

CITY OF PORTSMOUTH NEW HAMPSHIRE



COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2013

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2013



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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, 2013

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CITY OF PORTSMOUTH

Municipal Complex
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Portsmouth, New Hampshire 03801
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November 15, 2013

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, 2013, 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.

FACTORS AFFECTING FINANCIAL CONDITIONS

Local Economy

During Fiscal Year 2013, the City of Portsmouth once again led the region in having the lowest unemployment rate. As of June 30, 2013, the unemployment rate was 3.9% down from 4.2% in FY12. The respective rates for the State of NH, for New England and the nation were 5.1%, 7.3% and 7.8%.

Employment in the NH portion of the Portsmouth MetroNECTA at the end of FY13 was 58,700. This un-benchmarked figure represents an overall increase of 1,100 jobs from FY12. The largest year-to-year employment increase was in the Professional and Business sector with an increase of 400 jobs, followed by the Leisure/Hospitality and Education/Health sectors with a gain of 200 jobs each. The Trade/Transportation and

Utilities and Information sectors posted the next highest gains of 100 workers each. All other sectors 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 882 building permits with a combined construction value of \$54 million. This is compared to 866 permits with a construction value of \$105 million in construction value from the previous fiscal year. The higher value in FY12 is attributable to several large scale projects being permitted such as 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 City's Inspection Department issued nine building permits for new commercial/industrial construction projects in FY13 with a combined construction value of \$29.4 million. This compares to four permits with a construction value of \$40 million in FY12.

The greatest number of construction permits in FY13 was for renovations, repairs and fit-ups. The City issued 84 permits for renovations to commercial/industrial structures, with a construction value of \$8.3 million. This compares to 82 permits with a construction value of \$33.4 million from the previous year. There were 120 tenant fit-up permits issued for a total construction value of \$6 million compared to the 129 renovation permits in the previous year with a construction value of \$5.1 million.

Thirty-three (33) new dwelling unit permits were issued in FY13 with a construction value of \$7.2 million. This is an increase of five more homes permitted than in FY12 when 28 building permits were issued for new dwelling units with a total construction value of \$10.6 million. In addition to new dwellings, there were 295 residential renovation projects permitted totaling \$8.7 million in value up from 267 permits in FY12 indicating that residents are investing in home remodeling versus new construction. The median purchase price of a single-family home was \$363,000, representing an increase from the FY12 price of \$340,000. Median monthly gross rent for a two-bedroom apartment decreased slightly to \$1,264, from the 2012 rate of \$1,276.

The City's office and industrial market improved from the previous year. The Colliers International office and industrial real estate market report for the third quarter of 2013 reported a vacancy rate for the Portsmouth submarket office market of 12.8% and 3.4% for the industrial market for properties over 10,000 square feet. Current asking rates for Class A office space are \$20.13 per square foot (gross) up from \$18.46 per square foot in the third quarter of 2012. Class B office asking rates are \$17.50 per square foot for properties over 10,000 square feet, up slightly from the \$13.89 per square foot in the third quarter of 2012. Portsmouth's industrial sector average lease rate is \$7.10 per square foot, up nominally from the prior year rate of \$6.47 per square foot.

The City's Central Business District has experienced continued private investment. Most notable is PortWalk. This three phase development has been ongoing for several years and includes four buildings located at the Deer and Hanover Streets and Maplewood Avenue. The third and final phase of PortWalk broke ground in December 2012 and when completed will include a 72,000 square foot Hampton Inn and Suites with 96 rooms and 24 guest suites scheduled for completion in April 2014. A second building will include a 154 square foot, five floor structure with 113 luxury apartments, ground floor retail and 240 parking spaces in an underground garage and surface parking deck. This development was the recipient of the "2012 Visualizing Density" Award for the Best Urban Design from Plan NH and the New Hampshire Housing Finance Authority.

Other downtown projects under land use review include:

- A mixed use facility at the corner of Wright Avenue and State Street at the Memorial Bridge gateway to the City,
- A mixed use development including retail and residential property at 111 Maplewood Avenue, site of the former Portsmouth Herald, and

Also under discussion is resurrection of a previous proposal at the intersection of Deer, Russell and Maplewood Avenue on the surface parking lot adjacent to the Sheraton Harborside Hotel and Conference facility to develop a 12,000 square foot conference center, a 98-room hotel, a 40,000 square foot retail space and a multi-level 650 car parking garage with 150 spaces set aside for public parking.

Yet to be determined is the re-use plan for the 15,000 square foot former Connie Bean public recreation center which was sold at live auction in December 2012 to an Exeter developer for \$1.5 million.

In the Islington Street corridor there is notable private investment planned. The Sanford Institute for Savings Bank at 501 Islington Street opened in FY 13 and a mixed retail/residential condominium project at 275 Islington is in the planning stages. A tea cafe and surf shop are new retail developments envisioned for 601 Islington Street for opening in the fall.

The Lafayette Road corridor continues to be a draw for new and redevelopment. New activity on Lafayette Road includes the opening of a new 3,663 square foot independent Mexican Restaurant, Vida Cantina in a repurposed Friendly's restaurant at the corner of Lafayette Road and Constitution Avenue. In adjacent Southgate Plaza at 2454 Lafayette Road, Zyacorp Entertainment of Bedford, NH began construction of a state-of-the-art theatre featuring ten giant screens, high-backed leather seats, Dolby Digital surround sound with 3D capacity and self-serve ticketing kiosks.

Pease International Tradeport remains an important regional economic driver with over 270 companies and 7,800 workers. In FY13 the office vacancy rate at the Pease International Tradeport declined to 7.4% from 8.5% in September 2012.

There is currently 272,105 square feet of new construction under review

including a new office building for Sprague Energy and a 32,000 square foot building for Hospital Corporation of America at 25 New Hampshire Avenue. This facility will be part of an 11 acre redevelopment that is slated to also include a gas station, convenience store and other buildings. Property improvements at Pease include a 7,000 square foot upgrade and expansion of the Pease golf course and, Great Bay Community College recently completed a \$10 million upgrade and has land options for future expansion. The Pease Air National Guard is home to the 157th Air Refueling Wing and in May, it announced that it is the U.S. Air Force's top choice to receive 12 new K-46A refueling tankers. The Portsmouth unit rose to the top of five finalist cities nationwide being considered for the new state-of-the-art tankers. The new tanker will benefit the region economically as 100 or more full-time jobs with an annual payroll of almost \$7 million and \$45 million in related construction work are anticipated. A final decision on the choice is expected in spring 2014.

Located in Kittery, Maine, just across the Piscataqua River, the Portsmouth Naval Shipyard is a major submarine overhaul and refueling facility and is the U.S. government's oldest continuously operating naval shipyard. It is the largest regional employer. The most current data on Seacoast Shipyard Association's regional economic impact is for calendar year 2012 which revealed a total of 5,313 current employees (up from 5,187 in 2011) with a payroll of \$421 million (up from \$408 million in 2011). Portsmouth has the fourth highest number of shipyard employees of all New Hampshire communities and the seventh largest of both Maine and New Hampshire communities, with 243 shipyard workers. The Shipyard is a significant source of indirect expenditures in the region. In 2012, \$40 million of goods and services were purchased by the facility (down from \$49 million in 2011) with \$8.4 million coming from New England states.

Portsmouth's appeal as a good place to start and grow a small business is gaining recognition. Six of the city's small businesses were included in the *Inc.* Magazine's list of the top 5,000 fastest growing firms in the US. These six Portsmouth-based businesses made up 25% of the 24 New Hampshire companies on the list. No other New Hampshire city had more than two companies on the *Inc.* list.

Finally, Portsmouth serves as the cultural destination for the region. This has resulted in a significant creative economy of for-profit and non-profit businesses ranging from theaters and museums to galleries and design/architectural firms which contribute over \$41.4 million to the local economy. These organizations, along with many year-round cultural offerings, make Portsmouth a preferred tourist destination and the media has taken note. 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:

- "The third-oldest city in the country boasts an enviable waterfront setting, grand architecture, a booming arts and theater scene, and vibrant community spirit." Boston Globe, By Diane Bair and Pamela Wright, June 29, 2013,
- "New Hampshire's 18-mile coastline is next, and it's short but sweet." AtlantaJournal Constitution online, June 2013

- Named one of “America’s Most Beautiful Town Squares,” Travel & Leisure.com, April 2013
- *Taking the Kids* travel website: lists Portsmouth’s Vintage Christmas as one of 55 nationwide holiday events/light displays. November 5, 2012
- *Solo Traveler* ranks Portsmouth highest on its destination ranking scale as a place to visit

Major Initiatives and Accomplishments

In Fiscal Year 2013, the City continued working on a number of major financial, economic development, community development, planning and public works initiatives, funded through a variety of sources.

Parks and Playgrounds – In FY13, the City again made substantial investments in its network of parks and playgrounds.

- **Plains Park and Ball Field Improvement Project:** This park and playground project encompassed many significant traffic, safety and streetscape improvements atypical of previous park and playground improvements. This project, which is located on a key gateway into the City, was a follow-on to the Route 33/Greenland Road roadway reconstruction. The closing off of Plains Avenue at its intersection with Middle and Peverly Hill Roads made it necessary to move forward with roadway realignment, creation of a parking lot and substantial drainage upgrades to improve storm water quality entering into a nearby wetland. In addition, many of the improvements were driven by safety-related concerns that existed at the site as well as neighborhood input requesting buffering from the ball field activity. Other improvements included installation of new play equipment, bleachers trees and other site amenities.

Streets, Sidewalks and Facilities Improvements – In FY13, the City continued investment in the vital infrastructure of streets and sidewalks as follows:

- Began construction of Streetscape Improvement Project on Ranger Way including new concrete sidewalks, granite curbing, paving, signage and landscaping.
- Continued the Citywide Sidewalk Reconstruction Program and the Pavement Management and Rehabilitation Long-Range Plan.
- Completed the design and permitting process for the Sagamore Bridge replacement project.
- Completed paving work on Pease Boulevard and Arboretum Drive.
- Completed the Market Street and Interstate 95 Exit 7 intersection project. This project increases the width of Market Street in order to allow for double left turn lanes for receiving traffic from the Interstate 95 off ramp and for traffic going onto the Interstate 95 on-ramp.

- Continued to work in cooperation with the Prescott Park Arts Festival to finalize the design of a new concession stand/bathrooms located at Prescott Park. The work will begin after the end of the 2013 Prescott Park Arts Festival schedule.
- Continued repair of the High/Hanover Parking Facility deck spalling, repainting of structural steel, and replacement of joint sealant.
- Completed construction of the High/Hanover Parking Facility Maintenance Project, which included partial stair tread/riser replacement in the Fleet Street stair tower as well as the elevator stair tower.
- Continued the design of Phase 3 Improvements to the McDonough Street Neighborhood Area.
- Completed brick sidewalk replacement construction on Daniels Street from the Wright Avenue Parking lot to Market Square. This work included water, sewer and drainage improvements as well as streetscape upgrades.
- Completed sidewalk upgrades to Deer Street by installing brick and granite accent pavers and worked with private property owners to improve access to businesses.
- Completed sidewalk upgrades to the Peverly Hill Route 1 intersection including a drainage extension to minimize flooding.
- Completed the design for the upgrade of Aldrich Road. The project will include a new water line from Middle to Islington Streets, and sewer and drainage lines at the Boss Avenue intersection. Also part of the project will be streetscape improvements to facilitate traffic calming.
- Completed construction of the Mechanic Street Seawall at Pickering Street, which included a concrete wall with granite facing, drainage improvements, aluminum guardrail and public waterfront access.
- Completed construction of the Marcy Street Area Roadway and Sidewalk Project. The streets reconstructed included Marcy Street (State to Pleasant Streets), Mechanic Street, Gardner Street, Hunking Street, Pickering Street, Pickering Avenue, South Mill Street, Meeting House Hill and Manning Street.
- Started construction the Shaw Warehouse located on Water Street in Prescott Park. The restoration of this historic structure includes new foundation supports, white cedar siding and a white cedar roof.

Memorial Bridge Streetscape and Park Improvements – In FY13, the City continued to work closely with the State of New Hampshire on the Memorial Bridge replacement project. Bridge construction, which began in 2012, continued through FY13 and was opened to vehicular traffic in the summer of 2013. Along with the replacement of the Memorial Bridge are related projects such as the replacement of the City’s Scott Avenue Bridge (completed), renovation of the Memorial Park in front of the bridge (in progress) as well as the creation of a new Harborwalk park adjacent to the bridge (scheduled for construction in FY14), which will result in expanded public access to the waterfront and include the replacement of several of the historic plaques that were attached to (or associated with) the previous bridge structure as well as a new historic marker. The improvements and park amenities have been closely coordinated with the State of New Hampshire and the Section 106 consultation historic mitigation process.

Portsmouth Middle School – The City broke ground in spring 2011 on the \$40.8 million Portsmouth Middle School project, which consists of a multi-year 3 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. At this time, construction is in Phase 3, which is to be completed in the winter of 2014. 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, 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.

African Burying Ground – The City of Portsmouth continued to move forward with its efforts to construct the African Burying Ground Memorial Park, *We Stand in Honor of Those Forgotten*.

In 2003, a series of coffins were revealed during infrastructure upgrades in the heart of Portsmouth’s downtown. Through archaeology and DNA analysis, the City confirmed the site was at one time a segregated burying place for as many as 200 Africans and people of African descendents, likely both enslaved and free. It is estimated that the site was in use from the early 1700s to the mid 1800s during which time it was paved over, built over and forgotten. The Portsmouth community has chosen to close this public street to honor those buried there and transform the downtown City block into a public place of reverence, reflection, and learning.

The African Burying Ground Committee, various fundraising volunteers and City staff coordinated on efforts to raise awareness of the African Burying Ground and the site’s history as well as raise the remaining needed funds for the project. The City of Portsmouth is the lead and largest contributor to date having appropriated a total of \$250,000 for project construction.

Sale of the Connie Bean - In FY13, the City sold the “Connie Bean” building on Daniel Street through a modified sealed bid process. The building sold for \$1.5 million and was purchased by a private developer who intends to redevelop the property into a mixed use facility. The 15,000 square foot building has three stories, contains a gymnasium, and sits on one-third of an acre in downtown. It was closed in August 2012 after being used as a City recreational facility for several decades. Prior to that use, it was used by the Army and Navy Association as a social hall for military members. The property was sold subject to the preservation of certain historical features.

Lincoln Area Sewer Separation Contract 3B – The Sewer Division, as part of the Combined Sewer Overflow Long-Term Control Plan, completed the Lincoln Area Sewer Separation Contract 3B on August 16, 2013, which was 45 days ahead of the required EPA deadline. The project was driven by the need to separate the sewer system in the Lincoln Avenue area, but also included the replacement of all of the underground utilities

including water mains, sanitary sewer pipes, storm drainage pipes, and gas lines. The project included water, sewer, drainage and streetscape upgrades on Richards Avenue from Middle Street to Lincoln Avenue; Miller Avenue from Middle Street to Lincoln Avenue; Broad Street from Lincoln Avenue to Merrimac Street; Rockland Street from Sherburne Avenue to Broad Street; Highland Street; and Merrimac Street.

Wastewater Treatment Upgrades – Throughout FY13 the Sewer Division continued Environmental Protection Agency (EPA) Consent Decree-required pilot studies related to wastewater system upgrades. In accordance with the plan, the Sewer Division completed pilot testing of various technologies to provide the basis of a preliminary and final design for the upgraded Peirce Island Wastewater Treatment Plant. Submission of the engineering report to EPA was completed in the Fall of 2012. This report provided the basis for City staff and their engineering consultant, AECOM, to bring forward a proposal to City Council in April 2013 that recommended a facility that would include Biological Aerated Filters (BAF). This system would allow for upgrades within the existing Peirce Island Wastewater Facility fence line. The BAF system would also allow for treatment of the wastewater for nitrogen removal to a rolling annual average from 25 to 30 mg/l and 8 mg/l, which the City anticipates being within the range of future permits from EPA. The Council approved this recommendation and the City procured the services of AECOM through a proposal and interview process to begin design of the upgrades. This work commenced in June 2013.

Water and Sewer System Rate Study – The City procured the services of Municipal & Financial Services Group (MFSG) in FY13 to update the existing water and sewer user rate structure model. This model would provide the basis for determining future water and sewer user rates and fees to accommodate capital improvement needs while providing stable and predictable adjustments to user rates in future years. Two City Council work sessions were held with MFSG to review policies and financial goals of the water and sewer divisions. As water and sewer revenues are estimated based on projected water consumption, revenues can be significantly impacted by the loss of a large customer or weather conditions. As a result, MFSG recommended that both the water and sewer funds maintain a minimum unrestricted net position between 20% and 30% of the fiscal year's cash requirements to cover variations in revenues. In addition, it is recommended that the City will implement a rate stabilization reserve policy beginning in FY14 whereas the unrestricted net position would be increased by user rates or utilized from year to year to create a stable rate structure and to avoid a large rate increases within the water and sewer user rates.

Public Outreach – The City and Public Works Department hired a Public Outreach Coordinator to utilize various techniques to provide information to the public regarding the Wastewater Plant and Water/Sewer initiatives, in particular. The Public Outreach Coordinator has created a web page on the Water and Sewer Rate Study and a Twitter feed for various other City initiatives. In addition, the Public Outreach Coordinator assists with press relations through news releases.

Park Portsmouth – The City unveiled its new Parking website www.parkportsmouth.com to assist the public in accessing public parking assets and other resources such as accessible parking, bicycle racks, valet locations and more. The new site identifies parking time limits, pricing, as well as options for alternative transportation. The site's features are available at. In addition, a Park Portsmouth Twitter Feed is available (@parkportsmouth) for instant updates on news about snow closures and other parking related information.

Sustainability –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 project has made substantial progress and 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 at the Spinnaker Point Adult Recreation 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.

Form-Based Zoning – To address the scale and character of development in Portsmouth's historic downtown area, the City is considering the concept of "form-based" zoning as an alternative to the existing zoning regulations. Compared to conventional zoning ordinances, form-based zoning places a greater emphasis on site and building design and is less prescriptive about individual land uses. The purpose of considering form-based zoning for downtown Portsmouth is to provide more certainty about how new buildings will relate to their surroundings and more flexibility as to how those building may be used. The City was successful in obtaining a \$43,845 Community Planning Grant from New Hampshire Housing, which was used to contract with a planning and urban design firm that specializes in this type of work. The project began in February 2013 and is expected to produce its recommendations to the Planning Board and City Council in the fall of 2013.

Plan Portsmouth – In an effort to make Planning Department agendas, applications and information about planning projects and initiatives better accessible to the public, the Department created the Plan Portsmouth website (<http://www.planportsmouth.com/>). The website is a new communication tool, which presents additional planning-related

information and makes information previously available on the website more accessible. In addition to this effort, the Planning Department began utilizing Twitter (@PlanPortsmouth) to promote key initiatives and upcoming meetings.

Coastal Resilience Initiative - The Portsmouth Planning Department completed a study analyzing potential coastal impacts related to projected sea level rise and storm surge caused by climate change. The project identified how climate change scenarios could have potential impacts on buildings, infrastructure and natural resources. The study identifies potentially vulnerable areas in the future and recommends policies, plans and regulations to respond to the projected impacts of these climate-induced changes. Funding for the study was provided by the Gulf of Maine Council through a grant from the National Oceanic and Atmospheric Administration.

Market Street Gateway Improvement Project - The Market Street Gateway Improvement Project was initiated by the Economic Development Commission as part of its focus on the City's major corridors and gateways. Project goals include traffic calming, safe pedestrian and bicycle travel, aesthetic improvements and clear signage to direct visitors from I-95 to the central business district and the tourist information center. In FY13, the City allocated \$120,000 to design streetscape improvements between Albacore Park and Kearsarge Way. The improvements will be constructed in FY14 as part of the phased implementation of the gateway improvements.

Wayfinding – Phase 1 of the City's new wayfinding program is estimated to be complete by early fall. The goal of this phase is to develop a dependable and standardized wayfinding plan that identifies appropriate wayfinding types, messaging, locations, and uniform design to help people navigate efficiently and safely around the City. The plan will include recommendations for improving guidance for all modes of travel, including motor vehicles, bicycles and pedestrians. Phase 2 of the project will include fabrication and installation of all or a portion of the wayfinding system. Some of the priorities already identified for Phase 2 include consistent and visible parking signs and directionals, interior and exterior enhancements to the parking garage, and development of a mobile-friendly (internet and smart phone) component to our wayfinding system.

Long-Term Financial Planning

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

Statewide Education Property Tax – The New Hampshire Legislature failed to adopt a constitutional amendment to abolish the Statewide Education Property Tax (SWEPT) in FY13. Although there were some changes by the Legislature to the formula for the calculation and distribution of Adequate Education Aid, the Statewide Education Property Tax assessment process remains essentially the same. Each December, the Department of Revenue Administration notifies each municipality of the amount it must raise through the Statewide Education Property Tax (SWEPT) for the following school year.

Municipalities send the revenue raised by the Statewide Education Property Tax directly to their school district. Historically Portsmouth has raised tax revenue above the State determined cost of an adequate education and has been able to retain this revenue for local education costs. Prior to FY06, Portsmouth was a “Donor” community, forced to raise an additional \$11,750,318 in SWEPT for the State to distribute to other communities. The City is mindful of the fact that as long as SWEPT exists, the Legislature could change the education funding formula and return to “Donor” communities. The City continues to monitor the Legislature’s future education funding discussions through the City Council’s Legislative Subcommittee comprised of the Mayor and three City Councilors. The Legislative Subcommittee works with City Staff and the Portsmouth Delegates to monitor legislation on education funding. City Staff also monitors the Legislature’s activity on education funding on behalf of the Coalition Communities, a coalition of former “Donor” communities, through funding by the City and contributions from Coalition-member communities.

Bond Rating - In June 2013, Standard & Poor’s Rating Group (S&P) upgraded the City's bond rating to AAA citing its very diverse property tax base, low unemployment, extremely strong per capita market value, and strong-to very strong incomes. S&P states, "The rating reflects the City’s strong and conservative management practices that, when combined with a focus on predictability and stability, has led to a trend of very strong financial result". Moody's Investors Service, meanwhile, affirmed Portsmouth's Aa1 rating, citing the City's strong and stable financial operations with healthy reserves, a diverse economy and sizeable tax base, and moderate debt burden.

Relevant Financial Policies

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

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

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

fund balance, which is carried over from year to year to fund future liabilities, thus stabilizing the annual operating budget.

As of the close of the current fiscal year, the liability for accrued employee benefits was \$7,485,796, an increase of \$219,641 as compared to prior year.

Unassigned Fund Balance – City Council adopted in Fiscal Year 1998 A Fund Balance Ordinance which was amended in 2012 to comply with the fund balance model established by Governmental Accounting Standards Boards (GASB) Statement No. 54. The operational objective of the Ordinance was further amended in 2013 to recognize that the financial management goal of the City of Portsmouth is to annually maintain an Unassigned Fund Balance between 10% and 17% of total general fund appropriations. As of June 30, 2013, the Unassigned Fund Balance is 12.18% of appropriations.

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 FY13, the amount of net annual debt remains within the policy limits at 8.02%.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Portsmouth for its Comprehensive Annual Financial Report for the Fiscal Years ending June 30, 1988, 1989, and for eighteen consecutive years from 1995 to 2012.

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 eight consecutive years; fiscal year beginning July 1, 2006, to 2013. 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.

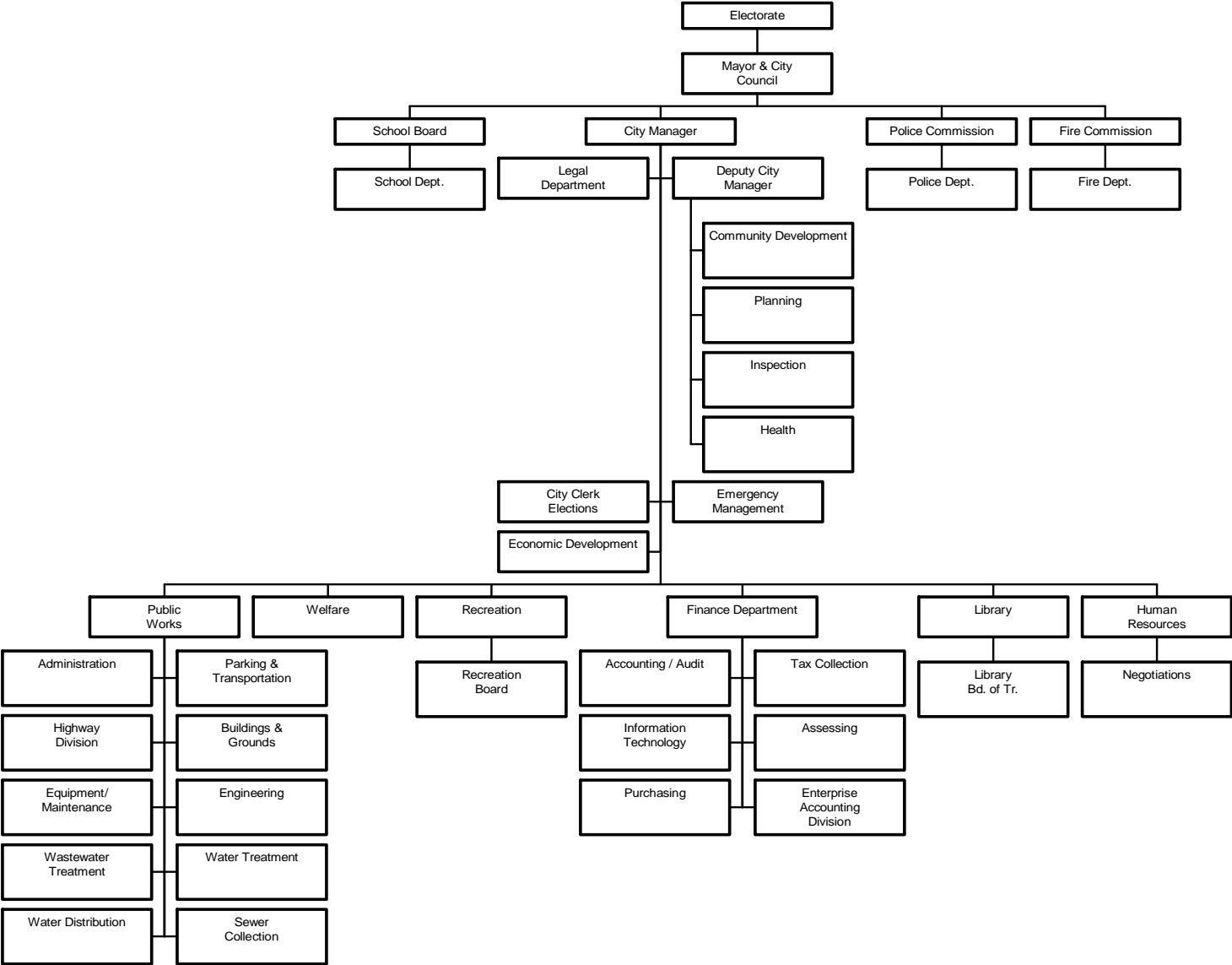
This report reflects the City's commitment to improve and maintain financial statements in conformity with the highest standards of accountability. The strong financial position and excellent financial results reflected in this report, would not have been possible without the leadership, support, and 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, 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 fluid and cursive, with the first name "Judith" being the most prominent part.

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 M. Walker

FIRE COMMISSION

Fire Chief Steven Achilles

Richard Gamester, Chairman

Michael K. Hughes
Paul T. Wentworth

POLICE COMMISSION

Police Chief Stephen DuBois

John F. Golumb, Chairman

John C. Russo
Gerald W. Howe

PRINCIPAL EXECUTIVE OFFICERS

City Manager, John P. Bohenko
Deputy City Manager, David Allen

City Attorney	Robert Sullivan
Finance Director	Judith Belanger
Deputy Finance Director	Andrew Purgiel
City Clerk	Kelli Barnaby
Tax Collector	Becky Benvenuti
City Assessor	Rosann Maurice-Lentz
Director of Public Works	Peter Rice
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 Administrator	Ellen Tully



Government Finance Officers Association

**Certificate of
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Presented to

**City of Portsmouth
New Hampshire**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Portsmouth, New Hampshire

Report on the Financial Statements

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 (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and 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 the *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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
November 15, 2013

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, 2013. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total assets exceeded liabilities by \$212,833,337, an increase of \$14,878,908 in comparison to the prior year.
- As of the close of the current fiscal year, total assets of governmental activities exceeded liabilities by \$140,261,028, an increase of \$8,282,635 in comparison with the prior year.
- At the end of the current year, total assets of business-type activities exceeded their liabilities by \$72,572,309, an increase of \$6,596,273 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$73,241,135, a decrease of \$8,499,783 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,027,473, an increase of \$556,520 in comparison with the prior year.
- Total bonds payable, including unamortized premium, at the close of the current fiscal year was \$145,769,131, an increase of \$665,175 in comparison to the prior year.

OVERVIEW OF 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 position 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 Position-*** presents information on all assets and liabilities, with the difference between the two reported as "net position" instead of fund balances as shown on the Fund Statements. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements include two different types of City Activities and can be found on pages 41-43 of this report.

- ***Governmental Activities:*** The activities in this section represent most of the City's basic services and are principally supported by taxes, grants, and intergovernmental revenues. The governmental activities of the City of Portsmouth include general government, public safety, education, public works, health and human services, culture and recreation, and community development. Other governmental activities include special revenue and capital projects funds.
- ***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. The City's funds are 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 44-48 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 49-51 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 52-53 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 page 55 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position 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 position at June 30 for the current and prior fiscal years.

Summary of Net Position (000s)						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 85,722	\$ 93,289	\$ 36,650	\$ 35,971	\$ 122,372	\$ 129,260
Capital assets	<u>159,258</u>	<u>147,028</u>	<u>106,841</u>	<u>100,780</u>	<u>266,099</u>	<u>247,808</u>
Total assets	<u>244,980</u>	<u>240,317</u>	<u>143,491</u>	<u>136,751</u>	<u>388,471</u>	<u>377,068</u>
Liabilities:						
Long-term liabilities	95,811	100,449	61,890	55,554	157,701	156,003
Other liabilities	<u>8,908</u>	<u>7,890</u>	<u>9,029</u>	<u>15,221</u>	<u>17,937</u>	<u>23,111</u>
Total liabilities	<u>104,719</u>	<u>108,339</u>	<u>70,919</u>	<u>70,775</u>	<u>175,638</u>	<u>179,114</u>
Net position:						
Net investment in capital assets	85,565	78,588	47,883	42,709	133,448	121,297
Restricted	16,744	17,148	1,138	1,300	17,882	18,448
Unrestricted	<u>37,952</u>	<u>36,242</u>	<u>23,551</u>	<u>21,967</u>	<u>61,503</u>	<u>58,209</u>
Total net position	<u>\$ 140,261</u>	<u>\$ 131,978</u>	<u>\$ 72,572</u>	<u>\$ 65,976</u>	<u>\$ 212,833</u>	<u>\$ 197,954</u>

By far the largest portion of net position 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 investment in capital assets is \$133,447,524 or 62.7% of total net position. 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 position \$17,881,676 or 8.4% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$61,504,137 or 28.9% may be used to meet the government's ongoing obligations to citizens and creditors. However, internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the City of Portsmouth is able to report positive balances in all three categories of net position, 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 position increased by \$14,878,908. Approximately 81.6% of the increase is attributed to an increase in investments in capital assets net of related debt. The remaining 18.4% represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

The \$3,005,989 net OPEB obligation represents Governmental Accounting Standards Board (GASB) Statement No. 45. The purpose of the statement is to reflect the liability of health care or other post employment benefits provided to separated or retired employees. The City of Portsmouth does not pay a direct subsidy towards their retiree's health insurance premiums. In accordance with RSA 100-A:50, retired employees shall be deemed to be part of the same group as active employees for health insurance premium purposes, thereby resulting in a so called blended rate. The blended rate decreases the cost of insurance premiums for retirees and increases the cost for active employees, thereby resulting in the City paying an implicit subsidy.

Please refer to the Financial Statement footnote 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 position for the current fiscal and prior fiscal year.

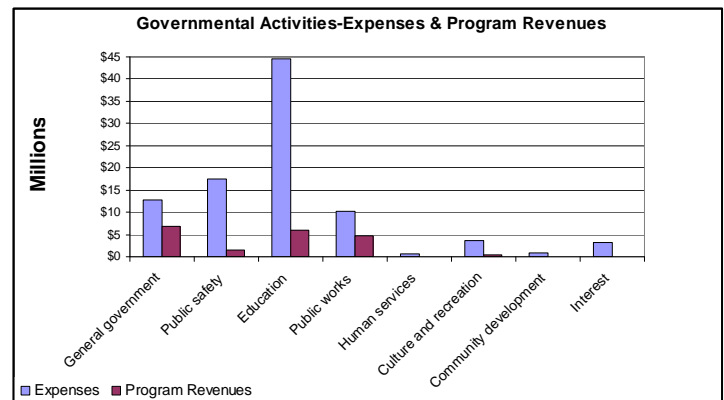
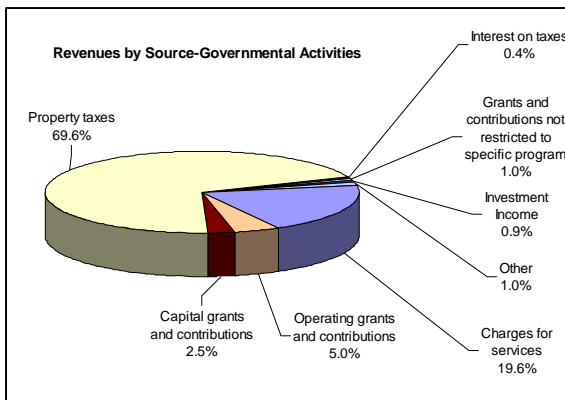
Summary of Changes in Net Position (000s)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 19,500	\$ 18,694	\$ 20,802	\$ 19,481	\$ 40,302	\$ 38,175
Operating grants and contributions	4,930	6,876	-	-	4,930	6,876
Capital grants and contributions	2,537	2,864	785	1,643	3,322	4,507
General revenues:						
Property taxes	69,226	67,342	-	-	69,226	67,342
Interest on taxes	371	267	-	-	371	267
Grants and contributions not restricted to specific programs	989	936	-	-	989	936
Investment income	860	478	17	43	877	521
Other	1,045	267	70	7	1,115	274
Total revenues	99,458	97,724	21,674	21,174	121,132	118,898
Expenses:						
General government	12,883	11,812	-	-	12,883	11,812
Public safety	17,576	16,855	-	-	17,576	16,855
Education	44,547	44,281	-	-	44,547	44,281
Public works	10,304	9,835	-	-	10,304	9,835
Health and human services	690	602	-	-	690	602
Culture and recreation	3,632	3,805	-	-	3,632	3,805
Community development	863	981	-	-	863	981
Interest on long-term debt	3,096	3,781	-	-	3,096	3,781
Water operations	-	-	6,125	5,418	6,125	5,418
Sewer operations	-	-	7,975	7,580	7,975	7,580
Total expenses	93,591	91,952	14,100	12,998	107,691	104,950
Change in net position before permanent fund contributions and transfers	5,867	5,772	7,574	8,176	13,441	13,948
Gain on sale of capital asset	1,426	-	-	-	1,426	-
Contributions to permanent fund principal	12	12	-	-	12	12
Transfers in (out)	978	959	(978)	(959)	-	-
Change in net position	8,283	6,743	6,596	7,217	14,879	13,960
Net position - beginning of year	131,978	125,235	65,976	58,759	197,954	183,994
Net position - end of year	\$ 140,261	\$ 131,978	\$ 72,572	\$ 65,976	\$ 212,833	\$ 197,954

Governmental Activities. Governmental activities for the year resulted in an increase in net position of \$8,282,635 which is an increase of \$1,538,878 from the prior year change. Governmental activities realized the following significant transactions:

- Property tax, which is 70% of the total revenues, increased by \$1,884,606 or 2.8% from the prior year.
- All other revenues combined resulted in a net increase of \$1,295,021 from the prior year primarily due to a net gain of \$1,426,433 from the sale of the Connie Bean recreation building.
- Overall governmental expenses experienced a net increase of \$1,640,749 or 1.8% from prior year primarily due to a decrease of \$685,054 in long term debt interest payments and an increase in personnel expenses. The city has fifteen (15) collective bargaining units, of which fourteen (14) were settled before June 30, 2013. The increase in expenses from prior year represents cost of living adjustments (COLA) and other benefits paid to employees, and other expense increases as a result of inflation.

The charts below identifies revenues and expenses by source for Governmental activities



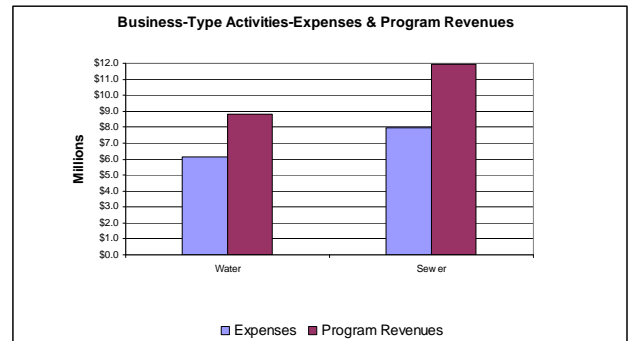
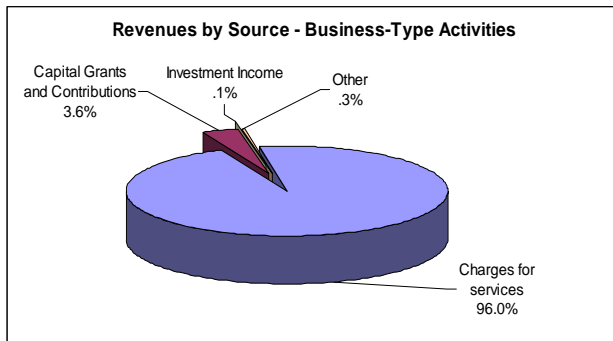
Business-Type activities. Business-type activities for the year resulted in an increase in net position of \$6,596,273 which is a decrease of \$620,388 from the prior year change. The key elements of the changes are as follows:

- Operating revenues over operating expenses of \$9,019,203 represent an increase of \$619,622 from the prior year. Charges for services in the business-type activities experienced an increase of \$1,321,108. The water fund experienced a decrease in operating revenues of \$218,913 as a result of a reduction in the billable units subject to a second tier rate due to conservation measures by the consumer. The sewer fund experienced an

increase of \$1,540,021 primarily due to a rate increase.

- Non-operating revenues of \$87,446 represent an increase of \$36,275 due to an increase in bond premium amortization.
- Non-operating expenses of \$2,317,552 represent an increase of \$400,004 due to an increase of interest expense in long-term debt.
- A net decrease of \$857,767 in capital grants and contributions is primarily due a reduction in state aid grant reimbursement as outstanding debt decreases.

The charts below identifies revenues and expenses by source for Business-type activities



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 \$73,241,135, a decrease of \$8,499,783 in comparison with the prior year. This decrease is primarily due from incurring expenditures in the School Renovation Fund.

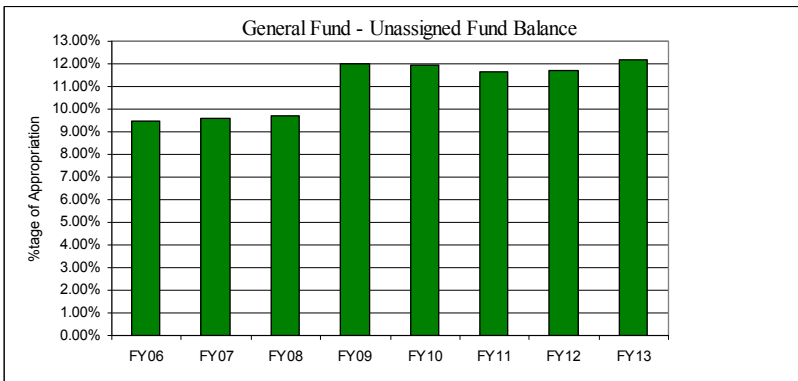
General Fund

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

City Council adopted in Fiscal Year 1998 the "Unassigned Fund Balance Ordinance" to maintain assigned fund balance within a certain range. This ordinance was amended in fiscal year 2013 which mandates that the city will maintain an unassigned fund balance of between 10% and 17% of total general fund appropriations.

Unassigned fund balance at the end of the fiscal year was \$11,027,473 or 12.18% of the final general fund budget. This is an increase of \$556,520 from prior year.

The table demonstrates that over the last five years, the unassigned fund balance has exceeded 10% of the final general fund budget.



Total fund balance for the general fund at the end of the current fiscal year, was \$40,185,463 or 44.38% of the final general fund budget. This is an increase of \$1,098,109 or 2.81% from prior year. The key factors in this change are as follows:

- A decrease of fund balance of \$2,573,500 from budgetary use of fund balance.
- An increase of fund balance of \$252,104 due to a decrease in abatement liabilities from FY12.
- A decrease of fund balance of \$825,873 from expenditures exceeding appropriations in the Health Insurance Stabilization Account.
- A decrease of fund balance of \$48,968 from expenditures exceeding appropriations in the Leave at Termination Account.
- A net increase to fund balance of \$2,845,789 from revenues and other financing sources exceeding final budget estimates (excluding tax adjustments).

- A net increase of \$692,664 from remaining departmental appropriations and collective bargaining contingency.
- A net increase of \$777,693 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 \$33,055,672, which is a net decrease of \$9,597,892 or 22.5% from prior year. Key factors in this change are as follows:

- A decrease of \$11,305,357 from the continued construction and renovations of the Middle School.
- Other non-major fund increase of \$1,707,465 is comprised of the following:
 - Net increase in special revenue funds of \$2,221,435 is due largely from operating surplus in parking and transportation, an increase in contributions to the city trust funds combined with operating loss in the community development funds.
 - Net decrease of \$1,049,852 in capital project funds from continued capital investments.
 - An increase of \$535,882 in permanent funds due to an increase in investments income.

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. Proprietary fund financial statements use the accrual basis of accounting, like the government-wide financials. As such, there is no reconciliation needed between the government-wide financial statements for business type activities and the proprietary fund financial statements.

Total net position for the water and sewer funds at the end of the year increased \$6,596,273 to a total of \$72,572,309. The water fund increased by \$2,320,767 and the sewer fund increased \$4,275,506.

Unrestricted net position of the water and sewer funds at the end of the year increased \$1,585,689 to a total of \$23,551,956. The water fund unrestricted net assets balance is \$8,423,422, the sewer fund unrestricted net assets balance is \$15,128,534.

Restricted for debt service of \$1,137,835 is related to the Pease Wastewater Treatment Plant debt which is contributed from the Pease Development Authority.

Net investment in capital assets increased by \$5,173,132, of which the water fund capital assets increased by \$2,442,118 and the sewer fund capital assets increased by \$2,731,014.

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 FY13, 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 \$9.54 per unit; all units over ten units per month was billed at a rate of \$10.49 per unit.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The difference between the final amended budget and actual results is a positive variance of \$2,895,151 with revenues exceeding estimated budgets by \$2,202,486 and expenditures were less than the estimated budget by \$692,665. Significant variances include:

- Positive variance in Licenses and Permits of \$582,868 is mainly attributed an excess of \$316,472 as a result of an increase number of motor vehicle registrations \$183,703 in building, electrical and plumbing permits resulting from renovations and new construction citywide.
- Positive variance in Charges for Services of \$958,828 primarily consists of an excess of \$549,603 from parking facility leases and usage, \$157,973 from ambulance fees and \$99,093 in police outside detail.
- Fines and costs experienced a negative variance of \$31,906 mainly attributed to declining parking violations.
- Positive variance of \$253,045 in Other Revenues is mainly attributed to a worker's compensation holiday premium reimbursement of \$224,000.
- Current operating expenditures resulting in a positive variance of \$484,220 is mainly due to \$100,000 surplus from collective bargaining contingency, \$155,816 surplus from the Public Works Department as a

result of vacancies and energy savings, \$68,081 surplus from the Police Department and \$68,588 surplus from General government as a result of vacancies, and \$58,719 surplus in General Administration as a result of energy savings.

- Non-operating expenditures resulting in a net positive variance of \$208,445 is mainly attributed to \$270,779 surplus in debt issuance expenditure and a negative variance of \$129,755 from County Tax.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$266,098,977 (net of accumulated depreciation), an increase \$18,291,889 from the prior year. This investment in capital assets includes land, buildings, system improvements, and machinery and equipment.

Capital Assets (000s) (net of depreciation)									
	Governmental		Business-type		Totals		Amount Change	%	
	Activities		Activities						
	2013	2012	2013	2012	2013	2012			
Land	\$ 15,650	\$ 15,623	\$ 1,930	\$ 1,930	\$ 17,580	\$ 17,553	\$ 27	0.15%	
Building and improvements	69,046	67,264	24,234	23,179	93,280	90,443	2,837	3.14%	
Machinery and equipment	3,328	3,807	16,013	16,693	19,341	20,500	(1,159)	-5.65%	
Infrastructure	36,058	36,462	54,835	48,484	90,893	84,946	5,947	7.00%	
Construction in Progress	35,176	23,871	9,829	10,494	45,005	34,365	10,640	30.96%	
Total Assets	<u>\$ 159,258</u>	<u>\$ 147,027</u>	<u>\$ 106,841</u>	<u>\$ 100,780</u>	<u>\$ 266,099</u>	<u>\$ 247,807</u>	<u>\$ 18,292</u>	<u>7.38%</u>	

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

- Construction in progress for governmental activities totaled \$35,176,222 at year end which \$29,608,287 is attributed to the Middle School Renovation project, \$1,753,713 to the construction of the Youth Recreation Center, \$1,656,899 to various street and sidewalk projects and \$383,510 to the City Hall Boiler.
- A variety of sidewalk and street construction contributed to capital assets of \$1,574,701.
- General government vehicles capitalized during the current year which included Public Works vehicles of \$147,899, Police vehicles of \$35,750, Fire vehicles of \$162,581 and School vehicles \$26,592.
- The water fund recognized an outstanding balance as of June 30, 2013 in construction in progress of \$2,209,870 which consisted of \$945,176 for the Lincoln Area 3b and 3c projects, \$360,055 for the Cass St project, \$775,014 in various NHDOT road projects, and \$129,625 for water tank

assessment. The water fund had additions to buildings, infrastructure and machinery & equipment capital assets of \$1,298,240 during the year which consisted of \$882,929 for the Lincoln Area 3A project, 3 new vehicles were capitalized at \$239,974 and \$156,464 additional work was capitalized at the Madbury plant.

- The sewer fund recognized an outstanding balance as of June 30, 2013 in construction in progress of \$7,619,377 which consisted of \$3,313,914 for the Lincoln Area 3B project, \$2,300,874 for the Cass St project and \$1,934,988 for the preliminary design of the Peirce Island wastewater treatment plant. Additions to buildings, infrastructure and machinery & equipment capital assets of \$8,377,820 during the year consisted of \$5,499,570 for the Lincoln Area 3A project, \$136,634 for 3 new vehicles and \$1,714,430 for the facilities 201 plan.

Additional information on the City of Portsmouth’s capital assets can be found in note 9 on pages 70-72 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 \$145,769,131 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 AAA rating from Standard and Poor’s rating group and an Aa1 rating from Moody’s Investors Service.

Outstanding Debt (000s)

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds	\$ 78,202	\$ 83,480	\$ 23,915	\$ 25,310	\$ 102,117	\$ 108,790
State Revolving Fund Loans	1,310	1,523	35,828	28,111	37,138	29,634
Unamortized premium	<u>5,142</u>	<u>5,374</u>	<u>1,373</u>	<u>1,307</u>	<u>6,514</u>	<u>6,680</u>
Total	<u>\$ 84,654</u>	<u>\$ 90,377</u>	<u>\$ 61,116</u>	<u>\$ 54,727</u>	<u>\$ 145,769</u>	<u>\$ 145,104</u>

The City of Portsmouth’s total debt increased by \$665,176 or .46% during the current fiscal year. The key factors in this net decrease are:

- Reductions of outstanding debt principal in the amount of \$12,365,262.

- The issuance of General Obligation bonds and State Revolving Fund loans of \$13,196,433 for the following projects:
 - \$2,267,000 for Citywide Bridge, Street, and sidewalk improvements.
 - \$500,000 for FY13 School Facilities Improvements.
 - \$1,500,433 for State Street Utilities Upgrade.
 - \$3,929,000 for a portion of the Long-term Control Plan.
 - \$5,000,000 for Madbury Water Treatment Plant upgrades.

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, 2013, 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 \$4,238,460,159. The debt limit and outstanding debt is as follows:

Debt Limit Calculation						
Purpose	Percent of Allowable Debt Limit	Maximum Debt Limit	Bonds Outstanding including Unamortized Bond Premiums as of June 30, 2013	Authorized Unissued as of June 30, 2013	Total Gross Debt as of June 30, 2013	% of Legal Debt Service Used
Municipal	3.00%	\$ 127,153,805	\$ 26,968,374	\$ 1,600,000	\$ 28,568,374	22%
Landfill closure ⁽¹⁾	N/A	-	1,310,048	4,641,897	5,951,945	N/A
School	7.00%	296,692,211	56,375,177	3,300,000	59,675,177	20%
Water	10.00%	423,846,016	23,539,598	13,162,303	36,701,901	9%
Sewer ⁽¹⁾	N/A	-	37,575,939	8,706,299	46,282,238	N/A
Total		<u>\$ 847,692,032</u>	<u>\$ 145,769,136</u>	<u>\$ 31,410,499</u>	<u>\$ 177,179,635</u>	

⁽¹⁾ Exempt from Debt Limit

Additional information on notes payable and long-term debt can be found in Notes 14 and 15 on pages 73-77 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- As of June 30, 2013, the unemployment rate was 3.9% down from 4.2% in FY12. The state's unemployment average for the same period was 5.1%, the average rate for New England was 7.3% and the nation's average rate was 7.8%.
- The overall commercial office vacancy rate for the City of Portsmouth decreased to 13.3% from 16.1% during FY13.

All of these factors were considered in preparing the City of Portsmouth's budget for fiscal year 2014.

The budget and tax rate for the General Fund for FY14 has been approved by the Department of Revenue Administration. The total budget is \$92,838,137, an increase of \$2,281,869 or 2.52% from the prior year final budget. The tax rate has been set at \$17.91 per \$1,000 of assessed value. This is an increase of \$.36 or 2% from prior year.

The City of Portsmouth has appropriated a total of \$1,573,500 from committed fund balance of which \$1,500,000 for debt service payments and \$73,500 for abatements in the fiscal year 2014 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 FY14 from FY13 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 FY13 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 \$9.54 to \$10.68 per unit for the first 10 units of water consumed per month. The rate for consumption over 10 units per month increased from \$10.49 to \$11.75 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

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Basic Financial Statements

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 72,256,245	\$ 29,830,633	\$ 102,086,878
Investments	6,601,182	-	6,601,182
Receivables, net of allowance for uncollectibles:			
Property taxes	2,287,452	-	2,287,452
User fees	-	3,699,574	3,699,574
Departmental and other	711,927	380,099	1,092,026
Intergovernmental	921,025	92,416	1,013,441
Loans and interest	24,766	-	24,766
Inventory	<u>19,703</u>	<u>160,774</u>	<u>180,477</u>
Total current assets	82,822,300	34,163,496	116,985,796
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	756,251	-	756,251
Departmental and other	-	2,486,820	2,486,820
Loans	2,144,026	-	2,144,026
Capital assets:			
Land and construction in progress	50,826,629	11,758,847	62,585,476
Other capital assets, net of accumulated depreciation	<u>108,431,312</u>	<u>95,082,189</u>	<u>203,513,501</u>
Total non-current assets	162,158,218	109,327,856	271,486,074
TOTAL ASSETS	244,980,518	143,491,352	388,471,870
LIABILITIES			
Current:			
Accounts payable	2,760,722	1,676,584	4,437,306
Accrued liabilities	1,315,916	1,026,165	2,342,081
Retainage payable	1,963,870	616,199	2,580,069
Tax refunds payable	1,584,569	-	1,584,569
Notes payable	-	5,499,591	5,499,591
Other current liabilities	1,283,862	210,743	1,494,605
Current portion of long-term liabilities:			
Bonds payable	7,830,294	4,236,981	12,067,275
Other liabilities	<u>828,111</u>	<u>46,790</u>	<u>874,901</u>
Total current liabilities	17,567,344	13,313,053	30,880,397
Noncurrent:			
Bonds payable, net of current portion	76,823,304	56,878,552	133,701,856
Net OPEB obligation	2,816,636	189,353	3,005,989
Other liabilities, net of current portion	<u>7,512,206</u>	<u>538,085</u>	<u>8,050,291</u>
Total noncurrent liabilities	87,152,146	57,605,990	144,758,136
TOTAL LIABILITIES	104,719,490	70,919,043	175,638,533
NET POSITION			
Net investment in capital assets	85,565,006	47,882,518	133,447,524
Restricted externally or constitutionally for:			
Grants	6,974,690	-	6,974,690
Debt	-	1,137,835	1,137,835
Permanent funds:			
Nonspendable	1,633,062	-	1,633,062
Spendable	4,656,278	-	4,656,278
Restricted by enabling legislation	3,479,811	-	3,479,811
Unrestricted	<u>37,952,181</u>	<u>23,551,956</u>	<u>61,504,137</u>
TOTAL NET POSITION	\$ <u>140,261,028</u>	\$ <u>72,572,309</u>	\$ <u>212,833,337</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<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	\$ 12,883,285	\$ 6,800,409	\$ 13,350	\$ 35,000
Public safety	17,576,460	1,127,299	531,476	-
Education	44,546,643	5,958,503	3,720,631	1,330,428
Public works	10,303,800	4,654,656	409,595	658,577
Health and human services	689,895	85,079	-	-
Culture and recreation	3,632,095	874,509	252,911	4,765
Community development	863,416	-	1,520	508,537
Interest on long-term debt	3,095,996	-	-	-
Total Governmental Activities	<u>93,591,590</u>	<u>19,500,455</u>	<u>4,929,483</u>	<u>2,537,307</u>
Business-Type Activities:				
Water services	6,125,103	8,839,035	-	66,446
Sewer services	<u>7,975,215</u>	<u>11,962,934</u>	<u>-</u>	<u>718,308</u>
Total Business-Type Activities	<u>14,100,318</u>	<u>20,801,969</u>	<u>-</u>	<u>784,754</u>
Total	<u>\$ 107,691,908</u>	<u>\$ 40,302,424</u>	<u>\$ 4,929,483</u>	<u>\$ 3,322,061</u>

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

Total general revenues and transfers and contributions to permanent fund principal

Change in Net Position

Net Position:

Beginning of year

End of year

The accompanying notes are an integral part of these financial statements.

<u>Net (Expenses) Revenues and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (6,034,526)	\$ -	\$ (6,034,526)
(15,917,685)	-	(15,917,685)
(33,537,081)	-	(33,537,081)
(4,580,972)	-	(4,580,972)
(604,816)	-	(604,816)
(2,499,910)	-	(2,499,910)
(353,359)	-	(353,359)
<u>(3,095,996)</u>	<u>-</u>	<u>(3,095,996)</u>
<u>(66,624,345)</u>	<u>-</u>	<u>(66,624,345)</u>
-	2,780,378	2,780,378
<u>-</u>	<u>4,706,027</u>	<u>4,706,027</u>
<u>-</u>	<u>7,486,405</u>	<u>7,486,405</u>
(66,624,345)	7,486,405	(59,137,940)
69,226,282	-	69,226,282
371,247	-	371,247
989,067	-	989,067
859,811	17,408	877,219
1,045,112	70,038	1,115,150
1,426,433	-	1,426,433
11,450	-	11,450
<u>977,578</u>	<u>(977,578)</u>	<u>-</u>
<u>74,906,980</u>	<u>(890,132)</u>	<u>74,016,848</u>
8,282,635	6,596,273	14,878,908
<u>131,978,393</u>	<u>65,976,036</u>	<u>197,954,429</u>
<u>\$ 140,261,028</u>	<u>\$ 72,572,309</u>	<u>\$ 212,833,337</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>School Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 42,661,924	\$ 8,109,653	\$ 21,484,669	\$ 72,256,246
Investments	-	-	6,601,183	6,601,183
Receivables:				
Property taxes	3,043,703	-	-	3,043,703
Departmental and other	618,362	-	93,565	711,927
Intergovernmental	522	-	920,503	921,025
Loans and interest	-	-	2,168,792	2,168,792
Due from other funds	212,990	-	-	212,990
Inventory	-	-	19,703	19,703
TOTAL ASSETS	<u>\$ 46,537,501</u>	<u>\$ 8,109,653</u>	<u>\$ 31,288,415</u>	<u>\$ 85,935,569</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 740,431	\$ 963,139	\$ 1,057,154	\$ 2,760,724
Accrued liabilities	756,504	-	14,727	771,231
Retainage payable	60,756	1,578,095	325,019	1,963,870
Tax refunds liability	1,584,569	-	-	1,584,569
Due to other funds	-	-	212,990	212,990
Other liabilities	1,283,862	-	-	1,283,862
TOTAL LIABILITIES	4,426,122	2,541,234	1,609,890	8,577,246
Deferred Inflows of Resources	1,925,916	-	2,191,272	4,117,188
Fund Balances:				
Nonspendable	-	-	1,652,765	1,652,765
Restricted	-	5,568,419	23,422,163	28,990,582
Committed	22,624,205	-	2,432,001	25,056,206
Assigned	6,533,785	-	-	6,533,785
Unassigned	11,027,473	-	(19,676)	11,007,797
TOTAL FUND BALANCES	<u>40,185,463</u>	<u>5,568,419</u>	<u>27,487,253</u>	<u>73,241,135</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 46,537,501</u>	<u>\$ 8,109,653</u>	<u>\$ 31,288,415</u>	<u>\$ 85,935,569</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2013

Total governmental fund balances	\$ 73,241,135
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	159,257,941
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	4,117,188
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(544,685)
• 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>(95,810,551)</u>
Net position of governmental activities	<u><u>\$ 140,261,028</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>School Renovations</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 69,355,426	\$ -	\$ -	\$ 69,355,426
Licenses and permits	4,669,868	-	-	4,669,868
Intergovernmental	2,718,335	-	5,218,258	7,936,593
Charges for services	10,199,596	-	3,685,952	13,885,548
Investment income	92,119	-	767,693	859,812
Interest on taxes	371,247	-	-	371,247
Fines and costs	772,094	-	37,738	809,832
Contributions	-	-	2,030,714	2,030,714
Other	433,577	-	282,239	715,816
Total Revenues	<u>88,612,262</u>	<u>-</u>	<u>12,022,594</u>	<u>100,634,856</u>
Expenditures:				
Current:				
General government	7,499,657	-	147,508	7,647,165
Public safety	15,738,669	-	507,495	16,246,164
Education	38,436,560	-	4,838,242	43,274,802
Public works	5,874,213	-	2,850,197	8,724,410
Health and human services	663,744	-	-	663,744
Culture and recreation	2,243,641	-	948,056	3,191,697
Community development	-	-	743,466	743,466
Debt service:				
Principal	8,257,905	-	-	8,257,905
Interest	3,091,322	-	-	3,091,322
Capital outlay	723,057	11,305,357	4,767,837	16,796,251
Intergovernmental	4,426,943	-	-	4,426,943
Total Expenditures	<u>86,955,711</u>	<u>11,305,357</u>	<u>14,802,801</u>	<u>113,063,869</u>
Excess (deficiency) of revenues over (under) expenditures	1,656,551	(11,305,357)	(2,780,207)	(12,429,013)
Other Financing Sources (Uses):				
Bond premium	184,652	-	-	184,652
Issuance of bonds	-	-	2,767,000	2,767,000
Transfers in	1,176,820	-	1,720,672	2,897,492
Transfers out	(1,919,914)	-	-	(1,919,914)
Total Other Financing Sources (Uses)	<u>(558,442)</u>	<u>-</u>	<u>4,487,672</u>	<u>3,929,230</u>
Net change in fund balances	1,098,109	(11,305,357)	1,707,465	(8,499,783)
Fund Balances, at Beginning of Year	<u>39,087,354</u>	<u>16,873,776</u>	<u>25,779,788</u>	<u>81,740,918</u>
Fund Balances, at End of Year	<u>\$ 40,185,463</u>	<u>\$ 5,568,419</u>	<u>\$ 27,487,253</u>	<u>\$ 73,241,135</u>

The accompanying notes are an integral part of these 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, 2013

Net changes in fund balances - Total governmental funds	\$ (8,499,783)																				
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">17,495,761</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(5,191,819)</td> </tr> <tr> <td>Effect on gain on disposal of capital assets</td> <td style="text-align: right;">(73,567)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(81,564)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of long-term debt, including premium</td> <td style="text-align: right;">(2,951,652)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">8,257,905</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">416,923</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(4,674)</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">(306,947)</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;"><u>(777,948)</u></td> </tr> </table> 		Capital outlay purchases	17,495,761	Depreciation	(5,191,819)	Effect on gain on disposal of capital assets	(73,567)		(81,564)	Issuance of long-term debt, including premium	(2,951,652)	Repayments of debt	8,257,905	Bond premium amortization	416,923		(4,674)	Compensated absences	(306,947)	Net OPEB obligation	<u>(777,948)</u>
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Compensated absences	(306,947)																				
Net OPEB obligation	<u>(777,948)</u>																				
Change in net position of governmental activities	\$ <u>8,282,635</u>																				

The accompanying notes are an integral part of these 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, 2013

	Budgeted Amounts			
	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With <u>Final Budget</u>
Revenues and other sources:				
Taxes	\$ 69,575,635	\$ 69,575,635	\$ 69,610,018	\$ 34,383
Licenses and permits	4,087,000	4,087,000	4,669,868	582,868
Intergovernmental	8,113,742	8,113,742	8,195,993	82,251
Charges for services	3,720,038	3,720,038	4,678,866	958,828
Investment income	105,000	105,000	92,119	(12,881)
Interest and penalties	220,000	220,000	371,247	151,247
Fines and costs	804,000	804,000	772,094	(31,906)
Other revenues	180,533	180,533	433,577	253,044
Other financing sources:				
Bond premiums	-	-	184,652	184,652
Transfers in	1,176,820	1,176,820	1,176,820	-
Use of fund balance	<u>2,573,500</u>	<u>2,573,500</u>	<u>2,573,500</u>	<u>-</u>
Total Revenues and Other Sources	90,556,268	90,556,268	92,758,754	2,202,486
Expenditures and other uses:				
Current:				
General government	5,129,902	5,174,676	5,106,088	68,588
Other general government	1,262,732	1,205,459	1,046,740	158,719
Public works	5,870,602	5,872,890	5,717,074	155,816
Community services	2,833,138	2,835,980	2,824,040	11,940
Regulatory services	1,048,670	1,056,039	1,042,864	13,175
Emergency management	10,000	10,000	2,575	7,425
Police department	8,838,885	8,838,885	8,770,804	68,081
Fire department	7,155,250	7,155,250	7,155,231	19
School department	38,302,260	38,302,260	38,301,803	457
Non-operating	<u>20,104,829</u>	<u>20,104,829</u>	<u>19,896,384</u>	<u>208,445</u>
Total Expenditures and Other Uses	<u>90,556,268</u>	<u>90,556,268</u>	<u>89,863,603</u>	<u>692,665</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,895,151</u>	\$ <u>2,895,151</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 7,422,379	\$ 22,408,254	\$ 29,830,633
Receivables, net of allowance for uncollectibles:			
User fees	1,818,629	1,880,945	3,699,574
Departmental and other	44,000	336,099	380,099
Intergovernmental	67,021	25,395	92,416
Inventory	140,526	20,248	160,774
Total current assets	9,492,555	24,670,941	34,163,496
Noncurrent:			
Departmental and other receivables, net of current portion	500,508	1,986,312	2,486,820
Capital assets:			
Land and construction in progress	2,789,470	8,969,377	11,758,847
Capital assets, net of accumulated depreciation	44,986,977	50,095,212	95,082,189
Total noncurrent assets	48,276,955	61,050,901	109,327,856
TOTAL ASSETS	57,769,510	85,721,842	143,491,352
<u>LIABILITIES</u>			
Current:			
Accounts payable	391,680	1,284,904	1,676,584
Accrued liabilities	421,344	604,821	1,026,165
Retainage payable	152,581	463,618	616,199
Notes payable	-	5,499,591	5,499,591
Other current liabilities	167,907	42,836	210,743
Current portion of long-term liabilities:			
Bonds payable	1,596,729	2,640,252	4,236,981
Other liabilities	25,763	21,027	46,790
Total current liabilities	2,756,004	10,557,049	13,313,053
Noncurrent:			
Bonds payable, net of current portion	21,942,868	34,935,684	56,878,552
Net OPEB obligation	114,097	75,256	189,353
Other liabilities	296,269	241,816	538,085
Total noncurrent liabilities	22,353,234	35,252,756	57,605,990
TOTAL LIABILITIES	25,109,238	45,809,805	70,919,043
<u>NET POSITION</u>			
Net investment in capital assets	24,236,850	23,645,668	47,882,518
Restricted for debt service	-	1,137,835	1,137,835
Unrestricted	8,423,422	15,128,534	23,551,956
TOTAL NET POSITION	\$ 32,660,272	\$ 39,912,037	\$ 72,572,309

The accompanying notes are an integral part of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 8,023,896	\$ 11,598,124	\$ 19,622,020
Licenses and permits	431,680	200,047	631,727
Departmental revenue	<u>383,459</u>	<u>164,763</u>	<u>548,222</u>
Total Operating Revenues	8,839,035	11,962,934	20,801,969
Operating Expenses:			
Personnel services	1,853,066	1,925,076	3,778,142
Non-personnel services	1,863,789	3,190,831	5,054,620
Depreciation	<u>1,370,019</u>	<u>1,579,985</u>	<u>2,950,004</u>
Total Operating Expenses	<u>5,086,874</u>	<u>6,695,892</u>	<u>11,782,766</u>
Operating Income	3,752,161	5,267,042	9,019,203
Nonoperating Revenues (Expenses):			
Investment income	4,897	12,511	17,408
Bond amortization	31,400	38,638	70,038
Interest expense	<u>(1,038,229)</u>	<u>(1,279,323)</u>	<u>(2,317,552)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,001,932)</u>	<u>(1,228,174)</u>	<u>(2,230,106)</u>
Income Before Contributions and Transfers	2,750,229	4,038,868	6,789,097
Capital contributions	66,446	718,308	784,754
Transfers to other funds	<u>(495,908)</u>	<u>(481,670)</u>	<u>(977,578)</u>
Change in Net Position	2,320,767	4,275,506	6,596,273
Net Position at Beginning of Year	<u>30,339,505</u>	<u>35,636,531</u>	<u>65,976,036</u>
Net Position at End of Year	<u>\$ 32,660,272</u>	<u>\$ 39,912,037</u>	<u>\$ 72,572,309</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 9,302,057	\$ 12,111,484	\$ 21,413,541
Payments to employees for salaries and related benefits	(1,878,961)	(1,959,552)	(3,838,513)
Payments to suppliers for goods and services	(2,145,155)	(2,888,579)	(5,033,734)
Payments for interfund services	-	(4,519)	(4,519)
Net Cash Provided By Operating Activities	5,277,941	7,258,834	12,536,775
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers to other funds	(495,908)	(481,670)	(977,578)
Net Cash (Used For) Noncapital Financing Activities	(495,908)	(481,670)	(977,578)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(2,516,568)	(6,494,950)	(9,011,518)
Principal payments on bonds	(1,569,717)	(2,537,639)	(4,107,356)
Proceeds from bonds	-	3,929,000	3,929,000
Proceeds from premium	-	136,311	136,311
Capital contributions	277,673	1,685,843	1,963,516
Interest expense	(1,014,012)	(1,216,147)	(2,230,159)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(4,822,624)	(4,497,582)	(9,320,206)
<u>Cash Flows From Investing Activities:</u>			
Investment income	4,897	12,511	17,408
Net Cash Provided by Investing Activities	4,897	12,511	17,408
Net Change in Cash and Short-Term Investments	(35,694)	2,292,093	2,256,399
Cash and Short-Term Investments, Beginning of Year	7,458,073	20,116,161	27,574,234
Cash and Short-Term Investments, End of Year	\$ 7,422,379	\$ 22,408,254	\$ 29,830,633
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating income	\$ 3,752,161	\$ 5,267,042	\$ 9,019,203
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,370,019	1,579,985	2,950,004
Changes in assets and liabilities:			
User fees	585,211	292,837	878,048
Inventory	(32,435)	2,133	(30,302)
Accounts payable	(4,713)	188,616	183,903
Accrued liabilities	(2,530)	(5,670)	(8,200)
Retainage payable	(244,218)	111,503	(132,715)
Net OPEB obligation	23,505	11,630	35,135
Compensated absences	(46,870)	(40,436)	(87,306)
Due to other funds	-	(4,519)	(4,519)
Other liabilities	(122,189)	(144,287)	(266,476)
Net Cash Provided By Operating Activities	\$ 5,277,941	\$ 7,258,834	\$ 12,536,775

The accompanying notes are an integral part of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 1,378,912	\$ 359,928
Investments	4,852,477	-
Interest receivable	<u>80</u>	<u>-</u>
Total Assets	6,231,469	359,928
<u>LIABILITIES AND NET POSITION</u>		
Accounts payable	-	
Other liabilities	<u>-</u>	<u>359,928</u>
Total Liabilities	<u>-</u>	<u>359,928</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>6,231,469</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment income	\$ 657,335
Contributions	<u>311,749</u>
Total additions	969,084
Deductions:	
Payments to beneficiaries	<u>219,254</u>
Total deductions	<u>219,254</u>
Net increase	749,830
Net position:	
Beginning of year	<u>5,481,639</u>
End of year	<u>\$ 6,231,469</u>

The accompanying notes are an integral part of these 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 2013, it was determined that no entities met the required GASB 14 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 Position and the Statement of Changes in Net Position) 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.

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 appropriate funds. 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.

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 Position.

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 position”.

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 can never be spent (i.e., nonspendable balances of permanent funds) because they are legally or contractually required to be maintained intact.
- 2) Restricted funds are used solely for the purpose in which the fund was established. They represent 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. 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 or transfers from General Fund authorized by City Council for specific projects. In the case of permanent funds, these funds represent the income portion of permanent trust funds.
- 3) Committed funds are reported and expended as a result of annual resolutions passed by the City Council, the highest decision making authority in the government. Subsequent City Council meeting is necessary to modify or rescind a fund balance commitment.
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include general fund encumbrances, have been assigned for specific goods and services ordered but not yet paid for. The funds 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 Charter authorizes the City Manager to approve assignments established by departments.

- 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 Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, 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 position is 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 position is 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 (amended in fiscal year 2013) between 10% and 17% of total current year 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 10% of the actual Total General Fund appropriations for that fiscal year.

Section 1:1402 - Operational Objective

Notwithstanding the provision of Section 1:1401, it is recognized that the financial management goal of the City of Portsmouth is to annually maintain an Unassigned Fund Balance between 10% and 17% of total actual General Fund appropriations.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

An annual appropriated budget is adopted for the City's general fund. In January, the City Manager issues a directive requesting line-item budget proposals from each department. In accordance with the City ordinance, the departments must submit their budget to the City Manager no later than March 15. The City Manager schedules individual department reviews with supervisors. In accordance with the City Charter, the City Manager's recommendations must be submitted to the City Council no later than 45 days prior to the first day of the fiscal year (May 15). The City Council, through the City Manager, schedules public work-sessions with the individual departments.

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.

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. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>	<u>Excess (Deficiency)</u>
Revenues/Expenditures (GAAP Basis)	\$ 88,612,262	\$ 86,955,711	\$ 1,656,551
Other financing sources/uses (GAAP Basis)	<u>1,361,472</u>	<u>1,919,914</u>	<u>(558,442)</u>
Subtotal (GAAP Basis)	89,973,734	88,875,625	1,098,109
Recognize tax revenue on an accrual basis	(643,305)	-	(643,305)
Reverse expenditures of prior year appropriation carryforwards	-	(1,628,542)	1,628,542
Reclassify use of overlay	897,896	897,896	-
Use of fund balance	2,573,500	-	2,573,500
Add end-of-year appropriation carryforwards	-	2,406,234	(2,406,234)
Other reconciling items	<u>(43,071)</u>	<u>(687,610)</u>	<u>644,539</u>
Budgetary Basis	<u>\$ 92,758,754</u>	<u>\$ 89,863,603</u>	<u>\$ 2,895,151</u>

C. Deficits

School Lunch fund had an unassigned fund balance deficit of \$19,676 at June 30, 2013.

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, 2013, \$1,521,826 of the City's bank balance of \$106,335,587 was exposed to custodial credit risk as uninsured or uncollateralized. The uninsured amount includes \$734,178 invested in state pool, and \$633,084 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, 2013, 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	\$ 1,856,083	3.28	A2
Other Investments:			
Equity Mutual Funds	<u>9,597,576</u>	N/A	N/A
Total	<u>\$ 11,453,659</u>		

The City's investments of \$11,453,659 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 City 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.

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 12, 2012 and June 3, 2013. Taxes unpaid by December 13, 2012 and June 4, 2013 accrued interest at 12% until September 10, 2013. A tax lien was recorded on all properties with taxes unpaid as of September 10, 2013, 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, 2013 are comprised of (amounts expressed in thousands):

Property Taxes:		
	2012	\$ 2,319
	2003	36
Unredeemed Taxes:		
	2011	463
	2010	160
	2009	45
	2008	12
	Other	4
Elderly Liens and Deferred Taxes, net of allowances		<u>5</u>
Total		<u>\$ 3,044</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, 2013 consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Gross	\$ 1,877,556	\$ 1,918,148	\$ 3,795,704
Less: Allowance for doubtful accounts	<u>(58,927)</u>	<u>(37,203)</u>	<u>(96,130)</u>
Total	<u>\$ 1,818,629</u>	<u>\$ 1,880,945</u>	<u>\$ 3,699,574</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>	<u>Police Detail</u>	<u>Other</u>	<u>Total</u>
Gross	\$ 1,021,618	\$ 155,415	\$ 218,929	\$ 1,395,962
Less: Allowance for doubtful accounts	<u>(672,655)</u>	<u>(11,380)</u>	<u>-</u>	<u>(684,035)</u>
Total	<u>\$ 348,963</u>	<u>\$ 144,035</u>	<u>\$ 218,929</u>	<u>\$ 711,927</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, 2013 include the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Unrestricted contributions receivable	\$ 544,508	\$ 1,184,576	\$ 1,729,084
Contributions restricted for bonds payable	<u>-</u>	<u>1,137,835</u>	<u>1,137,835</u>
Total	<u>\$ 544,508</u>	<u>\$ 2,322,411</u>	<u>\$ 2,866,919</u>

Contributions receivable at June 30, 2013 are due as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Less than one year	\$ 44,000	\$ 336,099	\$ 380,099
One to five years	227,508	1,628,471	1,855,979
More than five years	<u>273,000</u>	<u>357,841</u>	<u>630,841</u>
Total	<u>\$ 544,508</u>	<u>\$ 2,322,411</u>	<u>\$ 2,866,919</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

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, 2013 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General fund	\$ 212,990	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
School lunch	-	16,362
School categorical revenues	-	49,941
Police grants	-	63,967
Parking and transportation	-	76,891
Swimming pool	-	5,829
Total	<u>\$ 212,990</u>	<u>\$ 212,990</u>

The balance due to general fund from police grants and school lunch resulted from a short-term loan made to establish working capital. The balance due to general fund from the remaining special revenue 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.

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 2013:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,176,820	\$ 1,919,914
Nonmajor Funds:		
Special Revenue Funds:		
School lunch	20,000	-
School categorical revenues	591,055	-
Miscellaneous grants and contributions	241,905	-
Swimming pool	150,000	-
Library trust funds	10,236	-
City trust funds	-	10,236
Capital Project Funds:		
Building and infrastructure	-	199,242
Transportation management	-	90,550
Vehicle/equipment replacement	690,000	-
Technology equipment	317,504	-
Subtotal Nonmajor Funds	2,020,700	300,028
<u>Business-Type Funds:</u>		
Water Fund	-	495,908
Sewer Fund	-	481,670
Total	-	977,578
Grand Total	\$ <u>3,197,520</u>	\$ <u>3,197,520</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, 2013 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	\$ 98,423	\$ 4,129	\$ (1,044)	\$ 101,508
Improvements	5,304	-	(1,170)	4,134
Machinery and equipment	17,529	460	(1,155)	16,834
Infrastructure	<u>55,665</u>	<u>1,575</u>	<u>(165)</u>	<u>57,075</u>
Total capital assets, being depreciated	176,921	6,164	(3,534)	179,551
Less accumulated depreciation for:				
Buildings	(32,211)	(2,122)	971	(33,362)
Improvements	(4,252)	(152)	1,170	(3,234)
Machinery and equipment	(13,722)	(939)	1,155	(13,506)
Infrastructure	<u>(19,203)</u>	<u>(1,979)</u>	<u>165</u>	<u>(21,017)</u>
Total accumulated depreciation	<u>(69,388)</u>	<u>(5,192)</u>	<u>3,461</u>	<u>(71,119)</u>
Total capital assets, being depreciated, net	107,533	972	(73)	108,432
Capital assets, not being depreciated:				
Land	15,623	27		15,650
Construction in progress	<u>23,871</u>	<u>14,595</u>	<u>(3,290)</u>	<u>35,176</u>
Total capital assets, not being depreciated	<u>39,494</u>	<u>14,622</u>	<u>(3,290)</u>	<u>50,826</u>
Governmental activities capital assets, net	<u>\$ 147,027</u>	<u>\$ 15,594</u>	<u>\$ (3,363)</u>	<u>\$ 159,258</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings	\$ 35,270	\$ 1,871	\$ -	\$ 37,141
Machinery and equipment	30,284	429	(302)	30,411
Infrastructure	<u>61,401</u>	<u>7,376</u>	<u>-</u>	<u>68,777</u>
Total capital assets, being depreciated	126,955	9,676	(302)	136,329
Less accumulated depreciation for:				
Buildings	(12,091)	(817)	-	(12,908)
Machinery and equipment	(13,591)	(1,110)	302	(14,399)
Infrastructure	<u>(12,917)</u>	<u>(1,023)</u>	<u>-</u>	<u>(13,940)</u>
Total accumulated depreciation	<u>(38,599)</u>	<u>(2,950)</u>	<u>302</u>	<u>(41,247)</u>
Total capital assets, being depreciated, net	88,356	6,726	-	95,082
Capital assets, not being depreciated:				
Land	1,930	-	-	1,930
Construction in progress	<u>10,494</u>	<u>7,964</u>	<u>(8,629)</u>	<u>9,829</u>
Total capital assets, not being depreciated	<u>12,424</u>	<u>7,964</u>	<u>(8,629)</u>	<u>11,759</u>
Business-type activities capital assets, net	<u>\$ 100,780</u>	<u>\$ 14,690</u>	<u>\$ (8,629)</u>	<u>\$ 106,841</u>

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

Governmental Activities:	
General government	\$ 366
Public safety	547
Education	1,226
Public works	2,412
Culture and recreation	466
Community development	<u>175</u>
Total depreciation expense - governmental activities	<u>\$ 5,192</u>
Business-Type Activities:	
Water	\$ 1,370
Sewer	<u>1,580</u>
Total depreciation expense - business-type activities	<u>\$ 2,950</u>

10. Accounts Payable

Accounts payable represent additional 2013 expenditures paid after June 30, 2013.

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. 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.

13. Other Liabilities

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

14. Notes Payable

The City had State Revolving Loans outstanding at June 30, 2013 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, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Lincoln Area Contract #3	\$ 5,119,472	\$ 380,119	\$ -	\$ 5,499,591
State Street Utilities Upgrades, Design	1,502,609	-	(1,502,609)	-
Madbury Water Treatment Plant	4,928,761	71,239	(5,000,000)	-
	<u>\$ 11,550,842</u>	<u>\$ 451,358</u>	<u>\$ (6,502,609)</u>	<u>\$ 5,499,591</u>

15. 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:

		Serial	Interest	Amount
	Original	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Issue</u>	<u>Through</u>		<u>as of</u>
				<u>6/30/13</u>
Coakley Landfill	\$ 3,605,774	08/01/18	3.80	\$ 1,081,734
Coakley Landfill OU2	652,330	07/01/19	3.80	228,313
Library	6,960,000	08/01/25	4.00	4,510,000
Capital Improvements 2005	2,945,000	08/01/15	4.00	880,000
Capital Improvements 2006	950,000	06/15/17	4.00	380,000
Capital Improvements Streets Sidewalks 2007	3,450,000	06/15/17	4.00	1,380,000
Capital Improvements to Facilities 2007	1,000,000	06/15/17	4.00	400,000
New Castle Ave. Seawall	600,000	06/15/17	4.00	240,000
FY08 Streets, Sidewalks, Bridges	2,500,000	06/15/18	3.71	1,250,000
FY08 School Improvements	500,000	06/15/18	3.71	250,000
Fire Station 2	3,650,000	06/15/28	3.98	2,725,000
Purchase of Land for Fire Station 2	1,300,000	06/15/28	3.98	975,000
Capital Improvements 2009 Fire Station 2	1,500,000	01/15/29	3.76	1,200,000
Capital Improvements 2009	3,500,000	01/15/19	3.76	2,100,000
Capital Improvements 2010	1,800,000	05/15/20	3.27	1,260,000
School Improvements 2010	500,000	05/15/20	3.27	350,000
Middle School Construction	15,000,000	05/15/30	3.27	12,750,000
Middle School Construction	22,500,000	12/01/31	2.68	21,375,000
FY11 Capital Improvements	6,400,000	12/01/21	2.68	5,760,000
Fire Apparatus	500,000	12/01/16	2.68	400,000
Refunding High School	17,325,000	09/15/22	1.40	17,250,000
FY13 School Improvements	500,000	06/15/23	2.38	500,000
FY13 Streets Sidewalks, Bridge	2,267,000	06/15/23	2.38	2,267,000
Total Governmental Activities				\$ <u>79,512,047</u>

<u>Business-Type Activities:</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
<u>Water:</u>				
Upgrade to Motor Control	\$ 300,000	01/01/22	3.98	\$ 135,000
Corrosion Control Program	288,000	01/01/22	3.80	129,600
Constitution Avenue	4,800,000	01/01/22	3.70	2,400,000
Spinney Tank	1,162,560	12/01/22	3.73	581,280
Madbury WTP Design	2,000,000	06/01/28	2.49	1,500,000
Water Treatment Plant	16,000,000	01/15/29	3.94	13,465,000
Water-Raw Water Mgmt	257,697	01/01/29	0.90	76,322
Madbury WWTP	5,000,000	06/01/32	2.72	4,750,000
<u>Sewer:</u>				
Waste Water Treatment Plant Pease	6,586,836	03/01/20	4.46	2,250,155
Sewer Projects Phase I	4,931,361	08/01/21	3.98	2,219,112
Sewer Projects Phase II	8,898,110	12/01/24	3.69	5,338,865
Lower Court Utilities Upgrade	688,563	07/01/27	3.49	516,423
Phase III Sewer	5,508,137	12/01/27	3.49	4,131,102
Sewer-Rye Line Pump Station	1,069,714	11/01/29	2.95	909,259
Sewer-201 Facility Study	1,000,000	01/01/30	2.95	850,000
Bartlett Street	5,290,233	01/01/31	3.10	4,761,209
Sewer PIWWTP	3,000,000	01/01/31	2.68	2,850,000
Sewer LLTP - Plant	8,000,000	09/15/12	2.31	7,600,000
State St Utilities Upgrade	1,500,433	09/01/21	1.94	1,350,390
Lincoln 3C	3,929,000	06/15/33	2.38	3,929,000
Total Business-Type Activities				\$ <u>59,742,717</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,394,905	\$ 2,967,937	\$ 10,362,842
2015	7,352,905	2,722,279	10,075,184
2016	7,322,905	2,434,489	9,757,394
2017	7,002,905	2,128,073	9,130,978
2018	6,277,905	1,849,508	8,127,413
2019-2023	26,075,522	5,900,863	31,976,385
2024-2028	12,010,000	2,315,828	14,325,828
2029-2032	<u>6,075,000</u>	<u>441,938</u>	<u>6,516,938</u>
Total	<u>\$ 79,512,047</u>	<u>\$ 20,760,915</u>	<u>\$ 100,272,962</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,160,128	\$ 2,126,385	\$ 6,286,513
2015	4,146,848	1,976,244	6,123,092
2016	4,113,327	1,816,911	5,930,238
2017	4,113,327	1,657,129	5,770,456
2018	4,113,327	1,498,846	5,612,173
2019-2023	19,126,275	5,252,539	24,378,814
2024-2028	13,953,973	2,324,279	16,278,252
2029-2033	<u>6,015,506</u>	<u>397,837</u>	<u>6,413,343</u>
Total	<u>\$ 59,742,711</u>	<u>\$ 17,050,170</u>	<u>\$ 76,792,881</u>

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2013 are as follows:

<u>Purpose</u>	<u>Amount</u>
Coakley Landfill	\$ 4,641,897
Commerce Way	1,600,000
Sewer Phase III	8,262,685
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	4,000,000
Middle School	<u>3,300,000</u>
Total Bond Authorizations/unissued	<u>\$ 31,410,499</u>

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	Additions	Reductions	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 85,003	\$ 2,767	\$ (8,258)	\$ 79,512	\$ (7,395)	\$ 72,117
Unamortized premium	<u>5,374</u>	<u>185</u>	<u>(417)</u>	<u>5,142</u>	<u>(435)</u>	<u>4,707</u>
Subtotal	90,377	2,952	(8,675)	84,654	(7,830)	76,824
Net OPEB obligation	2,039	778	-	2,817	-	2,817
Other:						
Landfill closure	1,440	-	-	1,440	-	1,440
Accrued employee benefits	<u>6,594</u>	<u>306</u>	<u>-</u>	<u>6,900</u>	<u>(828)</u>	<u>6,072</u>
Subtotal	<u>8,034</u>	<u>306</u>	<u>-</u>	<u>8,340</u>	<u>(828)</u>	<u>7,512</u>
Totals	<u>\$ 100,450</u>	<u>\$ 4,036</u>	<u>\$ (8,675)</u>	<u>\$ 95,811</u>	<u>\$ (8,658)</u>	<u>\$ 87,153</u>
	Balance <u>7/1/12</u>	Additions	Reductions	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 53,420	\$ 10,429	\$ (4,106)	\$ 59,743	\$ (4,160)	\$ 55,583
Unamortized premium	<u>1,307</u>	<u>136</u>	<u>(70)</u>	<u>1,373</u>	<u>(77)</u>	<u>1,296</u>
Subtotal	54,727	10,565	(4,176)	61,116	(4,237)	56,879
Net OPEB obligation	154	35	-	189	-	189
Other:						
Accrued employee benefits	<u>672</u>	<u>-</u>	<u>(87)</u>	<u>585</u>	<u>(47)</u>	<u>538</u>
Totals	<u>\$ 55,553</u>	<u>\$ 10,600</u>	<u>\$ (4,263)</u>	<u>\$ 61,890</u>	<u>\$ (4,284)</u>	<u>\$ 57,606</u>

16. Deferred Inflows of Resources

The City has implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. Deferred inflows of resources are the acquisition of net position by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

Governmental funds report *deferred inflows of resources* 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 inflows of resources* account is equal to the total of all June 30, 2013 receivable balances, except property taxes that are accrued for subsequent 60 day collections.

The balance of other governmental funds *deferred inflows of resources* account is equal to \$2,128,921 long-term portion of loans receivable balances of Community Development and Housing Subsidy funds and \$62,351 of miscellaneous unearned revenues.

17. Restricted Net Position

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

Permanent fund restricted net position is 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, 2013:

	General Fund	School Renovations Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory	\$ -	\$ -	\$ 19,703	\$ 19,703
Nonexpendable permanent funds	-	-	1,633,062	1,633,062
Total Nonspendable	-	-	1,652,765	1,652,765
Restricted				
Bonded projects	-	5,568,419	5,392,244	10,960,663
Special revenue funds	-	-	13,373,641	13,373,641
Expendable permanent funds	-	-	4,656,278	4,656,278
Total Restricted	-	5,568,419	23,422,163	28,990,582
Committed				
Debt service	9,951,324	-	-	9,951,324
Health insurance	6,925,822	-	-	6,925,822
Tax appraisal	2,475,363	-	-	2,475,363
Compensated absences	1,349,219	-	-	1,349,219
State property tax	668,180	-	-	668,180
Coakley landfill	619,645	-	-	619,645
Prescott Park dock	450,000	-	-	450,000
Debt service premium	184,652	-	-	184,652
Capital project funds	-	-	2,432,001	2,432,001
Total Committed	22,624,205	-	2,432,001	25,056,206
Assigned				
Encumbered for:				
General government	219,077	-	-	219,077
Police	151,220	-	-	151,220
Fire	106,458	-	-	106,458
Education	306,947	-	-	306,947
Public works	395,598	-	-	395,598
Recreation	54,540	-	-	54,540
Capital	3,726,124	-	-	3,726,124
Other non-operating	1,573,821	-	-	1,573,821
Total Assigned	6,533,785	-	-	6,533,785
Unassigned	11,027,473	-	(19,676)	11,007,797
Total Unassigned	11,027,473	-	(19,676)	11,007,797
Total Fund Balance	\$ 40,185,463	\$ 5,568,419	\$ 27,487,253	\$ 73,241,135

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 Cities 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 an amended Consent Decree with the Environmental Protection Agency (EPA) and New Department of Environmental Services (DES), to complete construction of sewer separation projects to minimize combined sewer overflows, complete a

pilot program of wastewater treatment technology selection and complete design and construction for an upgrade to its Peirce Island Wastewater Treatment Facility that will comply with secondary treatment standards. The Consent Decree was originally approved by the U. S. District Court in the District of New Hampshire on September 24, 2009 and subsequently amended in July of 2012. The amended consent decree incorporated the results of a comprehensive wastewater facilities planning study that was performed from 2008 through 2010 and includes a schedule for completion of all required project milestones. The City selected an engineering consultant for the wastewater treatment facility upgrade in 2013 and is currently in the design phase of the work for the Peirce Island facility. Construction of the remaining sewer separation projects required by the Consent Decree is underway and will be completed in the fall of 2014. These projects have been identified in previous and current Capital Improvement Plans.

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>2013</u>	<u>2012</u>	<u>2011</u>
City	\$ 2,816,767	\$ 2,793,387	\$ 2,495,454
School	<u>2,473,114</u>	<u>2,450,753</u>	<u>1,831,038</u>
Total	<u>\$ 5,289,881</u>	<u>\$ 5,244,140</u>	<u>\$ 4,326,492</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 Position 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 2013 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, 2013, 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, 2013.

Annual Required Contribution (ARC)	\$ 1,697,241
Interest on net OPEB obligation	98,681
Adjustment to ARC	<u>(93,469)</u>
Annual OPEB cost	1,702,453
Contributions made	<u>(889,370)</u>
Increase in net OPEB obligation	813,083
Net OPEB obligation - beginning of year	<u>2,192,906</u>
Net OPEB obligation - end of year	<u><u>\$ 3,005,989</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>
2013	\$ 1,702,453	56.6%	\$ 3,005,989
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, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 16,485,101
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 16,485,101</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 35,783,000</u>
UAAL as a percentage of covered payroll	<u>46.1%</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, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on 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 City'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, 2013
(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>
06/30/13	\$ -	\$ 16,485,101	\$ 16,485,101	0.0%	\$ 35,783,000	46.1%
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, 2013

	<u>Special Revenue Funds</u>			
	<u>Community Development</u>	<u>School Lunch</u>	<u>School Categorical Revenues</u>	<u>Miscellaneous Grants and Contributions</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 2,977,518	\$ -	\$ -	\$ 2,551,616
Investments	-	-	-	-
Departmental and other receivables	-	30,839	48,044	14,682
Intergovernmental receivables	-	-	436,959	368,959
Loans and interest receivable	1,100,896	-	-	33,864
Due from other funds	-	-	-	-
Inventory	-	19,703	-	-
	<u>-</u>	<u>19,703</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 4,078,414</u>	<u>\$ 50,542</u>	<u>\$ 485,003</u>	<u>\$ 2,969,121</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 17,655	\$ 5,666	\$ 134	\$ 2,753
Accrued liabilities	-	-	-	75
Retainage payable	-	-	-	15,305
Due to other funds	-	16,362	49,941	-
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	17,655	22,028	50,075	18,133
Deferred Inflows of Resources	1,095,322	28,487	-	33,864
Fund Balances:				
Nonspendable	-	19,703	-	-
Restricted	2,965,437	-	434,928	2,917,124
Committed	-	-	-	-
Unassigned	-	(19,676)	-	-
	<u>-</u>	<u>(19,676)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>2,965,437</u>	<u>27</u>	<u>434,928</u>	<u>2,917,124</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,078,414</u>	<u>\$ 50,542</u>	<u>\$ 485,003</u>	<u>\$ 2,969,121</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>
\$ -	\$ 41,964	\$ 2,565,014	\$ 198,005	\$ 819,090	\$ 318,251
-	-	-	-	-	-
-	-	-	-	-	-
83,790	-	-	-	-	-
-	-	-	1,033,599	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 83,790</u>	<u>\$ 41,964</u>	<u>\$ 2,565,014</u>	<u>\$ 1,231,604</u>	<u>\$ 819,090</u>	<u>\$ 318,251</u>
\$ 599	\$ 455	\$ 121,614	\$ -	\$ -	\$ -
-	-	14,652	-	-	-
-	-	9,387	-	-	-
63,967	-	76,891	-	-	-
-	-	-	-	-	-
<u>64,566</u>	<u>455</u>	<u>222,544</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	1,033,599	-	-
-	-	-	-	-	-
19,224	41,509	2,342,470	198,005	819,090	318,251
-	-	-	-	-	-
-	-	-	-	-	-
<u>19,224</u>	<u>41,509</u>	<u>2,342,470</u>	<u>198,005</u>	<u>819,090</u>	<u>318,251</u>
<u>\$ 83,790</u>	<u>\$ 41,964</u>	<u>\$ 2,565,014</u>	<u>\$ 1,231,604</u>	<u>\$ 819,090</u>	<u>\$ 318,251</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>
ASSETS					
Cash and short-term investments	\$ 132,011	\$ 170,847	\$ 398,435	\$ 2,311,211	\$ 12,483,962
Investments	-	-	20,328	323,245	343,573
Departmental and other receivables	-	-	-	-	93,565
Intergovernmental receivables	-	-	-	-	889,708
Loans and interest receivable	-	-	-	433	2,168,792
Due from other funds	-	-	-	-	-
Inventory	-	-	-	-	19,703
Total Assets	<u>\$ 132,011</u>	<u>\$ 170,847</u>	<u>\$ 418,763</u>	<u>\$ 2,634,889</u>	<u>\$ 15,999,303</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,522	\$ 20,195	\$ 361	\$ -	\$ 181,954
Accrued liabilities	-	-	-	-	14,727
Retainage payable	-	-	-	-	24,692
Due to other funds	-	5,829	-	-	212,990
Advances from other funds	-	-	-	-	-
Total Liabilities	12,522	26,024	361	-	434,363
Deferred Inflows of Resources	-	-	-	-	2,191,272
Fund Balances:					
Nonspendable	-	-	-	-	19,703
Restricted	119,489	144,823	418,402	2,634,889	13,373,641
Committed	-	-	-	-	-
Unassigned	-	-	-	-	(19,676)
Total Fund Balances	<u>119,489</u>	<u>144,823</u>	<u>418,402</u>	<u>2,634,889</u>	<u>13,373,668</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 132,011</u>	<u>\$ 170,847</u>	<u>\$ 418,763</u>	<u>\$ 2,634,889</u>	<u>\$ 15,999,303</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>
\$ 2,475,529	\$ 3,094,893	\$ 2,736,899	\$ 559,285	\$ 102,284	\$ 8,968,890
-	-	-	-	-	-
-	-	-	-	-	-
-	-	30,795	-	-	30,795
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,475,529</u>	<u>3,094,893</u>	<u>2,767,694</u>	<u>559,285</u>	<u>102,284</u>	<u>8,999,685</u>
\$ 163,207	\$ 282,932	\$ 387,823	\$ 14,489	\$ 26,662	\$ 875,113
-	-	-	-	-	-
167,444	132,883	-	-	-	300,327
-	-	-	-	-	-
-	-	-	-	-	-
<u>330,651</u>	<u>415,815</u>	<u>387,823</u>	<u>14,489</u>	<u>26,662</u>	<u>1,175,440</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,640,261	2,679,078	1,072,905	-	-	5,392,244
504,617	-	1,306,966	544,796	75,622	2,432,001
-	-	-	-	-	-
<u>2,144,878</u>	<u>2,679,078</u>	<u>2,379,871</u>	<u>544,796</u>	<u>75,622</u>	<u>7,824,245</u>
<u>\$ 2,475,529</u>	<u>\$ 3,094,893</u>	<u>\$ 2,767,694</u>	<u>\$ 559,285</u>	<u>\$ 102,284</u>	<u>\$ 8,999,685</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	\$ 31,817	\$ -	\$ 31,817	\$ 21,484,669
Investments	6,253,331	4,279	6,257,610	6,601,183
Departmental and other receivables	-	-	-	93,565
Intergovernmental receivables	-	-	-	920,503
Loans and interest receivable	-	-	-	2,168,792
Due from other funds	-	-	-	-
Inventory	-	-	-	19,703
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>6,285,148</u>	\$ <u>4,279</u>	\$ <u>6,289,427</u>	\$ <u>31,288,415</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 87	\$ -	\$ 87	\$ 1,057,154
Accrued liabilities	-	-	-	14,727
Retainage payable	-	-	-	325,019
Due to other funds	-	-	-	212,990
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	87	-	87	1,609,890
Deferred Inflows of Resources	-	-	-	2,191,272
Fund Balances:				
Nonspendable	1,629,062	4,000	1,633,062	1,652,765
Restricted	4,655,999	279	4,656,278	23,422,163
Committed	-	-	-	2,432,001
Unassigned	-	-	-	(19,676)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>6,285,061</u>	<u>4,279</u>	<u>6,289,340</u>	<u>27,487,253</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>6,285,148</u>	\$ <u>4,279</u>	\$ <u>6,289,427</u>	\$ <u>31,288,415</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, 2013

	Special Revenue Funds			
	Community Development	School Lunch	School Categorical Revenues	Miscellaneous Grants and Contributions
Revenues:				
Intergovernmental	\$ 251,307	\$ 354,581	\$ 3,365,473	\$ 817,008
Charges for services	-	405,649	-	-
Investment income	11,632	-	-	767
Fines and costs	-	-	-	12,206
Contributions	-	-	-	28,890
Other	116,538	-	-	3,426
Total Revenues	379,477	760,230	3,365,473	862,297
Expenditures:				
Current:				
General government	-	-	-	107,319
Public safety	-	-	-	75,486
Education	-	840,179	3,936,711	11,333
Public works	-	-	-	975,848
Culture and recreation	-	-	-	12,062
Community development	584,162	-	-	24,167
Capital outlay	-	-	-	-
Total Expenditures	584,162	840,179	3,936,711	1,206,215
Excess (deficiency) of revenues over (under) expenditures	(204,685)	(79,949)	(571,238)	(343,918)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	20,000	591,055	241,905
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	20,000	591,055	241,905
Net change in fund balances	(204,685)	(59,949)	19,817	(102,013)
Fund Balances, beginning of year	3,170,122	59,976	415,111	3,019,137
Fund Balances, end of year	\$ 2,965,437	\$ 27	\$ 434,928	\$ 2,917,124

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>
\$ 414,116	\$ -	\$ -	\$ -	\$ 12,500	\$ -
-	-	2,613,548	-	-	-
-	19	-	359	525	-
-	25,532	-	-	-	-
7,463	-	-	-	-	-
-	-	-	141,747	-	-
<u>421,579</u>	<u>25,551</u>	<u>2,613,548</u>	<u>142,106</u>	<u>13,025</u>	<u>-</u>
-	-	13,405	-	26,784	-
419,667	12,342	-	-	-	-
-	-	-	-	-	-
-	-	1,851,849	-	-	22,500
-	-	-	-	-	-
-	-	-	135,137	-	-
-	-	-	-	-	-
<u>419,667</u>	<u>12,342</u>	<u>1,865,254</u>	<u>135,137</u>	<u>26,784</u>	<u>22,500</u>
1,912	13,209	748,294	6,969	(13,759)	(22,500)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,912	13,209	748,294	6,969	(13,759)	(22,500)
<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>\$ 19,224</u>	<u>\$ 41,509</u>	<u>\$ 2,342,470</u>	<u>\$ 198,005</u>	<u>\$ 819,090</u>	<u>\$ 318,251</u>

(continued)

(continued)

	Special Revenue Funds				
	Recreation	Swimming Pool	Library Trust Funds	City Trust Funds	Subtotals
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 5,214,985
Charges for services	139,867	448,361	78,527	-	3,685,952
Investment income	-	-	4,201	18,548	36,051
Fines and costs	-	-	-	-	37,738
Contributions	-	-	3,077	1,749,834	1,789,264
Other	-	-	-	5,064	266,775
Total Revenues	139,867	448,361	85,805	1,773,446	11,030,765
Expenditures:					
Current:					
General government	-	-	-	-	147,508
Public safety	-	-	-	-	507,495
Education	-	-	-	50,019	4,838,242
Public works	-	-	-	-	2,850,197
Culture and recreation	153,832	499,678	49,682	10,128	725,382
Community development	-	-	-	-	743,466
Capital outlay	-	-	-	-	-
Total Expenditures	153,832	499,678	49,682	60,147	9,812,290
Excess (deficiency) of revenues over (under) expenditures	(13,965)	(51,317)	36,123	1,713,299	1,218,475
Other Financing Sources (Uses):					
Issuance of bonds	-	-	-	-	-
Transfers in	-	150,000	10,236	-	1,013,196
Transfers out	-	-	-	(10,236)	(10,236)
Total Other Financing Sources (Uses)	-	150,000	10,236	(10,236)	1,002,960
Net change in fund balances	(13,965)	98,683	46,359	1,703,063	2,221,435
Fund Balances, beginning of year	133,454	46,140	372,043	931,826	11,152,233
Fund Balances, end of year	\$ 119,489	\$ 144,823	\$ 418,402	\$ 2,634,889	\$ 13,373,668

Capital Project Funds					
<u>Building and Infrastructure</u>	<u>Transportation Management</u>	<u>Transportation State</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Technology Equipment</u>	<u>Subtotals</u>
\$ -	\$ -	\$ 3,273	\$ -	\$ -	\$ 3,273
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
230,000	-	-	-	-	230,000
-	-	-	-	-	-
<u>230,000</u>	<u>-</u>	<u>3,273</u>	<u>-</u>	<u>-</u>	<u>233,273</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,845,973</u>	<u>1,797,712</u>	<u>410,488</u>	<u>393,368</u>	<u>320,296</u>	<u>4,767,837</u>
<u>1,845,973</u>	<u>1,797,712</u>	<u>410,488</u>	<u>393,368</u>	<u>320,296</u>	<u>4,767,837</u>
(1,615,973)	(1,797,712)	(407,215)	(393,368)	(320,296)	(4,534,564)
500,000	1,900,000	367,000	-	-	2,767,000
-	-	-	690,000	317,504	1,007,504
<u>(199,242)</u>	<u>(90,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,792)</u>
<u>300,758</u>	<u>1,809,450</u>	<u>367,000</u>	<u>690,000</u>	<u>317,504</u>	<u>3,484,712</u>
(1,315,215)	11,738	(40,215)	296,632	(2,792)	(1,049,852)
<u>3,460,093</u>	<u>2,667,340</u>	<u>2,420,086</u>	<u>248,164</u>	<u>78,414</u>	<u>8,874,097</u>
<u>\$ 2,144,878</u>	<u>\$ 2,679,078</u>	<u>\$ 2,379,871</u>	<u>\$ 544,796</u>	<u>\$ 75,622</u>	<u>\$ 7,824,245</u>

(continued)

(continued)

	Permanent Funds			Total Nonmajor Governmental Funds
	City Trust Funds	Library Trust Funds	Subtotals	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 5,218,258
Charges for services	-	-	-	3,685,952
Investment income	731,548	94	731,642	767,693
Fines and costs	-	-	-	37,738
Contributions	11,450	-	11,450	2,030,714
Other	15,464	-	15,464	282,239
Total Revenues	758,462	94	758,556	12,022,594
Expenditures:				
Current:				
General government	-	-	-	147,508
Public safety	-	-	-	507,495
Education	-	-	-	4,838,242
Public works	-	-	-	2,850,197
Culture and recreation	222,674	-	222,674	948,056
Community development	-	-	-	743,466
Capital Outlay	-	-	-	4,767,837
Total Expenditures	222,674	-	222,674	14,802,801
Excess (deficiency) of revenues over (under) expenditures	535,788	94	535,882	(2,780,207)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	2,767,000
Transfers in	-	-	-	2,020,700
Transfers out	-	-	-	(300,028)
Total Other Financing Sources (Uses)	-	-	-	4,487,672
Net change in fund balances	535,788	94	535,882	1,707,465
Fund Balances, beginning of year	5,749,273	4,185	5,753,458	25,779,788
Fund Balances, end of year	\$ 6,285,061	\$ 4,279	\$ 6,289,340	\$ 27,487,253

(1) Transfers in and out were netted on page 46 to eliminate activity within nonmajor governmental funds.

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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 Position

Private Purpose Trust Funds

June 30, 2013

	<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	\$ 47,658	\$ 435,389	\$ 46,909	\$ 843,955	\$ 5,001	\$ 1,378,912
Investments	-	4,852,477	-	-	-	4,852,477
Other assets	-	-	-	80	-	80
Total Assets	<u>\$ 47,658</u>	<u>\$ 5,287,866</u>	<u>\$ 46,909</u>	<u>\$ 844,035</u>	<u>\$ 5,001</u>	<u>\$ 6,231,469</u>
Net position held in trust	<u>\$ 47,658</u>	<u>\$ 5,287,866</u>	<u>\$ 46,909</u>	<u>\$ 844,035</u>	<u>\$ 5,001</u>	<u>\$ 6,231,469</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2013

	<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	\$ 5,731	\$ 600,969	\$ 5,651	\$ 44,382	\$ 602	\$ 657,335
Contributions	<u>101,167</u>	<u>45,691</u>	<u>-</u>	<u>164,891</u>	<u>-</u>	<u>311,749</u>
Total Additions	106,898	646,660	5,651	209,273	602	969,084
<u>DEDUCTIONS</u>						
Payments to beneficiaries	<u>101,304</u>	<u>113,369</u>	<u>134</u>	<u>4,433</u>	<u>14</u>	<u>219,254</u>
Net increase	5,594	533,291	5,517	204,840	588	749,830
<u>NET POSITION</u>						
Beginning 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>
End of year	<u>\$ 47,658</u>	<u>\$ 5,287,866</u>	<u>\$ 46,909</u>	<u>\$ 844,035</u>	<u>\$ 5,001</u>	<u>\$ 6,231,469</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2013

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
<u>Claremont Coalition:</u>				
Assets - cash and short-term investments	\$ <u>10</u>	\$ <u>42,156</u>	\$ <u>(32,631)</u>	\$ <u>9,535</u>
Liabilities - other liabilities	\$ <u>10</u>	\$ <u>42,156</u>	\$ <u>(32,631)</u>	\$ <u>9,535</u>
 <u>Art Speak</u>				
Assets - cash and short-term investments	\$ <u>20,185</u>	\$ <u>16,367</u>	\$ <u>(8,350)</u>	\$ <u>28,202</u>
Liabilities - other liabilities	\$ <u>20,185</u>	\$ <u>16,367</u>	\$ <u>(8,350)</u>	\$ <u>28,202</u>
 <u>School Fund:</u>				
Assets - cash and short-term investments	\$ <u>356,726</u>	\$ <u>742,058</u>	\$ <u>(776,593)</u>	\$ <u>322,191</u>
Liabilities - other liabilities	\$ <u>356,726</u>	\$ <u>742,058</u>	\$ <u>(776,593)</u>	\$ <u>322,191</u>
 <u>Totals:</u>				
Assets - cash and short-term investments	\$ <u>376,921</u>	\$ <u>800,581</u>	\$ <u>(817,574)</u>	\$ <u>359,928</u>
Liabilities - other liabilities	\$ <u>376,921</u>	\$ <u>800,581</u>	\$ <u>(817,574)</u>	\$ <u>359,928</u>

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATISTICAL SECTION

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

	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	110 - 115
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	116 - 121
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	122 - 124
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	125 - 126
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the service the government provides and the activities it performs.	127 - 129

City of Portsmouth, New Hampshire

Net Assets/Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾
Governmental Activities										
Net invested in capital assets	\$ 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	\$ 85,565,006
Restricted	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	16,743,841
Unrestricted	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	37,952,181
Total governmental activities net assets	<u>\$ 57,767,774</u>	<u>\$ 68,588,564</u>	<u>\$ 74,872,414</u>	<u>\$ 86,679,374</u>	<u>\$ 94,014,669</u>	<u>\$ 105,492,808</u>	<u>\$ 116,018,660</u>	<u>\$ 125,234,636</u>	<u>\$ 131,978,393</u>	<u>\$ 140,261,028</u>
Business-type activities										
Net invested in capital assets	\$ 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	\$ 47,882,518
Restricted	382,800	510,400	275,000	2,443,121	1,950,574	1,788,026	1,625,478	1,462,931	1,300,383	1,137,835
Unrestricted	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	23,551,956
Total business-type activities net assets	<u>\$ 39,732,978</u>	<u>\$ 41,271,385</u>	<u>\$ 42,722,839</u>	<u>\$ 44,543,061</u>	<u>\$ 47,243,725</u>	<u>\$ 48,141,891</u>	<u>\$ 52,469,130</u>	<u>\$ 58,759,375</u>	<u>\$ 65,976,036</u>	<u>\$ 72,572,309</u>
Primary government										
Net invested in capital assets	\$ 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	\$ 133,447,524
Restricted	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	17,881,676
Unrestricted	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	61,504,137
Total primary government net assets	<u>\$ 97,500,752</u>	<u>\$ 109,859,949</u>	<u>\$ 117,595,253</u>	<u>\$ 131,222,435</u>	<u>\$ 141,258,394</u>	<u>\$ 153,634,699</u>	<u>\$ 168,487,790</u>	<u>\$ 183,994,011</u>	<u>\$ 197,954,429</u>	<u>\$ 212,833,337</u>

Notes:

⁽¹⁾ Beginning in 2013, the City began reporting net position rather than net assets, in conformity with GASB Statement 63. Prior to that time, net investment in capital assets was labeled invested in capital assets, net of related debt.

City of Portsmouth, New Hampshire

Changes in Net Assets/Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾
Expenses										
Governmental activities:										
General government	\$ 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	\$ 12,883,285
Public safety	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	17,576,460
Education	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	44,546,643
Public works	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	10,303,800
Health and human Services	507,819	539,600	661,720	536,928	651,557	680,790	693,053	644,424	601,503	689,895
Culture and recreation	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	3,632,095
Community development	1,221,399	1,239,847	1,031,186	908,111	1,240,509	1,150,573	1,330,221	764,771	981,022	863,416
Interest	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	3,095,996
Total governmental activities expenses	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	93,591,590
Business-type activities:										
Water services	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	6,125,103
Sewer services	5,261,238	5,561,213	6,749,910	5,832,194	5,832,372	6,778,486	6,175,724	6,624,706	7,579,739	7,975,215
Total business-type activities expenses	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	14,100,318
Total primary government expenses	\$ 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	\$ 107,691,908
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 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	\$ 6,800,409
Public safety	535,947	1,141,197	213,344	613,796	737,216	714,666	834,164	1,235,321	1,248,411	1,127,299
Education	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	5,958,503
Public Works	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	4,654,656
Health and Human Services	15,005	18,579	24,406	32,745	34,970	25,711	13,008	48,054	22,152	85,079
Culture and Recreation	382,256	401,925	409,315	398,780	640,476	651,610	600,894	543,575	506,975	874,509
Total charges for services	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	19,500,455
Operating grants and contributions	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	4,929,483
Capital grants and contributions	4,339,100	7,329,411	2,247,517	4,200,222	2,763,722	5,312,633	6,966,317	2,619,401	2,561,524	2,537,307
Total governmental activities program revenues	24,919,218	30,201,022	24,821,005	27,174,071	25,260,741	27,873,838	30,486,772	27,674,753	28,131,237	26,967,245
Business-type activities:										
Charges for services										
Water services	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	8,839,035
Sewer services	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	11,962,934
Total charges for services	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	20,801,969
Capital grants and contributions	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	784,754
Total business-type activities program revenues	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	21,586,723
Total primary government program revenues	\$ 35,272,487	\$ 41,944,312	\$ 37,262,624	\$ 39,163,821	\$ 38,681,799	\$ 40,638,416	\$ 46,603,216	\$ 46,326,954	\$ 49,254,619	\$ 48,553,968
Net (Expenses)Revenue										
Governmental activities	\$(43,989,143)	\$(42,043,720)	\$(50,477,617)	\$(50,760,175)	\$(56,825,498)	\$(55,753,460)	\$(56,995,416)	\$(61,634,299)	\$(63,819,604)	\$(66,624,345)
Business-type activities	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	7,486,405
Total primary government net expense	\$(42,007,961)	\$(39,837,072)	\$(48,666,089)	\$(48,627,962)	\$(53,584,061)	\$(54,059,636)	\$(51,807,885)	\$(54,501,782)	\$(55,695,050)	\$(59,137,940)
General Revenues and Other Changes in Net Assets/Position										
Governmental activities:										
Property taxes	\$ 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	\$ 69,226,282
Interest on taxes	554,686	138,079	161,637	53,211	131,228	136,306	270,299	300,578	266,690	371,247
Grants and contributions not restricted										
to specific programs	1,278,004	1,352,777	1,416,374	1,469,728	1,535,543	1,985,289	1,110,062	1,143,748	1,238,571	989,067
Investment income (loss)	1,187,392	844,490	1,641,714	2,091,576	972,640	(193,672)	1,084,222	1,520,906	478,214	859,811
Other revenues	97,558	411,002	195,370	2,200,704	1,557,015	1,347,592	476,898	960,388	267,608	1,045,112
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	1,426,433
Permanent fund contributions	-	-	-	266,937	2,281	-	3,625	3,120	11,538	11,450
Transfers, net	614,496	733,044	760,861	891,351	904,568	914,135	927,697	927,697	959,064	977,578
Loss on disposal of capital assets	-	(1,572,619)	-	-	-	-	-	-	-	-
Total governmental activities	50,777,927	52,634,951	56,761,467	62,567,135	64,160,793	67,231,599	67,521,268	70,850,275	70,563,361	74,906,980
Business-type activities:										
Investment income	92,033	64,803	400,787	579,360	363,795	118,477	65,045	50,705	42,733	17,408
Other revenues	-	-	-	-	-	-	2,360	34,720	8,438	70,038
Transfers, net	(614,496)	(733,044)	(760,861)	(891,351)	(904,568)	(914,135)	(927,697)	(927,697)	(959,064)	(977,578)
Total business-type activities	(522,463)	(668,241)	(360,074)	(311,991)	(540,773)	(795,658)	(860,292)	(842,272)	(907,893)	(890,132)
Total primary government	\$ 50,255,464	\$ 51,966,710	\$ 56,401,393	\$ 62,255,144	\$ 63,620,020	\$ 66,435,941	\$ 66,660,976	\$ 70,008,003	\$ 69,655,468	\$ 74,016,848
Change in Net Assets/Position										
Governmental activities	\$ 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	\$ 8,282,635
Business-type activities	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	6,596,273
Total primary government	\$ 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	\$ 14,878,908

Notes:

(1) Beginning in 2013, the City began reporting net position rather than net assets, in conformity with GASB Statement 63.

City of Portsmouth, New Hampshire

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All governmental funds⁽¹⁾										
Reserved for encumbrances	\$ 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	74,191	72,191	65,300	157,500	156,000	95,000	43,500	-	-	-
Reserve for perpetual permanent funds	4,969,372	5,227,376	1,319,555	1,588,492	1,588,492	1,588,492	1,588,492	-	-	-
Total Reserved	8,408,367	8,820,338	5,580,539	6,293,350	6,696,650	7,414,993	8,121,280	-	-	-
Designated Unreserved	12,663,496	12,849,182	13,124,996	13,366,904	16,070,029	16,509,100	18,289,507	-	-	-
Undesignated	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	1,652,765
Restricted	-	-	-	-	-	-	-	27,107,030	37,311,546	28,990,582
Committed	-	-	-	-	-	-	-	22,466,249	26,363,315	25,056,206
Assigned	-	-	-	-	-	-	-	5,294,862	5,978,717	6,533,785
Unassigned	-	-	-	-	-	-	-	10,329,071	10,470,953	11,007,797
Total all governmental funds	\$ 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	\$ 73,241,135
General Fund										
Reserved for encumbrances	\$ 3,364,804	\$ 3,520,771	\$ 4,195,684	\$ 4,547,358	\$ 4,952,158	\$ 5,710,359	\$ 6,468,001	-	-	-
Reserved for advances	74,191	72,191	65,300	157,500	156,000	95,000	43,500	-	-	-
Total Reserved	3,438,995	3,592,962	4,260,984	4,704,858	5,108,158	5,805,359	6,511,501	-	-	-
Designated Unreserved	12,663,496	12,849,182	13,124,996	13,366,904	16,070,029	16,509,100	18,289,507	-	-	-
Undesignated	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	-
Committed	-	-	-	-	-	-	-	19,960,221	22,631,684	22,624,205
Assigned	-	-	-	-	-	-	-	5,294,862	5,978,717	6,533,785
Unassigned	-	-	-	-	-	-	-	10,329,071	10,470,953	11,027,473
Total General Fund	\$ 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	\$ 40,185,463
All other governmental funds										
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,142	\$ 21,287	\$ -	\$ -	\$ -
Reserve for perpetual permanent funds	4,969,372	5,227,376	1,319,555	1,588,492	1,588,492	1,588,492	1,588,492	-	-	-
Total Reserved	\$ 4,969,372	\$ 5,227,376	\$ 1,319,555	\$ 1,588,492	\$ 1,588,492	\$ 1,609,634	\$ 1,609,779	\$ -	\$ -	\$ -
Undesignated, reported in:										
Special revenue funds	5,717,056	6,941,291	6,893,059	7,816,687	8,440,924	9,301,673	9,347,520	-	-	-
Capital projects funds	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	1,652,765
Restricted	-	-	-	-	-	-	-	27,107,030	37,311,546	28,990,582
Committed	-	-	-	-	-	-	-	2,506,028	3,731,631	2,432,001
Unassigned	-	-	-	-	-	-	-	-	-	(19,676)
Total all other governmental funds	\$ 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	\$ 33,055,672

Notes:

⁽¹⁾ FY 2011 fund balances reflect implementation of GASB Statement 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Real estate taxes	\$ 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	\$ 69,355,426
Licenses and permits	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	4,669,868
Intergovernmental	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	7,936,593
Charges for service	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	13,885,548
Investment income	1,007,708	969,259	1,457,220	2,091,575	972,642	(193,673)	1,084,222	1,520,906	478,213	859,812
Interest on taxes	564,925	165,131	161,637	53,211	131,228	136,306	270,299	300,578	266,690	371,247
Fines and costs	768,507	984,797	1,160,661	1,080,900	924,357	970,280	892,889	853,011	848,243	809,832
Contributions	-	1,281,741	927,429	729,980	139,248	50,283	306,795	871,594	217,658	2,030,714
Other	427,534	579,262	626,357	576,909	568,229	594,945	441,635	954,176	456,282	715,816
Total revenues	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	100,634,856
Expenditures										
General government	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	7,647,165
Public safety	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	16,246,164
Education	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	43,274,802
Public works	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	8,724,410
Health and human services	507,819	539,600	649,923	604,410	646,877	705,227	692,997	642,402	607,995	663,744
Culture and recreation	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	3,191,697
Community development	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	743,466
Debt service										
Principal	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	8,257,905
Interest	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	3,091,322
Capital outlay ⁽¹⁾	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	16,796,251
Intergovernmental	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	4,426,943
Total expenditures	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	113,063,869
Excess of revenues										
Over/(under) expenditures	(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)	(12,429,013)
Other Financing Sources (Uses)										
Issuance of bonds/loans	-	437,000	9,905,000	6,000,000	8,700,000	5,000,000	17,300,000	-	29,400,000	2,767,000
Issuance of refunding bond	-	-	-	-	-	-	-	-	17,325,000	-
Bond premium	-	-	95,000	-	42,083	208,230	512,701	-	4,369,900	184,652
Transfers in	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	2,897,492
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(19,622,983)	-
Transfers out	(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)	(1,919,914)
Total governmental activities	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	3,929,230
Net Change in fund balances	\$(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	\$(8,499,783)
Debt Service as a percentage of non-capitalized expenditures ⁽²⁾	9.65%	8.93%	8.23%	8.91%	8.97%	9.40%	9.59%	10.04%	10.38%	11.88%

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

⁽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/Position
Last Ten Fiscal Years**

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Position	Total Net Position (1)	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2013	\$ 19,622,020	\$ 631,727	\$ 548,222	\$ 872,200	\$ -	\$ 21,674,169	\$ 8,832,762	\$ 2,950,004	\$ 2,317,552	\$ 977,578	\$ 15,077,896	\$ 6,596,273	\$ 72,572,309
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	1,130,515	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	1,728,034	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

Includes Water and Sewer Funds

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

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Position	Total Net Position (1)	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2013	\$ 8,023,896	\$ 431,680	\$ 383,459	\$ 102,743	\$ -	\$ 8,941,778	\$ 3,716,855	\$ 1,370,019	\$ 1,038,229	\$ 495,908	\$ 6,621,011	\$ 2,320,767	\$ 32,660,272
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

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

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Position	Total Net Position (1)	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2013	\$ 11,598,124	\$ 200,047	\$ 164,763	\$ 769,457	\$ -	12,732,391	\$ 5,115,907	\$ 1,579,985	\$ 1,279,323	\$ 481,670	\$ 8,456,885	\$ 4,275,506	\$ 39,912,037
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	944,079	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

Notes:

(1) Beginning in 2013, the City began reporting net position rather than net assets, in conformity with GASB Statement 63.

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
2013	\$ 69,241,043	\$ 114,383	\$ 371,247	\$ 69,726,673
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

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
2013	\$ 70,007,505	\$ 67,688,563	96.7%	\$ 2,318,942	\$ -	\$ 2,318,942	\$ 67,688,563	96.7%	8,463	172	2.0%
2012	67,841,808	65,297,485	96.2%	2,544,323	2,081,708	462,615	67,379,193	99.3%	8,457	208	2.5%
2011	67,027,315	64,531,067	96.3%	2,496,248	2,336,008	160,241	66,867,075	99.8%	8,360	214	2.6%
2010	64,141,858	61,788,074	96.3%	2,353,785	2,308,581	45,204	64,096,654	99.9%	8,321	204	2.5%
2009	63,263,633	61,011,224	96.4%	2,252,409	2,240,539	11,869	63,251,763	100.0%	8,299	235	2.8%
2008	60,035,344	57,924,795	96.5%	2,110,549	2,107,575	2,974	60,032,370	100.0%	8,268	151	1.8%
2007	57,092,233	55,280,205	96.8%	1,812,027	1,811,785	241	57,091,991	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%

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						
2013	\$ 79,920	\$ 2,303,569,472	\$ 1,588,643,960	\$200,685,995	\$ 4,092,979,347	\$ 49,212,300	\$ 4,043,767,047	\$ 16.46	\$ 4,281,196,422	95.6%
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%

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 2013 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>FY 2004 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Public Service Co of NH	Utility	\$ 171,668,017	1	4.25%	\$ 108,459,311	1	3.68%
HCA Health Services of NH Inc.	Hospital	77,596,800	2	1.92%	41,580,700	2	1.41%
TGM Beechstone LLC	Apartments	42,722,200	3	1.06%			
Liberty Mutual Insurance	Office Building	35,433,200	4	0.88%	36,498,500	3	1.24%
Northern Utilities	Utility	27,456,078	5	0.68%			
Service Credit Union	Bank	24,526,300	6	0.61%			
Inishmaan Assoc LTD Partnership	Apartments	23,578,000	7	0.58%	11,045,896	9	0.37%
Bromley Portsmouth LLC	Retail	21,644,000	8	0.54%	18,259,000	7	0.62%
DSQ Holding LLC	Retail	20,976,100	9	0.52%	18,827,700	6	0.64%
Fairpoint	Telephone	19,256,900	10	0.48%	-		
Harborside Assoc.	Hotel				20,257,100	4	0.69%
US Property Investment	Office Park				20,018,400	5	0.68%
325 Corporate Drive II LLC	Office Building				13,910,600	8	0.47%
273 Corporate Dr LLC	Office Building				13,168,400	10	0.45%
Total Principal Taxpayers		<u>\$ 464,857,595</u>		11.50%	<u>\$ 302,025,607</u>		10.24%
Total Net Assessed Taxable Value		<u><u>\$ 4,043,767,047</u></u>			<u><u>\$ 2,950,510,977</u></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	
2013	\$ 8.55	\$ 5.49	\$ 2.42	\$ 7.91	\$ 16.46	\$ 1.09	\$ 17.55	\$ 16.48
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

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
2013	\$ 7,549,916	\$ 10,389,358	1,577,620	1,020,971	\$ 4.15/5.00	\$ 9.54/10.49	\$ 13.69/15.49
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

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 is 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
2012	\$ 4,238,460,159	\$ 42,736,264	\$ 4,281,196,423	\$ 40,244,948,862	10.6378478%	2013	\$ 43,141,885	\$ 4,426,943	\$ 245,697	5.9%
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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Issued Debt at June 30										
City Depts.	\$ 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	\$ 25,727,000
City-Unamortized Bond Premium							435,321	427,559	1,133,632	1,241,373
Landfill	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	1,310,048
School Dept.	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	52,475,000
School-Unamortized Bond Premium							726,266	655,196	4,240,190	3,900,177
Total Governmental Funds	53,201,194	49,105,288	54,750,384	55,852,476	59,424,571	58,741,665	71,095,347	64,688,610	90,376,774	84,653,598
Water Fund	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	23,037,202
Water-Unamortized Bond Premium							596,597	565,192	533,796	502,396
Sewer Fund	17,821,430	25,016,521	22,868,597	20,850,673	18,832,750	23,289,050	20,814,451	20,336,083	33,813,720	36,705,514
Sewer-Unamortized Bond Premium									772,748	870,421
Total Issued Debt at June 30	\$ 77,716,256	\$ 80,032,913	\$ 83,157,557	\$ 81,914,197	\$ 83,140,841	\$ 104,486,707	\$ 114,534,859	\$ 106,519,266	\$ 145,103,956	\$ 145,769,131
Authorized Unissued Debt June 30										
City Depts.	\$ 7,000,000	\$ 10,000,000	\$ 17,038,000	\$ 17,500,000	\$ 27,500,000	\$ 12,500,000	\$ -	\$ 6,900,000	\$ -	\$ 1,600,000
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	-	3,300,000
Total Governmental Funds	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	9,541,897
Water Fund	\$ -	\$ -	\$ 12,087,440	\$ 11,420,000	\$ 11,420,000	\$ 18,420,000	\$ 18,475,000	\$ 18,162,303	\$ 18,162,303	\$ 13,162,303
Sewer Fund	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	8,706,299
Total Authorized Unissued Debt June 30	\$ 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	\$ 31,410,499
Gross Debt June 30										
City Depts.	\$ 20,875,000	\$ 21,892,000	\$ 36,688,000	\$ 40,365,000	\$ 55,549,999	\$ 42,029,999	\$ 27,820,321	\$ 31,347,559	\$ 28,688,633	\$ 28,568,373
Coakley Landfill	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	5,951,945
School Dept.	36,100,000	34,200,000	32,300,000	30,900,000	29,000,000	27,050,000	63,826,266	61,005,196	60,165,190	59,675,177
Total Governmental Funds	64,843,091	63,747,185	76,430,281	78,494,373	91,566,468	75,883,562	98,237,244	98,730,507	95,018,671	94,195,495
Water Fund	6,693,632	5,911,104	17,626,016	16,631,048	16,303,520	40,875,992	41,100,061	39,656,877	38,303,018	36,701,901
Sewer Fund	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	46,282,234
Total Gross Debt June 30	\$ 121,458,153	\$ 117,174,810	\$ 140,139,948	\$ 139,177,984	\$ 149,904,628	\$ 160,019,596	\$ 179,218,001	\$ 178,719,997	\$ 184,114,455	\$ 177,179,630
Base Value for Debt Limits (1)	\$ 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	\$ 4,238,460,159
Legal Debt Limits (% of Base Value)										
City - 3% (2)	\$ 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	\$ 127,153,805
School - 7% (2)	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	296,692,211
Water - 10% (2)	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	423,846,016
Debt Against Legal Debt Limits										
City Depts.	20,875,000	21,892,000	36,688,000	40,365,000	55,549,999	42,029,999	27,820,321	31,347,559	28,688,633	28,568,373
School Dept.	36,100,000	34,200,000	32,300,000	30,900,000	29,000,000	27,050,000	63,826,266	61,005,196	60,165,190	59,675,177
Water Fund	6,693,632	5,911,104	17,626,016	16,631,048	16,303,520	40,875,992	41,100,061	39,656,877	38,303,018	36,701,901
Exempt from Legal Debt Limits (3)	57,789,521	55,171,706	53,525,932	51,281,936	49,051,109	50,063,605	46,471,353	46,710,366	56,957,615	52,234,179
Total Debt at June 30	\$ 121,458,153	\$ 117,174,810	\$ 140,139,948	\$ 139,177,984	\$ 149,904,628	\$ 160,019,596	\$ 179,218,001	\$ 178,719,997	\$ 184,114,455	\$ 177,179,630
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 75,821,150	\$ 82,915,487	\$ 78,066,990	\$ 84,686,312	\$ 66,969,449	\$ 85,318,188	\$ 95,547,402	\$ 89,985,341	\$ 95,181,871	\$ 98,585,432
School Dept.	189,524,351	210,350,804	235,461,643	260,886,395	256,878,712	270,095,770	224,031,753	222,104,904	228,865,987	237,017,034
Water Fund	315,626,869	343,447,187	364,890,617	400,206,659	392,094,639	383,617,965	370,125,681	364,786,122	374,598,663	387,144,115
% of Legal Debt Limits Used										
City Depts.	21.6%	20.9%	32.0%	32.3%	45.3%	33.0%	22.6%	25.8%	23.2%	22.5%
School Dept.	16.0%	14.0%	12.1%	10.6%	10.1%	9.1%	22.2%	21.5%	20.8%	20.1%
Water Fund	2.1%	1.7%	4.6%	4.0%	4.0%	9.6%	10.0%	9.8%	9.3%	8.7%

Data Source
Audited Financial Statements

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

City of Portsmouth, New Hampshire

Ratios of Outstanding Debt by Debt Type

Last Ten Fiscal Years

Governmental Activities - General Obligation Debt

Fiscal Year	City Depts.	Landfills	School Dept.	Total	% of Debt to Taxable Assessed Value	Debt per Capita	% of Debt to Personal Income
2013	\$ 26,968,373	\$ 1,310,048	\$ 56,375,177	\$ 84,653,598	2.09%	\$ 3,979	10.1%
2012	28,688,633	1,522,951	60,165,190	90,376,774	2.28%	4,262	10.8%
2011	24,447,559	1,735,855	38,505,196	64,688,610	1.66%	3,047	8.5%
2010	27,820,321	1,948,760	41,326,266	71,095,347	1.87%	3,440	9.0%
2009	29,529,999	2,161,666	27,050,000	58,741,665	1.55%	2,863	7.7%
2008	28,049,999	2,374,572	29,000,000	59,424,571	1.59%	2,883	8.0%
2007	22,865,000	2,587,476	30,400,000	55,852,476	1.52%	2,684	7.7%
2006	19,650,000	2,800,384	32,300,000	54,750,384	1.76%	2,608	7.8%
2005	11,892,000	3,013,288	34,200,000	49,105,288	1.61%	2,332	7.2%
2004	13,875,000	3,226,194	36,100,000	53,201,194	1.80%	2,527	8.1%

Business-Type Activities - General Obligation Debt

Fiscal Year	Water Fund	Sewer Fund	Total	Debt per capita	% of Debt to Personal Income
2013	\$ 23,539,598	\$ 37,575,935	\$ 61,115,533	\$ 2,873	7.3%
2012	20,140,715	34,586,468	54,727,183	2,581	6.6%
2011	21,494,574	20,336,083	41,830,657	1,970	5.5%
2010	22,625,061	20,814,451	43,439,512	2,102	5.5%
2009	22,455,992	23,289,050	45,745,042	2,229	6.0%
2008	4,883,520	18,832,750	23,716,270	1,151	3.2%
2007	5,211,048	20,850,673	26,061,721	1,252	3.6%
2006	5,538,576	22,868,597	28,407,173	1,353	4.0%
2005	5,911,104	25,016,521	30,927,625	1,469	4.5%
2004	6,693,632	17,821,430	24,515,062	1,165	3.7%

% of Debt

Fiscal Year	Total Debt Primary Government	to Assessed Value	Debt per capita	% of Debt to Personal Income
2013	\$ 145,769,131	3.6%	\$ 6,852	17.4%
2012	145,103,956	3.7%	6,843	17.4%
2011	106,519,266	2.7%	5,017	14.0%
2010	114,534,859	3.0%	5,542	14.5%
2009	104,486,707	2.8%	5,092	13.7%
2008	83,140,841	2.2%	4,034	11.2%
2007	81,914,197	2.2%	3,936	11.3%
2006	83,157,557	2.7%	3,961	11.8%
2005	80,032,913	2.6%	3,801	11.8%
2004	77,716,256	2.6%	3,692	11.9%

City of Portsmouth, New Hampshire

Direct and Overlapping Governmental Activities Debt As of June 30, 2013.

	<u>End of Calendar Year</u>	<u>Net General Obligation Debt Outstanding ⁽¹⁾</u>	<u>Percentage Applicable to Portsmouth ⁽²⁾</u>	<u>Amount Applicable to Portsmouth</u>
Rockingham County	2012	\$2,315,536	10.6378478%	\$ 246,323
			Subtotal, Overlapping Debt	<u>246,323</u>
City of Portsmouth Direct Debt				<u>84,653,598</u>
Total Direct Debt and Overlapping Debt				<u><u>\$ 84,899,921</u></u>

Data Sources:

⁽¹⁾ Rockingham County Audited Financial Statements are for calendar year-end, therefore, this amount is as of December 31, 2012.

⁽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
2013	21,273 ⁽¹⁾	\$ 836,964,912	\$ 39,344 ⁽⁵⁾	4.0%	5.2%	7.1%
2012	21,206 ⁽¹⁾	834,328,864	39,344 ⁽⁵⁾	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%

Data Sources:

- ⁽¹⁾ NH Office of Energy and Planning population estimates.
- ⁽²⁾ Trended amounts based on 2002-2005 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.
- ⁽⁵⁾ U.S. Census Bureau-American Community Survey 5-Year Estimates.

City of Portsmouth, New Hampshire

Principal Employers Current Year and Nine Years Ago

Employer	Type of Business	2013			2004		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
HCA Hospital	Hospital	1,079	1	3.72 %	1,040	2	3.78 %
Liberty Mutual	Insurance	1,013	2	3.49	1,800	1	6.55
US Dept of State, National Passport Center	Passport services	736	3	2.53	259	8	0.94
Lonza Biologics	Biotechnology	727	4	2.50	390	5	1.42
City of Portsmouth (FTEs)	Municipal services	700	5	2.41	698	3	2.54
US Dept of State National Visa Center	Visa services	644	6	2.22	215	10	0.78
Bottomline technologies	Software	350	7	1.21			-
John Hancock	Finance	285	8	0.98			-
Erie Scientific/Thermo Fisher	Laboratory equipment	280	9	0.96	310	6	1.13
Newmarket International	Software	258	10	0.89			-
Demoulas Market Basket	Supermarkets				425	4	1.55
Pan Am Airlines/Boston Maine	Airline				300	7	1.09
Shaws Supermarkets	Supermarkets				226	9	0.82
Total Principal Employers		6,072		20.91 %	5,663		20.59 %
Total City Employment (1)		29,040			27,500		

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Taxable property parcels assessed	7,940	7,960	8,045	8,197	8,268	8,299	8,321	8,360	8,457	8,463
Registered Voters	14,197	16,140	16,269	16,618	17,461	19,188	17,945	18,463	13,858	17,047
Votes Cast:										
Municipal Election	4,272		4,078		4,142		3,904		3,654	
State Primary		2,786				2,009		2,812		3,318
State General Election				7,665				8,434		
Presidential Primary	6,013				9,586				4,832	
Presidential General		12,805				13,135				13,215
Building Permits	749	886	913	917	962	833	845	853	866	882
Estimated construction value	\$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	\$54,033,264
Public Safety										
Police										
Service Calls	41,262	36,192	41,843	40,335	38,248	35,931	33,742	31,115	36,782	38,673
Number of Arrests	1,470	1,424	1,435	1,607	1,553	1,361	1,266	1,189	1,137	1,113
Number of Traffic Violations										
Citations	2,192	1,911	2,037	1,424	1,430	1,113	703	703	402	418
Accidents	856	821	796	731	763	773	703	1,057	1,112	1,121
DWI arrests	154	173	129	166	117	131	89	68	51	57
Fire and EMS										
Fire Rescue	2,386	2,287	2,309	2,595	2,287	2,535	2,570	2,472	2,473	2,553
Ambulance	2,379	2,443	2,295	2,332	2,338	2,447	2,562	2,970	3,026	3,134
Education ⁽²⁾										
High School Fall Enrollment	1,113	1,134	1,078	1,091	1,073	1,052	1,072	1,120	1,100	1,129
Public Works										
Parking Enforcement										
Parking violations (Tickets written)	65,283	65,496	70,616	72,674	64,901	62,803	58,291	52,806	57,218	48,357
Solid Waste Tonnage	12,310	12,423	12,277	12,351	11,627	12,719	12,336	12,552	11,393	10,313
Streets resurfaced (miles)	2.08	3.57	3.58	5.45	3.77	4.20	2.80	0.86	6.69	5.75
Human Services - General Assistance										
Number of applicants	645	597	819	700	586	845	681	628	597	684
Culture and Recreation										
Public Library										
Items owned	123,935	126,371	126,973	147,242	133,687	143,545	146,663	155,181	158,138	154,707
Circulation of materials	349,943	344,514	349,290	375,196	443,371	484,735	488,630	476,721	474,687	449,548
Annual visits	260,319	256,464	262,980	271,774	285,495	293,772	455,834	295,682	275,698	295,485
Water System:										
Water main breaks	27	29	29	38	26	32	41	10	27	29
Daily average consumption (millions of gallons)	5.0	4.3	4.9	4.6	4.7	4.4	4.4	4.5	4.6	4.4
Peak daily consumption (millions of gallons)	6.7	6.4	6.6	7.3	5.7	5.3	5.0	5.2	7.1	7.1
Sewage System:										
Daily average treatment (millions of gallons)	4.7	6.2	6.6	6.2	5.6	6.8	6.7	5.9	5.8	5.4

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	29	30	31	31	30	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	17	17	18	18	18	19	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	105	105	105	105
Number of street lights	1,758	1,758	1,758	1,758	1,758	1,758	1,705	1,705	1,705	1,705
Number of bridges	16	16	16	16	16	16	15	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	2	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	10	10	10	10	10	10	10	10	10	10
Water system:										
Miles of water mains	175	175	175	175	175	175	175	175	175	176
Number of service connections	7,804	7,882	7,891	7,856	7,887	7,888	7,915	7,955	7,963	8,035
Storage capacity in gallons (millions of gallons)	9.6	9.6	9.6	9.6	9.5	9.5	9.5	9.5	10.4	10
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	5.0
Number of fire hydrants	1,047	1,046	1,015	1,022	1,072	1,081	1,081	1,087	970	970
Sewage System:										
Miles of sanitary sewers	100	100	100	107	107	107	107	108	108	108
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	6,067	6,153	6,204	6,247	6,252	6,284	6,293	6,310	6,342	6,244
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

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Executive	2.0	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	20.0	19.0	19.0	18.5	18.0	17.8	17.8	17.0	17.6	17.6
Human Resources	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.4	3.4	3.8
City Clerk	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Legal	4.5	4.5	5.5	5.5	5.5	6.0	6.0	5.0	5.0	5.0
Planning	5.1	5.1	5.9	6.1	6.2	6.2	6.2	6.2	5.0	6.0
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	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5
Total General Government	43.1	42.6	44.3	44.0	43.6	44.0	44.0	42.6	42.0	43.4
Public Safety										
Police - Sworn Officers:										
General Fund Funded	64.0	64.3	64.6	64.6	63.6	65.1	64.1	64.0	61.0	59.6
Grant Funded	5.0	4.7	4.4	4.4	4.4	2.9	2.9	1.0	1.0	2.4
Dispatch	5.0	11.0	11.0	10.0	10.0	11.0	10.0	10.0	10.0	10.0
Parking Enforcement	-	-	-	-	-	-	-	-	-	-
Police - Non-sworn employees:										
General Fund Funded	12.2	10.3	9.8	11.2	12.2	12.4	10.4	9.0	9.0	8.9
Grant Funded	0.8	0.8	0.8	0.9	0.9	0.6	0.6	2.0	2.0	2.1
Total Police Department	87.0	91.1	90.6	91.0	91.0	92.0	88.0	86.0	83.0	83.0
Fire and Rescue	59.0	59.0	59.0	59.0	60.0	61.0	61.0	59.0	59.0	60.0
Fire Clerical	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Public Safety	146.0	150.1	149.6	151.5	152.5	154.5	150.5	146.5	143.5	144.5
Education										
Administrators	14.0	14.2	13.1	14.0	14.0	14.1	14.1	14.1	12.2	13.2
Teachers	249.1	251.9	253.5	253.4	253.9	254.7	253.2	241.9	233.9	241.8
Clerical	25.6	24.8	25.3	25.0	23.8	23.3	22.8	22.5	21.7	20.7
Paraprofessional	38.3	47.6	46.5	41.4	41.4	49.1	46.5	40.0	45.4	43.2
School custodians	22.2	23.3	24.3	24.3	24.3	24.3	24.3	23.9	23.9	25.4
Security	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Technicians	5.4	6.7	8.5	7.0	7.0	6.9	6.9	7.8	7.0	7.0
System maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0
Total Education	360.6	375.5	378.2	371.0	370.3	378.4	373.8	356.2	349.0	356.3
Public Works										
General Fund functions	57.0	57.0	57.0	60.0	60.0	60.7	60.7	60.7	58.5	58.5
Parking Fund (1)	12.2	12.2	13.2	14.2	14.5	14.5	16.9	16.9	16.9	20.0
Water	24.5	24.8	24.8	24.8	24.8	24.8	24.8	24.3	23.3	22.3
Sewer	23.0	22.8	22.4	23.4	23.4	23.4	23.4	22.8	22.8	24.0
Total Public Works	116.7	116.7	117.3	122.3	122.6	123.3	125.8	124.7	121.5	124.8
Culture and Recreation										
Recreation	8.5	8.5	8.5	8.5	8.5	8.5	7.5	4.5	4.5	5.2
Public Library	15.0	15.0	15.0	15.0	15.0	16.0	15.0	20.2	20.2	21.7
Total Culture and Recreation	23.5	23.5	23.5	23.5	23.5	24.5	22.5	24.7	24.7	26.9
Human Services										
Welfare	2.5	2.5	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5
Total Human Services	2.5	2.5	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5
Community Development										
Community Development	4.6	3.9	4.1	4.0	3.9	3.2	2.1	2.1	1.4	1.3
UDAG	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.2
Total Community Development	5.6	4.9	5.1	5.0	4.9	4.2	3.1	3.2	2.5	2.5
Total All Functions	698.1	715.8	719.9	719.3	719.4	730.8	721.1	699.3	684.6	699.9
Percent of Total										
General Government	6.2%	6.0%	6.2%	6.1%	6.1%	6.0%	6.1%	6.1%	6.1%	6.2%
Public Safety	20.9%	21.0%	20.8%	21.1%	21.2%	21.1%	20.9%	21.0%	21.0%	20.6%
Education	51.7%	52.5%	52.5%	51.6%	51.5%	51.8%	51.8%	50.9%	51.0%	50.9%
Public Works	16.7%	16.3%	16.3%	17.0%	17.0%	16.9%	17.4%	17.8%	17.7%	17.8%
Culture and Recreation	3.4%	3.3%	3.3%	3.3%	3.3%	3.4%	3.1%	3.5%	3.6%	3.8%
Human Services	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Community Development	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%	0.4%	0.5%	0.4%	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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