Culture and recreation	218,863	-	218,863	1,025,469
Community development	-	-	-	1,649,106
Capital Outlay	-	-	-	6,909,955
Total Expenditures	218,863	-	218,863	17,853,465
Excess (deficiency) of revenues over (under) expenditures	(68,955)	14	(68,941)	(6,610,361)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	6,900,000
Transfers in	-	-	-	2,910,708
Transfers out	-	-	-	(8,976)
Total Other Financing Sources (Uses)	-	-	-	9,801,732
Net change in fund balances	(68,955)	14	(68,941)	3,191,371
Fund Balances, beginning of year	5,818,228	4,171	5,822,399	22,588,417
Fund Balances, end of year	\$ 5,749,273	\$ 4,185	\$ 5,753,458	\$ 25,779,788

(1) Transfers in and out were netted on page 42 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, 2012

	<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	\$ 67,088,153	\$ 67,088,153	\$ 67,088,153	\$ -
Payment in lieu of taxes	<u>125,000</u>	<u>125,000</u>	<u>194,537</u>	<u>69,537</u>
Total Taxes	67,213,153	67,213,153	67,282,690	69,537
<u>Licenses and Permits</u>				
Motor vehicle permits and fees	3,010,000	3,010,000	3,214,455	204,455
Business licenses, permits and fees	<u>1,007,000</u>	<u>1,007,000</u>	<u>1,303,155</u>	<u>296,155</u>
Total Licenses and Permits	4,017,000	4,017,000	4,517,610	500,610
<u>Intergovernmental</u>				
City:				
Shared revenues	921,495	921,495	948,456	26,961
Highway block grant	429,329	429,329	414,511	(14,818)
Other state grants	44,134	44,134	122,226	78,092
School:				
Tuition	5,312,000	5,312,000	5,341,836	29,836
School building aid	<u>1,324,595</u>	<u>1,324,595</u>	<u>1,336,219</u>	<u>11,624</u>
Total Intergovernmental	8,031,553	8,031,553	8,163,248	131,695
<u>Charges for Services</u>				
Income from departments	1,524,239	1,524,239	2,308,818	784,579
Income from PDA	<u>2,126,500</u>	<u>2,126,500</u>	<u>2,211,182</u>	<u>84,682</u>
Total Charges for Services	3,650,739	3,650,739	4,520,000	869,261
<u>Investment Income</u>	330,000	330,000	315,530	(14,470)
<u>Interest and Penalties</u>	220,000	220,000	266,690	46,690
<u>Fines and Costs</u>	881,754	881,754	836,099	(45,655)
<u>Other Revenues</u>				
Sale of municipal property	5,000	5,000	65,235	60,235
Rents of municipal property	85,081	85,081	99,086	14,005
Miscellaneous	<u>90,000</u>	<u>90,000</u>	<u>126,242</u>	<u>36,242</u>
Total Other Revenues	180,081	180,081	290,563	110,482
<u>Other Financing Sources</u>				
Bond premiums	-	1,977,974	1,977,974	-
Transfers In	959,064	959,064	963,200	4,136
Use of fund balance	<u>973,500</u>	<u>1,873,500</u>	<u>1,873,500</u>	<u>-</u>
Total Other Financing Sources	<u>1,932,564</u>	<u>4,810,538</u>	<u>4,814,674</u>	<u>4,136</u>
Total Revenues and Other Financing Sources	<u>\$ 86,456,844</u>	<u>\$ 89,334,818</u>	<u>\$ 91,007,104</u>	<u>\$ 1,672,286</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Expenditures</u>				
<u>General Government</u>				
City council	\$ 32,121	\$ 32,121	\$ 24,105	\$ 8,016
City manager	262,373	262,373	259,231	3,142
City clerk	205,175	206,595	203,853	2,742
Elections	51,600	51,600	38,807	12,793
Legal	442,763	442,763	423,212	19,551
Human resources	2,442,294	2,442,294	2,400,325	41,969
Finance/Accounting	<u>1,641,642</u>	<u>1,670,785</u>	<u>1,643,319</u>	<u>27,466</u>
Total General Government	5,077,968	5,108,531	4,992,852	115,679
<u>Other General Government</u>				
General administration	1,103,786	1,224,523	1,103,303	121,220
Collective bargaining contingency	<u>900,000</u>	<u>324,413</u>	<u>-</u>	<u>324,413</u>
Total Other General Government	2,003,786	1,548,936	1,103,303	445,633
<u>Public Works</u>	5,583,947	5,598,047	5,476,299	121,748
<u>Community Services</u>				
Public library	1,480,315	1,484,600	1,464,372	20,228
Recreation	761,543	761,663	760,859	804
Public welfare	332,990	332,990	332,962	28
Outside social services	<u>151,076</u>	<u>151,076</u>	<u>148,228</u>	<u>2,848</u>
Total Community Services	2,725,924	2,730,329	2,706,421	23,908
<u>Regulatory Services</u>				
Planning	441,267	441,747	439,961	1,786
Building inspection	369,071	369,279	351,762	17,517
Public health	<u>130,563</u>	<u>130,563</u>	<u>126,411</u>	<u>4,152</u>
Total Regulatory Services	940,901	941,589	918,134	23,455
<u>Emergency Management</u>	10,000	10,000	4,443	5,557
<u>Police Department</u>	8,438,675	8,589,781	8,551,041	38,740
<u>Fire Department</u>	6,722,490	6,973,895	6,967,496	6,399
<u>School Department</u>	36,904,000	37,206,584	37,205,022	1,562

(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, 2012

(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	\$ 10,582,755	\$ 10,582,755	\$ 9,498,877	\$ 1,083,878
Overlay	1,150,000	1,150,000	1,150,000	-
Capital outlay	1,018,150	1,018,150	1,018,150	-
County tax	4,199,167	4,199,167	4,181,246	17,921
Contingency	250,000	250,000	250,000	-
Other General non-operating	<u>849,081</u>	<u>3,427,054</u>	<u>3,394,253</u>	<u>32,801</u>
Total Non-Operating	<u>18,049,153</u>	<u>20,627,126</u>	<u>19,492,526</u>	<u>1,134,600</u>
Total Expenditures	<u>\$ 86,456,844</u>	<u>\$ 89,334,818</u>	<u>\$ 87,417,537</u>	<u>\$ 1,917,281</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, 2012

	Water Fund		
	Final Budget *	Actual (Budgetary Basis)	Variance
Operating Revenues:			
Charges for services	\$ 7,872,045	\$ 8,321,997	\$ 449,952
Licenses and permits	474,500	465,232	(9,268)
Departmental revenue	318,908	268,109	(50,799)
Other revenue	-	2,610	2,610
	8,665,453	9,057,948	392,495
Total Operating Revenues			
Operating Expenses:			
Personnel	1,978,029	1,872,475	105,554
Non-personnel	2,081,485	1,493,515	587,970
Depreciation	1,182,006	1,198,958	(16,952)
	5,241,520	4,564,948	676,572
Total Operating Expenses			
Operating Income (Loss)	3,423,933	4,493,000	1,069,067
Nonoperating Income and (Expenses):			
Investment income	49,400	35,345	(14,055)
Other income	-	8,438	8,438
Interest expense	(1,183,554)	(847,244)	336,310
	(1,134,154)	(803,461)	330,693
Total Nonoperating Revenues (Expenses)			
Income (Loss) Before Contributions and Transfers	2,289,779	3,689,539	1,399,760
Capital contributions	-	31,943	31,943
Operating transfers out	(486,786)	(486,786)	-
Other Financing Sources:			
Use of retained earnings	146,400	-	(146,400)
	146,400	-	(146,400)
Net Income	\$ 1,949,393	\$ 3,234,696	\$ 1,285,303

* Final budget did not change from original budget.

Sewer Fund		
<u>Final Budget *</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ 8,741,119	\$ 10,099,966	\$ 1,358,847
187,000	177,445	(9,555)
176,289	145,502	(30,787)
<u>-</u>	<u>-</u>	<u>-</u>
9,104,408	10,422,913	1,318,505
2,088,051	1,972,116	115,935
3,644,840	3,140,291	504,549
<u>1,349,194</u>	<u>1,413,273</u>	<u>(64,079)</u>
<u>7,082,085</u>	<u>6,525,680</u>	<u>556,405</u>
2,022,323	3,897,233	1,874,910
10,000	7,388	(2,612)
-	-	-
<u>(1,511,694)</u>	<u>(1,070,304)</u>	<u>441,390</u>
<u>(1,501,694)</u>	<u>(1,062,916)</u>	<u>438,778</u>
520,629	2,834,317	2,313,688
1,285,976	1,610,578	324,602
(472,278)	(472,278)	-
<u>1,400,000</u>	<u>-</u>	<u>(1,400,000)</u>
<u>\$ 2,734,327</u>	<u>\$ 3,972,617</u>	<u>\$ 1,238,290</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, tri-centennial 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, 2012

	<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	\$ 100	\$ 325,646	\$ -	\$ 348,855	\$ -	\$ 674,601
Investments	41,964	4,428,929	41,392	290,260	4,413	4,806,958
Other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>80</u>
Total Assets	<u>\$ 42,064</u>	<u>\$ 4,754,575</u>	<u>\$ 41,392</u>	<u>\$ 639,195</u>	<u>\$ 4,413</u>	<u>\$ 5,481,639</u>
Net assets held in trust	<u>\$ 42,064</u>	<u>\$ 4,754,575</u>	<u>\$ 41,392</u>	<u>\$ 639,195</u>	<u>\$ 4,413</u>	<u>\$ 5,481,639</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE
 Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Funds

For the Year Ended June 30, 2012

	<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)	\$ 854	\$ 104,734	\$ 1,284	\$ 9,878	\$ 961	\$ 117,711
Contributions	<u>79,771</u>	<u>35,128</u>	<u>-</u>	<u>241,490</u>	<u>-</u>	<u>356,389</u>
Total Additions	80,625	139,862	1,284	251,368	961	474,100
<u>DEDUCTIONS</u>						
Payments to beneficiaries	<u>145,291</u>	<u>98,260</u>	<u>120</u>	<u>3,780</u>	<u>13</u>	<u>247,464</u>
Net decrease	(64,666)	41,602	1,164	247,588	948	226,636
<u>NET ASSETS</u>						
Beginning of year	<u>106,730</u>	<u>4,712,973</u>	<u>40,228</u>	<u>391,607</u>	<u>3,465</u>	<u>5,255,003</u>
End of year	<u>\$ 42,064</u>	<u>\$ 4,754,575</u>	<u>\$ 41,392</u>	<u>\$ 639,195</u>	<u>\$ 4,413</u>	<u>\$ 5,481,639</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
<u>Claremont Coalition:</u>				
Assets - cash and short-term investments	\$ <u>26,626</u>	\$ <u>29,527</u>	\$ <u>(56,143)</u>	\$ <u>10</u>
Liabilities - other liabilities	\$ <u>26,626</u>	\$ <u>29,527</u>	\$ <u>(56,143)</u>	\$ <u>10</u>
 <u>Art Speak</u>				
Assets - cash and short-term investments	\$ <u>800</u>	\$ <u>46,163</u>	\$ <u>(26,778)</u>	\$ <u>20,185</u>
Liabilities - other liabilities	\$ <u>800</u>	\$ <u>46,163</u>	\$ <u>(26,778)</u>	\$ <u>20,185</u>
 <u>School Fund:</u>				
Assets - cash and short-term investments	\$ <u>362,664</u>	\$ <u>1,006,130</u>	\$ <u>(1,012,068)</u>	\$ <u>356,726</u>
Liabilities - other liabilities	\$ <u>362,664</u>	\$ <u>1,006,130</u>	\$ <u>(1,012,068)</u>	\$ <u>356,726</u>
 <u>Totals:</u>				
Assets - cash and short-term investments	\$ <u>390,090</u>	\$ <u>1,081,820</u>	\$ <u>(1,094,989)</u>	\$ <u>376,921</u>
Liabilities - other liabilities	\$ <u>390,090</u>	\$ <u>1,081,820</u>	\$ <u>(1,094,989)</u>	\$ <u>376,921</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

(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 78,587,672
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	17,147,890
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	36,242,831
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	\$ 131,978,393
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	\$ 42,709,386
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	1,300,383
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	21,966,267
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	\$ 65,976,036
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	\$ 121,297,058
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	18,448,273
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	58,209,098
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	\$ 197,954,429

City of Portsmouth, New Hampshire

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 11,812,067
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	16,854,982
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	44,280,725
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	9,834,737
Health and human Services	602,337	507,819	539,600	661,720	536,928	651,557	680,790	693,053	644,424	601,503
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	3,804,755
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	981,022
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	3,781,050
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	91,950,841
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	5,419,089
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	7,579,739
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	12,998,828
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	\$ 104,949,669
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	\$ 6,702,933
Public safety	523,808	535,947	1,141,197	213,344	613,796	737,216	714,666	834,164	1,235,321	1,248,411
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	5,817,036
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	4,396,016
Health and Human Services	23,323	15,005	18,579	24,406	32,745	34,970	25,711	13,008	48,054	22,152
Culture and Recreation	401,400	382,256	401,925	409,315	398,780	640,476	651,610	600,894	543,575	506,975
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	18,693,523
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	6,876,190
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	1,545,302
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	27,115,015
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	9,057,948
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	10,422,913
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	19,480,861
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	1,642,521
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	21,123,382
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	\$ 48,238,397
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)	\$ (64,835,826)
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	8,124,554
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)	\$ (56,711,272)
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	\$ 67,341,676
Interest on taxes	241,686	554,686	138,079	161,637	53,211	131,228	136,306	270,299	300,578	266,690
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	2,254,793
Investment income (loss)	1,216,492	1,187,392	844,490	1,641,714	2,091,576	927,640	1,084,222	1,084,222	1,520,906	478,214
Other revenues	201,000	97,558	411,002	195,370	2,200,704	1,557,015	1,347,592	476,898	960,388	267,608
Permanent fund contributions	3,995	-	-	-	266,937	2,281	-	3,625	3,120	11,538
Transfers, net	611,970	614,496	733,044	760,861	891,351	904,568	914,135	927,697	927,697	959,064
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	71,579,583
Business-type activities:										
Investment income	233,889	92,033	64,803	400,787	579,360	363,795	118,477	65,045	50,705	42,733
Other revenues	-	-	-	-	-	-	-	2,360	34,720	8,438
Transfers, net	(611,970)	(614,496)	(733,044)	(760,861)	(891,351)	(904,568)	(914,135)	(927,697)	(927,697)	(959,064)
Total business-type activities	(378,081)	(522,463)	(668,241)	(360,074)	(311,991)	(540,773)	(795,658)	(860,292)	(842,272)	(907,893)
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	\$ 70,671,690
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	\$ 6,743,757
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	7,216,661
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	\$ 13,960,418

City of Portsmouth, New Hampshire

Fund Balances, Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
All governmental funds (1)										
Reserved for encumbrances	\$ 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	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	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	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	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	1,616,387
Restricted	-	-	-	-	-	-	-	-	27,107,030	37,311,546
Committed	-	-	-	-	-	-	-	-	22,466,249	26,363,315
Assigned	-	-	-	-	-	-	-	-	5,294,862	5,978,717
Unassigned	-	-	-	-	-	-	-	-	10,329,071	10,470,953
Total all governmental funds	\$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	\$ 81,740,918
General Fund										
Reserved for encumbrances	\$ 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	84,391	74,191	72,191	65,300	157,500	156,000	95,000	43,500	-	-
Total Reserved	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	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	5,083,848	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	6,000
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	19,960,221	22,631,684
Assigned	-	-	-	-	-	-	-	-	5,294,862	5,978,717
Unassigned	-	-	-	-	-	-	-	-	10,329,071	10,470,953
Total General Fund	\$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	\$ 39,087,354
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	5,971,035	5,717,056	6,941,291	6,893,059	7,816,687	8,440,924	9,301,673	9,347,520	-	-
Capital projects funds	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	1,610,387
Restricted	-	-	-	-	-	-	-	-	27,107,030	37,311,546
Committed	-	-	-	-	-	-	-	-	2,506,028	3,731,631
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$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	\$ 42,653,564

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Real estate taxes	\$ 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	\$ 67,203,467
Licenses and permits	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	4,517,610
Intergovernmental	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	10,270,965
Charges for service	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	13,309,488
Investment income	1,062,212	1,007,708	969,259	1,457,220	2,091,575	972,642	(193,673)	1,084,222	1,520,906	478,213
Interest on taxes	229,172	564,925	165,131	161,637	53,211	131,228	136,306	270,299	300,578	266,690
Fines and costs	760,457	768,507	984,797	1,160,661	1,080,900	924,357	970,280	892,889	853,011	848,243
Contributions	-	-	1,281,741	927,429	729,980	139,248	50,283	306,795	871,594	217,658
Other	1,633,210	427,534	579,262	626,357	576,909	568,229	594,945	441,635	954,176	456,282
Total revenues	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	97,568,616
Expenditures										
General government	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	6,884,833
Public safety	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	16,145,072
Education	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	43,426,320
Public works	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	7,617,764
Health and human services	602,337	507,819	539,600	649,923	604,410	646,877	705,227	692,997	642,402	607,995
Culture and recreation	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	3,268,232
Community development	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	1,649,106
Debt service										
Principal	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	6,327,905
Interest	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	3,264,915
Capital outlay (1)	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	21,714,928
Intergovernmental	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	4,181,246
Total expenditures	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	115,088,316
Excess of revenues										
Over(under) expenditures	(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)	(17,519,700)
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	-	29,400,000
Issuance of refunding bond										17,325,000
Bond premium	-	-	-	95,000	-	42,083	208,230	512,701	-	4,369,900
Transfers in	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	3,864,932
Payment to refunded bond escrow agent										(19,622,983)
Transfers out	(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)	(2,905,868)
Total governmental activities	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	32,430,981
Net Change in fund balances	\$ 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)	\$ 14,911,281
Debt Service as a percentage of non-capitalized expenditures (2)	5.48%	9.65%	8.93%	8.23%	8.91%	8.97%	9.40%	9.59%	10.04%	9.14%

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

(2) 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	Loss on Disposal of Asset	Transfers Out				
2012	\$ 18,421,963	\$ 642,677	\$ 413,611	\$ 1,696,302	\$ -	\$ 21,174,553	\$ 8,469,049	\$ 2,612,231	\$ 1,917,548	\$ -	\$ 959,064	\$ 13,957,892	\$ 7,216,661	\$ 65,976,036
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	58,759,375
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	52,469,130
2009	10,227,288	585,696	230,464	1,839,607	-	12,883,055	7,621,610	1,873,959	1,575,185	-	914,135	11,984,889	898,166	48,141,891
2008	10,695,209	596,662	280,468	2,247,099	-	13,819,438	7,318,994	1,764,697	1,095,930	34,585	904,568	11,118,774	2,700,664	47,243,725
2007	9,364,205	614,669	185,533	2,404,703	-	12,569,110	7,061,767	1,582,347	1,213,423	-	891,351	10,748,888	1,820,222	44,543,061
2006	9,360,367	560,220	228,798	2,693,021	82,644	12,925,050	7,175,517	1,726,034	1,728,540	-	843,505	11,473,596	1,451,454	42,722,839
2005	8,697,265	475,729	319,687	2,315,412	82,644	11,890,737	6,585,635	1,778,086	1,172,921	-	815,688	10,352,330	1,538,407	41,271,385
2004	7,637,961	448,389	273,529	2,085,423	82,644	10,527,946	5,271,279	1,675,342	1,425,466	-	697,140	9,069,227	1,458,719	39,732,978
2003	7,991,788	498,888	116,595	3,210,007	112,044	11,929,322	5,853,393	1,606,413	1,197,712	-	724,014	9,381,532	2,547,790	38,274,259

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	Loss on Disposal of Asset	Transfers Out				
2012	\$ 8,321,997	\$ 465,232	\$ 268,109	\$ 78,336	\$ -	\$ 9,133,674	\$ 3,372,887	\$ 1,198,958	\$ 847,244	\$ -	\$ 486,786	\$ 5,905,875	\$ 3,227,799	\$ 30,339,505
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

**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	Loss on Disposal of Asset	Transfers Out				
2012	\$ 10,099,966	\$ 177,445	\$ 145,502	\$ 1,617,966	\$ -	\$ 12,040,879	\$ 5,096,162	\$ 1,413,273	\$ 1,070,304	\$ -	\$ 472,278	\$ 8,052,017	\$ 3,988,862	\$ 35,636,531
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	31,647,669
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	29,048,046
2009	5,467,793	136,999	72,017	1,741,153	-	7,417,962	4,322,422	1,207,550	1,248,514	-	450,444	7,228,930	189,032	26,348,170
2008	6,272,861	124,256	88,100	2,159,666	-	8,644,883	4,169,710	1,179,168	909,494	34,585	445,646	6,738,603	1,906,280	26,159,138
2007	5,656,677	117,905	105,594	2,232,869	-	8,113,045	3,965,427	851,981	1,014,786	-	439,595	6,271,789	1,841,256	24,252,858
2006	5,794,250	133,674	77,994	2,205,158	-	8,211,076	4,100,907	1,158,398	1,490,605	-	415,845	7,165,755	1,045,321	22,411,602
2005	5,387,090	90,321	117,623	2,253,912	-	7,848,946	3,475,743	1,151,352	934,118	-	402,282	5,963,495	1,885,451	21,366,281
2004	4,728,338	32,272	127,012	1,910,183	-	6,797,805	3,198,289	1,052,969	1,009,980	-	343,903	5,605,141	1,192,664	19,480,830
2003	5,034,090	34,904	-	1,989,590	-	7,058,584	2,894,337	1,014,593	1,105,099	-	342,795	5,356,824	1,701,760	18,288,166

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
2012	\$ 67,008,930	\$ 194,537	\$ 266,690	\$ 67,470,157
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

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
2012	\$ 67,841,808	\$ 65,297,485	96.2%	\$ 2,544,323	\$ -	\$ 2,544,323	\$ 65,297,485	96.2%	8,457	208	2.5%
2011	67,027,315	64,531,067	96.3%	2,496,248	1,956,529	539,719	66,487,596	99.2%	8,360	214	2.6%
2010	64,141,858	61,788,074	96.3%	2,353,785	2,149,036	204,749	63,937,109	99.7%	8,321	204	2.5%
2009	63,263,633	61,011,224	96.4%	2,252,409	2,205,947	46,462	63,217,171	99.9%	8,299	235	2.8%
2008	60,035,344	57,924,795	96.5%	2,110,549	2,090,123	20,426	60,014,918	100.0%	8,268	151	1.8%
2007	57,092,233	55,280,205	96.8%	1,812,027	1,797,197	14,829	57,077,403	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%

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	Total Equalized Valuation (2)	Ratio of Total Assessed Value to Total Estimated Full Value
	Current Use/ Conservation	Residential	Commercial/ Industrial	Utilities						
2012	\$ 79,620	\$ 2,272,393,300	\$ 1,552,957,800	\$ 194,836,478	\$ 4,020,267,198	\$ 48,822,500	\$ 3,971,444,698	\$ 16.22	\$ 4,174,795,440	96.3%
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%

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 2012 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>FY 2003 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Public Service Co of NH	Utility	\$ 162,462,800	1	4.09%	\$ 108,427,211	1	4.09%
HCA Health Services of NH Inc	Hospital	80,374,800	2	2.02%	44,489,500	2	1.68%
TGM Beechstone LLC	Apartments	41,236,700	3	1.04%			
Liberty Mutual Insurance	Office Building	35,433,200	4	0.89%	33,315,800	3	1.26%
Inishmaan Assoc LTD Partnership	Apartments	23,578,000	5	0.59%	21,580,400	4	0.81%
Bromley Portsmouth LLC	Retail	21,732,300	6	0.55%	17,301,300	8	0.65%
DSQ Holding LLC	Retail	20,976,100	7	0.53%	18,182,200	7	0.69%
Kenard Development LLC	Industrial	20,496,100	8	0.52%			
Northern Utilities	Utility	18,411,800	9	0.46%			
Harborside Assoc	Hotel	18,353,400	10	0.46%	18,700,700	6	0.71%
US Property Investment	Office Building				21,257,900	5	0.80%
200 International LP	Office Building				14,728,200	9	0.56%
Flatley Thomas J	Office Park				13,517,900	10	0.51%
Total Principal Taxpayers		443,055,200		11.16%	311,501,111		11.76%
Total Net Assessed Taxable Value		<u>\$ 3,971,444,698</u>			<u>\$ 2,649,782,384</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	
2012	\$ 8.42	\$ 5.34	\$ 2.46	\$ 7.80	\$ 16.22	\$ 1.05	\$ 17.27	\$ 16.33
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

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
2012	\$ 7,369,573	\$ 8,907,408	1,577,620	1,020,971	\$ 4.15/5.00	\$ 8.29/9.11	\$ 12.44/14.11
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

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
2011	\$ 4,129,016,814	\$ 45,778,625	\$ 4,174,795,439	\$ 40,684,633,568	10.2613569%	2012	\$ 41,991,666	\$ 4,181,246	\$ (20,234)	-0.5%
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%

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Issued Debt at June 30										
City Depts.	\$ 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	\$ 27,555,001
Landfill	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	1,522,951
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	55,925,000
Total General Fund	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	85,002,952
Water Fund	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	19,606,919
Sewer Fund	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	19,606,919
Total Issued Debt at June 30 (4)	\$ 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	\$ 138,423,591
Authorized Unissued Debt June 30										
City Depts.	\$ 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.	-	-	-	-	500,000	-	-	22,500,000	22,500,000	-
Total General Fund	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	4,641,897
Water Fund	\$ 5,862,000	\$ -	\$ -	\$ 12,087,440	\$ 11,420,000	\$ 11,420,000	\$ 18,420,000	\$ 18,475,000	\$ 18,162,303	\$ 18,162,303
Sewer Fund	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	16,206,299
Total Authorized Unissued Debt June 30	\$ 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	\$ 39,010,499
Gross Debt June 30										
City Depts.	\$ 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	\$ 27,555,001
Coakley Landfill	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	6,164,848
School Dept.	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	55,925,000
Total General Fund	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	89,644,849
Water Fund	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	37,769,222
Sewer Fund	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	50,020,019
Total Gross Debt June 30	\$ 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	\$ 177,434,090
Base Value for Debt Limits (1)	\$ 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	\$ 4,129,016,814
Legal Debt Limits (% of Base Value)										
City - 3% (2)	\$ 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	\$ 123,870,504
School - 7% (2)	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	289,031,177
Water - 10% (2)	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	412,901,681
Debt Against Legal Debt Limits										
City Depts.	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	27,555,001
School Dept.	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	55,925,000
Water Fund	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	37,769,222
Exempt from Legal Debt Limits (3)	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	56,184,867
Total Debt at June 30	\$ 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	\$ 177,434,090
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 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	\$ 96,315,503
School Dept.	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	233,106,177
Water Fund	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	375,132,459
% of Legal Debt Limits Used										
City Depts.	26.6%	21.6%	20.9%	32.0%	32.3%	45.3%	33.0%	22.2%	25.5%	22.2%
School Dept.	18.6%	16.0%	14.0%	12.1%	10.6%	10.1%	9.1%	21.9%	21.3%	19.3%
Water Fund	2.5%	2.1%	1.7%	4.6%	4.0%	4.0%	9.6%	9.8%	9.7%	9.1%

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.
 (4) Excludes bond premiums

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
2012	\$ 27,555,001	\$ 1,522,951	\$ 55,925,000	\$ 85,002,952	25,935,029	\$ 59,067,923	1.49%	\$ 2,785	7.8%
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%

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
2012	\$ 19,606,919	\$ 33,813,720	\$ 53,420,639	\$ 3,792,274	\$ 49,628,365	\$ 2,340	6.5%
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%

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
2012	\$ 138,423,591	\$ 29,727,303	\$ 108,696,288	2.7%	\$ 5,126	14.3%
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%

Data Source:
Finance Department Records

City of Portsmouth, New Hampshire

Direct and Overlapping Governmental Activities Debt As of June 30, 2012.

	End of Calendar Year	Net General Obligation Debt Outstanding (1)	Percentage Applicable to Portsmouth (2)	Amount Applicable to Portsmouth
Rockingham County	2011	\$550,000	10.2613569%	\$ 56,437
			Subtotal, Overlapping Debt	<u>56,437</u>
City of Portsmouth Direct Debt				<u>85,002,952</u>
Total Direct Debt and Overlapping Debt				<u><u>\$ 85,059,389</u></u>

Data Sources:

- (1) Rockingham County Audited Financial Statements are for calendar year end, therefore, this amount is as of December 31, 2011. Amount represents bonds payable only and excludes capital leases and the County's Net OPEB obligation.
- (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	Unemployment Rates (3)		
				City of Portsmouth	State of NH	US
2012	21,206 (1)	\$ 760,404,748	\$ 35,858 (4)	4.2%	5.4%	8.4%
2011	21,233 (4)	761,372,914	35,858 (4)	4.5%	5.2%	9.3%
2010	20,668 (1)	792,039,096	38,322 (2)	4.7%	5.9%	9.6%
2009	20,520 (1)	761,784,480	37,124 (2)	5.7%	5.2%	7.6%
2008	20,610 (1)	740,434,860	35,926 (2)	3.3%	3.6%	4.9%
2007	20,811 (1)	722,724,408	34,728 (2)	3.1%	3.7%	4.6%
2006	20,995 (1)	703,962,350	33,530 (2)	2.8%	3.4%	4.6%
2005	21,053 (1)	680,685,596	32,332 (2)	3.2%	3.6%	5.1%
2004	21,051 (1)	655,401,834	31,134 (2)	3.4%	3.9%	5.5%
2003	21,008 (1)	628,895,488	29,936 (2)	4.0%	4.4%	6.0%
2002	20,906 (1)	600,796,628	28,738 (2)	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	2012			2003		
		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	3.64 %
Liberty Mutual	Insurance	1,013	2	3.64	1,800	1	6.55
US Dept of State, National Passport Center	Passport services	736	3	2.64	259	8	0.94
Lonza Biologics	Biotechnology	727	4	2.61	390	5	1.42
City of Portsmouth (FTEs)	Municipal services	684	5	2.46	715	3	2.60
US Dept of State National Visa Center	Visa services	644	6	2.31			
John Hancock	Finance	400	7	1.44			
Bottomline technologies	Software	350	8	1.26			
Erie Scientific/Thermo Fisher	Laboratory equipment	280	9	1.01	310	6	1.13
Alpha Flying/Plane Sense	Fractional Aircraft Ownership	270	10	0.97			
Demoulas Market Basket	Supermarkets			-	425	4	1.55
Pan Am Airlines/Boston Maine	Airline				300	7	1.09
Highliner Foods	Food Processor				241	9	0.88
Shaws Supermarkets	Supermarkets				226	10	0.82
Total Principal Employers		6,183		22.21 %	5,666		20.60 %
Total City Employment (1)		<u>27,842</u>			<u>27,500</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Taxable property parcels assessed	7,911	7,940	7,960	8,045	8,197	8,268	8,299	8,321	8,360	8,457
Registered Voters	13,365	14,197	16,140	16,269	16,618	17,461	19,188	17,945	18,463	13,858
Votes Cast:										
Municipal Election		4,272		4,078		4,142		3,904		3,654
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				4,832
Presidential General			12,805				13,135			
Building Permits	774	749	886	913	917	962	833	845	853	866
Estimated construction value	\$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	\$105,094,218
Public Safety										
Police										
Service Calls	37,784	41,262	36,192	41,843	40,335	38,248	35,931	33,742	31,115	36,782
Number of Arrests	1,317	1,470	1,424	1,435	1,607	1,553	1,361	1,266	1,189	1,137
Number of Traffic Violations										
Citations	1,572	2,192	1,911	2,037	1,424	1,430	1,113	703	703	402
Accidents	996	856	821	796	731	763	773	703	1,057	1,112
DWI arrests	100	154	173	129	166	117	131	89	68	51
Fire and EMS										
Fire Rescue	2,655	2,386	2,287	2,309	2,595	2,287	2,535	2,570	2,472	2,480
Ambulance	2,490	2,379	2,443	2,295	2,332	2,338	2,447	2,562	2,970	3,062
Education (2)										
High School Fall Enrollment	1,038	1,113	1,134	1,078	1,091	1,073	1,052	1,072	1,120	1,100
Public Works										
Parking Enforcement										
Parking violations (tickets written)	69,552	65,283	65,496	70,616	72,674	64,901	62,803	58,291	52,806	57,218
Solid Waste Tonnage	12,156	12,310	12,423	12,277	12,351	11,627	12,719	12,336	12,552	11,393
Streets resurfaced (miles)	4.03	2.08	3.57	3.58	5.45	3.77	4.20	2.80	0.86	6.69
Human Services - General Assistance										
Number of applicants	767	645	597	819	700	586	845	681	628	597
Culture and Recreation										
Public Library										
Items owned	126,918	123,935	126,371	126,973	147,242	133,687	143,545	146,663	155,181	158,138
Circulation of materials	351,854	349,943	344,514	349,290	375,196	443,371	484,735	488,630	476,721	474,687
Annual visits	260,323	260,319	256,464	262,980	271,774	285,495	293,772	455,834	295,682	275,698
Water System:										
Water main breaks	41	27	29	29	38	26	32	41	10	27
Daily average consumption (millions of gallons)	4.3	5.0	4.3	4.9	4.6	4.7	4.4	4.4	4.5	4.6
Peak daily consumption (millions of gallons)	6.6	6.7	6.4	6.6	7.3	5.7	5.3	5.0	5.2	7.1
Sewage System:										
Daily average treatment (millions of gallons)	5.9	4.7	6.2	6.6	6.2	5.6	6.8	6.7	5.9	5.8

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	29	29	30	31	31	30	30	30	30	30
Fire and Rescue										
Number of stations	3	3	3	3	3	3	3	3	3	3
Number of vehicles	18	18	18	17	17	18	18	18	19	19
Number of boats	1	1	1	1	1	1	1	1	1	1
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	105	105	105
Number of street lights	1,699	1,758	1,758	1,758	1,758	1,758	1,758	1,705	1,705	1,705
Number of bridges	16	16	16	16	16	16	16	15	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	2	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	10	10	10	10	10	10	10	10	10
Water system:										
Miles of water mains	175	175	175	175	175	175	175	175	175	175
Number of service connections	7,744	7,804	7,882	7,891	7,856	7,887	7,888	7,915	7,955	7,963
Storage capacity in gallons (millions of gallons)	9.6	9.6	9.6	9.6	9.6	9.5	9.5	9.5	9.5	10.4
Maximum daily capacity of plant (millions of gallons)	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Number of fire hydrants	1,022	1,047	1,046	1,015	1,022	1,072	1,081	1,081	1,087	970
Sewage System:										
Miles of sanitary sewers	100	100	100	100	107	107	107	107	108	108
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	6,030	6,067	6,153	6,204	6,247	6,252	6,284	6,293	6,310	6,342
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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Executive	2.0	2.0	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	20.0	20.0	19.0	19.0	18.5	18.0	17.8	17.8	17.0	17.6
Human Resources	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.4	3.4
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	4.5	4.5	5.5	5.5	5.5	6.0	6.0	5.0	5.0
Planning	5.5	5.1	5.1	5.9	6.1	6.2	6.2	6.2	6.2	5.0
Inspection	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Health	1.0	1.0	1.0	1.4	1.4	1.5	1.5	1.5	1.5	1.5
Total General Government	42.5	43.1	42.6	44.3	44.0	43.6	44.0	44.0	42.6	42.0
Public Safety										
Police - Sworn Officers:										
General Fund Funded	62.7	64.0	64.3	64.6	64.6	63.6	65.1	64.1	64.0	61.0
Grant Funded	6.3	5.0	4.7	4.4	4.4	4.4	2.9	2.9	1.0	1.0
Dispatch	11.0	5.0	11.0	11.0	10.0	10.0	11.0	10.0	10.0	10.0
Parking Enforcement	-	-	-	-	-	-	-	-	-	-
Police - Non-sworn employees:										
General Fund Funded	11.8	12.2	10.3	9.8	11.2	12.2	12.4	10.4	9.0	9.0
Grant Funded	1.2	0.8	0.8	0.8	0.9	0.9	0.6	0.6	2.0	2.0
Total Police Department	93.0	87.0	91.1	90.6	91.0	91.0	92.0	88.0	86.0	83.0
Fire and Rescue	60.0	59.0	59.0	59.0	59.0	60.0	61.0	61.0	59.0	59.0
Fire Clerical	1.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Public Safety	154.0	147.0	151.1	151.1	151.5	152.5	154.5	150.5	146.5	143.5
Education										
Administrators	14.3	14.0	14.2	13.1	14.0	14.0	14.1	14.1	14.1	12.2
Teachers	260.9	249.1	251.9	253.5	253.4	253.9	254.7	253.2	241.9	233.9
Clerical	24.6	25.6	24.8	25.3	25.0	23.8	23.3	22.8	22.5	21.7
Paraprofessional	41.1	38.3	47.6	46.5	41.4	41.4	49.1	46.5	40.0	45.4
School custodians	21.5	22.2	23.3	24.3	24.3	24.3	24.3	24.3	23.9	23.9
Security	1.0	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Technicians	5.4	5.4	6.7	8.5	7.0	7.0	6.9	6.9	7.8	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	373.8	360.6	375.5	378.2	371.0	370.3	378.4	373.8	356.2	349.0
Public Works										
General Fund functions	57.0	57.0	57.0	57.0	60.0	60.0	60.7	60.7	60.7	58.5
Parking Fund (1)	11.2	12.2	12.2	13.2	14.2	14.5	14.5	16.9	16.9	16.9
Water	25.0	24.5	24.8	24.8	24.8	24.8	24.8	24.8	24.3	23.3
Sewer	21.5	23.0	22.8	22.4	23.4	23.4	23.4	23.4	22.8	22.8
Total Public Works	114.7	116.7	116.7	117.3	122.3	122.6	123.3	125.8	124.7	121.5
Culture and Recreation										
Recreation	8.5	8.5	8.5	8.5	8.5	8.5	8.5	7.5	4.5	4.5
Public Library	15.0	15.0	15.0	15.0	15.0	15.0	16.0	15.0	20.2	20.2
Total Culture and Recreation	23.5	23.5	23.5	23.5	23.5	23.5	24.5	22.5	24.7	24.7
Human Services										
Welfare	2.5	2.5	2.5	2.0	2.0	2.0	2.0	1.5	1.5	1.5
Total Human Services	2.5	2.5	2.5	2.0	2.0	2.0	2.0	1.5	1.5	1.5
Community Development										
Community Development	4.1	4.6	3.9	4.1	4.0	3.9	3.2	2.1	2.1	1.4
UDAG	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1
Total Community Development	5.1	5.6	4.9	5.1	5.0	4.9	4.2	3.1	3.2	2.5
Total All Functions	716.2	699.1	716.8	721.4	719.3	719.4	730.8	721.1	699.3	684.6
Percent of Total										
General Government	5.9%	6.2%	5.9%	6.1%	6.1%	6.1%	6.0%	6.1%	6.1%	6.1%
Public Safety	21.5%	21.0%	21.1%	20.9%	21.1%	21.2%	21.1%	20.9%	21.0%	21.0%
Education	52.2%	51.6%	52.4%	52.4%	51.6%	51.5%	51.8%	51.8%	50.9%	51.0%
Public Works	16.0%	16.7%	16.3%	16.3%	17.0%	17.0%	16.9%	17.4%	17.8%	17.7%
Culture and Recreation	3.3%	3.4%	3.3%	3.3%	3.3%	3.3%	3.4%	3.1%	3.5%	3.6%
Human Services	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
Community Development	0.7%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%	0.4%	0.5%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data Source:
 Budgeted Positions per City of Portsmouth Budget.

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